kotak

Never normal

Annual Report 2020-21

Welcome to Kotak Mahindra Bank

We expect more from ourselves, than what others expect of us. This is what helps us create a rewarding and delightful experience for all our stakeholders, while remaining responsible and open to new ideas. Always.

Key highlights of FY 2020-21

60.4%
Current Account and Savings Account (CASA) Deposits (Bank Standalone)

4.5%
Consolidated Net Interest Margin (NIM)

₹9,990 cr
Consolidated Net Profit

Read the report or download at www.kotak.com

Contents

The world has been forced to embrace a pace of change, effecting a seemingly instantaneous generational shift. Almost instantly, almost everyone is online; almost everything is digital. The rules of social engagement have been replaced overnight with new behavioural traits. The ways of life are altered irreversibly.

As we started clawing back to the known normal, the pandemic reared its deadly head with more intensity and devastating impact – leading to pronounced disruptions and underscoring the permanence of change. Yet, it was never enough to overwhelm human resilience – as countries, societies and individuals devised new ways to overcome the challenge and emerge stronger. Collectively, we have ensured an unprecedented speed and scale of mass vaccinations, and rolled out economic stimulus to keep the wheels of the world in balance.

This is not the *new normal,* for it is not gradual, nor expected or part of a sequence of logical and long-drawn events. We are now in the *never normal*, where constantly adopting and adapting to rapid change is, well, the norm. This is as true for organisations as it is for individuals.

At Kotak, we have maintained a razor sharp focus on protecting our people, customers and balance sheet while recalibrating our strategies to pivot to emerging opportunities. On the one hand, we are leveraging our strong technology and digital capabilities to deliver seamlessly and manage risk prudently. On the other, we are directing our energy towards newer products, stronger digital backbone and greater customer centricity, making space for infinite possibilities to take root in this *never normal* world.

Powered by a strong governance culture, steered by an experienced management team, we are building the Bank of the future with an agile workforce and a digital-first approach, driving pioneering change in the Indian banking industry.

About Us

Services

Solutions for today and tomorrow

Kotak Mahindra Group (Kotak) is a trendsetter in the Indian banking industry since its inception and continues to contribute to nation-building, as one of India's leading banking and financial services institutions. As the world adapts to a new way of banking, we are fine-tuning our offerings to exceed customer expectations and remain ahead of the curve, by offering tailored solutions to meet evolving customer needs and preferences.

Kotak is one of India's leading diversified and integrated financial services conglomerates, providing a wide span of solutions across banking (consumer, commercial, corporate), credit and financing, asset management, life and general insurance, stock broking, investment banking, wealth management, microfinance and asset reconstruction, encompassing all customer and geographic segments within India. As a group, we also operate in overseas markets through international subsidiaries or branches in key geographies. We are leveraging our expertise and presence to deliver a banking and financial services experience that is contemporary, customised and built for the *not-as-usual* world.

We are a ₹4.8 trillion institution (consolidated assets) with a market capitalisation of ₹3.5 trillion (as on 31st March, 2021).

Kotak universe^

₹4,78,873 cr Total assets	**~₹3,82,000 cr** Wealth, priority and investment advisory relationship value
₹2,78,871 cr Total deposits	**₹2,52,188 cr** Total advances
₹1,16,565 cr* Total investments	**73,000+** Group employees
4,20,000+ Shareholder base	**26 mn+** Number of customers of the Bank

*^All numbers are on a consolidated basis except where stated | *Excludes Policyholders' investments*

Re-engineering customer journeys across ecosystems

Physical footprint

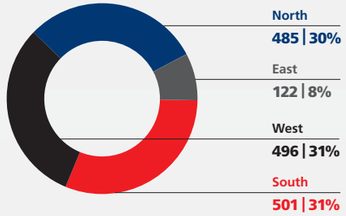
Kotak has a wide distribution network of branches and franchises across India. In addition, we also have an international banking unit in Gujarat International Finance Tec-City (GIFT City), a bank branch in Dubai International Financial Centre (DIFC), and international offices in New York, London, Mauritius, Dubai, Singapore and Abu Dhabi.

Our reach extends beyond our physical network, to a point where anyone in India can open a bank account from the safety and convenience of their homes.

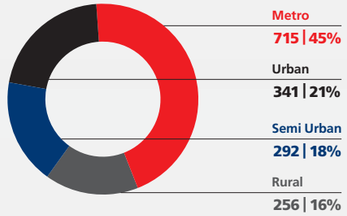
1,604^ Bank branches	**2,598** Bank ATMs
781 Bank Pan-India operating locations	**3,857#** Group branch network in India

^Doesn't include branches in GIFT City and DIFC (Dubai)

Bank branch distribution (No.|%)



Bank branch classification (No.|%)



Group branch network in India

kotak Kotak Mahindra Prime	kotak Life Insurance	kotak Securities	kotak Mutual Fund	kotak General Insurance	BSS Microfinance Limited
114	230	1,450#	87	19	353

#Kotak Securities network includes branches, franchises and referral co-ordinators

17.8 mn Debit cards in force

2.4 mn Credit cards in force

72%↑ Growth in transaction volume on mobile app

10.3x↑ Growth in UPI transactions acquired

94%+ Savings account transactions through digital or non-branch modes

Digital ecosystem

We have designed our digital universe to complement our physical infrastructure and create a seamless experience between the two ecosystems. This drives efficiency and enhances customer experience.

- Fully digital engagement, when services are pull-based (e.g. digital payments, service requests, chatbot and API services, among others)
- Digital assisted by physical where deeper interaction with customers is required (e.g. loan documentation)
- Human-led and digitally-assisted journeys where customers need handholding (e.g. digital branches, automated tellers, home loan origination, biometric account opening)

Our services are available on a wide range of digital channels such as WhatsApp, missed call, chatbot, voicebot, mobile app and kiosk. Information and short videos are made available in English, Hindi and other languages. Bots are deployed to automate services, go paperless and deliver faster.

↑ YoY

Business Model

Driven to deliver

Core strengths

- Integrated financial services conglomerate with a diversified business model
- Robust capital position – amongst the highest in the Indian banking sector
- Healthy asset quality and prudent risk management capabilities
- World-class digital capabilities and technology infrastructure
- Ability to identify and capitalise on opportunities
- Pan-India reach of 3,857 retail distribution points of the Group enabling cross-sell opportunities
- Strong brand and leadership across businesses
- Strong governance culture and an experienced management team
- Average tenure of Kotak's leadership team is 20+ years with the Group

Wide product portfolio

Kotak caters to the diverse financial needs of individuals and the corporate sector. The bold vision that underscores Kotak's growth is an inclusive one, with a host of products and services designed to address the needs of the unbanked and insufficiently banked.

Wholesale banking

- Corporate loans
- Trade finance
- Business banking
- Commercial real estate
- Forex/treasury
- Cash management
- Custody business
- Off-shore lending

Commercial banking

- Agriculture finance
- Tractor finance
- Commercial vehicles
- Construction equipment
- Microfinance

Consumer banking

- Branch banking
- 811
- Home loans and Loan against property (LAP)
- Personal loans
- Consumer finance
- Credit cards
- Priority banking
- Small business loans
- Working capital
- NRI banking
- Gold loans
- Rural housing and Business loans
- Forex cards
- FASTag

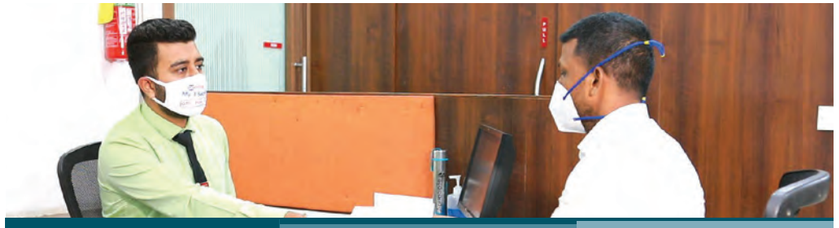
Other financial services

- Wealth management
- Car and 2W loans
- Mutual funds
- Alternate assets
- Off-shore funds
- Life insurance
- General insurance
- Investment banking/DCM
- Broking
- Loan against shares
- Infra debt finance
- Asset reconstruction

Covering a wide cross-section of customers

Organisation structure and culture drives cross-sell and customer cross-buying across various products.

Corporate and Institutional		
	Very large	• Investment banking • Corporate banking products • Transaction banking • Fund and fee based products • Salary products
	Large	
	Emerging corporates	
	Small and medium enterprises (SME)	



Individuals		
	Mass	• 811 • Microfinance
	Mass affluent	• Wealth management • Priority banking • Commercial banking • Consumer loans • Mutual funds • Insurance
	Affluent	
	High networth individuals (HNI)	

Creating value

For customers

- Offers one of the lowest home loan interest rates starting at 6.65%* p.a. applicable across all loan amounts
- Launched Cardless Cash Withdrawals and 'ATM on Wheels' in six metro cities
- Launched end-to-end digital processing with online disbursal of personal loans for existing Bank customers and end-to-end sanction process for home loans
- Launched zero-contact, completely digital and paperless video KYC account opening process for Kotak 811 savings account
- Launched end-to-end digital 811 #DreamDifferent secured credit card for someone with no credit score to help them get their first credit card

For shareholders@

₹3,47,416 cr ↑ 40%
Market capitalisation^

₹426.0 ↑ 22%
Book value per share

₹50.5 ↑ 13%
Earnings per share (EPS)

12.8%
Return on equity (ROE)

For employees

- Kotak Mahindra Bank has been certified as a **'Great Place to Work'** by GPTW# institute
- Women employees account for nearly a quarter of our Bank workforce
- Provided logistical and financial support across locations for smooth WFH experience
- **1.9 million man-hours** of training in FY 2020-21; this includes Instructor-led workshops, online self-pace learning and external certifications

For community

₹201.2 cr
Group CSR expenditure

- Improving employability and promoting inclusiveness (emphasis on women empowerment)
- Supporting under-privileged communities:
  - Education and Livelihood (emphasis on girl child, physically disabled and mentally challenged children and young adults)
  - Healthcare (emphasis on cancer treatment and palliative care)
  - COVID-19 Relief (protect lives and livelihood)

*Terms & Conditions apply | @all numbers are on consolidated basis | ^as on 31st March 2021 | ↑ YoY growth | #Great Place to Work Institute

Business Overview

Robust performance through the year

Consumer Banking
Kotak Mahindra Bank Limited

12.8%↑
Growth in Home Loan and Loan Against Property portfolio

111%*
Increase in monthly active users on WhatsApp Banking

91%
CASA and TDs below ₹5 crore as a percentage of total deposits

Role
Provides a complete bouquet of deposits, transaction services and lending products for retail customers, small businesses, NRIs and retail institutions, backed by innovative, digital-first solutions.

Key highlights
- Pursued an aggressive home loan acquisition strategy by offering customers a very competitive interest rate, a superior product proposition and the convenience of an instant in-principle sanction on Kotak Digi Home Loans
- Enabled employees, both in service and relationship roles, with virtual engagement capability to ensure continuity of connect with customers
- Maintained focus on building a stable, retail deposit base through Current Account and Savings Account (CASA) and Term Deposits

Commercial Banking
Kotak Mahindra Bank Limited

11.5%↑
Growth in commercial banking loan book

Role
Plays a significant role in meeting financial inclusion goals and financing deep into 'Bharat'. Finances food and agro-processing segments, tractors, commercial vehicles, construction equipment, small and medium enterprises and microfinance.

Key highlights
- One of the leading players in the tractor finance business with widespread national coverage. Past investments in digital processes helped maintain market share and provide a superior experience to customers, despite pandemic-led disruptions
- Expanded presence in the Construction Equipment Finance business to new locations, especially in retail
- Introduced short tenure gold loans with higher loan-to-value ratio for customers with high credit discipline

Wholesale Banking
Kotak Mahindra Bank Limited

Despite being a disruptive year, witnessed one of its lowest credit costs in recent times

Strong momentum continued across non-credit income streams such as current account deposits, debt syndication and foreign exchange

Role
Caters to the diverse needs of businesses across various sizes and types. Comprehensive suite of offerings includes working capital financing, medium term finance, export credit, transaction banking, custody services, debt capital markets, foreign exchange and treasury services.

Key highlights
- Asset volumes, which were muted in H1 given the Bank's conservative approach during the peak COVID-19 period, saw a rebound in H2 as economic activity resumed and risk perceptions receded
- The focus on risk-return metrics like Risk Adjusted Return on Capital (RaRoC) and Economic Value Add (EVA) have led to favourable outcomes and helped business profitability
- Integrated Corporate and Investment Banking approach to top-tier corporates led to deeper relationships and better share of wallet from these clients
- Continued its investments in technology projects aimed at implementing new digital processes to improve client delivery and address client requirements

*↑YoY | *March 2021 vs. March 2020*

Custodial Services
Kotak Mahindra Bank Limited

Maintained momentum in the domestic business with a number of marquee PMS and AIF clients and a few large family office clients on boarded

Opened the first bank account for an AIF at Kotak's GIFT City branch. Expect increased interest in GIFT City as an upcoming Fund jurisdiction

Role
One of India's largest local custodians and a leading provider of custody, clearing and fund accounting services. Caters to domestic as well as overseas asset managers from jurisdictions like the Middle East, North America, Europe, United Kingdom, Mauritius and the Far East region. Services Foreign Portfolio Investors (FPI), Foreign Direct Investment (FDI) and Private Equity clients, Alternative Investment Funds (AIF), Portfolio Management Services (PMS), Family Offices, Domestic Insurance and Mutual Fund companies.

Key highlights
- Demonstrated healthy growth despite multiple lockdowns in India and key global jurisdictions
- Stood by clients by providing continuous support during the lockdown, with minimal impact operationally on client transactions

Wealth Management
Kotak Mahindra Bank Limited

51%
Manages wealth for 51% of India's top 100 families

(Source: Forbes India Rich List 2020)

Role
Offers a comprehensive and holistic platform covering the entire gamut of financial services for its UHNI and HNI clients comprising entrepreneurs, business families and professionals. Continuously strives to be the preferred trusted partner for its client families for all their diverse wealth creation and preservation needs.

Key highlights
- With over 20 years of experience in the wealth management industry, has seen different market cycles and maintained its leadership position due to an in-depth understanding of markets, asset classes and client requirements
- Expedited the digital transformation journey to ensure business continuity. This is now a central part of the overall business strategy, focusing on client-centricity and enhancing overall customer experience
- Against the backdrop of COVID-19, Kotak Group increased client engagement in the space of succession planning, family office and philanthropy

Asset Recovery
Kotak Mahindra Bank Limited

5
Buyout transactions executed*

Role
Looks at potential turnaround cases on the basis of genuine borrower profile, backed by commensurate cash flows and collaterals. Among few banks that provide vital financing required for getting stressed companies back to mainstream banking.

Key highlights
- The bank adapted to the pandemic situation by closely monitoring and sparing no efforts in resolving the stressed accounts with empathy and compassion

Car and Two-Wheeler Loans
Kotak Mahindra Prime Limited

14
Branches added for the car and two-wheeler financing business to extend reach

Role
Offers loans for the entire range of passenger cars, multi utility vehicles, pre-owned cars and two-wheelers. Provides complete financing solutions through a single window to car dealers for their working capital and infrastructure setup requirements in the form of inventory funding and term loans.

Key highlights
- Partnered with a leading manufacturer on their digital platform for a do it yourself (DIY) journey, enhancing customer experience when availing finance

**Retail assets portfolio purchased by the Bank has been considered as a single portfolio*

Business Overview

Lending NBFC
Kotak Mahindra Investments Limited

15.7%↑
Growth in Net Customer Assets

0.57%
Net NPA
(0.67% as at 31st March, 2020)

Role
Lends to the real estate and other sectors, provides structured financing and holds strategic investments. The real estate division lends to developers across the entire spectrum – residential, commercial and retail. The structured finance team offers a trusted and dedicated platform with expertise in structuring complex transactions, thereby broadening access to capital.

Key highlights
- Ensured a healthy asset book, driven by deep understanding of the real estate sector
- Strong understanding of regulations and credit risk has helped in better structuring of transactions in the Corporate Lending book
- Maintained high capitalisation levels and ability to access low-cost capital

Infrastructure Financing
Kotak Infrastructure Debt Fund Limited

₹734.9 cr
Customer Assets

Role
Leading infrastructure debt financing company that provides long-term finance to infrastructure projects and has forged relationships with multiple infrastructure developers.

Key highlights
- Continued to be judicious about credit underwriting and selection of customers

Stock Broking
Kotak Securities Limited

69%↑
Increase in client acquisition

9.3%
Market share in cash segment (excluding BSE Derivative and Proprietary Segments)

5x↑
Growth in Margin Trading Facility (MTF) book

Role
One of the largest stock broking firms, offering services to retail and institutional investors across the Indian markets. Wide array of services including investment options in equities, derivatives (equities, commodities, currency) and mutual funds. Also provides research services, margin trade funding, depository services and third-party products like insurance.

Key highlights
- Launched a competitive brokerage plan for intraday and derivative traders called the Trade Free Plan in November 2020. Clients can open free Do-It-Yourself (DIY) accounts and begin trading in just 60 minutes
- Enabled investments in the US stock market with its Global Investing Platform
- Improved digital engagement with clients through the 'next best action' engine - after building a single-view-of-customer, personalised campaigns are crafted basis the client's portfolio, trading patterns and market events using either heuristics or sophisticated AI/ML models
- Launched a new Direct Mutual Fund Platform that enables clients to invest in mutual funds through the direct route at a lower expense ratio

Institutional Equities
Kotak Securities Limited

59
New institutional investors (global and local) added

Role
A leading institutional broker in India, catering to both global and domestic institutional equity investors. Offers comprehensive services including top-ranked equity research, trade execution in cash equities and equity derivatives and corporate access. Also executes equity capital market transactions such as IPOs/ QIPs/ OFS/ blocks.

Key highlights
- Strong profit growth led by robust growth in revenues across segments (cash, derivatives and ECM) and moderate increase in costs
- Executed 28 equity capital market transactions

Investment Banking
Kotak Mahindra Capital Company Limited

#1
Ranking in IPOs of over ₹1,000 crore, having led 8 out of 10 of such IPOs. Enjoyed a 64% market share across all Equity Capital Market (ECM) transactions

(Source: Prime Database)

Role
Leading investment banking firm with leadership across capital markets and advisory products.

Key highlights
- Advised on 12 domestic and cross-border M&A transactions with a cumulative value of USD 6.6 billion*
- Raised ₹1,55,580 crore in equity capital market products through 28 issuances including India's largest IPO in FY 2020-21 for Gland Pharma (₹6,480 crore); India's largest-ever capital markets transaction and the world's largest rights issue by a non-financial institution for Reliance Industries (₹53,124 crore); and India's first-ever REIT follow-on transaction for Embassy Office Parks (₹3,685 crore)

Life Insurance
Kotak Mahindra Life Insurance Company Limited

34.2%↑
Growth in Assets Under Management (AUM) (Policyholders')

28.6%
Value of New Business (VNB) Margin

Claims Settlement Ratio

98.5%
Individual

99.4%
Group

Role
Offers a wide range of insurance solutions, both in Individual and Group platforms, addressing various life-stage needs of consumers. With a customer-first approach, offers a superior value proposition across all stages – from policy purchase to claim and maturity settlement. Continuous product innovation is aligned to evolving customer needs.

Key highlights
- Corporate credit rating of 'CCR AAA/Stable', reaffirmed by CRISIL
- Strong new business margins
- Achieved 13th Month persistency ratio of 89.61% (on premium), which is one of the best in the industry
- Consistently demonstrated superior fund performance
- Announced a 41% (YoY) increase in bonus, amounting to Rs 591 crore, for eligible participating policyholders
- Launched a fixed benefit health plan 'Kotak Health Shield' with features like providing coverage on critical illnesses, while also offering financial protection against personal accidents – death or disability
- Extensive digital adoption across the areas of sourcing, underwriting, customer servicing and engagement, and process efficiencies

↑ YoY

**Not considering deals where values have not been disclosed / ↑ YoY*

Business Overview

General Insurance

Kotak Mahindra General Insurance Company Limited

25.6%↑
Growth in Gross Written Premium (GWP)

67.0%
Loss Ratio

Role

Caters to the growing non-life insurance needs of individuals and businesses. Expanded the product portfolio to offer pandemic-related COVID-19 products in addition to existing solutions covering private and commercial vehicles, health, home and commercial insurance.

Key highlights

- Among the youngest general insurers to achieve breakeven in FY 2020-21, within 5 years of going live
- Ranked No. 1 in the industry in terms of least number of complaints received to policies issued
- Maintained a well-diversified product mix with 52% Motor and 48% Non-Motor business in FY 2020-21

Mutual Fund

Kotak Mahindra Asset Management Company Limited

5th
Largest Fund House in the country in terms of QAAUM* as on 31st March, 2021

125%↑
Growth in Assets Under Management (AUM) through the website

Role

Offers schemes that cater to investors with varying risk-return profiles. Diversified product portfolio across a wide range of equity, debt and exchange-traded funds (ETFs).

Key highlights

- One of the fastest-growing AMCs in the country
- Launched products across ESG investing, international equities and real estate markets
- Conducted more than 2,500 webinars and reached out to more than 2.2 lakh investors and distributors collectively to ensure business continuity during extreme volatile markets
- Launched a simplified version of digital KYC based on Aadhaar OTP, which will significantly reduce steps for onboarding new investors

Pension Fund

Kotak Mahindra Pension Fund Limited

58.6%↑
Growth of Assets Under Management (AUM)

Role

Appointed as a Pension Fund Manager (PFM) by the Pension Fund Regulatory and Development Authority (PFRDA) in April 2009. Manages nine diversified schemes across asset classes.

Key highlights

- The general business environment has been good for Pension Funds with the industry keeping up the momentum in line with the previous financial year

Alternative Assets

Kotak Investment Advisors Limited

USD 4.7 bn
Funds raised/managed/advised as on 31st March, 2021

Role

Manages/Advises funds across six verticals – Private Equity, Realty Fund, Infrastructure Fund, Listed Equity Strategies, Special Situations Credit Fund and Investment Advisory: Private Clients – all led by independent investment teams. Develops and invests in unique and interesting investment opportunities relevant to the Indian markets and financing requirements of businesses.

Key highlights

- Raised a USD 380 million fund from marquee international institutional investors to invest in the Indian real estate credit space
- Among select managers in India to have raised one of the largest dedicated real estate financing funds in recent times, particularly during the COVID-19 pandemic
- Deployed significant capital across six portfolio investments from Kotak Special Situations Fund (KSSF) across real estate, chemicals, technology, cement and pharmaceuticals
- KSSF also acquired Prius Commercial Projects Private Limited (Prius), its maiden investment under the Insolvency and Bankruptcy Code (IBC)
- Announced a strategic partnership with Allianz Investment Management SE to invest in the Indian private credit space
- Appointed Rajnish Kumar, former Chairman of State Bank of India (SBI), as an exclusive advisor for its USD 1 billion KSSF
- India Whizdom Fund II (IWF-II) raised ₹364 crore to primarily invest in mid and small cap companies
- The Investment Advisory business was instrumental in pushing progressive portfolio approaches like international investing, ESG benchmarking and factor based investing to its heterogeneous mix of clients

International Business

- **Kotak Mahindra (UK) Limited**
- **Kotak Mahindra (International) Limited**
- **Kotak Mahindra Inc.**
- **Kotak Mahindra Asset Management (Singapore) Pte. Limited**
- **Kotak Mahindra Financial Services Limited**

USD 3.9 bn
Assets Under Management (AUM)

Role

International subsidiaries with offices in New York, London, Dubai, Abu Dhabi, Mauritius and Singapore. Key businesses include:

- India bound Asset Management, Investment Advisory and Alternate Assets
- India bound Institutional Equities and Prime Brokerage
- Global Bond Trading and Proprietary Investments
- International Wealth Management for private clients

Key highlights

- The AUM of Kotak's flagship fund in the United States: Alps – Kotak India Growth Fund increased to ₹2,500 crore (USD 342 million) as at 31st March, 2021
- Fresh flows/mandates totalling USD 200 million were won near the end of FY 2020-21, with revenues to begin in early FY 2021-22

Microfinance

Kotak Mahindra Bank Limited and BSS Microfinance Limited

7.5 lakh+
Women customers have outstanding loans as on 31st March, 2021

Role

Active in the microfinance sector for over a decade. Kotak Mahindra Bank's approach to mainstreaming financial inclusion involves a four-pronged strategy – 1) directly reaching borrowers through its wholly-owned subsidiary, BSS Microfinance 2) reaching out to borrowers through business correspondents 3) lending to microfinance institutions (MFIs) for on-lending and 4) investing in securitised papers for loans originated by MFIs.

Key highlights

- Provided credit facilities to 30 MFIs, enabling them to on-lend
- Maintained healthy asset quality despite the disruptions in the economy due to COVID-19

*↑ YoY | *Quarterly Average Assets Under Management*

Key Performance Indicators

Sustainable value creation

All numbers are on a consolidated basis except where stated

Profit and Loss

Net interest margin (NIM) of 4.5% for FY 2020-21, reflects our strategic focus centred around risk adjusted returns and our ability to evaluate and appropriately price risk.

Net Interest Income
(₹ in crore)

16% CAGR

FY 17	10,867
FY 18	12,664
FY 19	14,645
FY 20	17,574
FY 21	19,853

Operating Profit
(₹ in crore)

19% CAGR

FY 17	8,281
FY 18	10,183
FY 19	11,621
FY 20	13,980
FY 21	16,428

Net Profit
(₹ in crore)

19% CAGR

FY 17	4,940
FY 18	6,201
FY 19	7,204
FY 20	8,593
FY 21	9,990

Earnings Per Share (EPS)
(₹)

17% CAGR

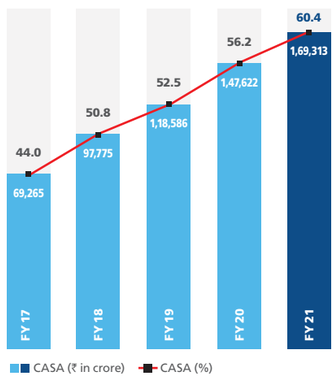
FY 17	26.9
FY 18	32.7
FY 19	37.6
FY 20	44.7
FY 21	50.5

Operational

A high CASA ratio has significantly contributed in lowering our cost of funds.

Current Account and Savings Account (CASA) Balances (Bank standalone)

25% CAGR



Deposits
(₹ in crore)

16% CAGR

FY 17	1,55,540
FY 18	1,91,236
FY 19	2,24,824
FY 20	2,60,400
FY 21	2,78,871

Advances
(₹ in crore)

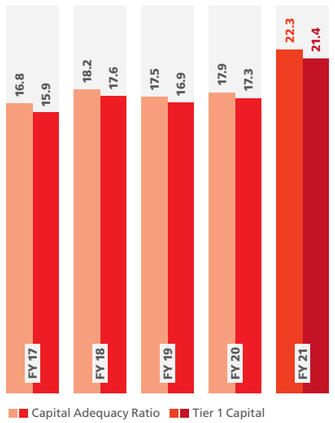
11% CAGR

FY 17	1,67,125
FY 18	2,05,997
FY 19	2,43,462
FY 20	2,49,879
FY 21	2,52,188

Balance Sheet

Our strong capital adequacy position not only protects us against risks during adversity, but also positions us well for growth.

Bank Capital Adequacy Ratio and Tier 1 Capital
(%)



Capital & Reserves and Surplus
(₹ in crore)

22% CAGR

FY 17	38,491
FY 18	50,486
FY 19	58,280
FY 20	67,134
FY 21	84,836

Total Assets
(₹ in crore)

15% CAGR

FY 17	2,76,188
FY 18	3,37,720
FY 19	3,95,171
FY 20	4,43,173
FY 21	4,78,873

Valuation

Our market capitalisation has grown 2.2x in the last five years and our price-to-book (P/B) stood at over 4.1x, demonstrating the continued confidence and trust that investors have in our brand.

Book Value Per Share
(₹)

19% CAGR

FY 17	209
FY 18	265
FY 19	303
FY 20	348
FY 21	426

Market Capitalisation
(₹ in crore)

21% CAGR

FY 17	1,60,563
FY 18	1,99,674
FY 19	2,54,723
FY 20	2,47,939
FY 21	3,47,416

2.2x
Growth in market capitalisation in the last five years

4.1x
Price-to-book (P/B) as on 31st March, 2021

Group Companies

Our subsidiaries and associates contributed 30% of the consolidated Profit after Tax (PAT) for FY 2020-21, reflecting the diversity of our business model.

Total Assets Under Management
(₹ in crore)

23% CAGR

FY 17	1,41,336
FY 21	3,23,762

Kotak Securities – Average Daily Volume (ADV)^
(₹ in crore)

40% CAGR

FY 17	8,655
FY 21	33,062

Kotak Life Insurance – Gross Written Premium
(₹ in crore)

21% CAGR

FY 17	5,140
FY 21	11,100

Kotak Mahindra Asset Management – AAUM# - Equity
(₹ in crore)

42% CAGR

FY 17	19,968
FY 21	81,401

Environmental and Social

The aspects of sustainability, concern for climate change and social good have been ingrained within business functions at Kotak, and have been an important consideration on which our products, services and processes have been built over the years.

1,188 tCO_2e
Emissions avoided by the Bank (large offices)

~99,200
Beneficiaries of CSR Projects on Education and Livelihood

~5,33,000
Beneficiaries of CSR Projects on Healthcare

5-Year CAGR

5-Year CAGR | ^excluding BSE Derivatives and Proprietary Segments | #Average assets under management

Message from Uday Kotak

Never normal

2020 was a year unlike any that we have seen. And while 2021 brings with it a fair degree of hope and optimism, I believe that we must embrace living in a world where the *new normal* and *never normal* coexist.

Uday Kotak
Managing Director & CEO

The Never Normal World

We have leapfrogged five years in the span of a year

The dictionary defines normal as usual, regular, conforming to a type, standard or pattern. Humankind is hard-coded to seek the assurance and security such patterns promise, even a new normal, if you will, to which we can adapt and grow accustomed to. But a *never normal* world, one that is unpredictable and does not fit patterns, is a new planet of challenges and opportunities.

2020 was a year unlike any that we have seen. And while 2021 brings with it a fair degree of hope and optimism, I believe that we must embrace living in a world where the *new normal* and *never normal* coexist.

Look around us. And what is clear is that the pandemic has resulted in some everlasting changes in the way consumers and businesses will function. There are some significant structural changes that are taking place, in the way we live and work, the way we bank, shop and interact with others. When it comes to digital and technology, we have leapfrogged five years in the span of a year, and while there will be some rebalancing when we revert to more in-person interactions, there is no going back completely, with digital extending to almost all aspects of our lives.

The other consequence of the pandemic is the risk of increasing imbalance between the rich and the poor – both when it comes to people and nations.

This poses some important questions. Will the post-COVID world see greater collaboration between nations or will each country retreat into a silo? Will it give a boost to globalisation or increase protectionism? How do we ensure equal growth that embraces all? And from India's perspective, how do we turn this crisis into a significant opportunity for the country and its citizens?

India in the Never Normal

The future belongs to the educated and skilled

The two months of April and May 2021, when COVID 2.0 struck India, served as a reminder of human frailty and vulnerability in a manner that I had never imagined. We must do everything in our power as people and governments to make sure it never recurs.

While India was amongst the hardest hit, the silver lining is that we have a tremendous opportunity before us to turn adversity into success for our people.

Geography is history. We are transitioning to a world where 'location' will be increasingly irrelevant. India's army of talented software engineers, analysts, consultants can provide their services to the world sitting in India. And for a service economy like India's, this can be a boon. India can be the front office as well as back office of the world.

However, for India to harness this opportunity fully, what is critical is that we redouble our efforts in education. We have to make good the year that so many of our children have lost to the pandemic. More importantly, we have to make structural changes in our educational system to improve the quality of education imparted, invest in teachers and upgrade teaching infrastructure.

The future belongs to the educated and skilled and we owe it to our present and future generations, in particular to those lower down on the socio-economic ladder, to invest in education, aggressively and meaningfully. Education gives us the best chance to bridge the gap and offer a better quality of life to all.

On the same lines, even within the country, I expect COVID-19 will narrow some of the disparities between urban and small town & rural India. With geography no more a significant consideration, people can choose to work from their hometowns and migration to the cities could reduce. This will enable workforce in smaller cities to compete for jobs irrespective of where they are based.

Message from Uday Kotak

You will see a significant shift in our approach, one of greater aggression, one that is even sharper on execution.

Uday Kotak
Managing Director & CEO

India in 2021 is also where we were in 2003, at the early stages of an investment cycle. The growth driver for India will be infrastructure – both physical and social. Investments in physical infrastructure, including internet and broadband connectivity, sharp increase in healthcare spending – building and upgrading healthcare facilities, training doctors and nurses, and education are a *sine qua non.* We have to invest significantly more and move closer to the 3% of GDP mark in healthcare investments over the next 3-5 years.

However, the country cannot lose sight of the importance of sustainability as we pursue our growth priorities. Climate change is a reality and sustainable growth is the future. Profit, people and the planet are closely intertwined such that we cannot focus on one at the expense of the other. We will also see a disproportionate flow of global and domestic capital to companies that adopt and integrate the principles of ESG in their businesses.

Kotak in the Never Normal

From caution to growth conviction

Which brings me to Kotak. As I've said before, our ambition is to continue to build on our vision of a world-class financial services institution that delivers long-term sustainable returns for all its stakeholders. With that in mind and against the backdrop of the pandemic, you will see a significant shift in our approach, one of greater aggression, one that is even sharper on execution.

We will not shy away from taking bolder bets. We have a deep conviction in the India growth story and confidence in our risk management capabilities. And we believe the time is right to experiment more, concentrate on segments that we deem offer the best opportunities for returns and, in the process, support the Indian economy by extending credit, while at the same time providing safety to our depositors.

Our template for growth as always will revolve around risk-adjusted returns. We don't look at either – returns or risk - in isolation. Today we have a much lighter balance sheet and with sufficient capital in our hands, we are ready to grow substantially faster, but on our terms.

The other area that takes precedence for us is higher investments in strengthening our digital and technology platforms and offerings. The future may be uncertain, but we can be confident that it belongs to technology. What was once a support function to business, is now the epicentre around which our businesses will revolve.

Finally, you will see a further shift in our business model towards being even more customer-centric. While customer-first was always the byword that we lived by, the needs of the customer are now even more front and centre. Our model will revolve principally around customers and business decisions will be taken with the customer at the core.

The year gone by

Safety-first

In an extraordinary year, our primary focus was on safety. Safeguarding our employees, customers and partners. Banking is an essential service and we took a number of measures to ensure the seamless delivery of services, while at the same time ensuring a safe workplace environment for all. Our strengths in digital banking allowed customers to bank safely from home.

During the year, we have undertaken a mindset shift to make retail and commercial lending our focus, in addition to the corporate and deposit franchise. For example, we are leveraging our low cost of funds to offer a competitive interest rate on home loans. Home loans give us an opportunity to build a longer-term relationship with customers. And we will get bolder in unsecured retail finance too, for which we've kept our powder dry over the last two years.

From a group perspective, we had multiple engines firing. In FY 2020-21, the subsidiaries contributed 30% to the consolidated Profit after Tax. Stock markets posted a smart recovery and then some, and this was reflected in the performance of Kotak Securities and Kotak Mutual Fund.

Kotak Life Insurance put in a strong performance with AUM (Policyholders') growing 34% YoY. Over ₹30,000 crore of funds were raised via IPOs in FY 2020-21 and Kotak Investment Banking was the banker to many of the marquee issues. Kotak Special Situations Fund invested in six stressed/special situations opportunities during the year across sectors like real estate, chemicals, technology, cement and pharma.

While India was amongst the hardest hit, the silver lining is that we have a tremendous opportunity before us to turn adversity into success for our people

As a financial services institution, Kotak is well-positioned to take on the future with more than adequate capital in our arsenal, a nimbler balance sheet and a more assertive attitude

From a group perspective, we had multiple engines firing. In FY 2020-21, the subsidiaries contributed 30% to the consolidated Profit after Tax

There will be a premium on sustainable growth. Growth that is inclusive and that takes into account the environment, is socially responsible and scores high on governance and ethics

Looking Ahead and Beyond

Doing good and doing well go hand in hand

At this critical juncture, we have to redefine our priorities. Growth cannot be just for a select few. Inclusion is our responsibility as well as a business imperative. There will be a premium on sustainable growth. Growth that is inclusive and that takes into account the environment, is socially responsible and scores high on governance and ethics. Doing good and doing well go hand in hand.

For the financial sector, the disproportionate importance of risk management has come to the fore. The ability to price risks well and having superior underwriting skills is core to the success of a financial services institution.

The industry also needs to stop postponing the inevitable and kicking the can down the road. Upfront action with an eye on enduring, sustainable growth, not swayed by quarterly, short-term results is a must for the future of a healthy Indian financial sector.

Banks also need to be relevant for the future. The winds of change are blowing and banks need to reinvent themselves. Customer-focus and Digital-first are the keys to survival and growth.

As a financial services institution, I believe that Kotak is well-positioned to take on the future with more than adequate capital in our arsenal, a nimbler balance sheet and a more assertive attitude.

I express my deepest gratitude and appreciation to all the COVID warriors who have delivered exceptional service in such trying circumstances. This includes members of the Kotak family who have tirelessly put others before self – both on the job and off it.

We are in for exciting times ahead. The old maxim "Change is the only constant" could well have been written for 2021 and beyond.

I wish you peace, prosperity and good health.

Uday

Mumbai
20th July, 2021

Board of Directors

Steering Leading in the right direction


Prakash Apte
Non-Executive Chairman (Independent)


Farida Khambata
Independent Director


Uday Chander Khanna
Independent Director


Uday Shankar
Independent Director


Ashok Gulati
Independent Director


C Jayaram
Non-Executive Director


Uday Kotak
Managing Director & CEO


Dipak Gupta
Joint Managing Director


KVS Manian
Whole-time Director


Gaurang Shah
Whole-time Director

Know more about our Board of Directors
Page 186

Protecting our stakeholders

FY 2020-21 was a year when safety and security became a top-of-the-mind phenomenon for countries, businesses and individuals alike. The world was not prepared for the kind of risks it faced and, as a result, priorities changed overnight with protecting families, lives and livelihoods trumped everything else. For us at Kotak, it has been no different, as we placed protecting our community, customers, employees and the Bank at the top of our to-do list, in a #neverbefore scenario that, hopefully, we face #neveragain.

Protecting Communities

Beginning March 2020, we recalibrated our CSR efforts and designed multiple projects to support communities that were most vulnerable to severe adverse impact of the pandemic.

Cooked meals and dry ration kits

Distributed cooked meals and dry ration kits to support impoverished and marginalised communities in metros, towns and villages.

Kotak Karma Campaign Gratitude

Led entirely by children, young Indians and employees, the initiative raised funds for COVID-19 relief work. The Bank contributed an equal amount of the funds raised, doubling the impact of the initiative.

'Protect the Protector'

The project created to distribute protective gear among frontline workers (doctors, nurses, police personnel, among others).

Direct financial assistance

To people who lost jobs or income. Continued financial assistance to school teachers who teach children in communities where parents are unable to pay fees due to COVID-19 impact.

#SaavdhanVishram

We launched a public service message on social distancing and encouraging society at large to stay-at-home through our inspiring #SaavdhanVishram music video.

Protecting Customers

We ensured seamless banking services for our customers through various means and innovative ways.

Uninterrupted access

As an essential service provider, we ensured that our customers had complete access to their finances, while striving to maintain all safety protocols.

Securing transactions and data

With the increased use of digital channels for onboarding, payment and engagement, we took a number of steps in the area of cyber security to ensure that customers' transactions and data remained safe and private, even as they switched from the physical to the digital world.

New ways of banking

We rolled out and scaled up communication to handhold and educate customers in the use of digital banking platforms wherever possible.

Alleviating financial stress

In order to ease the financial stress faced by our customers due to the pandemic, we extended moratorium on loan repayments, facilitated loan restructuring and provided lending support through the Government's Emergency Credit Line Guarantee Scheme (ECLGS).

Call centres on call

Our call centres remained operational throughout the pandemic and lockdown, with some staff working from home during the lockdown period and several of them returning to Bank premises when conditions improved.

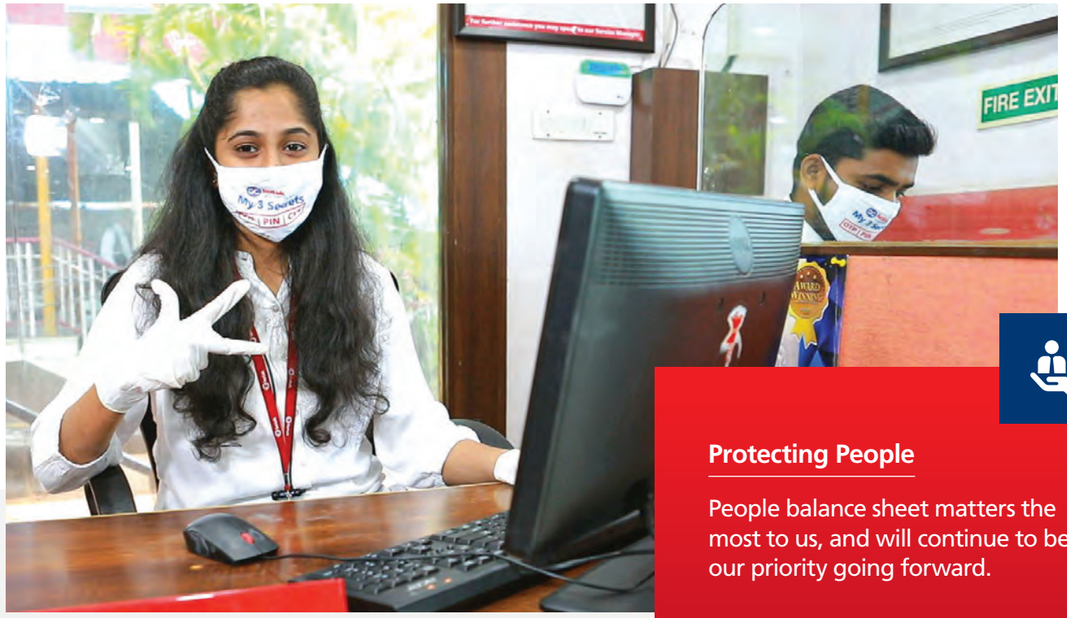
Cash-on-wheels

We rolled out mobile ATMs in major metros to give increased access to cash without customers having to visit branches/ATMs.

Contactless banking

We supported our customers to transact in a contactless manner by on-boarding them through zero-contact video KYC for Kotak 811 savings account, cardless cash withdrawals, debit and credit card payments via Google Pay using tokenisation process, e-sign and execution of documents, updation of address/ home branch via net banking and created various digital DIY journeys, among others.

Resolute Response



Protecting People

People balance sheet matters the most to us, and will continue to be our priority going forward.

Continuity with safety

We took all possible steps to protect our workforce, including rostering, working with minimal staff presence at branches and offices, implementing COVID-19 appropriate behaviour and protocols, safety kits and lockdown travel allowances, all carried out without affecting customer service.

Stress management

We rolled out numerous initiatives to support our people through testing times. We offered various programmes and platforms to improve mental and physical well-being through access to doctors, nutritionist and professional counsellors (24*7), introduced remote working allowance to cover wi-fi and other work-related furnishing expenses and even a fitness allowance through 'Health to the Power Infinity' programme (#HumFitKotakHit). We carried out a '828' programme to ensure robust work-life balance, announced special leave of 15 days for those who were COVID-19 Positive and reimbursed the cost of COVID-19 tests for employees, and also waived off employees' share in the medical insurance premium.

Emergency response

We created a war room and have put in place a series of emergency measures including tie-ups for medical emergency response services, isolation facilities, doctor consultation and telemedicine services, financial assistance for medical expenses as well as formed internal volunteer teams across the country to assist employees and their families with critical resources.

Financial support

We offered special financial assistance of up to ₹5 lakh per employee to needy COVID-19 infected employees and their immediate relatives to support emergency medical expenses, pending medical insurance approvals, on a case-to-case basis.

People balance sheet over financial balance sheet

We instituted comprehensive remote working policy to protect employees during the pandemic. Also, employees were permitted to work from locations different from their base location. Additionally, in May 2021, the Bank asked the vast majority of employees not to move out of their houses unless required by law, in an effort to protect lives.

Enduring commitment

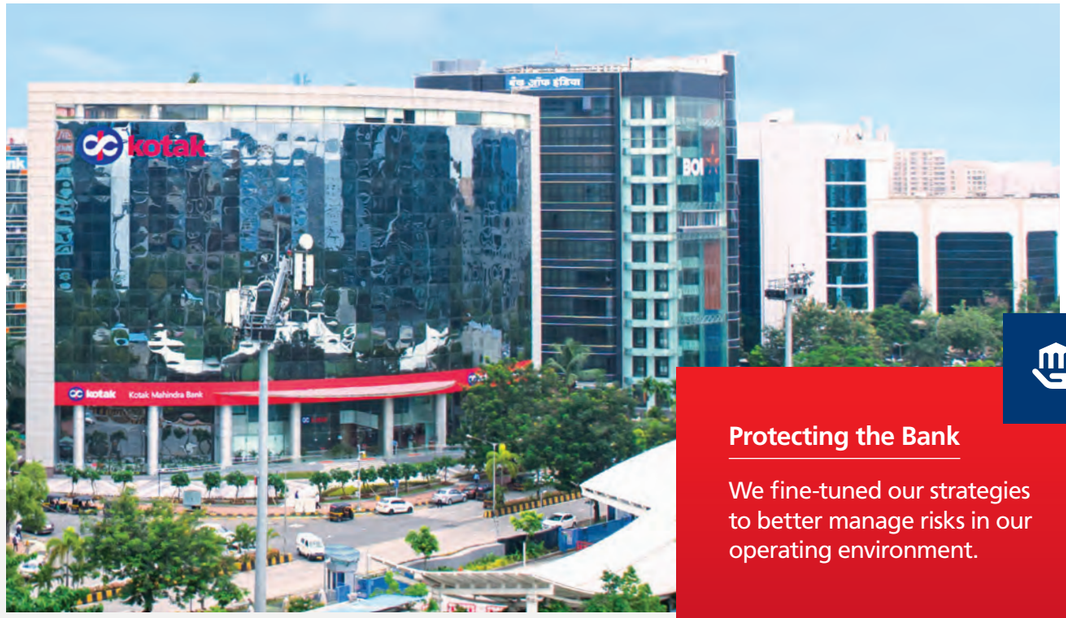
We introduced the Kotak Pandemic Benevolent Policy to secure the future of families of those colleagues who lost their lives from 1st April, 2020 and subsequently up to 31st March, 2022. Under this, family members/nominee of those employees who lost their lives (irrespective of the cause of death), will receive full monthly fixed salary for two years, beginning June 2021.

Solidarity and compassion

The family members/nominee of deceased employees, eligible for annual bonus, received the annual year-end bonus for FY 2020-21. Further, Kotak's mediclaim insurance will continue to cover the enrolled spouse and minor children of the deceased employee for FY 2021-22.

Kotak VaxShield

We conducted vaccination drives for employees (free) and their family members (paid) and reimbursed employees who paid for their vaccination.



Protecting the Bank

We fine-tuned our strategies to better manage risks in our operating environment.

Fortifying our Balance Sheet

We realised early in the year, that a fortress Balance Sheet was a key to riding out the storm of uncertainty. We raised ~₹7,400 crore of equity capital in May 2020, taking our Bank's capital adequacy ratio to 22.3% as on 31st March, 2021. We were the first Indian bank to raise capital at the outbreak of the pandemic.

In the business of continuity

Our readiness to absorb sudden disruptions and ensure business continuity was stress tested during this time. The fact that we had worked on it for the past many years held us in good stead and we could transition smoothly as a result.

Making the Bank work from home

The sudden shift to remote working (and its continued applicability in the future) meant that we had to significantly scale up our digital infrastructure including ramping up cyber security to make WFH a safe and delightful employee experience.

Playing it safe

Protecting capital was a key priority for us. We tightened our credit policies, exercising greater caution in lending during the first half of the year. We balanced the outcome of this caution with enhanced focus on treasury assets. For example, the unsecured retail advances (including microfinance loans and consumer durables loans) was 5.8% of net advances as at 31st March, 2021, down from 7.5% as at 31st March, 2020.

Quality assets continues to be our '*mantra*'

We focused on keeping our asset quality in excellent shape, to be ahead of the queue for future opportunities.

₹1,279 cr

COVID-19 provision as at 31st March, 2021

Megatrends and Strategy

Preparing Ready for next

The banking and financial services industry is undergoing transformative changes powered by digitalisation. COVID-19 has further accelerated digitisation of banking with evolving customer expectations and changing behaviour experienced during the pandemic.

The accelerated digital transformation has helped redefine bank-customer relationships and has placed greater focus on increased customer engagement, on customer centricity and on cost efficiencies driven through a Phygital strategy vis-à-vis the primary branch-centric customer engagement model. The emergence of fintech platforms and smart collaborations with banks is further democratising access, improving convenience and elevating experience, thereby reshaping the banking industry landscape for a digital world.

Megatrends disrupting the banking and financial services space

1 Digitalisation expanding the frontiers of banking

Progressive regulations, policies and digital-first initiatives undertaken by successive governments have increased share of formalised financial services. The roll-out of the JAM (Jan Dhan-Aadhaar-Mobile linkage) trinity has provided a platform where financial services can be accessed by a growing proportion of the population. Events such as demonetisation and the COVID-19 pandemic have further contributed towards faster adoption of digital banking.

The banking industry is undergoing massive digital disruption. Consumers are demanding more efficient ways to complete financial transactions outside of local branches, and the relevance of physical branches will, slowly but steadily, give way to the increased use of digital banking via mobile, computer and other devices. As more consumers transact digitally, speed, security and seamless user experience will remain essential.

Banks will continue to invest in delivery of multiple products and services through an integrated value proposition across acquiring, lending and facilitating transactions.

2 Emergence of new fintechs and new ecosystems

The rise of fintechs specialising in niche areas of banking, including payments, alternative credit, insurtechs, roboadvisors, and the likes, is causing creative disruptions in the traditional ways of accessing financial products and services. Banks are exploring creative and impactful partnerships with fintechs to stay ahead across areas, including areas such as customer acquisition, servicing and experience. Further, these partnerships are strengthening the ability of banks to capitalise on the emerging consumer behavioural changes towards credit, insurance, mutual funds, among others, by implementing innovative underwriting models and creating an omnichannel experience. This is helping bring newer customer segments to experience the gamut of financial services.

3 Reinforcing customer centricity

With the pandemic driving the adoption of contactless services, the focus is on investing in process capabilities and enhancing customer engagement. Banks are investing in customer-centric process capabilities such as paperless and biometric processing, video KYC, etc. Newer channels such as mobile applications, virtual relationship managers, voice bots, and chat bots are increasing customer engagement levels, harnessing the power of data analytics to customise and personalise customer experience in real time, in line with rapidly evolving needs and expectations. The fast adoption of Net Promoter Score (NPS) as a preferred metric for understanding customer requirements and improvement areas, points towards an industry that is keen to listen to the voice of the customer and suitably adapt in order to build long-term, sustainable customer relationships.

4 Focus on cost structures and increasing efficiencies

The pandemic has brought operational efficiency into focus, with increased thrust on lowering operating and credit costs, and maintaining asset quality while expanding reach and balance sheet size. Banks will continue to undertake various measures to consolidate their branch network, leverage partners' capabilities and increase employee productivity (through automation of backend processes and administrative tasks) to deliver profitable growth in a challenging external environment.

5 Sustainable finance gains centre stage

The banking industry has a pivotal role to play in achieving sustainable development. In addition to helping allocate or redirect capital towards economic activities that are a net positive to society, it can also drive behavioural changes among clients and counterparties. In the near future, the ESG lens is expected to play a meaningful role in forming lending decisions, thereby making sustainability a business imperative.

Megatrends and Strategy

Strategies to stay ahead of trends

At Kotak, we have identified nine key strategic drivers to capitalise on the emerging opportunities and mitigate associated risks in an effective manner. Our continued investments in technologies and automation, phygital expansion strategy, partnerships with new-age fintechs, strategic mergers and acquisitions, as well as unwavering focus on corporate governance have enabled us to become a leader in the Indian private bank space. These strategies have not only strengthened our resilience, but have also enhanced our relevance in the face of disruptive changes.

Megatrends disrupting the banking and financial services space

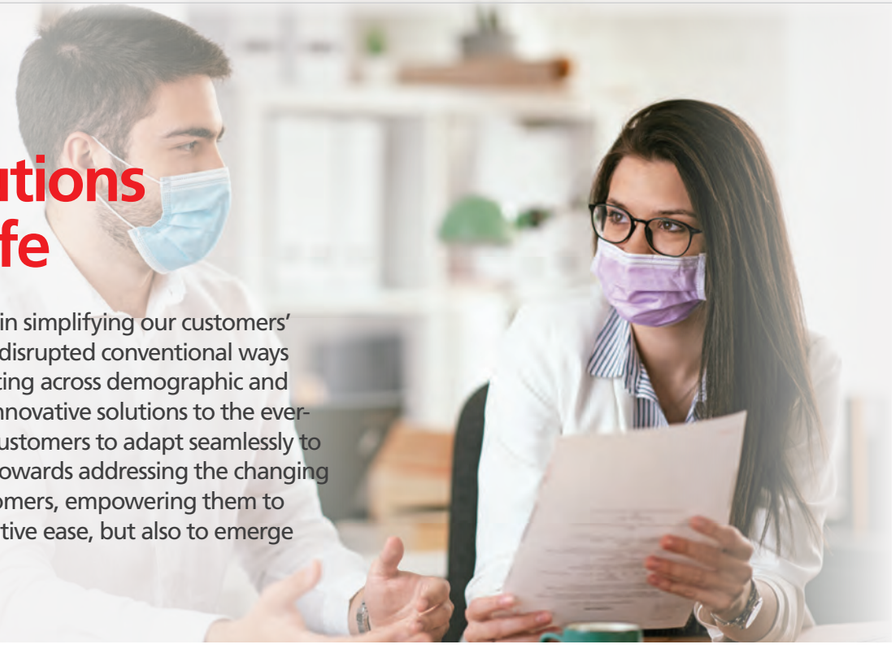
1. Digitalisation expanding the frontiers of banking
2. Emergence of new fintechs and new ecosystems
3. Reinforcing customer centricity
4. Focus on cost structures and increasing efficiencies
5. Sustainable finance gains centre stage

Strategy	Inputs	Output	Megatrends leveraged
Technology leadership to 'run the Bank' and 'change the Bank'	• Investment in emerging technologies • Automation in development and technology operations • Analytics-based reporting and decision making • Modernisation of legacy systems	• Superior customer experience • Higher employee productivity • Stronger regulatory compliance • Improved cyber security • Better risk management	1 2 3 4
Leadership in digital capabilities	• Kotak 811 – digital accounts and loans for the technologically savvy millennial population • Best-in-class internet and mobile banking experience • Partnerships with fintechs • Building ecosystems to provide end-to-end solutions for acquiring customers to lending to facilitating transactions	• Faster customer acquisition across products and services • Customer delight – 'Digital Everything experience' • Cross-selling of multiple products and services resulting in better customer wallet share • Customer WOW	1 2 3
Customer centricity	• Digital customer acquisition • Superior and frictionless customer experience • Data analytics to drive personalised customer engagement • Comprehensive products and services ecosystem	• Increased customer stickiness • Higher cross-selling of products and services • Prioritise customer experience • Higher net promoter score	1 2 3
Expanding access to low-cost liabilities	• Phygital strategy • Customer acquisition and higher wallet share • Lending solutions, cash and liquidity management solutions for current account holders	• Improved access to low-cost and stable base of liabilities	1 3 4

Strategy	Inputs	Output	Megatrends leveraged
Pursue growth in advances	• Integrated value proposition across acquiring, lending and transactions • Balance between growth and profitability • Customised solutions through efficient technology platforms and data analysis • Increase lending towards RBI defined priority sector lending • Risk management	• Sustainable balance sheet growth • Disciplined credit risk management • Risk-adjusted return on capital	1 4 5
Disciplined execution	• Digital initiatives and technology investments • Operational risk management • Automation of repetitive and administrative tasks	• Cost efficiency • Reduce operational risk • Higher employee productivity	1 3 4
Financial inclusion	• Priority sector lending • Digital ecosystem • Leverage partner network • Lending under Govt. sponsored schemes	• Inclusive growth • Regulatory compliance	1 5
Talent management	• Empowering work environment • Promote career aspirations • Create an agile structure • Learning and development programs for upskilling • Improved diversity	• Higher employee productivity • Upskilled and future-ready employees • Higher employee engagement • Innovation-led customer-centric organisation	1 3 4
Inorganic growth	• Evaluate value-accretive mergers and acquisitions and strategic investments	• Expand market share • Access newer geographies and capabilities • Add value to stakeholders and customers	2 4

Growing Together

Crafting solutions to simplify life



At Kotak, we have always believed in simplifying our customers' financial journey. As the pandemic disrupted conventional ways and means for people globally, cutting across demographic and income groups, we came up with innovative solutions to the ever-evolving challenges, enabling our customers to adapt seamlessly to the new realities. We also worked towards addressing the changing expectations of our corporate customers, empowering them to not just tide over the crisis with relative ease, but also to emerge stronger out of it.

Enabling easy and safe access to finances

We revamped our Net Banking services, making it easier than ever before for customers to access their finances from the safety and comfort of their homes.

Corporate banking customers have also become more demanding as regards digitisation of banking products, with the expectation of the same level of customer experience as they are accustomed to on the retail side. A new cash management portal was launched with advanced features, providing an enhanced customer experience. We continue to invest in a dedicated portal for providing a seamless and unified transaction banking experience to MSMEs, financial groups, large corporates and MNCs.

Making financial health immune to unforeseen events

Demand for health and term insurance has been on a steep uptrend since the onset of the pandemic. We ensured that our customers had the right choices available to protect themselves and their families, and made these products available in a fully digitised manner. Keeping in mind the evolving pandemic situation, our general insurance business launched *Corona Kavach* and *Corona Rakshak*.

Further, our life and general insurance businesses brought in robotic process automation to digitise their policy issuance, increase operational efficiency and refine the claim settlement processes, making it easier than ever before for customers to insure themselves. Also, the Bank's customers can now buy insurance directly via the Bank's mobile app and internet banking channels.

Helping grow wealth sustainably

Later in the year, as economic conditions slowly started improving, our group launched innovative new investment products with Kotak Securities launching a Global Investing facility allowing customers access to the US markets, free intraday trading and a direct mutual fund platform, and Kotak Mutual Fund launching an ESG-focused fund which lets customers invest in ESG-compliant companies.

Apart from new product launches, Kotak Securities enhanced its online modes for transactions and communications. These were in the form of introduction of new mobile app, enhanced trading platforms, ease of opening trading accounts along with attractive pricing.

We realised that many of our customers had new and different demands from their wealth managers – from ESG scoring of their portfolios to passive investing, and a focus on diverse alternate asset classes including private equity. Our wealth business, over the year, has transformed the way we manage customers' money including their asset allocation, always making sure that they are abreast with the most relevant information.

Funding dreams and aspirations

Buying a home has always been a long-cherished dream for millions of Indians. With the pandemic reiterating the need for a safe retreat, we undertook several initiatives to make their home financing journey frictionless – quick online sanction and easy documentation with attractive interest rates. By the second half of the year, we had aggressively positioned ourselves in the home loan business by cutting rates to one of the lowest (starting at 6.65%) in the market, which was made viable by our stable, low-cost deposit franchise.

₹10,000 cr+

Fresh home loan disbursements in FY 2020-21

4X

Growth in disbursements in H2 vs. H1 FY 2020-21

We also spotted an opportunity in consumer durable finance, and took steps to grow our lending in this space as well. Recognising the financial stress caused by the pandemic, we offered more EMI transaction options to finance the purchase of consumer durables.

ACQUIRING HIGH-QUALITY CUSTOMERS BY LEVERAGING OUR LOW-COST DEPOSIT BASE

We have built a strong, resilient and low-cost deposit base since the deregulation of interest rates in 2011. We were amongst the first banks to raise interest rates, over the then prevalent 4%, on domestic savings deposits. Our Bank CASA ratio has increased from 32.2% at the end of March 2012 to 60.4% at the end of March 2021. This provides a significant competitive edge, as we are able to leverage our low cost of funds to lend more aggressively and open up further opportunities to acquire high-quality customers.

Growing Together

A short-term loan product, 'PayDay' was launched for corporate salary customers, offering up to ₹1.5 lakh loans for less than 30 days, disbursed in 3 seconds in a completely digital manner via Kotak Mobile/Net Banking.

Loans from ₹3,000 upto ₹1.5 lakh at an attractive interest rate as part of the short-term loan products with instant online disbursal

A new class of credit card experience

We recognised that our changing customer profile demanded new, better and diverse banking products. As a result of which, we launched a stack of four new credit cards during the year, tailored for different customer segments.

End-to-end Digital 811 #DreamDifferent secured credit card for someone with no credit score to help them get their first credit card

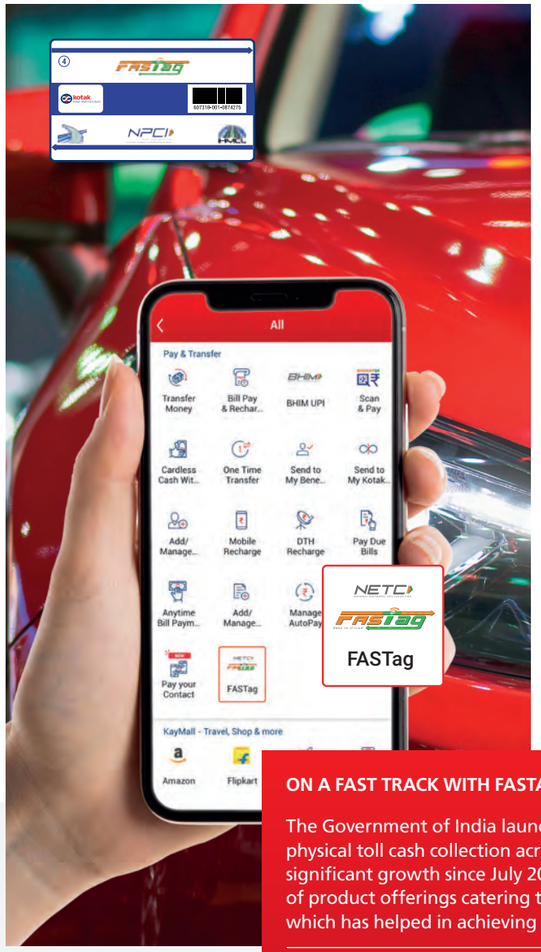
The Mojo Credit Card for a millennial who lives life to the fullest

The Zen Credit Card to build a better lifestyle for a hardworking corporate employee

The Milestone-based **White Credit Card** for the connoisseur of true luxury

Empowering enterprising India

The Merchant Acquiring business provides a strong platform to offer banking solutions and payment offerings to the large and diverse customer segment of MSMEs. Our merchant acquiring business focuses on working with multiple product stacks such as QR, Point of Sale (POS) and online payment gateway to meet diverse requirements of the Indian market. We scaled up on-ground merchant tie-ups significantly in FY 2020-21 via both direct-to-market and through partnerships, especially in the UPI QR space.



Ambition meets opportunities

The pandemic and the consequent economic conditions led to opportunities across our corporate and investment banking businesses, as well as debt capital markets, wealth management and investment advisory services.

During the year, debt markets were very active and a large number of companies raised funds via bonds, loans and structured products. To keep pace with the rapidly changing markets and investor appetite, we have realigned our business and revenue streams to ensure favourable terms for all our clients. We have grown our business and franchise on the back of deep relationships, supportive markets, wide investor connect and superior structuring abilities.

The Indian Equity Capital Markets (ECM) witnessed a record fundraising year in FY 2020-21. Kotak via its Investment banking business, successfully completed 28 marquee transactions raising a total of ₹155,580 crore.

We saw significant interest from large global and domestic fund houses to ultra-high net worth investors to diversify asset allocation across different asset classes including distressed and special situations investments. We took cognisance of this interest and deployed significant capital from Kotak Special Situations Fund (KSSF) across sectors like real estate, chemicals, technology, cement and pharmaceuticals.

Work from home

We have taken proactive steps to adapt to the new work-from-anywhere norms. During the year, we developed a comprehensive Remote Working policy applicable to all employees, which provides them with a hybrid work environment basis their role i.e. fully from office, partially from office or fully remote.

Such an initiative has a win-win approach – protecting employees and enabling them to work conveniently as well as significant cost benefits to the Bank. To operationalise this shift, we have invested in infrastructure as well as provided allowance to employees and continue to make significant future-ready investments in this direction.

ON A FAST TRACK WITH FASTAG

The Government of India launched an ambitious project FASTag to eliminate physical toll cash collection across the national road network. We have witnessed significant growth since July 2020 on new customer acquisitions. We have a range of product offerings catering to both passenger and commercial vehicle segments which has helped in achieving a high throughput per tag.

Ranked 7th

FASTag monthly acquisition in March 2021, up from 11th position in July 2020

Source: Monthly acquisition ranking published by NPCI

Digital Ecosystem

Delivering Driving a connected experience

Digitalisation has been integral to Kotak's core growth strategy focusing on customer acquisition, engagement and experience. It has also been instrumental in building a future-ready banking franchise. When the pandemic-induced disruptions brought forward digital transformation by several years, we were more prepared than ever to leapfrog a few generations of emerging technologies. Today, we are redefining customer experience as well as business models, harnessing the power of data analytics and AI.

We are building on a robust architecture, a full technology stack and a keen ear-to-the-ground approach. In FY 2020-21, we added several new features to our digital platforms and witnessed an exponential increase in their usage. From Video KYC to cardless ATM transactions and more online payment options to end-to-end loan processing, the Kotak Digital Universe is enabling a seamless transition to the digital economy while elevating customer delight.

The digital universe of Kotak Mahindra Bank

Consumer Banking

Video KYC for customer acquisition

We launched a zero-contact video KYC facility in May 2020 for acquisitions under Kotak 811 in a completely digital and paperless manner allowing prospects to become customers of the Bank with a fully contactless, paperless KYC process over a video call.

Net banking and mobile app

We launched a revamped net banking platform with a clean and refreshed UI/UX for both retail and corporate customers.

Our mobile banking app added multiple customer-friendly features that cater to banking, payments and lifestyle needs of customers and has seen a significant surge in usage in the post-pandemic world. It added new features like send money abroad, e-Statement, NPS and Insurance, among others.

Transactions growth on mobile app

72%↑ Volume

38%↑ Value

*↑ YoY | *March 2021 vs. March 2020*

Conversational banking

We scaled up Keya Chatbot and WhatsApp Banking to handle more products, services and related queries. They will now have a sizeable footprint and become mainstream digital channels.

40%* Increase in monthly active users for Keya Chatbot

111%* Increase in monthly active users of WhatsApp Banking

Curation and participation in ecosystems

We expanded shopping categories in KayMall, the 'Virtual Mall' inside the Bank's mobile app, to include flights, hotels, bus, groceries, trains and cabs, shopping and magazines, among others. Quarterly shopping and grocery transaction volume in KayMall saw a 1.9X increase in Q4FY21 vs. Q4FY20.

We are making banking services available on partner platforms through Connected Banking using APIs. This allows us to acquire and engage with customers of partner platforms like fintechs, startups, retail businesses, neobanks, aggregators and enterprises, among others.

Digital payments

Major new features introduced in the mobile banking app were pre-approved 'PayDay' Loan, card controls for credit and debit cards, new credit card overview section, e-Statement on mobile, application for Sovereign Gold Bond, and new device activation flow.

UPI witnessed rapid growth with

1.9x↑ Consumer digital payment volumes

10.3x↑ Transactions acquired

Digital lending

Key launches during FY 2020-21

- Overdue EMI payment through Payment Service Provider (PSP) apps for all term loans. Collections in April 2021 were 2.19X of that in February 2021
- Digital payment options for collections through voice bot, payment link, collection sales application
- DigiSign – a facility that offers ease and convenience to digitally sign and execute documents with the Bank remotely
- Provided an instant in-principle sanction letter on the chat itself for home loans, business loans and LAP
- DIGI-PL – an end-to-end digital processing of personal loans with online disbursal for existing bank customers
- Digi Home Loans – an end-to-end fully digital and paperless home loan sanction journey

Digital deposits

We accelerated analytical interventions to identify customers' likelihood to use physical banking services and offered them the benefits of digital alternatives.

96% RD **84%** FD

RD and FD booked through digital channels

92%

Investment accounts sourced through mobile/net banking

Cyber security and frauds

When it comes to convenience versus security, we naturally prioritise security. Increasingly AI/ML models are being leveraged to control fraud, reduce frauds in transactions and AML^. Device registration was introduced on the mobile app in the mid of FY 2020-21. This resulted in 75% fewer frauds via mobile app in H2 vs. H1 FY 2020-21.

Commercial Banking

- Launched WhatsApp services for retail customers to get loan information related to commercial vehicle, construction equipment and tractor loans including request for NOC, new loan and insurance renewal
- Payment facility through UPI on receipt of dynamic QR code, improving collection efficiency and ensuring contactless operations

EMPOWERING FARMERS

Launched 'Digifarm', an online app-based platform for digitising the KYC of farmers for corporate linked farmer finance.

Selected as a digital payments partner by the electronic National Agriculture Market (eNAM), a pan-India electronic trading portal for farm produce, digitising the agricultural ecosystem.

Wholesale Banking

- Launched a new cash management portal with enhanced features like new journeys, widgets as well as personalised reports and dashboard creation facilities
- Enhanced API Banking by upgrading the API Management Portal. It now hosts a wide range of APIs such as UPI, CMS, e-collection, fund transfer and account services, among others
- Continued to partner with fintech players especially in the areas of trade, supply chain, acquiring and fund management solutions

^Anti-money laundering

Digital Ecosystem

61%
Total client acquisitions comprised Trade Free Plan accounts from November to March 2021

95%+
Accounts opened digitally in FY 2020-21

121%↑
Growth in trading volume through the Kotak mobile app

Stock Broking (Kotak Securities)

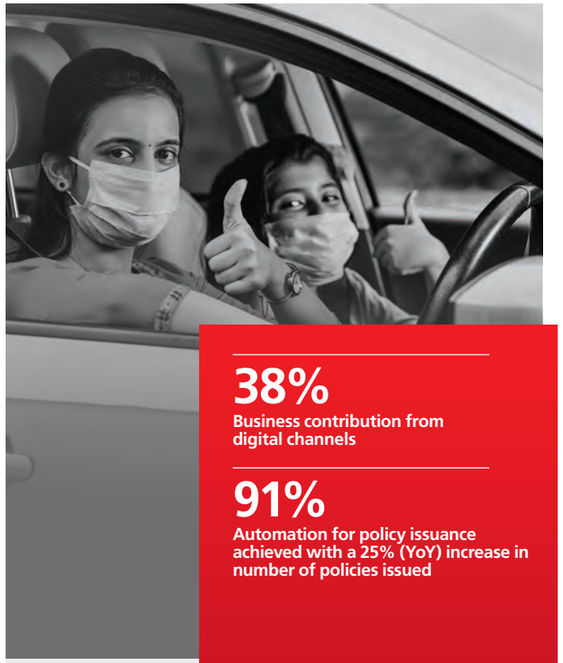
- Launched a competitive brokerage plan for intraday and derivative traders called the 'Trade Free Plan' (TF) in November 2020 enabling clients with free Do-It-Yourself (DIY) accounts and trading activated in just 60 minutes
- Launched the new Mobile App built on the latest technology stack with faster speed and improved features and enhanced product offerings
- Introduced Direct Mutual Fund Platform enabling clients to invest in mutual funds through direct route at a lower expense ratio
- Digitised processes to enable uninterrupted trading experience for our clients
- Well-defined Customer Satisfaction Value Proposition, through which we refund charges, if any, including brokerage generated in the first 30 days for clients if dissatisfied with our products and service experience

2/3rd
Total services of Kotak Life delivered via digital modes in Q4FY21

95%+
Digital onboarding of customers through Genie

Life Insurance (Kotak Life Insurance)

- 'Insta-servicing' launched to resolve customer requests instantly and 'Insta-claims' launched in the group business to expedite claims settlement
- Launched customer-centric digital sales journeys for direct-to-customer, banca partner and with 40+ digital distribution ecosystem players
- Launched 'Digipro', completely digital customer onboarding, with video verification, digital liveliness and face match technology
- Launched 'KLI Recruit', a completely digital self-onboarding platform for advisors
- Launched 'Boost' – an advisor engagement mobile app with smart nudges – for business visibility and higher empowerment
- Retail and individual channels empowered with 'CRM' mobile app for sales and servicing
- 'KLI Meet' (customised video conferencing solution) and 'KLI Social' (virtual community app) empowered employees and distributors during the pandemic



38%
Business contribution from digital channels

91%
Automation for policy issuance achieved with a 25% (YoY) increase in number of policies issued

General Insurance (Kotak General Insurance)

- Built digital capabilities across the customer journey, from prospecting to onboarding and delivering an enhanced claims experience
- A large part of the front-end force is capable of sourcing policies remotely using BPoS – the digital sourcing platform
- Moved towards automated policy issuance using technologies such as Robotic Process Automation, increasing efficiency and TAT
- Equipped surveyors to assess and settle vehicle claims digitally using platforms such as the Surveyor Portal and WhatsApp

125%↑
Growth in Assets Under Management (AUM) through website

36%↑
Investor base growth through website

Mutual Fund (Kotak Mutual Fund)

- Partnered various digital-only players to strengthen online presence
- Launched enhanced BOT for investors and distributors on various channels like WhatsApp, Google Assist apart from the website
- Strengthened infrastructure for distributor's app 'Business Hub', enabling transaction initiation from home. This was used by more than 15,000 distributors
- Launched simplified version of digital KYC-based on Aadhaar OTP, to simplify onboarding process

↑ YoY

↑ YoY

Environmental, Social and Governance (ESG) Practices

Responsibility Sustainability embedded in DNA

Over the years, we have built our franchise on the principle of inclusiveness and by designing innovative financial solutions to promote last-mile financial access in unbanked and underbanked geographies of India. Our journey has been signposted with significant investments and initiatives to serve communities across geographies. Further, the bedrock of our operations are value and ethics led, responsible financing, delightful customer experience and having an empowered employee culture. Furthermore, we continue to be conscious of our environmental footprint and work towards creating a sustainable and positive impact for stakeholders.

Environment

At Kotak Mahindra Bank, our operations are designed to have no or minimal impact on the environment and we are conscious of our role in helping mitigate climate change, as well as preserving and protecting natural resources, biodiversity and optimising resource usage.

Therefore, we monitor and disclose our captive greenhouse gas (GHG) emission footprint and other natural resources consumption. We undertake multiple initiatives to reduce our carbon footprint which includes:

- Renewable energy power usage (select offices)
- Optimised use of air-conditioning and transport services to reduce emissions
- Investing in energy-efficient building services such as energy-efficient fixtures and sensor-based lighting
- Refurbishment instead of replacement of UPS battery
- Use of digital platforms to monitor use of generators and LED signages

We continue to virtualise server and storage infrastructure to manage more requirements while ensuring lesser power and cooling needs. Our Green data centres are designed for maximum energy efficiency and minimum environmental impact. Additionally, we emphasise on desktop virtualisation to further reduce power and cooling requirements. We had nine LEED - certified large office buildings spread across six cities – Mumbai, Bengaluru, Chennai, Ahmedabad, Delhi (NCR) and Pune (as on 31st March, 2021).


27 BKC - LEED certified building

In FY 2020-21, we installed Organic Waste Convertors (OWCs) at our Goregaon and BKC, Mumbai offices for efficient and responsible management of food wastage at office canteens and we also sensitised employees.

The Bank has adopted an ESG Management Systems Plan to provide guidance for evaluation of social and environmental risks of eligible borrowers. Wholesale term loan proposals are evaluated through the lens of this plan.

Renewable energy powers many of our offices

Green data centres, designed for maximum energy efficiency, established

9

LEED-certified large office buildings spread across six cities of Mumbai, Bengaluru, Chennai, Ahmedabad, Delhi (NCR) and Pune

Pandemic Benevolent Policy was announced to secure the future of families of those colleagues who lost their lives*#. Their family members/ nominee will receive full monthly fixed salary for two years (beginning June 2021), including annual bonus, and also will be covered by Kotak's medi-claim insurance (for enrolled spouse and minor children)

**from 1st April, 2020 and subsequently up to 31st March, 2022*
#irrespective of the cause of death

~1/4th of workforce comprises women

CSR projects designed to bring about meaningful and measurable social impact, in line with United Nation's Sustainable Development Goals (SDGs)

₹142.99 cr
Bank CSR expenditure in FY 2020-21

Social

The challenges posed by the COVID-19 pandemic in India during FY 2020-21 brought the well-being and safety of people at the forefront of all strategic decisions and actions. Our Bank's leadership took calibrated steps to help us sail through these troubled times, while upholding our core values and prioritising the health and safety of all stakeholders.

We engage with key stakeholder groups to understand their perspectives and cater to their needs. These ongoing engagements help us identify and monitor key economic, environmental and social trends that can be incorporated into our overall business strategy. Each stakeholder group is identified after due diligence and taking inputs from industry experts. Key stakeholder groups include employees, customers and clients, investors and shareholders, government and various regulatory bodies, suppliers and business associates, communities and NGOs and the media. Due to the COVID-19 pandemic and the lockdown, we have extensively leveraged digital channels to ensure seamless communication with our stakeholders.


Distribution of 3ply masks and N95 masks

We are pushing for more and more opportunities for younger talent. As a result, our average employee age is around 32 years and nearly 2/3rd of our senior management are in their 40s. Our diversity focus is validated by the fact that nearly a quarter of our workforce comprises women.

While Education and Livelihood, Healthcare, Environment and Sustainable development and Sports are our key CSR focus areas, we added COVID-19 relief to our key interventions. To learn more about how we supported and protected our communities, people and customers during COVID-19, please refer Resolute Response section and Business Responsibility Report.

Our Corporate Social Responsibility (CSR) initiatives are designed to bring about meaningful and measurable social impact, aligned with the United Nations Sustainable Development Goals (SDGs).


Dry ration distribution as part of COVID-19 relief and support

Environmental, Social and Governance (ESG) Practices

We are cognisant of the importance of conducting our businesses in an ethical and transparent manner as we also serve as a custodian of people's savings and wealth

Our Corporate Governance philosophy rests on the core principles of Accountability and Responsibility, Integrity, Independence, Transparency in dealings, Fair and timely disclosures, Equality and Social Responsibility

Governance

Our Corporate Governance is a reflection of our value system, encompassing culture, policies and relationships with the stakeholders. It essentially involves balancing the interests of an organisation with that of its various stakeholders. Our Corporate Governance framework is much more than just compliance with regulatory and statutory requirements. It is equally about focusing on voluntary practices that underlie the highest levels of transparency.

Our Corporate Governance philosophy rests on the core principles of Accountability and Responsibility, Integrity, Independence, Transparency in dealings, Fair and timely disclosures, Equality and Social Responsibility.

Committed to adopt highest standards of Corporate Governance and ethical practices

Compliance, risk management and corporate governance are of paramount importance at the Bank. This approach ties-up with its commitment to conduct business in an ethical manner, and has translated into a number of policies and mechanisms that ensure transparency and accountability.

We are cognisant of the importance of conducting our businesses in an ethical and transparent manner as we also serve as a custodian of people's savings and wealth.

The Bank's Code of Conduct (CoC) outlines the behavioural standard that all its personnel must observe at all times. Our employees are obligated to adhere to our Code of Conduct which lays down the values and standards of conduct expected from them while performing their roles and responsibilities. Our policy guidelines mandates all employees to act with the highest level of integrity towards all its stakeholders. We have also put in place a Vigilance Policy, Whistle Blower Policy, Policy against Sexual Harassment in the Workplace and Trading Code of Conduct.

The Bank's Board consists of eminent individuals having expertise and experience in various fields, who understand and respect their fiduciary roles and responsibilities towards the Bank's stakeholders and strives hard to meet their expectations at all times. The Board has constituted several committees to deal with specific matters and delegated powers for different functional areas. These committees monitor the activities falling within their terms of reference.

For further details, refer the sections on the Directors' Report, Corporate Governance, Business Responsibility Report and Resolute Response of this annual report.

Awards & Accolades

Appreciation Recognition of Excellence

Tata Mumbai Marathon 2020

Kotak Mahindra Bank recognised as the 'Highest Fund Raising Corporate'

Leading fundraisers felicitated by Hon. Governor of Maharashtra, Shri Bhagat Singh Koshyari

KVS Manian – Change Legend

Shanti Ekambaram – Change Icon

Manish Kothari - Change Champion

Jaimin Bhatt - Change Champion

Excellence in CSR

Rohit Rao received the Wockhardt Foundation's 'CSR Shining Star Award - Special Recognition' on behalf of Kotak Mahindra Bank from Hon. Governor of Maharashtra, Shri Bhagat Singh Koshyari

Gagan Saraswat accepted the award on behalf of Kotak Mahindra Bank for exemplary support during COVID-19 from Shri Suresh Raina, Cabinet Minister, UP Government

Uday Kotak conferred with the 'India Business Leader of the Year' award by CNBC-TV18 at the 16th India Business Leader Awards (IBLA) 2021

Uday Kotak ranked #4 in India Today's The High & Mighty Power List 2020

Business Today named Shanti Ekambaram as one of the 'Most Powerful Women in Indian Business' of 2020

Shanti Ekambaram recognised as one of 'India's Most Powerful Women in Business' in 2020 by Fortune India

Nilesh Shah ranked #47 in India Today's The High & Mighty Power List 2020

Awards & Accolades

The Institute of Chartered Accountants of India (ICAI) Awards 2021

Felicitated by Hon. Minister Nitin Gadkari

Shekhar Bhandari - 'CA Business Leader' (Large Corporates - BFSI)

Shripal Shah - 'CA CXO' (Mid Corporates – BFSI)

12th Banking Excellence Award 2020

By State Forum of Bankers' Clubs (Kerala)

Anish Raj received the award for 'Second Best Branch in Kerala Under New Generation Banks' on behalf of Kotak Mahindra Bank

Vijay S. Menon received the award for 'Third Best Bank at National Level Under New Generation' on behalf of Kotak Mahindra Bank

Kotak Mahindra Bank

- Kalpana Agarwal named in the 'Top 100 General Counsel of India 2020' by Elite Businessworld (BW) Legal World
- Elizabeth Venkataraman honoured with 'Woman Marketing Head of the Year' award at the Adgully Women Disruptors Awards 2021
- Elizabeth Venkataraman named one of the 'Top 100 Women In Finance' in 2020 by Association of International Wealth Management of India (AIWMI) in the 'Progressing' category
- Viral Vora recognised by International Data Group (IDG) with the CIO100 'Special Award for Business Transformers' 2020
- KRC Murty recognised by International Data Group (IDG) with the CIO100 2020 award under 'The Progressive 100' category
- Kulin Thaker won the 'CXO Tech Excellence Award' at CXO Tech Summit & Awards 2020 by Techplus Media
- CFONext100 2020 by CFO India
  - Paresh Goraksha honoured under the category 'Excellence in Finance Transformation'
  - Nitin Vaidya honoured under the category 'Excellence in Finance Transformation'
  - Siddarth Gandotra honoured under the category 'Excellence in Finance Transformation'

Oisharya Das named one of the 'Top 100 Women In Finance' in 2020 by Association of International Wealth Management of India (AIWMI) in the 'Leading' category

CFO100 India by CFO India | Himanshu Vasa received the 2021 Roll of Honour under the category 'Collaboration'

Sanjay Gupta recognised as 'Banking Icon' at CIO Powerlist 2020 by Centre of Recognition & Excellence (CORE) Media

Sanjay Gupta named 'Information Visionary' at the International Data Corporation (IDC) Digital Transformation Awards 2020, India

Kotak Mahindra Bank

- The Asset Triple A Country Awards 2020 – Best Bank (India)
- Asiamoney Best Bank Awards 2021
  - Best Domestic Bank, India
  - Best Corporate and Investment Bank, India
- The Asset Triple A Treasury, Trade, SSC and Risk Management Awards 2020 – Best Payment and Collection Solution, India
- The Asian Banker Transaction Awards 2020
  - Best Cash Management Bank, India
  - Best Productivity, Efficiency and Automation Initiative, Application or Programme for Cash Management Services Workflow
- 32nd Council for Fair Business Practices (CFBP) Jamnalal Bajaj Awards 2019 for Fair Business Practices under the category 'Services Enterprises (Large)'
- Pension Fund Regulatory and Development Authority - Achievement of Targets & Contribution towards Atal Pension Yojana under Power To Persist 2020
- Great Place to Work® Institute certifies Kotak Mahindra Bank as a 'Great Place to Work' in 2021
- Project 'E-Rate Reduction' wins Finnoviti Awards 2020 by Banking Frontiers
- Campaign India Digital Crest Awards 2020 – KEYA 2.0 wins Gold under 'Best use of digital personal assistant' category
- 9th Asian Customer Engagement Forum and Awards (ACEF) Asian Leaders Forum and Awards 2020
  - Kotak 811 #DreamsInvited campaign wins Gold under the category 'Most Admired Brand Activation Campaign'
  - KEYA 2.0 & Video KYC win Bronze under the category 'Excellence in Customer Experience'
- ETBrandEquity Brand Disruption Awards 2021 – Kotak 811 #DreamsInvited campaign wins Bronze
- Infosys Finacle Client Innovation Awards 2020 – Runner-Up for 'QuickCheck with e-NACH' and 'Digital Vendor Financing Solution'
- The Innovators 2020 by Global Finance
  - C2B Platform (Cash Management)
  - Digital Vendor Financing Solution with Dynamic Discounting (Trade Finance)

Kotak Wealth Management

- Euromoney Private Banking and Wealth Management Survey 2021
  - Best Private Bank, India
  - Best for Super Affluent Clients, India
- Asiamoney Asia Private Banking Awards 2020
  - Best Domestic Private Bank, India
  - Best for HNW, India
- FinanceAsia Country Awards 2020 – Best Private Bank, India
- PWM/The Banker Global Private Banking Awards 2020 – Best Private Bank, India
- The Asset Triple A Private Capital Awards 2020 – Best Private Bank for HNWIs, India
- PWM Wealth Tech Awards 2020 – Best Private Bank for Digital Customer Experience, Asia
- The Asset Triple A Digital Awards 2021 – Digital Private Bank of the Year, India
- Global Finance Private Bank Awards 2021 – Excellence in Crisis: Client Services, Asia-Pacific

Kotak Prime

- Campaign India Digital Crest Awards 2020 presented Kotak Prime (in collaboration with Fulcro) with Silver under the category 'Online Video – Short form' (180 seconds or less) for the #KotakPrimeWithHer campaign

Kotak Securities

- CFONext100 2020 by CFO India
  - Hiren Vora honoured under the category 'Excellence in Capital Management'
  - Mukul Rathi honoured under the category 'Excellence in Capital Management'

Awards & Accolades

Kotak Investment Banking

- The Asset Triple A Country Awards 2020
  - Best IPO, India
  - Best rights issue, India
  - Best corporate & institutional adviser, India
  - Best equity adviser, India
- FinanceAsia Country Awards 2020 – Best Investment Bank, India
- FinanceAsia Achievement Awards 2020 – Best of South Asia category for SBI Card's ₹103.4 billion ($1.39 billion) IPO

Kotak Life Insurance

- Kirti Patil recognised as 'RPA Icon' at CIO Powerlist 2020 by Centre of Recognition & Excellence (CORE) Media
- Kirti Patil named one of the 'Top 100 Women In Finance' in 2020 by Association of International Wealth Management of India (AIWMI) in the 'Leading' category
- Kirti Patil honoured by International Data Group (IDG) with the CIO100 2020 award under 'The Progressive 100' category
- Pradeep Mahapatro received the 2021 Roll of Honour under the category 'Risk Management/ Risk Mitigation' at the CFO100 India by CFO India
- CFONext100 2020 by CFO India
  - Vishal Dhingra honoured under the category 'Excellence in Finance Transformation'
  - Anand Daftardar honoured under the category 'Excellence in Finance Transformation'

Kotak General Insurance

- Abhijit Dutta honoured at the CFONext100 2020 by CFO India under the category 'Excellence in Finance Transformation'
- FICCI Insurance Industry Awards 2020 – Best Insurance Campaign for #DriveLikeALady

Kotak Mutual Fund

- Ananth Subramanian honoured as 'Unified Communications Icon' at CIO Powerlist 2020 by Centre of Recognition & Excellence (CORE) Media
- Ananth Subramanian recognised by International Data Group (IDG) with the CIO100 2020 award under 'The Progressive 100' category
- Shibani Kurian named one of the 'Top 100 Women In Finance' in 2020 by Association of International Wealth Management of India (AIWMI) in the 'Progressing' category
- Aanshi Jain named one of the 'Top 100 Women In Finance' in 2020 by Association of International Wealth Management of India (AIWMI) in the 'Promising' category
- Refinitiv Lipper Fund Awards 2020
  - Kotak Asset Allocator – Regular – Growth (3 Years)
  - Kotak Asset Allocator – Regular – Growth (5 Years)
- Business Today-Money Today Financial Services Awards 2021
  - Best Value Creator Fund (Debt) – Kotak Corporate Bond Fund
  - Best Fund Manager (Debt) – Deepak Agrawal
- Exchange4media Indian Digital Marketing Awards 2020 – Mr. SIP wins 'Best Integrated Media Campaign'

Kotak Investment Advisors

- Umesh Nair honoured at the CFONext100 2020 by CFO India under the category 'Excellence in Tax Management'
- Euromoney Private Banking and Wealth Management Survey 2021
  - Best for Capital Markets and Advisory, India
  - Best for Family Office Services, India
- Asiamoney Asia Private Banking Awards 2020 – Best for Investment Research

Note: The Awards & Accolades won by entities and employees of the Kotak Mahindra Group as disclosed in this Annual Report have been awarded based on an independent assessment by the award organisers and have been selected from amongst various other contenders. Kotak Mahindra Group is not associated with the organisers in any way. The organisers are credible and legitimate entities in their field of work. Information on most of the awards and their organisers is available publicly on their respective websites. The above disclosures are to the best of our information and knowledge.

Financial Statements and Statutory Reports

Consolidated Financial Highlights 2020-2021

(₹ in crore)

FINANCIAL HIGHLIGHTS	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Advances	167,125	205,997	243,462	249,879	252,188
Investments*	49,974	68,741	76,858	81,334	116,565
Total Assets	276,188	337,720	395,171	443,173	478,873
Net Profit	4,940	6,201	7,204	8,593	9,990
KEY FINANCIAL INDICATORS					
Net Interest Margin (NIM)^	4.5%	4.3%	4.2%	4.6%	4.5%
Return on Average Assets (RoAA)	2.0%	2.0%	2.0%	2.1%	2.2%
Book Value Per Share (₹)	209	265	303	348	426
Earnings Per Share (EPS) Face Value ₹ 5 per share	26.9	32.7	37.6	44.7	50.5
Return on Equity (RoE)	13.8%	13.5%	13.3%	13.7%	12.8%
Capital Adequacy Ratio	17.2%	18.4%	17.9%	19.8%	23.4%
Gross NPA (₹ crore)	3,804	4,071	4,789	5,488	8,276
Net NPA (₹ crore)	1,814	1,769	1,696	1,745	3,106
Gross NPA Ratio	2.2%	2.0%	1.9%	2.2%	3.2%
Net NPA Ratio	1.1%	0.9%	0.7%	0.7%	1.2%

** Excludes Policyholders' investments*

^ From FY 2017-18, excluding dividend and interest on income tax refunds. Adjusted for reclassification of prepayment interest and account foreclosure charges from interest income to other income.

MARKET RELATED RATIOS	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Market Price (₹)	872	1,048	1,335	1,296	1,753
Market Capitalisation (₹ crore)	160,563	199,674	254,723	247,939	347,416
Price to Book Ratio	4.2	4.0	4.4	3.7	4.1
Price to Earnings Ratio	32.5	32.1	35.5	29.0	34.7

Standalone Financial Highlights 2020-2021

(₹ in crore)

FINANCIAL HIGHLIGHTS	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Deposits	157,426	192,643	225,880	262,821	280,100
Advances	136,082	169,718	205,695	219,748	223,689
Investments	45,074	64,562	71,189	75,052	105,099
Total Assets	214,590	264,933	312,172	360,252	383,489
Net Interest Income	8,079	9,472	11,206	13,500	15,340
Fee Income	2,168	2,825	3,444	3,779	3,384
Other Non Interest Income	1,356	1,288	1,213	1,593	2,075
Operating profit	5,985	7,158	8,348	10,021	12,215
Provisions and Contingencies	837	940	962	2,216	2,912
Tax Provision	1,737	2,134	2,520	1,858	2,338
Net Profit	3,411	4,084	4,865	5,947	6,965
KEY FINANCIAL INDICATORS					
Net Interest Margins	4.5%	4.3%	4.3%	4.6%	4.4%
Cost to Income Ratio	48%	47%	47%	47%	41%
Return on Average Assets	1.7%	1.7%	1.7%	1.9%	1.9%
Fee / NII Plus other Income	18.7%	20.8%	21.7%	20.0%	16.3%
NII / NII Plus other Income	69.6%	69.7%	70.6%	71.5%	73.8%
Capital Adequacy Ratio	16.8%	18.2%	17.5%	17.9%	22.3%
Tier I	15.9%	17.6%	16.9%	17.3%	21.4%
Gross NPA Ratio	2.6%	2.2%	2.1%	2.3%	3.3%
Net NPA Ratio	1.3%	1.0%	0.8%	0.7%	1.2%

Note: Prior year amounts have been reclassified for consistency with the current year presentation

Consolidation at a Glance

(₹ in crore)

	2020-21		2019-20		March 31, 2021	March 31, 2020
	Profit before Tax	Profit after Tax	Profit before Tax	Profit after Tax	Capital & Reserves and Surplus*	Capital & Reserves and Surplus*
Kotak Mahindra Bank Limited	9,302.99	6,964.84	7,804.67	5,947.18	63,726.97	49,015.30
Subsidiaries						
Kotak Mahindra Prime Limited	720.40	534.71	923.36	673.12	6,622.88	6,088.39
Kotak Securities Limited	1,057.43	792.64	738.36	550.01	5,321.42	4,528.77
Kotak Mahindra Capital Company Limited	110.94	82.28	107.62	79.08	688.83	622.01
Kotak Mahindra Life Insurance Company Limited	897.47	691.93	839.14	608.18	4,045.47	3,353.54
Kotak Mahindra General Insurance Company Limited	1.63	1.63	(28.12)	(28.12)	191.34	164.71
Kotak Mahindra Investments Limited	345.84	257.75	368.49	270.13	2,117.39	1,859.64
Kotak Mahindra Asset Management Company Limited	395.99	294.83	394.11	291.84	1,003.35	708.52
Kotak Mahindra Trustee Company Limited	69.14	51.45	60.24	44.99	229.37	177.92
Kotak Mahindra (International) Limited	92.29	86.42	25.51	23.81	767.58	706.33
Kotak Mahindra (UK) Limited	38.24	31.32	63.64	50.83	372.88	353.67
Kotak Mahindra, Inc.	5.62	5.58	(2.27)	(2.31)	10.56	5.24
Kotak Investment Advisors Limited	50.50	40.03	12.35	9.67	404.85	364.81
Kotak Mahindra Trusteeship Services Limited	3.40	2.56	3.43	2.54	23.46	20.90
Kotak Infrastructure Debt Fund Limited	33.10	33.10	33.99	33.99	416.87	383.82
Kotak Mahindra Pension Fund Limited	0.45	0.21	0.07	0.06	25.64	25.42
Kotak Mahindra Financial Services Limited	(0.69)	(0.69)	(1.06)	(1.06)	7.11	8.07
Kotak Mahindra Asset Management (Singapore) Pte. Limited	34.89	31.51	52.98	47.58	181.86	156.25
IVY Product Intermediaries Limited	0.32	0.12	0.37	0.26	5.98	5.85
BSS Microfinance Limited	30.87	23.17	78.88	59.26	246.60	223.44
Total	**13,190.82**	**9,925.39**	**11,475.76**	**8,661.04**	**86,410.41**	**68,772.60**
Add: Associates		87.30		(13.72)	1,028.89	941.59
Less: Dividend, Inter company and other adjustment		22.49		53.96	2,602.85	2,580.07
Consolidated Profit After Tax / Capital & Reserves and Surplus*		**9,990.20**		**8,593.36**	**84,836.45**	**67,134.12**
Consolidated Earnings per Share (₹)		50.49		44.68		
Consolidated Book Value per Share (₹)					425.55	348.32

* Capital & Reserves and Surplus includes Preference Share Capital

Independent Auditor's Report

To the Members of Kotak Mahindra Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of Kotak Mahindra Bank Limited ('the Bank' or 'the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), and its associates, as listed in Annexure I, which comprise the Consolidated Balance Sheet as at 31 March 2021, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. 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 reports of the 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 Banking Regulation Act, 1949 as well as Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), of the consolidated state of affairs of the Group and its associates as at 31 March 2021, and their consolidated profit, and their consolidated cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing 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 and its associates, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the consolidated 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 19 and 20 of the Other Matters section below, is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

4. We draw attention to Schedule 17 Note 2(A)(ii) of the accompanying consolidated financial statements which describes the uncertainties associated due to the outbreak of Coronavirus (COVID-19). The impact of these uncertainties on the Group's consolidated financial statements is dependent on the future developments.

   Our opinion is not modified in respect of this matter.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries and associates, were of most significance in our audit of the consolidated financial statements of the current period. 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.

6. We have determined the matters described below to be the key audit matters to be communicated in our report.

Identification and provisioning of non-performing assets ('NPAs') including implementation of RBI COVID-19 Relief Measures in relation to the Bank

As at 31 March 2021, the Bank reported total advances (net of provisions) of ₹ 223,689 crores, gross NPAs of ₹ 7,426 crores and provision for non-performing assets of ₹ 4,720 crores. The provision coverage ratio after considering technical write-off as at 31 March 2021 is 70.23%. (Refer Schedule 17 Note C(2) for the accounting policy, Schedule 9, Schedule 18A Note 9 and Note 11 of standalone financial statements of the Bank)

Key audit matter	How our audit addressed the key audit matter
The Reserve Bank of India's ('RBI') guidelines on Income Recognition and Asset Classification prescribes the prudential norms for identification and classification of NPAs ('IRAC norms') and the minimum provision required for such assets. The Bank is 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 provision for identified NPAs is estimated based on ageing and classification of NPAs, value of security, recovery estimates and other qualitative factors and is also subject to the minimum provisioning norms specified by RBI. Due to the ongoing COVID-19 pandemic, the Bank has implemented 'COVID-19 Regulatory Package-Asset Classification and Provisioning' ('Regulatory Package') issued by the RBI on 17 April 2020 and 23 May 2020 and 'Resolution Framework for COVID-19 related Stress' and 'MSME sector - Restructuring of advances' ('Resolution Framework') issued by RBI on 6 August 2020 (Collectively 'RBI COVID-19 Relief Measures'), which has been duly considered by the Bank in identification and measurement of provision for advances. Since the identification of NPAs and provisioning for such advances requires considerable level of estimation and given its significance to the overall audit, we have identified this as a key audit matter.	Our audit procedures included but were not limited to the following: • Understood the process and controls and tested the design and operating effectiveness of key controls, including IT based controls, focusing on the following: - Approval of new lending facilities in accordance with the Bank's credit policies and the performance of annual loan assessments; - Controls over the monitoring of credit quality which amongst other things includes the monitoring of overdue reports, drawing power limit, pending security creation; - Identification and classification of NPAs in accordance with RBI IRAC norms and certain qualitative aspects; and - Assessment of adequacy of NPA provisions. • To test the identification of loans with default events and other qualitative factors, selected a sample of performing loans and independently assessed as to whether there was a need to classify such loans as NPAs. • On test check basis, verified the accounts classified by the Bank as Special Mention Accounts ('SMA') in RBI's Central Repository of Information on Large Credits ('CRILC'). • Held discussion with the management of the Bank on sectors wherein there has been stress and the steps taken by the Bank to mitigate such sectorial risks. • With respect to provisions recognised towards NPAs, we reperformed the provision calculations on sample basis taking into consideration the value of security, where applicable, RBI IRAC norms and NPA policy of the Bank, and compared our outcome to that prepared by the management and tested relevant assumptions and judgements which were used by the management. • Obtained an understanding of implementation of the Regulatory Package and with respect to borrowers to whom moratorium was granted, on a sample basis, we tested that such moratorium was granted in accordance with the board approved policy. • We ensured that the Bank's board approved policy is in line with the Resolution Framework. On a sample basis tested that restructuring was carried out in accordance with the Resolution Framework and re-computed the provision made in accordance with the Resolution Framework. • With respect to provision made by the Bank on account of the impact of COVID-19 pandemic, we broadly reviewed the underlying assumptions and estimates used by the management for such provision. • We read the RBI Annual Financial Inspection report for the financial year ended 31 March 2020 and other communication with regulators. • We assessed the appropriateness and adequacy of disclosures against the relevant accounting standards and RBI requirements relating to NPAs including the additional disclosures required in accordance with the Regulatory Package and Resolution Framework.

Information Technology ("IT") Systems and controls impacting financial reporting in relation to the Bank

Key audit matter	How our audit addressed the key audit matter
The IT environment of the Bank is complex and involves a large number of independent and interdependent IT systems used in the operations of the Bank for processing and recording a large volume of transactions at numerous locations. As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Bank. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data as required, completely, accurately and consistently for reliable financial reporting. The accuracy and reliability of the financial reporting process depends on the IT systems and the related control environment, including: • IT general controls over user access management and change management across applications, networks, database, and operating systems. • IT application controls. Due to the pervasive nature, complexity and importance of the impact of the IT systems and related control environment on the Bank's financial reporting process, we have identified testing of such IT systems and related control environment as a key audit matter.	In assessing the integrity of the IT systems, we involved our IT specialist to obtain an understanding of the IT infrastructure and IT systems relevant to the Bank's financial reporting process for evaluation and testing of relevant IT general controls and IT application controls. Tested the controls over user access management for applications, operating systems, networks, and databases, which are relied upon for financial reporting. We also assessed the operating effectiveness of controls over granting, removal and periodical review of access rights. We further tested segregation of duties, including preventive controls to ensure that access to change applications, the operating system or databases in the production environment were granted only to authorized personnel. Other areas that were assessed under the IT control environment, included password policies, business continuity and controls around change management. We also evaluated the design and tested the operating effectiveness of key automated controls within various business processes. This included testing the integrity of system interfaces, the completeness and accuracy of data feeds, system reconciliation controls and automated calculations, as applicable. Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

7. The auditors, Deloitte Haskins & Sells LLP, Chartered Accountants, of Kotak Securities Limited, vide their audit report dated 29 April 2021, have expressed an unmodified opinion on the special purpose financial statements. Based on consideration of their report and information submitted by them, we have reproduced the matter described below to be the key audit matters to be communicated in our report:

Key information technology (IT) systems used in financial reporting process relating to Kotak Securities Limited

Key audit matter	How the matter was addressed in our audit
The Company's operational and financial processes are dependent on IT systems due to large volume of transactions that are processed daily. The Company uses Oracle system as the General Ledger for overall financial reporting which is interfaced with other systems that process transactions, which impacts significant account balances. The Company relies on automated processes and controls for recording of its transactions and accordingly, our audit was focused on key IT systems and controls due to the pervasive impact on the financial statements.	We involved our IT specialists to obtain an understanding of the entity's IT related control environment. Furthermore, we conducted a risk assessment and identified IT applications, databases and operating systems that are relevant to our audit. For the key IT systems relevant to financial reporting, our areas of audit focus included Access Security (including controls over privileged access), Program Change controls and Network Operations. In particular: • We obtained an understanding of the entity's IT environment and key changes if any during the audit period that may be relevant to the audit; • We tested the design, implementation and operating effectiveness of the General IT controls over the key IT systems that are critical to financial reporting. This included evaluation of entity's controls to ensure segregation of duties and access rights being provisioned/ modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being re-certified during the period of audit. Further, controls related to program change were evaluated to verify whether the changes were approved, tested in an environment that was segregated from production and moved to production by appropriate users; • We tested key automated business cycle controls, related interfaces and logics for system generated reports relevant to the audit for evaluating completeness and accuracy; • We also tested the controls over network segmentation, restriction of remote access to the entity's network, controls over firewall configurations and mechanisms implemented by the entity to prevent, detect and respond to network security incidents; and we tested compensating controls or performed alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the Financial Statements.

8. The joint auditors, S. R. Batliboi & Associates LLP, Chartered Accountants, and Haribhakti & Co. LLP, Chartered Accountants, of Kotak Mahindra Life Insurance Company Limited, vide their audit report dated 27 April 2021, have expressed an unmodified opinion on the financial statements. Based on consideration of their report and information submitted by them, we have reproduced the matters described below to be the key audit matters to be communicated in our report:

IT systems and controls relating to Kotak Mahindra Life Insurance Company Limited

Key audit matter	How the matter was addressed in our audit
We identified IT systems and controls over financial reporting as a key audit matter for the Group because its financial accounting and reporting systems are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Of particular importance are system calculations, other IT application controls and interfaces between IT systems.	Our procedures in relation to the IT systems and controls included: • Understanding and assessing the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. • Tailoring our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system. • Procedures performed included testing the operating effectiveness of controls over appropriate access rights and validating that only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. • Testing the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorised and also developed and implemented properly.

Valuation of investments relating to Kotak Mahindra Life Insurance Company Limited

Key audit matter	How the matter was addressed in our audit
The Company's investment portfolio represents substantial portion of the Company's total assets as at March 31, 2021 which are valued in accordance with accounting policy framed as per the extent of the regulatory guidelines. Investment in Non-linked and shareholders' portfolio is ₹ 27,080.39 crores: All debt securities are valued at amortised cost and investment property is valued in accordance with Company's valuation policy. The listed equity shares, preference shares, liquid mutual fund and Equity Exchange Traded Funds (ETF) investments are valued using quoted prices as per stock exchanges. These investments are tested for impairment in accordance with the Company's impairment policy. Investment in unit linked portfolio is ₹ 19,373.39 crores: Government securities are valued at prices provided by CRISIL. Other debt securities are valued on a yield to maturity basis, by using spread over the benchmark rate. The listed equity shares, preference shares, liquid mutual fund and ETF investments are valued using quoted prices as per stock exchanges. The valuation of these investments was considered to be one of the areas which required significant auditor attention and was one of the matter of most significance in the standalone financial statements due to the materiality of total value of investments to the financial statements.	Our procedures for this area included but were not limited to the following: • Tested the design, implementation and operating effectiveness of key controls over the valuation process, including the Company's review and approval of the estimates and assumptions used for the valuation including key authorisation and data input controls; • Assessed appropriateness of the valuation methodologies with reference to Investment Regulations issued by Insurance Regulatory and Development Authority of India ("IRDAI"/ "Authority") and Company's own valuation policy; • For listed equity shares, preference shares, liquid mutual fund and ETF investments, performed independent price checks using external quoted prices and by agreeing the observable inputs that were used in the Company's valuation techniques to external data; and • For other investments, evaluated the valuation assessment and resulting conclusions by the Company in order to determine the reasonableness of the valuations recorded. This included an evaluation of the methodology and assumptions used in the valuation with reference to the Company's valuation policy.

9. The auditors, Price Waterhouse Chartered Accountants LLP, Chartered Accountants, of Kotak Mahindra Prime Limited, vide their audit report dated 30 April 2021, have expressed an unmodified opinion on the special purpose financial statements. Based on consideration of their report and information submitted by them, we have reproduced the matter described below to be the key audit matters to be communicated in our report:

Assessment of Provision for Non-Performing Assets (NPA) in respect of Loans and Advances relating to Kotak Mahindra Prime Limited

Key audit matter	How the matter was addressed in our audit
The loan balances (including credit substitutes) towards Vehicle Finance, Loans against Securities / Collaterals, Structured Loans, Personal and other Loans aggregates to ₹ 2,221,583 lakhs, which also include Gross Non-Performing Assets ₹ 78,873 lakhs. These balances are significant to the special purpose financial statements and involves judgement around the calculation of the NPA provision.	The audit procedures performed by us on the NPA provision included the following – • We understood and evaluated the design effectiveness and tested the operating effectiveness of the key controls over the assessment and computation of NPA provision.
NPA provision represents management's estimate of losses incurred within the loan portfolios at the balance sheet date and are inherently judgmental. NPA provision is calculated in accordance with the NPA policy which is in compliance with the Reserve Bank of India (RBI) guidelines read with the notifications issued by the RBI in relation to moratorium granted to borrowers as a relief measure for the Covid-19 pandemic as explained in Notes forming part of the special purpose financial statements. Qualitative factors like nature of loan, deterioration in credit quality, reduction in the value of collateral, uncertainty over realisability of collateral, erosion over time and other related factors are taken into consideration to assess need and extent of NPA provision. Given the significant judgment and the complexity of audit procedures involved, we determined this to be a key audit matter.	• We independently assessed the appropriateness of NPA provisioning policies and methodologies followed by the Management. • For sample of loans across the portfolio, we recomputed the NPA provision to ensure arithmetical accuracy and compliance with the NPA policy as referred to in the Company's special purpose financial statements. • We evaluated the adequacy of presentation and disclosures in relation to NPA provisions in the special purpose financial statements. Based on the above procedures performed, the management's assessment of provision for NPA in respect of loans and advances is considered to be reasonable.

Information other than the Consolidated Financial Statements and Auditor's Report thereon

10. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report including the Pillar 3 Disclosure under the New Capital Adequacy Framework (Basel III disclosures), but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

    Our opinion on the consolidated financial statements does not cover the other information and we will 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

    When we read 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

11. The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance) and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India from time to time. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated financial statements. Further, in terms of the provisions of the Act, the respective Board of Directors of the subsidiary companies included in the Group and its associate companies, which are companies covered under the Act, are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

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

13. Those respective Board of Directors are also responsible for overseeing the financial reporting process of the subsidiary companies included in the Group and of its associates.

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

14. 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 Standards on Auditing 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.

15. As part of an audit in accordance with Standards on Auditing specified under Section 143(10) of the Act, 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 Holding Company has adequate internal financial controls with reference to consolidated financial statements 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 and its associates 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 and its associates 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 statements / financial information of the entities within the Group and its associates, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information 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 the 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.

16. We communicate with those charged with governance 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.

17. 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.

18. 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 of the current period 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 Matters

19. We did not audit the financial statements of 19 subsidiaries, whose financial statements reflect total assets of ₹101,398.52 crores and net assets of ₹ 22,683.44 crores as at 31 March 2021, total revenues of ₹ 25,263.95 crores and net cash outflows amounting to ₹ (3,876.05) crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 87.24 crores for the year ended 31 March 2021, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-section (3) of section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, and associates, is based solely on the reports of the other auditors.

    Further, of these subsidiaries, 5 subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. An Independent firm of Chartered Accountants appointed by the Holding Company's management in India have audited these conversion adjustments made by the Holding Company's management. Our opinion on the consolidated financial statements, and matters identified and disclosed under key audit matters section above, in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by the Independent firm of Chartered Accountants appointed by the Holding Company's management in India.

    Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

20. The consolidated financial statements also include the Group's share of net profit of ₹ 0.06 crore for the year ended 31 March 2021, as considered in the consolidated financial statements, in respect of 1 associate, whose financial information have not been audited by us. These financial information are unaudited and have been furnished to us by the management and our opinion on the consolidated financial statements, and matters identified and disclosed under key audit matters section above and our report in terms of sub-section (3) of section 143 of the Act in so far as it relates to the aforesaid associate, are based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the management, this financial information is not material to the Group.

    Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matter with respect to our reliance on the financial information certified by the management.

21. As stated in the 'Other matter' paragraph of the audit report dated 27 April 2021 issued by the joint auditors of Kotak Mahindra Life Insurance Company Limited, ('KLIFE'), the actuarial valuation of liabilities of KLIFE for life policies in force and for policies in respect of which the premium has been discontinued but liability exists as at 31 March 2021, is the responsibility of KLIFE's Appointed Actuary (the 'Appointed Actuary of KLIFE'). The actuarial valuation of these liabilities has been duly certified by the Appointed Actuary of KLIFE and in his opinion, the assumptions for such valuations are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India (the 'IRDAI') and the Institute of Actuaries of India in concurrence with the IRDAI. The joint auditors of KLIFE have relied upon the certificate issued by the Appointed Actuary of KLIFE in this regard for forming their opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists in the financial statements of KLIFE.

    Our opinion is not modified in respect of this matter.

22. As stated in the 'Other matter' paragraph of the audit report dated 28 April 2021 issued by the joint auditors of Kotak Mahindra General Insurance Company Limited, ('KMGICL'), pursuant to IRDAI (Appointed Actuary) Regulations 2017, the actuarial valuation of liabilities of KMGICL in respect of claims Incurred But Not Reported ('IBNR'), Incurred But Not Enough Reported ('IBNER') claims and Premium Deficiency Reserve ('PDR') as at 31 March 2021, have been duly certified by the KMGICL's Appointed Actuary (the 'Appointed Actuary of KMGICL'), and in his opinion, the assumptions for such valuation are appropriate and in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India (the 'IRDAI') and the Institute of Actuaries of India in concurrence with the IRDAI. The joint auditors have relied upon the certificate issued by the Appointed Actuary of KMGICL in this regard for forming their opinion on the financial statements of the KMGICL.

    Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

23. The provisions of section 197 read with Schedule V of the Act are not applicable to the Bank for the year ended 31 March 2021. However, the remuneration to whole-time directors of the Bank during the year ended 31 March 2021 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 audit report of the statutory auditors of Kotak Mahindra Life Insurance Company Limited, a subsidiary company, the remuneration paid to their directors during the year ended 31 March 2021 was in accordance with the provisions of section 197 of the Act, read with section 34A of the Insurance Act, 1938, and based on the report of statutory auditors of Kotak Mahindra General Insurance Company Limited, another subsidiary company, the remuneration paid to their directors during the year ended 31 March 2021 was in accordance with the provision of section 197 of the Act, however, approval of remuneration paid to the Managing Director under Section 34A of the Insurance Act, 1938 from the IRDAI is awaited. Further, based on the consideration of audit reports of the statutory auditors of five subsidiaries, Kotak Securities Limited, Kotak Mahindra Trusteeship Services Limited, Kotak Mahindra Capital Company Limited, Kotak Mahindra Trustee Company Limited and Kotak Mahindra Pension Fund Limited, the remuneration paid to their directors during the year ended 31 March 2021 was in accordance with the provisions of section 197 of the Act.

    Further, for one associate not audited during the year as described in paragraph 20 of our report, and for seven subsidiaries and two associates in India, covered under the Act, in absence of reporting by statutory auditors of such entities with respect to compliance of the provisions of section 197 read with Schedule V of the Act, as applicable, during the year ended 31 March 2021, we are unable to comment on such compliance for the said entities as required to be reported by us under section 197(16) of the Act.

24. As required by section 143 (3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries and associates, we report, to the extent applicable, that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

    b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

    c) the consolidated Balance Sheet, the consolidated Profit and Loss Account, and the consolidated Cash Flow Statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

    d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014(as amended);

    e) on the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and associate companies covered under the Act, none of the directors of the Group companies and its associate companies covered under the Act, are disqualified as on 31 March 2021 from being appointed as a director in terms of section 164(2) of the Act;

    f) With respect to the adequacy of the internal financial controls with reference to the financial statements of the Holding Company, its subsidiary companies and associate companies covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure II'; and

    g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (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 associates:

        i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, and its associates as detailed in Schedule 12.I, Schedule 17 Note 2(W) and Schedule 17 Note 11 to the consolidated financial statements;

ii. provision has been made in the consolidated financial statements as at 31 March 2021, as required under the applicable law or the Accounting Standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts as detailed in Schedule 12.II, Schedule 17 – Note 2(G), Schedule 17 – Note 2(W) and Schedule 17 – Note 8 and Note 11 to the consolidated financial statements; and

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies, and associate companies, as applicable, during the year ended 31 March 2021.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Murad D. Daruwalla
Partner
Membership No.: 043334
UDIN: 21043334AAAABZ4133

Place : Mumbai
Date : 03 May 2021

Annexure I

List of entities

Domestic Subsidiaries

Kotak Mahindra Prime Limited

Kotak Mahindra Investments Limited

Kotak Securities Limited

Kotak Mahindra Capital Company Limited

Kotak Mahindra Life Insurance Company Limited

Kotak Mahindra General Insurance Company Limited

Kotak Mahindra Asset Management Company Limited

Kotak Mahindra Trustee Company Limited

Kotak Mahindra Pension Fund Limited

Kotak Investment Advisors Limited

Kotak Mahindra Trusteeship Services Limited

Kotak Infrastructure Debt Fund Limited

IVY Product Intermediaries Limited

BSS Microfinance Limited

International Subsidiaries

Kotak Mahindra (UK) Limited

Kotak Mahindra (International) Limited

Kotak Mahindra Inc.

Kotak Mahindra Financial Services Limited

Kotak Mahindra Asset Management (Singapore) Pte. Limited

Associate Companies

Infina Finance Private Limited

Phoenix ARC Private Limited

ECA Trading Services Limited

Annexure II to the Independent Auditor's Report of even date to the members of Kotak Mahindra Bank Limited on the consolidated financial statements for the year ended 31 March 2021

Independent Auditor's Report on the internal financial controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Kotak Mahindra Bank Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), and its associates as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies and its associate companies, which are companies covered under the Act, as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The respective Board of Directors of the Holding Company, its subsidiary companies and its associate companies, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group 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 ('ICAI'). 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 the Company's business, including adherence to the 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 for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies and its associate companies, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. 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 with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, 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.

5. 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 with reference to financial statements of the Holding Company, its subsidiary companies and its associate companies as aforesaid.

Meaning of Internal Financial Controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion and based on the consideration of the reports of the other auditors on internal financial controls with reference to financial statements of the subsidiary companies and associate companies, the Holding Company, its subsidiary companies and its associate companies, which are companies covered under the Act, have in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2021, based on the internal control over financial reporting criteria established by the Group 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

9. The joint auditors of Kotak Mahindra Life Insurance Company Limited ('KLIFE'), in forming their opinion as stated in the 'Other matter' paragraph of their Annexure 'A' to the auditors report dated 27 April 2021 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 31 March 2021. Accordingly, the internal financial controls with reference to financial statements 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".

   Our opinion above is not modified in respect of this matter with respect to our reliance on the work done and the report of the other auditors.

10. The Joint auditors of Kotak Mahindra General Insurance Company Limited, ('KMGICL'), in forming their opinion as stated in the 'Other matter' paragraph of their Annexure 'B' to the auditors report dated 28 April 2021 have reported, "Pursuant to IRDAI (Appointed Actuary) Regulations 2017, the actuarial valuation of liabilities in respect of claims Incurred But Not Reported ("IBNR"), claims Incurred But Not Enough Reported ("IBNER") and Premium Deficient Reserve ("PDR") as at 31 March 2021, has been duly certified by the Appointed Actuary. They have also certified that assumptions used for such valuation are appropriate and 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 aforesaid certificate while forming our opinion on the financial statements of the Company as mentioned in Other Matter paragraph in our Audit Report on the financial statements for the year ended 31 March 2021. Accordingly, our opinion on the internal financial controls with reference to financial statements does not include reporting on the adequacy and operating effectiveness of the internal controls over the valuation and accuracy of the aforesaid actuarial liabilities".

    Our opinion above is not modified in respect of this matter with respect to our reliance on the work done and the report of the other auditors.

11. We did not audit the internal financial controls with reference to financial statements in so far as it relates to 14 subsidiary companies, which are companies covered under the Act, whose financial statements reflect total assets of ₹ 99,446.84 crores and net assets of ₹ 21,343.45 crores as at 31 March 2021, total revenues of ₹ 24,969.62 crores and net cash outflows amounting to ₹ (3,554.35) crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 87.24 crores for the year ended 31 March 2021, in respect of 2 associate companies, which are companies covered under the Act, whose internal financial controls with reference to financial statements have not been audited by us. The internal financial controls with reference to financial statements in so far as it relates to such subsidiary companies and associate companies have been audited by other auditors whose reports have been furnished to us by the management and our report on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements for the Holding Company, its subsidiary companies and its associate companies, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such subsidiary companies and associate companies is based solely on the reports of the auditors of such companies. Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the reports of the other auditors.

12. We did not audit the internal financial controls with reference to financial statements in so far as it relates to 1 associate company, which is company covered under the Act, in respect of which, the Group's share of net profit of ₹ 0.06 crore for the year ended 31 March 2021 has been considered in the consolidated financial statements. The internal financial controls with reference to financial statement of this associate company, which is company covered under the Act, is unaudited and our opinion under Section 143(3)(i) of the Act insofar as it relates to the aforesaid associate company, which is company covered under the Act, is solely based on the corresponding internal financial controls with reference to financial statements report certified by the management of such company. In our opinion and according to the information and explanations given to us by the management, this financial statement are not material to the Group. Our report on adequacy and operating effectiveness of the internal financial controls with reference to financial statements of the Group does not include the internal financial controls with reference to financial statement assessment in respect of the aforesaid company. Our opinion is not modified in respect of the above matter with respect to our reliance on the internal financial controls with reference to financial statements report certified by the management.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Murad D. Daruwalla
Partner
Membership No.: 043334
UDIN: 21043334AAAABZ4133

Place : Mumbai
Date : 03 May 2021

Consolidated Balance Sheet

as at 31st March, 2021

(₹ in thousands)

	Schedule	As at 31st March, 2021	As at 31st March, 2020
CAPITAL AND LIABILITIES			
Capital	1	14,909,178	14,565,192
Employees' Stock Options (Grants) Outstanding		21,588	28,654
Reserves and Surplus	2	833,455,267	656,776,002
Deposits	3	2,788,714,108	2,604,002,077
Borrowings	4	477,389,014	655,767,168
Policyholders' Funds		420,715,151	315,088,169
Other Liabilities and Provisions	5	253,522,553	185,499,855
Total		**4,788,726,859**	**4,431,727,117**
ASSETS			
Cash and Balances with Reserve Bank of India	6	125,280,021	95,132,346
Balances with Banks and Money at Call and Short Notice	7	351,886,180	545,666,137
Investments	8	1,569,455,494	1,111,969,130
Advances	9	2,521,882,213	2,498,789,578
Fixed Assets	10	17,401,626	18,609,626
Other Assets	11	194,683,795	153,422,770
Goodwill on Consolidation		8,137,530	8,137,530
Total		**4,788,726,859**	**4,431,727,117**
Contingent Liabilities	12	2,022,900,524	1,901,590,851
Bills for Collection		412,727,990	395,189,768
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 and on behalf of the Board of Directors

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No. 001076N/N500013

Prakash Apte
Chairman

Uday Kotak
Managing Director and
Chief Executive Officer

Murad D. Daruwalla
Partner
Membership No. 043334

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
Group President and
Group Chief Financial Officer

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Mumbai
3rd May, 2021

Consolidated Profit and Loss Account

for the year ended 31st March, 2021

(₹ in thousands)

		Schedule	For the year ended 31st March, 2021	For the year ended 31st March, 2020
I.	**INCOME**			
	Interest Earned	13	328,198,306	334,741,610
	Other Income	14	239,949,375	168,915,750
	Total		**568,147,681**	**503,657,360**
II.	**EXPENDITURE**			
	Interest Expended	15	129,665,484	159,006,795
	Operating Expenses	16	274,201,888	204,851,517
	Provisions and Contingencies (Refer Note 8 - Schedule 17)		65,251,352	53,728,199
	Total		**469,118,724**	**417,586,511**
III.	**PROFIT**			
	Net Profit for the year		99,028,957	86,070,849
	Add: Share in profit / (loss) of Associates		873,082	(137,239)
	Consolidated Profit for the year attributable to the Group		**99,902,039**	**85,933,610**
	Add: Balance in Profit and Loss Account brought forward from previous year		364,358,501	304,070,411
	Total		**464,260,540**	**390,004,021**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		17,412,100	14,868,000
	Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		1,651,709	1,958,227
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		1,100,000	800,000
	Transfer to Debenture Redemption Reserve		118,000	34,000
	Transfer to Capital Reserve		145,000	1,148,400
	Transfer to / (from) Fraud Provision		-	(13,971)
	Transfer to / (from) Investment Reserve Account		-	(310,622)
	Transfer to Investment Fluctuation Reserve Account		8,206,596	4,831,336
	Dividend		405,000	1,932,583
	Corporate Dividend Tax		-	397,567
	Balance carried over to Balance Sheet		435,222,135	364,358,501
	Total		**464,260,540**	**390,004,021**
V.	**EARNINGS PER SHARE [Refer Note 12 - Schedule 17]**			
	Basic (₹)		50.53	44.73
	Diluted (₹)		50.49	44.68
	Face value per share (₹)		5.00	5.00
	Significant Accounting Policies and Notes to Accounts forming part of the Consolidated Financial Statements	17		
	The schedules referred to above form an integral part of this Consolidated Profit and Loss Account			

As per our report of even date attached

For and on behalf of the Board of Directors

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No. 001076N/N500013

Prakash Apte
Chairman

Uday Kotak
Managing Director and
Chief Executive Officer

Murad D. Daruwalla
Partner
Membership No. 043334

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
Group President and
Group Chief Financial Officer

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Mumbai
3rd May, 2021

Consolidated Cash Flow Statement

for the year ended 31st March, 2021

(₹ in thousands)

	Year Ended 31st March, 2021	Year Ended 31st March, 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before share in profit / (loss) of Associates	99,028,957	86,070,849
Add: Provision for tax	32,654,415	28,147,161
Net Profit before taxes	**131,683,372**	**114,218,010**
Adjustments for :-		
Employee Stock Options Expense	18,223	27,688
Depreciation on Group's property	4,610,504	4,648,883
Amortisation of Premium on Investments	4,275,065	3,141,827
Diminution in the value of Investments	3,792,695	1,809,321
(Profit) / Loss on revaluation of Investments (net)	(36,122,100)	22,050,283
Profit on sale of Investments (net)	(17,677,747)	(15,477,482)
Provision for Non Performing Assets, Standard Assets and Other Provisions	28,804,242	23,771,717
Profit on sale of Fixed assets	(386,560)	(294,242)
	118,997,694	**153,896,005**
Adjustments for :-		
(Increase) / Decrease in Investments - Available for Sale, Held for Trading and Stock-in-Trade	(302,721,243)	39,101,737
(Increase) in Advances	(43,715,739)	(79,832,985)
(Increase) in Other Assets	(39,444,597)	(9,828,238)
Increase in Deposits	184,712,031	355,759,471
Increase in Policyholders' Funds	105,626,982	40,910,049
Increase / (Decrease) in Other Liabilities and Provisions	57,616,962	(5,154,941)
Sub-total	**(37,925,604)**	**340,955,093**
Direct Taxes Paid (net of refunds)	**(32,260,778)**	**(28,662,809)**
NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES (A)	**48,811,312**	**466,188,289**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(3,685,902)	(4,526,218)
Proceeds from sale of Fixed assets	684,491	399,331
Proceeds from Sale of Shares in Associates	-	142,615
(Increase) in Other Investments (including investments in HTM securities)	(108,159,952)	(128,004,464)
NET CASH FLOW (USED IN) INVESTING ACTIVITIES (B)	**(111,161,363)**	**(131,988,736)**

Consolidated Cash Flow Statement

for the year ended 31st March, 2021

(₹ in thousands)

	Year Ended 31st March, 2021	Year Ended 31st March, 2020
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid including corporate dividend tax	(405,000)	(2,330,150)
Money received on issue of Equity Shares / exercise of stock options	78,437,487	3,606,107
Share issue expenses	(374,794)	(3,700)
(Decrease) in borrowings	(178,378,154)	(8,622,215)
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)	**(100,720,461)**	**(7,349,958)**
Increase / (Decrease) in Foreign Currency Translation Reserve (D)	**(561,770)**	**1,304,275**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**(163,632,282)**	**328,153,870**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**640,798,483**	**312,644,613**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**477,166,201**	**640,798,483**
Note:		
Balance with banks in India in Other Deposit Accounts (As per Schedule 7 I (i) (b))	50,273,554	66,211,387
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	2,969,795	4,685,818
Money at call and short notice in India with Banks (As per Schedule 7 I (ii) (a))	25,858,793	31,458,390
Money at call and short notice in India with Other Agencies (As per Schedule 7 I (ii) (b))	153,000,000	403,000,000
Cash in hand (As per Schedule 6 I)	14,895,619	17,297,985
Balance with RBI in Current Account (As per Schedule 6 II)	110,384,402	77,834,361
Balance with banks Outside India:		
(i) In Current Account (As per Schedule 7 II (i))	15,909,393	7,573,611
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	103,874,645	32,736,931
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**477,166,201**	**640,798,483**

As per our report of even date attached

For and on behalf of the Board of Directors

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No. 001076N/N500013

Murad D. Daruwalla
Partner
Membership No. 043334

Mumbai
3rd May, 2021

Prakash Apte
Chairman

Uday Kotak
Managing Director and
Chief Executive Officer

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
Group President and
Group Chief Financial Officer

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Schedules

Forming part of Consolidated Balance Sheet as at 31st March, 2021

SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31st March, 2021	As at 31st March, 2020
Authorised Capital		
2800,000,000 Equity Shares of ₹ 5/- each	14,000,000	14,000,000
(31st March, 2020: 2800,000,000)		
1000,000,000 Perpetual Non Cumulative Preference Shares of ₹ 5/- each	5,000,000	5,000,000
(31st March, 2020: 1000,000,000)		
	19,000,000	**19,000,000**
Issued, Subscribed and Paid-up Capital		
1981,835,668 Equity Shares of ₹ 5/- each (31st March, 2020: 1913,038,338) fully paid-up		
(Refer Note 3 - Schedule 17)	9,909,178	9,565,192
1000,000,000 Perpetual Non Cumulative Preference Shares of ₹ 5/- each	5,000,000	5,000,000
(31st March, 2020: 1000,000,000) fully paid-up		
Total	**14,909,178**	**14,565,192**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	**Statutory Reserve**		
	Opening Balance	82,125,783	67,257,783
	Add: Transfer from Profit and Loss Account	17,412,100	14,868,000
	Total	**99,537,883**	**82,125,783**
II.	**Capital Reserve**		
	Opening Balance	3,282,286	2,133,886
	Add: Transfer from Profit and Loss Account	145,000	1,148,400
	Total	**3,427,286**	**3,282,286**
III.	**General Reserve**		
	Opening Balance	6,540,937	6,540,937
	Total	**6,540,937**	**6,540,937**
IV.	**Securities Premium Account**		
	Opening Balance	169,001,781	165,401,030
	Add: Received during the year (Refer Note 3 - Schedule 17)	78,118,790	3,604,451
	Less: Utilised for Share Issue Expenses	374,794	3,700
	Total	**246,745,777**	**169,001,781**
V.	**Special Reserve under Section 45IC of the RBI Act, 1934**		
	Opening Balance	14,069,937	12,111,710
	Add: Transfer from Profit and Loss Account	1,651,709	1,958,227
	Total	**15,721,646**	**14,069,937**

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
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	3,278,506	1,974,231
	Increase / (Decrease) during the year	(561,770)	1,304,275
	Total	**2,716,736**	**3,278,506**
VIII.	**Investment Reserve Account**		
	Opening Balance	-	310,622
	Add: Transfer from Profit and Loss Account	-	(310,622)
	Total	**-**	**-**
IX.	**Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961**		
	Opening Balance	5,742,000	4,942,000
	Add: Transfer from Profit and Loss Account	1,100,000	800,000
	Total	**6,842,000**	**5,742,000**
X	**Investment Fluctuation Reserve**		
	Opening Balance	5,540,254	708,918
	Add: Transfer from Profit and Loss Account	8,206,596	4,831,336
	Total	**13,746,850**	**5,540,254**
XI.	**Capital Redemption Reserve**		
	Opening Balance	101,800	101,800
	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.	**Debenture Redemption Reserve**		
	Opening Balance	34,000	-
	Add: Transfer from Profit and Loss Account	118,000	34,000
	Total	**152,000**	**34,000**
XV.	**Balance in the Profit and Loss Account**	435,222,135	364,358,501
	Total (I to XV)	**833,455,267**	**656,776,002**

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
A. I.	**Demand Deposits**		
	i. From Banks	3,560,326	1,995,282
	ii. From Others	510,655,843	419,489,116
	Total	**514,216,169**	**421,484,398**
II.	**Savings Bank Deposits**	1,172,257,389	1,046,085,934
III.	**Term Deposits**		
	i. From Banks	2,697,369	14,293,589
	ii. From Others	1,099,543,181	1,122,138,156
	Total	**1,102,240,550**	**1,136,431,745**
	Total Deposits (I to III)	**2,788,714,108**	**2,604,002,077**
B. I.	Deposits of Branches in India	2,786,443,226	2,601,895,700
II.	Deposits of Branches Outside India	2,270,882	2,106,377
	Total Deposits (I + II)	**2,788,714,108**	**2,604,002,077**

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	**Borrowings in India**		
	(i) Reserve Bank of India	-	3,870,000
	(ii) Other Banks	182,840,744	312,963,756
	(iii) Other Institutions and Agencies (Refer Note 14 - Schedule 17)	236,979,489	270,299,274
	Total	**419,820,233**	**587,133,030**
II.	**Borrowings outside India**		
	Banks and Other Institutions	57,568,781	68,634,138
	Total	**57,568,781**	**68,634,138**
	Total Borrowings (I + II)	**477,389,014**	**655,767,168**
	Secured Borrowings (other than CBLO and Repo Borrowings included in I above)	**141,685,340**	**188,174,786**

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	Bills Payable	23,965,426	10,134,781
II.	Interest Accrued	14,082,634	16,880,596
III.	Provision for tax (net of advance tax and tax deducted at source)	5,285,393	2,289,670
IV.	Standard Asset provision	11,321,066	10,734,626
V.	Others (including provisions) (Refer Note 4, 7 and 23 - Schedule 17)	198,868,034	145,460,182
	Total	**253,522,553**	**185,499,855**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	Cash in hand (including foreign currency notes)	14,895,619	17,297,985
II.	Balances with RBI in Current Account	110,384,402	77,834,361
	Total	**125,280,021**	**95,132,346**

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

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	**In India**		
	(i) Balances with Banks		
	(a) In Current Accounts	2,969,795	4,685,818
	(b) In Other Deposit Accounts (Refer Note 5 - Schedule 17)	50,273,554	66,211,387
	Total	**53,243,349**	**70,897,205**
	(ii) Money at Call and Short Notice		
	(a) With Banks	25,858,793	31,458,390
	(b) With Other Agencies	153,000,000	403,000,000
	Total	**178,858,793**	**434,458,390**
	Total (i + ii)	**232,102,142**	**505,355,595**
II.	**Outside India**		
	(i) In Current Accounts	15,909,393	7,573,611
	(ii) In Other Deposit Accounts	103,874,645	32,736,931
	Total (i + ii)	**119,784,038**	**40,310,542**
	Total (I + II)	**351,886,180**	**545,666,137**

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	**Investments in India in [Refer Note 6 - Schedule 17]**		
	i. Government Securities	1,121,204,894	784,432,833
	ii. Other approved Securities	-	-
	iii. Shares	141,064,596	78,361,628
	iv. Debentures and Bonds	213,333,739	170,956,734
	v. Associates*	11,534,446	10,661,364
	vi. Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC), Alternate Asset and Other similar funds]	71,324,769	62,979,129
	Total	**1,558,462,444**	**1,107,391,688**
II.	**Investments Outside India in**		
	i. Government Securities	3,069,277	3,755,167
	ii. Shares	12,471	16,534
	iii. Debentures and Bonds	7,326,076	1,383
	iv. Others [Venture, Private Equity and other similar funds]	585,226	804,358
	Total	**10,993,050**	**4,577,442**
	Total Investments (I + II)	**1,569,455,494**	**1,111,969,130**
	***Investment in Associates**		
	Equity Investment in Associates	1,247,777	1,247,777
	Add: Goodwill on acquisition of Associates	4,962	4,962
	Less: Provision for diminution	3,906	3,906
	Less: Capital reserve on Consolidation (Share of pre-acquisition profits)	3,375	3,375
	Cost of Investment in Associates	**1,245,458**	**1,245,458**
	Add: Post-acquisition profit / (loss) and Reserve of Associates (Equity method)	10,288,988	9,415,906
	Total	**11,534,446**	**10,661,364**

SCHEDULE 9 - ADVANCES

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
A.	(i) Bills purchased and discounted #	85,500,483	77,781,325
	(ii) Cash Credits, Overdrafts and Loans repayable on demand	550,041,661	586,908,005
	(iii) Term Loans	1,886,340,069	1,834,100,248
	Total	**2,521,882,213**	**2,498,789,578**
	# Bills purchased and discounted is net of bills rediscounted Nil (previous year Nil)		
B.	(i) Secured by tangible assets *	1,880,774,908	1,907,348,766
	(ii) Covered by Bank / Government guarantees	121,577,208	15,146,253
	(iii) Unsecured	519,530,097	576,294,559
	Total	**2,521,882,213**	**2,498,789,578**
	** including advances secured against book debts*		
C.	I **Advances in India**		
	(i) Priority Sector	903,648,990	733,388,522
	(ii) Public Sector	3,184,858	25,027,953
	(iii) Banks	6,597	37
	(iv) Others	1,582,096,055	1,697,085,056
	II **Advances outside India**		
	(i) Due from banks	-	-
	(ii) Due from others		
	a) Bills purchased and discounted	-	-
	b) Syndicated and term loans	32,945,713	43,288,010
	c) Others	-	-
	Total	**2,521,882,213**	**2,498,789,578**

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	11,629,873	11,666,777
	Add: Additions during the year	-	11,803
	Less: Deductions during the year	297,723	48,707
	Total	**11,332,150**	**11,629,873**
	Depreciation		
	As at 31st March of the preceding year	2,065,478	1,898,314
	Add: Charge for the year	188,885	192,552
	Less: Deductions during the year	72,611	25,388
	Depreciation to date	**2,181,752**	**2,065,478**
	Net Block	**9,150,398**	**9,564,395**
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	31,827,490	30,756,211
	Add: Additions during the year	3,700,435	4,514,705
	Less: Deductions during the year	2,014,247	3,443,426
	Total	**33,513,678**	**31,827,490**
	Depreciation		
	As at 31st March of the preceding year	22,939,243	21,844,568
	Add: Charge for the year	4,421,619	4,456,331
	Less: Deductions during the year	1,941,428	3,361,656
	Depreciation to date	**25,419,434**	**22,939,243**
	Net Block (Refer Note 24 - Schedule 17)	**8,094,244**	**8,888,247**

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
C.	**Leased Fixed Assets**		
	Gross Block		
	At cost on 31st March of the preceding year	1,540,585	1,540,585
	Add: Additions during the year	-	-
	Less: Deductions 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	-	-
	Less: Deductions during the year	-	-
	Depreciation to date	**1,383,601**	**1,383,601**
	Net Block	**156,984**	**156,984**
	Total (A) + (B) + (C)	**17,401,626**	**18,609,626**

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	Interest accrued	43,421,443	38,867,775
II.	Advance tax (net of provision for tax)	255,827	400,974
III.	Stationery and stamps	78,651	33,500
IV.	Cheques in course of collection	8,018	13,431
V.	Non Banking assets acquired in satisfaction of claims	-	-
VI.	Others (Refer Note 4 and 23 - Schedule 17)	150,919,856	114,107,090
	Total	**194,683,795**	**153,422,770**

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	Claims not acknowledged as debts	17,309,832	16,946,551
II.	Liability on account of outstanding forward exchange contracts	1,014,448,537	975,904,924
III.	Guarantees on behalf of constituents		
	i) In India	229,843,917	241,207,375
	ii) Outside India	109,695	107,636
IV.	Acceptances, Endorsements and Other Obligations	158,797,456	166,071,440
V.	Other items for which the Group is contingently liable:		
	i) Liability in respect of interest rate, currency swaps and forward rate agreements	510,085,899	438,038,079
	ii) Liability in respect of other derivative contracts	71,162,179	41,730,300
	iii) Capital commitments not provided	18,538,126	19,322,111
	iv) Unclaimed customer balances *	2,604,883	2,262,435
	Total	**2,022,900,524**	**1,901,590,851**

** includes amount transferred to RBI DEAF Scheme*

Schedules

Forming part of Consolidated Profit and Loss Account for the year ended 31st March, 2021

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

		For the year ended 31st March, 2021	For the year ended 31st March, 2020
I.	Interest / discount on advances / bills (Refer Note 9 - Schedule 17)	216,205,291	248,771,053
II.	Income on investments	92,749,669	73,273,089
III.	Interest on balances with RBI and other inter-bank funds	14,809,129	8,276,449
IV.	Others	4,434,217	4,421,019
	Total	**328,198,306**	**334,741,610**

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

		For the year ended 31st March, 2021	For the year ended 31st March, 2020
I.	Commission, exchange and brokerage	56,917,075	58,738,209
II.	Profit on sale of Investments (net)	17,677,747	15,477,482
III.	Profit / (Loss) on revaluation of investments of Insurance business	36,122,100	(22,050,283)
IV.	Profit on sale of building and other assets (net)	386,560	294,242
V.	Profit on exchange on transactions (net) (including derivatives)	9,796,802	6,954,813
VI.	Premium on Insurance business	113,673,954	105,660,337
VII.	Profit on recoveries of non-performing assets acquired	1,720,909	1,487,580
VIII.	Miscellaneous Income	3,654,228	2,353,370
	Total	**239,949,375**	**168,915,750**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

		For the year ended 31st March, 2021	For the year ended 31st March, 2020
I.	Interest on Deposits	100,853,643	120,285,321
II.	Interest on RBI / Inter-Bank Borrowings	12,714,372	12,619,109
III.	Others (Refer Note 15 - Schedule 17)	16,097,469	26,102,365
	Total	**129,665,484**	**159,006,795**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

		For the year ended 31st March, 2021	For the year ended 31st March, 2020
I.	Payments to and provision for employees (Refer Note 4 and 13 - Schedule 17)	58,556,999	57,559,662
II.	Rent, taxes and lighting (Refer Note 18 - Schedule 17)	7,701,167	7,685,789
III.	Printing and Stationery	820,355	1,155,955
IV.	Advertisement, Publicity and Promotion	3,395,948	3,834,907
V.	Depreciation on Group's property	4,610,504	4,648,883
VI.	Directors' fees, allowances and expenses	54,302	45,950
VII.	Auditors' fees and expenses *		
	Statutory Audit fees	85,276	87,166
	Other Matters	13,929	13,901
VIII.	Law Charges	550,548	584,232
IX.	Postage, telephones etc.	2,335,411	2,315,135
X.	Repairs and maintenance	6,495,436	5,810,209
XI.	Insurance	3,233,275	2,338,461
XII.	Travel and Conveyance	829,425	1,649,133
XIII.	Professional Charges	7,722,302	9,126,469
XIV.	Brokerage	6,439,496	7,702,307
XV.	Stamping Expenses	1,267,849	1,554,798
XVI.	Policyholders' Reserves	106,806,165	41,880,957
XVII.	Insurance Business Expenses (claims and benefits paid)	43,567,503	37,700,852
XVIII.	Other Expenditure	19,715,998	19,156,751
	Total	**274,201,888**	**204,851,517**

** The audit fees is aggregate of statutory audit fees of Kotak Mahindra Bank Limited and its subsidiaries. Of the above ₹ 2.48 crore (previous year ₹ 2.05 crore) has been paid to the statutory auditors of the Bank, of which ₹ 0.24 crore is subject to shareholder's approval in AGM. This does not include ₹ 0.72 crore paid towards QIP issuance, which has been adjusted against Securities Premium Account.*

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. The Bank has commenced operations in October 2019 at its first overseas branch at the Dubai International Financial Centre (DIFC), Dubai, UAE.

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, 2021.

a. The list of subsidiaries is as under:

Name of the Subsidiary	Country of Origin	% Shareholding of Group (31st March, 2021)	% Shareholding of Group (31st March, 2020)
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	UAE	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, 2021)	% Shareholding of Group (31st March, 2020)
Infina Finance Private Limited	India	49.99	49.99
Phoenix ARC Private Limited	India	49.90	49.90
ECA Trading Services Limited (Unaudited) $	India	20.00	20.00
Matrix Business Services India Private Limited (Unaudited) (till 26th April, 2019)	India	-	-

$ The Group has reduced its stake by 20% on 18th March, 2020.

2. ACCOUNTING METHODOLOGY AND SIGNIFICANT ACCOUNTING POLICIES:

A. i. 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 provisions of the Companies Act, 2013, guidelines issued by the Reserve Bank of India (RBI), Insurance Regulatory and Development Authority of India (IRDAI) from time to time as applicable and the generally accepted accounting principles prevailing in India. In case the accounting policies followed by consolidating entities are different from those followed by Bank, the same have been disclosed separately.

ii. COVID – 19 PANDEMIC

In addition to the widespread public health implications, the COVID-19 pandemic has had an extraordinary impact on macroeconomic conditions in India and around the world. During the previous year, people and economies around the world, witnessed serious turbulence caused by the first wave of the pandemic, the consequent lockdowns, the gradual easing of restrictions and the emergence of new variants of the virus. Although government has started vaccination drive, COVID-19 cases have significantly increased in recent months due to second wave as compared to earlier levels in India. Various state governments have again announced strict measures including lockdowns to contain this spread. As COVID vaccines get administered to more and more people, businesses in sectors impacted by pandemic may pick up. However, the continuing and evolving nature of the virus has created uncertainty regarding estimated time required for businesses and lives to get back to normal.

The Bank and its subsidiaries continue to closely monitor the situation and in response to this health crisis and has implemented protocols and processes to execute its business continuity plans and help protect its employees and support its clients. The pandemic has impacted lending business, distribution of third party products, fee income from services or usage of debit/ credit cards, collection efficiency etc. and has resulted in increase in customer defaults and consequently increase in provisions. The Bank and its subsidiaries, however, have not experienced any significant disruptions in the past one year and have considered the impact on carrying value of assets based on the external or internal information available up to the date of approval of consolidated financial statements. The direct and indirect impact of COVID-19 on Bank and its subsidiary business, results of operations, financial position and cash flows remains uncertain. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 at 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.

SIGNIFICANT ACCOUNTING POLICIES

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 (net of indirect tax) 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 unit 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.In case of policies where payments are received in installment, the revenue is recognized at the time of receipt of installment. 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 reinsurance slips, accepted from the reinsurer.

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 tax), 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. 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 Funds) Regulations, 1996' on an annual basis.

ii. Management fee (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. Revenue from rendering of investment advisory business is recognised on a straight line basis over the period when services are rendered, which is in accordance with the terms of the mandate letters entered between the company and the high networth individual client.

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

v. 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.

vi. The Group receives fees for providing research to clients and records the income at the time services are provided.

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

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 loss 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, net of taxes and transfer to statutory reserve 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
Leasehold land	Over the lease period
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 seven of its subsidiaries make contributions to a gratuity fund administered by trustees and managed by Life Insurance companies. In other subsidiaries gratuity obligation is wholly unfunded. The contribution made to the trusts is recognised as planned assets.

Pension:

In respect of pension payable to certain employees of erstwhile ING Vysya Bank Limited (eIVBL) under Indian Banks' Association (IBA) structure, the Bank contributes 10% of basic salary to a pension fund and the difference between the contribution and the amount actuarially determined by an independent actuary is trued up based on actuarial valuation conducted as at the balance sheet date. The pension fund is managed by a Life Insurance company. The present value of the Bank's defined pension 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 in which 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.

DIFC Employee Workplace Savings Scheme (DEWS):

The Bank's branch in DIFC contributes up to 8.33% of eligible branch employees' salary per annum to the DIFC Employee Workplace Savings Scheme (DEWS). The Bank recognises such contributions as an expense in the year when an employee renders the related service. The Bank has no further obligation.

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. Short Sale:

The Bank undertakes short sale transactions in central government dated securities in accordance with RBI guidelines. The short position is categorised under HFT category and netted off from investments in the balance sheet. The short position is marked to market and loss, if any, is charged to the profit and loss account while gain, if any, is ignored. Gain or loss on settlement of the short position is recognised in the profit and loss account.

5. 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 on Fixed Income Money Market and Derivatives Association of India (FIMMDA) website by Financial Benchmark India Private Limited (FBIL) 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/ FBIL 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/ FBIL 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. The provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognized in the profit and loss account until realised.

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 classified as "HTM" 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 unlisted preference shares are classified 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 are valued at an applicable market yield rates provided by Credit Rating Information Services of India Limited (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 recognised in the profit and loss account. The gain 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 expense in the profit and loss account.

Unlisted units of Real Estate Investment Trusts (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.

i. Certain guaranteed products offered by the Life Insurance subsidiary assure the policy holders a fixed rate of return for premiums to be received in the future and the Life Insurance subsidiary is exposed to interest rate risk on account of re-investment of interest & principal maturities at future date & guarantee risk on premiums from already written policies. The Life Insurance subsidiary is following hedge accounting for all derivative transactions.

For derivatives which are designated as a cash flow hedge in a hedging relationship, hedge effectiveness is ascertained at the time of inception of the hedge and periodically.

- The portion of fair value gain / loss on interest rate derivative that is determined to be an effective hedge is recognized directly in policyholders' funds.
- The ineffective portion of the change in fair value of such instruments is recognized in profit and loss account in the period in which they arise.
- If the hedging relationship ceases to be effective or it becomes probable that the expected forecasted transaction will no longer occur, hedge accounting is discontinued and the cumulative gains or losses that were recognized earlier in balance sheet shall be reclassified to the profit and loss account in the same period or periods during which the hedged forecasted cash flows affect the profit and loss account.

Recognition of Derivatives in Balance Sheet

- Initial Recognition: All derivatives are initially recognized in the Balance sheet at their fair value, which usually represents their cost.
- Subsequent Recognition: All derivatives are subsequently re-measured at their fair value, with change in fair value is recognized as per hedge accounting principles. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

j. All assets where the interest and/or instalment of principal repayment remain overdue for more than 90 days at the balance sheet date are classified as NPA and provided for in the manner required by the IRDAI regulations in this regard.

Valuation – Unit linked Business

k. All Government securities, except treasury bills, held in linked business are valued at prices obtained from 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 triparty repo is accreted over the period to maturity on an internal rate of return basis. Listed 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.

l. Mutual fund units are valued at the previous day's closing NAV of the fund in which they are invested.

m. All unlisted redeemable preference shares are considered as held to maturity and stated at historical cost.

n. 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 'HTM' 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 NAV 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. In case of any net mark to market loss, the additional provision to the extent of the loss in fair value change account on the balance sheet date is recognised in profit and loss account.

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. The fair value of PTC is determined based on the yield to maturity for government securities as published by FIMMDA and suitably marked up for credit risk applicable to the credit rating of the instrument.

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 investments (including 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 date. Derivatives are classified as assets when the fair value is positive (positive marked to market) or as liabilities when the fair value is negative (negative marked to market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the profit and loss account.

vii. Outstanding derivative transactions designated as "Hedges" are accounted in accordance with hedging instrument on an accrual basis over the life of the underlying instrument. Option premium paid or received is recognised in the profit and loss account on expiry of the option. Option contracts are marked to market on every reporting date.

viii. The financial statements of IBU and DIFC branch 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 at 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 at 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 in the profit and loss account.

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 at 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.

Currency/ Interest rate derivatives / Equity index / equity futures, equity index / equity options, embedded derivatives / other derivatives (Not designated as hedges):

xiii. 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.

xiv. 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 Marked to Market Margin - Derivative Instrument" representing the deposit paid in respect of marked to market margin is disclosed under other assets.

xv. 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).

xvi. 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.

xvii. 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.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020, 17th April, 2020 and 23rd May, 2020 and clarification issued by RBI through Indian Bankers Association dated 6th May, 2020, the Bank and its NBFC subsidiaries have granted a moratorium on the payment of instalments and / or interest, as applicable, falling due between 1st March, 2020 and 31st August, 2020 ('moratorium period') to eligible borrowers classified as Standard, even if overdue, as on 29th February, 2020. In accordance with RBI guidelines, the moratorium period, wherever granted, is excluded by the Bank and its NBFC subsidiaries from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. As at 31st March, 2021, the Bank and its NBFC subsidiaries hold provisions on the customers affected by COVID-19 pandemic which is higher than the regulatory requirements. In accordance with the said guidelines, such accounts where moratorium has been granted are not considered as restructured.

Further in accordance with Resolution Framework for COVID-19 and Restructuring of Micro, Small and Medium Enterprises (MSME) sector advances both announced by RBI on 6th August, 2020, the Bank and its NBFC subsidiaries have implemented one-time restructuring for certain eligible borrowers and such borrowers are classified as Standard in accordance with the above framework.

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 made 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 issued by RBI. A general provision at 10% on the entire amount outstanding from borrowers who had an overdue on 29th February, 2020 and to whom moratorium was given is also made by Bank and its NBFC subsidiaries.

vi. 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.

vii. Provisions for Unhedged Foreign Currency Exposure of borrowers are made as per the RBI guidelines.

For other entities:

viii. NBFC subsidiaries provide general provision on standard assets at 0.40% in accordance with the RBI guidelines.

ix. Life insurance subsidiary provides general provision on standard assets at 0.40% in accordance with the IRDAI guidelines.

x. Receivables/ Sundry Debtors (included in Schedule 11-Other assets) are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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)(xiii)}.

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 at 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 is equal to account value as at valuation date 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 .The reserve held is equal to assumed probability of freelook cancellations.

v. The Life Insurance subsidiary has received COVID-19 claims in the previous year. On the basis of past available COVID-19 death experience and current pandemic situation along with vaccination drive across the country, additional reserves are held which would be sufficient to meet any expected additional claims likely to emerge under the current COVID - 19 situation. Further, the Prudence in the Best Estimate (BE) mortality basis and Margins for Adverse Deviation (MAD) will also help to meet expected additional claims due to COVID-19. The Life Insurance subsidiary reinsures mortality with an optimum level of retention on guaranteed premiums bases, with financially strong reinsurers. They also carry out resilience test on balance sheet and its impact on solvency margin.

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 4th April, 2016 such reserves are calculated on a pro-rata basis under 1/365 basis subject to 100% for marine hull business, on all unexpired policies at balance sheet date.

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 OF INSURANCE CONTRACTS

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	Money market, forex market, derivatives and investments and primary dealership of Government securities and Balance Sheet Management unit (BMU) responsible for Asset Liability Management and Corporate Centre which primarily comprises of support functions.
Retail Banking	Includes: (1) Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework". (2) Branch Banking Retail borrowings covering savings, current and term deposit accounts and Branch Banking network and services including distribution of financial products. (3) Credit cards Receivables / loans relating to credit card business.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included in Retail Banking.
Vehicle Financing	Retail vehicle finance and wholesale trade finance to auto dealers from its Subsidiary Company.
Other Lending Activities	Financing against securities, securitisation and other loans / services not included under Retail Banking and Corporate / Wholesale Banking from its Subsidiary Companies.
Broking	Brokerage income on market transactions done on behalf of clients, interest on delayed payments, distribution of financial products from its Subsidiary Company.
Advisory and Transactional Services	Providing financial advisory and transactional services such as mergers and acquisition advice and equity / debt issue management services from its Subsidiary Companies.
Asset Management	Management of funds and investments on behalf of clients and funds from its Subsidiary Companies.
Insurance	Life and General Insurance business of its Subsidiary Companies.

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 SEBI (Share Based Employee Benefits) Regulations, 2014. The schemes provide for grant of options to employees of the Group to acquire the equity shares of the Bank that vest in cliff vesting or in a graded manner and that are to be exercised within a specified period.

In accordance with the SEBI (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 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 are 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.

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:

Leases 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.

In respect of leases of tangible assets where the Group has substantially transferred all the risks and rewards incidental to legal ownership, such leases 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

New fund offer expenses and other expenses not chargeable to schemes, in accordance with applicable circulars and guidelines issued by SEBI and Association of Mutual Funds in India (AMFI) are borne by the Asset management company of the Group. Brokerage paid for close ended schemes before 22nd October, 2018 circular issued by SEBI in relation to upfront brokerage are amortised by the Asset Management Company of the Group over the tenor of each scheme on a straight line basis.

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 is 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, is 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 IRDAI, 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 recognised in the profit and loss account to the extent carrying amount of assets exceeds their estimated recoverable amount.

AD. CASH AND CASH EQUIVALENTS

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

NOTES TO ACCOUNTS

3. CAPITAL ISSUANCE:

The Bank on 31st May, 2020, concluded a Qualified Institutions Placement (QIP) of 65,000,000 equity shares at a price of ₹ 1,145 per equity share aggregating to ₹ 7,442.50 crore. Accordingly, share capital increased by ₹ 32.50 crore and share premium increased by ₹ 7,372.72 crore which is net of share issue expenses of ₹ 37.28 crore.

4. EMPLOYEE BENEFITS:

a. The Group has recognised the following amounts in the profit and loss account towards contributions to provident fund and other funds.

(₹ in crore)

	Year Ended	
	31st March, 2021	31st March, 2020
Provident Fund	207.67	196.95
Superannuation Fund	1.71	1.79
New Pension Fund	8.17	7.98
DIFC Employee Workplace Savings Scheme (DEWS)	0.61	0.12

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 at 31st March, 2021		As at 31st March, 2020	
	Funded	Unfunded	Funded	Unfunded
Change in benefit obligations				
Liability as at the beginning of the year	552.47	6.60	473.45	15.66
Transfer from Unfunded to Funded	-	-	10.71	(10.71)
Current Service cost	73.37	1.14	58.33	0.94
Interest cost	36.45	0.46	34.16	0.40
Actuarial (gain) / loss on obligations	21.50	0.56	55.57	0.58
Past Service cost	-	-	-	-
Liabilities assumed on acquisition / (settled on divestiture)	0.22	(0.26)	0.06	(0.13)
Benefits paid	(73.85)	(0.52)	(79.81)	(0.14)
Liability as at the end of the year	**610.16**	**7.98**	**552.47**	**6.60**
Change in plan assets				
Fair value of plan assets as at the beginning of the year	498.16	-	470.41	-
Expected return on plan assets	36.69	-	35.08	-
Actuarial Gain / (loss)	65.24	-	(43.73)	-
Benefits paid	(73.85)	(0.52)	(79.81)	(0.14)
Employer contributions	140.49	0.52	116.21	0.14
Fair value of plan assets as at the end of the year	**666.73**	**-**	**498.16**	**-**

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

(₹ in crore)

	As at 31st March, 2021		As at 31st March, 2020	
	Funded	Unfunded	Funded	Unfunded
Fair value of plan assets as at the end of the year	666.73	-	498.16	-
Liability as at the end of the year	610.16	7.98	552.47	6.60
Net Asset / (Liability) included in "Others" under "Other Assets"/ "Other Liabilities"	**56.57**	**(7.98)**	**(54.31)**	**(6.60)**
Expenses recognised for the year				
Current service cost	73.37	1.14	58.33	0.94
Interest cost	36.45	0.46	34.16	0.40
Expected return on plan assets	(36.69)	-	(35.08)	-
Actuarial (gain) / loss	(43.74)	0.56	99.30	0.58
Past Service Cost	-	-	-	-
Effect of the limit in Para 59(b)	-	-	-	-
Net gratuity expense recognised in Schedule 16.I	**29.39**	**2.16**	**156.71**	**1.92**
Actual return on plan assets	**101.92**	**-**	**(8.65)**	**-**

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As at 31st March, 2021		As at 31st March, 2020	
	Funded	Unfunded	Funded	Unfunded
Net (Asset) / Liability as at the beginning of the year	54.31	6.60	3.04	15.66
Transfer from Unfunded to Funded	-	-	10.71	(10.71)
Expense recognized	29.39	2.16	156.71	1.92
Liabilities assumed on acquisition / (settled on divestiture)	0.22	(0.26)	0.06	(0.13)
Employer contributions	(140.49)	(0.52)	(116.21)	(0.14)
Effect of the limit in Para 59(b)	-	-	-	-
Net (Asset) / Liability included in "Others" under "Other Assets" or "Other Liabilities"	**(56.57)**	**7.98**	**54.31**	**6.60**

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 at 31st March, 2021 %	As at 31st March, 2020 %
Equity shares	43.24	27.46
Government securities	36.73	31.63
Bonds, debentures and other fixed income instruments	8.72	29.84
LIC managed funds#	6.47	2.02
Money market instruments and other assets	4.84	9.05
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 at 31st March, 2021	As at 31st March, 2020
Discount rate	5.65% to 6.37% p.a.	5.60% to 6.59% p.a.
Salary escalation rate	5.50% (IBA) and 7.00% - 8.00% (Others) p.a.	5.50% (IBA) and 0.00% until year 1 inclusive, then 7.00% - 8.00% (Others) p.a.
Expected rate of return on plan assets	5.65% - 7.00% p.a.	5.60% - 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,				
	2021	2020	2019	2018	2017
Defined benefit obligation	618.14	559.07	489.11	450.12	335.84
Plan assets	666.73	498.16	470.41	342.00	344.32
Surplus / (deficit)	48.59	(60.91)	(18.70)	(108.12)	8.48
Experience adjustments on plan liabilities	12.38	42.40	20.25	13.28	4.18
Experience adjustments on plan assets	65.23	(43.65)	11.25	(0.90)	14.74

The Group expects to contribute ₹ 50.29 crore to gratuity fund in financial year 2021-22.

The above information is as certified by the actuaries of the respective companies 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 at 31st March, 2021	As at 31st March, 2020
	Funded	Funded
Change in benefit obligations		
Liability as at the beginning of the year	1,600.48	1,156.33
Current Service cost	58.49	42.26
Interest cost	98.39	69.32
Actuarial (gain) / loss on obligations	349.45	541.37
Past Service cost	-	-
Benefits paid	(214.87)	(208.80)
Liability as at the end of the year	**1,891.94**	**1,600.48**
Change in plan assets		
Fair value of plan assets as at the beginning of the year	1,514.34	1,159.16
Expected return on plan assets	130.32	106.94
Actuarial Gain / (loss)	(1.52)	(12.11)
Benefits paid	(214.87)	(208.80)
Employer contributions	444.22	469.15
Fair value of plan assets as at the end of the year	**1,872.49**	**1,514.34**

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

(₹ in crore)

	As at 31st March, 2021	As at 31st March, 2020
	Funded	Funded
Fair value of plan assets as at the end of the year	1,872.49	1,514.34
Liability as at the end of the year	1,891.94	1,600.48
Net Asset/ (Liability) included in "Others" under "Other Assets" or "Other Liabilities"	**(19.45)**	**(86.14)**
Expenses recognised for the year		
Current service cost	58.49	42.26
Interest cost	98.39	69.32
Expected return on plan assets	(130.32)	(106.94)
Actuarial (gain) / loss	350.97	553.48
Effect of the limit in Para 59(b)	-	-
Net pension expense recognized in Schedule 16.I	**377.53**	**558.12**
Actual return on plan assets	**128.80**	**94.83**

Reconciliation of the Liability recognised in the Balance Sheet

(₹ in crore)

	As at 31st March, 2021	As at 31st March, 2020
	Funded	Funded
Net (Asset) / Liability as at the beginning of the year	86.14	(2.83)
Expense recognized	377.53	558.12
Employer contributions	(444.22)	(469.15)
Effect of the limit in Para 59(b)	-	-
Net (Asset)/ Liability included in "Others" under "Other Assets" or "Other Liabilities"	**19.45**	**86.14**

Investment details of plan assets

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

Actuarial assumptions used

	As at 31st March, 2021	As at 31st March, 2020
Discount rate	6.37% p.a.	6.59% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	6.50% p.a.	8.00% p.a.
Inflation	10.00% 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 like settlement with employee unions.

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 years are as follows:

(₹ in crore)

Pension	Year ended 31st March, 2021	Year ended 31st March, 2020	Year ended 31st March, 2019	Year ended 31st March, 2018	Year ended 31st March, 2017
Defined benefit obligation	1,891.94	1,600.48	1,156.33	1,057.85	950.14
Plan assets	1,872.49	1,514.34	1,159.16	1,063.69	924.91
Surplus / (deficit)	(19.45)	(86.14)	2.83	5.84	(25.23)
Experience adjustments on plan liabilities	199.72	440.57	102.64	208.24	178.79
Experience adjustments on plan assets	(1.52)	(7.85)	(6.46)	(0.72)	(7.02)

The Bank expects to contribute ₹ 234.65 crore to pension fund in financial year 2021-2022.

Compensated absences

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

(₹ in crore)

	As at 31st March, 2021	As at 31st March, 2020
Total actuarial liability	288.46	253.06
Assumptions:		
Discount rate	5.65% to 6.37% p.a. 1.72% p.a. (DIFC)	5.60% to 6.59% p.a. 0.74% p.a. (DIFC)
Salary escalation rate	5.50% (IBA) and 7.00%-8.00% (others) p.a. and 3% p.a. (DIFC)	5.50% (IBA) and 0.00% until year 1 inclusive, then 7.00%-8.00% (others) p.a. 0% in year 1 and 3% p.a. thereafter (DIFC)

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 at 31st March, 2021	As at 31st March, 2020
Total actuarial liability	19.52	15.80
Assumptions:		
Discount rate	6.20% p.a	6.37 - 6.59% p.a.

5. DEPOSIT UNDER LIEN:

Balance with Banks in other deposit accounts include ₹ 4,987.36 crore (previous year ₹ 4,878.31 crore) which are under lien.

6. SECURITIES PLEDGED AND ENCUMBERED:

(a) Investments include Government Securities with face value of ₹ 10,024.63 crore (previous year ₹ 20,800.70 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for liquidity adjustment facility (LAF).

(b) Investments pledged with National Securities Clearing Corporation Limited towards exposure in derivatives segment as at 31st March, 2021 ₹ 829.72 crore (previous year ₹ 210.77 crore).

7. "Others" in Other Liabilities and Provisions (Schedule 5) include the following items of provisions in respect of contingencies and other provisions, 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 Credit Card Reward Points

The following table sets forth, for the periods indicated, movement in actuarially determined provision for credit card account reward points:

(₹ in crore)

Particulars	Year Ended 31st March, 2021	Year Ended 31st March, 2020
Opening provision for reward points	17.97	14.93
Provision for reward points made during the year	35.19	31.35
Utilisation/write-back of provision for reward points	(33.38)	(28.31)
Closing provision for reward points*	19.78	17.97

** This amount will be utilized towards redemption of the credit card accounts reward points.*

Provision for Other Contingencies:

(₹ in crore)

Description	Balance as at 1st April, 2020	Addition during the year	Reversed/ paid during the year	Balance as at 31st March, 2021
Customer claims with respect to repossessed vehicles	0.10	-	0.08	0.02
Previous year	0.10	-	-	0.10

8. PROVISIONS AND CONTINGENCIES:

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

(₹ in crore)

Year ended 31st March,	2021	2020
Provision for Taxation (Refer Note 10 below)	3,265.44	2,814.72
Provision for Non-performing Assets (including write-offs and net of recoveries)	2,062.31	1,566.34
Provision for Standard Assets	46.28	42.78
General Provision – COVID-19 Deferment Cases*	682.40	713.68
Provision for Unhedged Foreign Currency Exposure	3.14	(5.07)
Provision for Diminution in value of Investments	379.27	180.93
Other Provision and Contingencies	86.29	59.44
Total	**6,525.13**	**5,372.82**

** Provision in respect of borrowers for which moratorium is granted by the Bank ₹ 629 crore (previous year ₹ 650 crore) and its NBFC subsidiaries ₹ 53.40 crore (previous year ₹ 63.68 crore) in accordance with RBI guidelines.*

9. RBI circular dated 7th April, 2021 required Banks and NBFC's to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. 1st March, 2020 to 31st August, 2020 in conformity to the Honourable Supreme Court of India judgement on 23rd March, 2021. Pursuant to the said order and as per the RBI circular, the methodology for calculation of the amount of such 'interest on interest' was finalised by the Indian Banks Association (IBA). The Bank and its subsidiaries are in the process of implementing this methodology and pending finalization has created a liability towards estimated interest relief of ₹ 128.63 crore and has reduced the same from Interest / discount on advances / bills in Schedule 13 – Interest Earned.

10. PROVISION MADE FOR TAXES DURING THE YEAR:

(₹ in crore)

Year ended 31st March,	2021	2020
Current tax	3,540.16	2,958.87
Deferred tax	(274.72)	(144.15)
Total	**3,265.44**	**2,814.72**

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, property tax demands and legal cases filed against the Group. The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Group at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Group.
2.	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts with inter-bank participants and with its 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: • Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Group • Bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised. • Underwriting commitments in respect of Debt Syndication
5.	Other items for which the Group is contingently liable	These include: • Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures, options and other derivative contracts. The Bank enters into these transactions with inter Bank participants and its customers. Currency Swaps are commitments to exchange cash flows by way of interest/ principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. • Liability in respect of capital commitments relating to fixed assets and undrawn commitments in respect of investments. • Amount transferred to RBI under the Depositor Education and Awareness Fund ('DEAF').

** Also refer Schedule 12 – Contingent Liabilities*

12. EARNINGS PER EQUITY SHARE:

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
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	1,969,046,454	1,910,200,383
Effect of potential equity shares for stock options outstanding	1,391,770	2,095,276
Weighted average number of equity shares used in computation of diluted earnings per share	1,970,438,224	1,912,295,659
Following is the reconciliation between basic and diluted earnings per share:		
Nominal value per share (₹)	5.00	5.00
Basic earnings per share (₹)	50.53	44.73
Effect of potential equity shares for stock options (₹)	0.04	0.05
Diluted earnings per share (₹)	50.49	44.68
Profit for the year after tax (₹ in crore)	9,990.20	8,593.36
Less : Preference dividend including tax (₹ in crore)	40.50	48.82
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	9,949.70	8,544.54

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 157,606,163 options as at 31st March, 2021 (Previous year 155,907,323).

In aggregate 6,159,212 options are outstanding as at 31st March, 2021 (Previous year 8,587,012) 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, 2021, 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	17,292,509
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	0.03 – 0.55 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, 2021		Year ended 31st March, 2020	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	**-**	**-**	**329,686**	**660.00**
Granted during the year	-	-	-	-
Forfeited during the year	-	-	1,124	665.00
Exercised during the year	-	-	323,742	659.90
Expired during the year	-	-	4,820	665.00
Outstanding at the end of the year	**-**	**-**	**-**	**-**
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)		-		-
Weighted average fair value of options granted		-		-

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

	Year ended 31st March, 2021		Year ended 31st March, 2020	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	**8,278,402**	**1,236.30**	**8,721,262**	**1,046.44**
Granted during the year	1,698,840	1,307.48	3,381,530	1,452.50
Forfeited during the year	259,074	1,300.95	524,887	1,193.96
Exercised during the year	3,488,720	1,116.54	3,273,139	962.31
Expired during the year	70,236	1,193.09	26,364	1,021.70
Outstanding at the end of the year	**6,159,212**	**1,321.54**	**8,278,402**	**1,236.30**
Out of the above exercisable at the end of the year	960,009	1,145.12	734,570	896.90
Weighted average remaining contractual life (in years)		1.36		1.51
Weighted average fair value of options granted during the year		378.71		352.79

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

	Year ended 31st March, 2021		Year ended 31st March, 2020	
	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**
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	150,802	416.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	**-**	**-**	**-**	**-**
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)		-		-

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

	Year ended 31st March, 2021		Year ended 31st March, 2020	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	**-**	**-**	**339,792**	**302.90**
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	339,792	302.90
Expired during the year	-	-	-	-
Outstanding at the end of the year	**-**	**-**	**-**	**-**
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)		-		-

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

	Year ended 31st March, 2021		Year ended 31st March, 2020	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	**308,610**	**379.72**	**504,646**	**384.87**
Forfeited during the year	-	-	-	-
Exercised during the year	308,610	379.72	196,036	392.98
Expired during the year	-	-	-	-
Outstanding at the end of the year	**-**	**-**	**308,610**	**379.72**
Out of the above exercisable at the end of the year	-	-	308,610	379.72
Weighted average remaining contractual life (in years)		-		0.08

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,638.05 (Previous year ₹ 1,543.92).

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

31st March, 2021

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
601-700	1,000	0.25	700.00
801-900	23,528	1.00	900.00
901-1,000	540,181	0.82	967.69
1,001-1,100	63,674	1.28	1,057.99
1,201-1,300	1,977,359	0.79	1,269.91
1,301-1,400	1,440,640	2.04	1,341.00
1,401-1,500	2,112,830	1.57	1,460.00

31st March, 2020

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
301-400	306,730	0.08	379.50
401-500	1,880	-	416.00
601-700	28,428	0.97	700.00
701-800	528,510	0.56	773.80
801-900	41,174	1.51	900.00
901-1,000	1,812,138	0.77	955.00
1,001-1,100	91,220	1.51	1,058.93
1,201-1,300	2,603,162	1.60	1,270.68
1,401-1,500	3,173,770	2.02	1,460.00

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. The SARs granted and outstanding prior to approval of this scheme 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 1.07 to 4.11 years.

Detail of activity under SARs is summarised below:

	Year Ended 31st March, 2021	Year Ended 31st March, 2020
Outstanding at the beginning of the year	**2,253,629**	**2,322,185**
Granted during the year	990,190	1,075,906
Settled during the year	(1,046,905)	(1,062,731)
Forfeited during the year	(61,242)	(81,731)
Outstanding at the end of the year	**2,135,672**	**2,253,629**

Fair value of Employee stock options

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

Year ended 31st March,	2021		2020	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	1,000-1,341	0-1,460	1,050-1,460	0-1,460
Weighted Average Share Price ₹	1,375.80	1,385.00	1,462.72	1,333.67
Expected Volatility	27.95%-43.21%	21.40%-45.71%	21.10%-31.00%	26.44%-113.47%
Historical Volatility	27.95%-43.21%	21.40%-45.71%	21.10%-31.00%	26.44%-113.47%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.25-3.87		1.02-3.87	
- As at 31st March		0.06-3.46		0.06-3.37
Risk-free interest rate	3.61%-5.22%	3.32%-5.51%	5.63%-7.03%	4.16%-5.59%
Expected dividend rate	0.05%-0.07%	0.04%	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 not differ from historical volatility. 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,	2021	2020
Total Employee compensation cost pertaining to share-based payment plans	161.08	119.12
Compensation cost pertaining to equity-settled employee share-based payment plan included above	1.82	2.77
Liability for employee stock options outstanding as at year end	14.92	5.71
Deferred Compensation Cost	12.76	2.84
Closing balance of liability for cash-settled options	154.61	123.55
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	184.40	91.03

14. TIER II BONDS

Lower Tier II Bonds outstanding as at 31st March, 2021 ₹ 536.60 crore (previous year ₹ 561.60 crore).

15. Interest Expended - Others (Schedule 15.III) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 53.86 crore (previous year ₹ 54.85 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 ₹ 80.21 crore (previous year ₹ 84.92 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, 2021 are as given below:

(₹ in crore)

31st March,	2021	2020
Segment Revenues:		
Treasury, BMU and Corporate Centre	9,993.60	7,184.98
Retail Banking	13,815.72	15,057.84
Corporate / Wholesale Banking	13,016.78	13,918.46
Vehicle Financing	1,921.37	2,334.43
Other Lending Activities	1,438.39	1,974.16
Broking	1,901.36	1,459.32
Advisory and Transactional Services	386.25	417.78
Asset Management	1,122.05	1,121.48
Insurance	18,231.45	11,063.09
Sub-total	**61,826.97**	**54,531.54**
Add: Unallocated Income	-	-
Less: inter-segment revenues	(5,012.20)	(4,165.80)
Total Income	**56,814.77**	**50,365.74**

(₹ in crore)

31st March,	2021	2020
Segment Results:		
Treasury, BMU and Corporate Centre	3,609.56	2,283.73
Retail Banking	577.41	1,553.19
Corporate / Wholesale Banking	5,698.86	4,384.22
Vehicle Financing	239.30	444.01
Other Lending Activities	534.33	651.93
Broking	787.75	509.32
Advisory and Transactional Services	123.74	168.69
Asset Management	698.44	615.37
Insurance	898.95	811.34
Sub-total	**13,168.34**	**11,421.80**
Add: Unallocated Income / (Expense)	-	-
Total Profit before tax, minority interest and associates	13,168.34	11,421.80
Provision for tax	3,265.44	2,814.72
Net Profit before share of Associates and Minority	**9,902.90**	**8,607.08**
Segment Assets:		
Treasury, BMU and Corporate Centre	150,098.25	137,136.12
Retail Banking	240,506.83	216,234.38
Corporate / Wholesale Banking	162,450.23	153,443.88
Vehicle Financing	16,459.07	19,505.92
Other Lending Activities	14,399.41	15,340.95
Broking	8,679.90	5,753.97
Advisory and Transactional Services	297.20	319.06
Asset Management	3,753.21	2,975.43
Insurance	48,785.22	37,133.30
Sub-total	**645,429.32**	**587,843.01**
Less: inter-segment assets	(168,138.28)	(145,997.82)
Total	**477,291.04**	**441,845.19**
Add: Unallocated Assets	1,581.65	1,327.52
Total Assets as per Balance Sheet	**478,872.69**	**443,172.71**
Segment Liabilities:		
Treasury, BMU and Corporate Centre	121,065.38	122,215.01
Retail Banking	226,380.72	200,770.56
Corporate / Wholesale Banking	145,580.04	137,983.86
Vehicle Financing	9,400.28	14,185.38
Other Lending Activities	6,028.30	7,610.77
Broking	7,795.01	4,860.90
Advisory and Transactional Services	95.72	74.52
Asset Management	739.49	576.71
Insurance	44,558.81	33,526.74
Sub-total	**561,643.75**	**521,804.45**
Less: inter-segment liabilities	(168,138.28)	(145,997.82)
Total	**393,505.47**	**375,806.63**
Add: Unallocated liabilities	530.77	231.96
Add: Share Capital, Reserves and Surplus and Minority Interest	84,836.45	67,134.12
Total Capital and Liabilities as per Balance Sheet	**478,872.69**	**443,172.71**
Capital Expenditure:		
Treasury, BMU and Corporate Centre	52.14	79.56
Retail Banking	217.11	242.08
Corporate / Wholesale Banking	22.07	29.11
Vehicle Financing	2.14	3.72
Other Lending Activities	4.79	1.20
Broking	15.98	29.15
Advisory and Transactional Services	2.25	9.78
Asset Management	9.05	11.93
Insurance	44.51	46.12
Total	**370.04**	**452.65**

(₹ in crore)

31st March,	2021	2020
Depreciation / Amortisation:		
Treasury, BMU and Corporate Centre	86.29	99.63
Retail Banking	253.95	246.15
Corporate / Wholesale Banking	27.40	27.04
Vehicle Financing	4.67	4.90
Other Lending Activities	2.30	1.08
Broking	23.75	23.09
Advisory and Transactional Services	5.11	5.79
Asset Management	10.48	12.13
Insurance	47.10	45.08
Total	**461.05**	**464.89**

Segment information is provided as per the management information system available for internal reporting purposes, which includes certain estimates and assumptions.

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 ₹ 621.43 crore (previous year ₹ 601.92 crore).

(ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 543.68 crore (previous year ₹ 517.10 crore), later than one year but not later than five years is ₹ 1,621.45 crore (previous year ₹ 1,564.24 crore) and later than five years ₹ 912.70 crore (previous year ₹ 959.80 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 ₹ 0.01 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 Nil (previous year ₹ 0.76 crore), later than one year but not later than five years is Nil (previous year ₹ 1.89 crore) and later than five years Nil (previous year Nil).

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 at 31st March,	2021	2020
Gross Investments (A):		
(i) Not later than 1 year	60.74	71.25
(ii) Between 1-5 years	94.31	114.96
Total	**155.05**	**186.21**
Unearned Finance Income (B):		
(i) Not later than 1 year	13.09	16.01
(ii) Between 1-5 years	12.86	16.72
Total	**25.95**	**32.73**
Present Value of Rentals (A-B):		
(i) Not later than 1 year	47.65	55.24
(ii) Between 1-5 years	81.45	98.24
Total	**129.10**	**153.48**
Accumulated provision on the Gross Investments	**1.38**	**1.56**

20. In accordance with the IRDAI Financial Statements Regulations, the Life Insurance subsidiary revalues its investment property at least once in three years, the market value being the lower of valuations performed by two independent valuers. The real estate investment property is accordingly valued at ₹ 208.30 crore at 31st March, 2021 (previous year ₹ 201.87 crore). The historical cost of the property is ₹ 158.56 crore (previous year ₹ 158.56 crore). The revaluation gains have been included in policyholders' funds.

The life insurance subsidiary has entered into agreements for leasing out its real estate investment properties. These arrangement are in the nature of operating lease. There are no restrictions imposed by lease arrangement and the rent is not determined based on any contingency. The lease payments recognised in profit and loss account in the current year is ₹ 16.75 crore (previous year ₹ 15.19 crore).

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

(i) Derivative instrument outstanding as at 31st March, 2021

As at 31st March, Particulars of Derivatives	2021 Quantity	2020 Quantity	Purpose
Futures			
S&P CNX Nifty Futures Short	23,100	750	Trading
Bank Nifty Futures Short	200	-	Trading
Stock Futures Long	1,227,750	396,000	Trading
Stock Futures Short	62,396,313	1,579,012	Trading
Options			
S&P CNX Nifty Options Long	759,975	9,150	Trading
S&P CNX Nifty Options Short	674,100	9,225	Trading
Stock Options Long	37,925	-	Trading
Stock Options Short	40,050	-	Trading
Bank Nifty Option Long	34,300	-	Trading
Bank Nifty Option Short	29,200	-	Trading
Forward Exchange Contracts			
USD-INR Long	USD 1,000,000	USD 6,000,000	Hedging
USD-INR Short	-	USD 2,000,000	Hedging
Interest Rate Swap	USD 16,000,000	USD 26,000,000	Hedging
Total Return Swap	USD 25,128,219	USD 25,128,219	Trading
Forward Rate Agreement (₹ crore)#	3,161.94	1,411.86	Hedging

#Total outstanding notional principal amount of forward rate agreement entered by Life insurance subsidiary to hedge Interest rate risk on its liability side

Unhedged forex exposure outstanding as at the Balance Sheet date

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Amount receivable in foreign currency	3.10 (USD 424,690) 0.66 (EURO 77,237) 0.26 (GBP 25,610)	29.76 (USD 3,932,810) 0.04 (EURO 4,444) 0.36 (GBP 38,835)
Amount payable in foreign currency	2.59 (USD 353,877) 0.75 (SGD 138,632)	2.09 (USD 276,638) -

22. Additional information to consolidated accounts at 31st March, 2021, (Pursuant to Schedule III of the Companies Act, 2013)

(₹ in crore)

Name of the Entity	Net Assets*				Share in Profit or Loss			
	As at 31st March, 2021		As at 31st March, 2020		For the year ended 31st March, 2021		For the year ended 31st March, 2020	
	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	75.12%	63,726.97	73.01%	49,015.30	69.72%	6,964.84	69.21%	5,947.18
Indian Subsidiaries:								
Kotak Mahindra Prime Limited	7.81%	6,622.88	9.07%	6,088.39	5.35%	534.71	7.83%	673.12
Kotak Securities Limited	6.27%	5,321.42	6.75%	4,528.77	7.93%	792.64	6.40%	550.01
Kotak Mahindra Capital Company Limited	0.81%	688.83	0.93%	622.01	0.82%	82.28	0.92%	79.08
Kotak Mahindra Life Insurance Company Limited	4.77%	4,045.47	5.00%	3,353.54	6.93%	691.93	7.08%	608.18
Kotak Mahindra General Insurance Company Limited	0.23%	191.34	0.25%	164.71	0.02%	1.63	(0.33%)	(28.12)

(₹ in crore)

Name of the Entity	Net Assets*				Share in Profit or Loss			
	As at 31st March, 2021		As at 31st March, 2020		For the year ended 31st March, 2021		For the year ended 31st March, 2020	
	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 Investments Limited	2.50%	2,117.39	2.77%	1,859.64	2.58%	257.75	3.14%	270.13
Kotak Mahindra Asset Management Company Limited	1.18%	1,003.35	1.06%	708.52	2.95%	294.83	3.40%	291.84
Kotak Mahindra Trustee Company Limited	0.27%	229.37	0.27%	177.92	0.52%	51.45	0.52%	44.99
Kotak Investment Advisors Limited	0.48%	404.85	0.54%	364.81	0.40%	40.03	0.11%	9.67
Kotak Mahindra Trusteeship Services Limited	0.03%	23.46	0.03%	20.90	0.03%	2.56	0.03%	2.54
Kotak Infrastructure Debt Fund Limited	0.49%	416.87	0.57%	383.82	0.33%	33.10	0.40%	33.99
Kotak Mahindra Pension Fund Limited	0.03%	25.64	0.04%	25.42	0.00%	0.21	0.00%	0.06
IVY Product Intermediaries Limited	0.01%	5.98	0.01%	5.85	0.00%	0.12	0.00%	0.26
BSS Microfinance Limited	0.29%	246.60	0.33%	223.44	0.23%	23.17	0.69%	59.26
Foreign Subsidiaries:								
Kotak Mahindra (International) Limited	0.90%	767.58	1.05%	706.33	0.87%	86.42	0.28%	23.81
Kotak Mahindra (UK) Limited	0.44%	372.88	0.53%	353.67	0.31%	31.32	0.59%	50.83
Kotak Mahindra, Inc.	0.01%	10.56	0.01%	5.24	0.06%	5.58	(0.03%)	(2.31)
Kotak Mahindra Financial Services Limited	0.01%	7.11	0.01%	8.07	(0.01%)	(0.69)	(0.01%)	(1.06)
Kotak Mahindra Asset Management (Singapore) Pte. Limited	0.21%	181.86	0.23%	156.25	0.32%	31.51	0.55%	47.58
Minority Interests in subsidiary	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Associates:								
Infina Finance Private Limited	-	-	-	-	0.76%	75.43	(0.10%)	(8.43)
Phoenix ARC Private Limited	-	-	-	-	0.12%	11.81	(0.07%)	(5.81)
ECA Trading Services Limited	-	-	-	-	0.00%	0.06	0.01%	0.44
Matrix Business Services India Private Limited	-	-	-	-	-	-	0.00%	0.08
Inter-company and Other adjustments	(1.86%)	(1,573.96)	(2.46%)	(1,638.48)	(0.24%)	(22.49)	(0.62%)	(53.96)
Total	**100.00%**	**84,836.45**	**100.00%**	**67,134.12**	**100.00%**	**9,990.20**	**100.00%**	**8,593.36**

** 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, 2021	Year ended 31st March, 2020
Deferred Tax Assets		
Provision for non-performing and doubtful debts, general provisions and contingencies	708.05	435.35
Depreciation on assets	71.86	64.73
Provision for investments	5.31	4.57
Unamortised Income	1.83	1.00
Expenditure allowed on payment basis and others	143.96	125.30
Total Deferred Tax Assets	**931.01**	**630.95**
Deferred Tax Liabilities		
Deferred expenses	21.66	22.92
Depreciation on assets	-	1.75
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	163.48	135.80
Others	4.41	3.74
Total Deferred Tax Liabilities	**189.55**	**164.21**
Net Deferred Tax Assets / (Liabilities)	**741.46**	**466.74**

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, 2021	Year ended 31st March, 2020
PURCHASED SOFTWARE AND SYSTEM DEVELOPMENT EXPENDITURE		
Gross Block		
At cost on 31st March of the preceding year	819.54	756.75
Add: Additions during the year	116.66	106.56
Less: Deductions during the year	37.75	43.77
Total	**898.45**	**819.54**
Amortisation		
As at 31st March of the preceding year	642.48	561.38
Add: Charge for the year	130.16	124.92
Less: Deductions during the year	36.54	43.82
Amortisation to date	**736.10**	**642.48**
Net Block	**162.35**	**177.06**
MEMBERSHIP CARDS OF STOCK EXCHANGE		
Gross Block		
At cost on 31st March of the preceding year	4.66	4.66
Add: Additions during the year	-	-
Less: Deductions during the year	-	-
Total	**4.66**	**4.66**
Amortisation		
As at 31st March of the preceding year	4.66	4.55
Add: Charge for the year	-	0.11
Less: Deductions during the year	-	-
Amortisation to date	**4.66**	**4.66**
Net Block	**-**	**-**

(₹ in crore)

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
ASSET MANAGEMENT RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	15.90	15.90
Add: Additions during the year	-	-
Less: Deductions during the year	-	-
Total	**15.90**	**15.90**
Amortisation		
As at 31st March of the preceding year	15.90	13.24
Add: Charge for the year	-	2.66
Less: Deductions during the year	-	-
Amortisation to date	15.90	15.90
Net Block	**-**	**-**

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 26.02% of the equity share capital and 17.29% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31st March, 2021.
B	**Other Related Parties:**	
	Associates /Others	ECA Trading Services Limited Infina Finance Private Limited Matrix Business Services India Private Limited (upto 26th April, 2019) Phoenix ARC Private Limited ING Vysya Foundation Kotak Education Foundation (upto 27th December, 2019)
	Key Management Personnel	Mr. Uday S. Kotak, Managing Director and CEO - KMBL Mr. Dipak Gupta - Joint Managing Director – KMBL Mr. Gaurang Shah - Whole-time Director (w.e.f 1st November, 2019) – KMBL Mr. KVS Manian - Whole-time Director (w.e.f 1st November, 2019) – KMBL
	Enterprises over which KMP / relatives of KMP have control / significant influence	Aero Agencies Limited Asian Machinery & Equipment Private Limited Allied Auto Accessories Private Limited Business Standard Private Limited Business Standard Online Private Limited Cumulus Trading Company Private Limited Doreen Realty Private Limited Harisiddha Trading and Finance Private Limited Helena Realty Private Limited Insurekot Sports Private Limited Kotak and Company Private Limited Kotak Commodity Services Private Limited Komaf Financial Services Private Limited Kotak Trustee Company Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Private Limited (upto 28th December, 2020) Kotak Family Foundation Laburnum Adarsh Trust (w.e.f 28th August, 2019) Meluha Developers Private Limited Palko Properties Private Limited Puma Properties Private Limited Pine Tree Estates Private Limited Renato Realty Private Limited Suresh A Kotak HUF USK Benefit Trust II Uday S Kotak HUF Quantyco Realty Private Limited Xanadu Properties Private Limited Brij Disa Parthav Trust (w.e.f 30th March, 2020) Brij Disa Arnav Trust (w.e.f 30th March, 2020) Brij Disa Foundation (w.e.f 6th January, 2021) True North Enterprises (w.e.f 1st November, 2019) Manian Family Trust (w.e.f 1st November, 2019)
	Relatives of Key Management Personnel	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Anita Gupta Ms. Urmila Gupta Mr. Arnav Gupta Mr. Parthav Gupta Mr. Prabhat Gupta Ms. Jyoti Banga Ms. Asha Shah (w.e.f. 1st November, 2019) Ms. Divya Shah (w.e.f. 1st November, 2019) Ms. Manasi Shah (w.e.f. 1st November, 2019) Ms. Mahima Shah (w.e.f. 1st November, 2019) Mr. Chetan Shah (w.e.f. 1st November, 2019) Ms. Chetna Shah (w.e.f. 1st November, 2019) Ms. Seetha Krishnan (w.e.f. 1st November, 2019) Ms. Lalitha Mohan (w.e.f. 1st November, 2019) Ms. Shruti Manian (w.e.f. 1st November, 2019) Mr. Shashank Manian (w.e.f. 1st November, 2019)

Details of related party transactions as at / for the year ended 31st March, 2021:

(₹ in crore)

Items/Related Party	Associates/ Others	Key Management Personnel	Enterprises over which KMP /relatives of KMP have control / significant influence	Relatives of Key Management Personnel	Total
I. Liabilities					
Other Liabilities	0.53	#	3.82	#	4.35
	(5.60)	(0.81)	(0.01)	(#)	(6.42)
Deposits	89.57	3,501.12	81.91	208.60	3,881.20
	(179.94)	(566.84)	(74.40)	(154.45)	(975.63)
Interest Payable	0.21	0.55	0.56	0.02	1.34
	(0.21)	(0.11)	(0.22)	(0.46)	(1.00)
II. Assets					
Investments –Gross	199.62	-	#	-	199.62
	(201.05)	(-)	(#)	(-)	(201.05)
Diminution on Investments	0.39	-	#	-	0.39
	(0.39)	(-)	(#)	(-)	(0.39)
Advances	-	5.07	2.88	4.86	12.81
	(-)	(7.14)	(3.27)	(5.67)	(16.08)
Other Assets	1.74	0.03	0.07	0.02	1.86
	(0.08)	(0.05)	(0.03)	(0.02)	(0.18)
Non Fund/ Commitments					
Bank Guarantees	-	-	1.00	-	1.00
	(-)	(-)	(1.00)	(-)	(1.00)
III. Expenses					
Salaries (Include ESOP cost)* / fees	-	15.90	-	0.29	16.19
	(-)	(12.56)	(-)	(0.29)	(12.85)
Interest Paid	2.57	154.38	5.10	8.05	170.10
	(11.32)	(35.37)	(6.97)	(11.58)	(65.24)
Other Expenses	0.03	0.08	0.86	#	0.97
	(16.20)	(0.08)	(5.97)	(-)	(22.25)

(₹ in crore)

Items/Related Party	Associates/ Others	Key Management Personnel	Enterprises over which KMP /relatives of KMP have control / significant influence	Relatives of Key Management Personnel	Total
IV. Income					
Income	6.32	7.74	1.55	0.51	16.12
	(9.53)	(0.38)	(1.46)	(0.24)	(11.61)
V. Other Transactions					
Dividend Paid	-	-	-	-	-
	(-)	(45.45)	(0.06)	(0.30)	(45.81)
Reimbursement from companies	-	-	-	-	-
	(0.07)	(-)	(-)	(-)	(0.07)
Purchase of Investments	25.00	-	22.35	-	47.35
	(-)	(-)	(-)	(-)	(-)
Sale of Investments	-	345.05	53.78	-	398.83
	(-)	(-)	(-)	(-)	(-)
Deposits taken during the year	-	-	-	-	-
	(#)	(-)	(0.03)	(-)	(0.03)
Deposits repaid during the year	-	-	-	-	-
	(-)	(-)	(0.01)	(-)	(0.01)

Material transactions/outstanding with related parties:

(₹ in crore)

Items / Related Party	Associates/ Others	Key Management personnel	Enterprises over which KMP/ relatives of KMP have control / significant influence	Relatives of Key Management Personnel	Total
I. Liabilities:					
Other liabilities					
Kotak Commodity Services Limited	-	-	3.82	-	3.82
	(-)	(-)	(#)	(-)	(#)
Infina Finance Private Limited	0.53	-	-	-	0.53
	(5.60)	(-)	(-)	(-)	(5.60)
Others	-	#	#	#	#
	(-)	(0.81)	(0.01)	(#)	(0.82)
II. Assets:					
Investments					
Phoenix ARC Private Limited	174.75	-	-	-	174.75
	(176.18)	(-)	(-)	(-)	(176.18)
Others	24.87	-	#	-	24.87
	(24.87)	(-)	(#)	(-)	(24.87)
Diminution on investments					
ECA Trading Services Limited	0.39	-	-	-	0.39
	(0.39)	(-)	(-)	(-)	(0.39)
Others	-	-	#	-	#
	(-)	(-)	(#)	(-)	(#)
Other Assets					
Kotak Commodity Services Private Limited	-	-	#	-	#
	(-)	(-)	(0.01)	(-)	(0.01)
Phoenix ARC Private Limited	1.56	-	-	-	1.56
	(0.06)	(-)	(-)	(-)	(0.06)

(₹ in crore)

Items / Related Party	Associates/ Others	Key Management personnel	Enterprises over which KMP/ relatives of KMP have control / significant influence	Relatives of Key Management Personnel	Total
True North Enterprises	-	-	0.01	-	0.01
	(-)	(-)	(0.02)	(-)	(0.02)
Brij Disa Parthav Trust	-	-	0.03	-	0.03
	(-)	(-)	(-)	(-)	(-)
Brij Disa Arnav Trust	-	-	0.03	-	0.03
	(-)	(-)	(-)	(-)	(-)
Others	0.17	0.03	#	0.02	0.22
	(0.02)	(0.05)	(0.01)	(0.02)	(0.10)
Non Fund Commitments					
Bank Guarantees					
Aero Agencies Limited	-	-	1.00	-	1.00
	(-)	(-)	(1.00)	(-)	(1.00)
III. Expenses:					
Salaries (Includes ESOP cost)					
Mr. Uday S. Kotak*	-	1.55	-	-	1.55
	(-)	(2.97)	(-)	(-)	(2.97)
Mr. Dipak Gupta*	-	5.76	-	-	5.76
	(-)	(5.69)	(-)	(-)	(5.69)
Mr. KVS Manian*	-	4.29	-	-	4.29
	(-)	(1.92)	(-)	(-)	(1.92)
Mr. Gaurang Shah*	-	4.29	-	-	4.29
	(-)	(1.98)	(-)	(-)	(1.98)
Mr. Jay Kotak	-	-	-	0.29	0.29
	(-)	(-)	(-)	(0.29)	(0.29)
Interest Paid					
Infina Finance Private Limited	1.25	-	-	-	1.25
	(9.99)	(-)	(-)	(-)	(9.99)
Phoenix ARC Private Limited	0.57	-	-	-	0.57
	(0.32)	(-)	(-)	(-)	(0.32)
ECA Trading Services Limited	0.63	-	-	-	0.63
	(0.75)	(-)	(-)	(-)	(0.75)
Laburnum Adarsh Trust	-	-	2.93	-	2.93
	(-)	(-)	(-)	(-)	(-)
USK Benefit Trust II	-	-	1.24	-	1.24
	(-)	(-)	(4.41)	(-)	(4.41)
Others	0.12	154.38	0.93	8.05	163.48
	(0.26)	(35.37)	(2.56)	(11.58)	(49.77)
Other Expenses					
Infina Finance Private Limited	0.03	-	-	-	0.03
	(0.05)	(-)	(-)	(-)	(0.05)
Aero Agencies Limited	-	-	0.38	-	0.38
	(-)	(-)	(5.72)	(-)	(5.72)
Business Standard Private Limited	-	-	0.47	-	0.47
	(-)	(-)	(0.24)	(-)	(0.24)
Others	#	0.08	-	#	0.08
	(16.15)	(0.08)	(#)	(-)	(16.23)

(₹ in crore)

Items / Related Party	Associates/ Others	Key Management personnel	Enterprises over which KMP/ relatives of KMP have control / significant influence	Relatives of Key Management Personnel	Total
IV. Income:					
Interest, Fee and Other Income					
Phoenix ARC Private Limited	5.34	-	-	-	5.34
	(7.50)	(-)	(-)	(-)	(7.50)
Kotak Commodity Services Private Limited	-	-	0.14	-	0.14
	(-)	(-)	(0.23)	(-)	(0.23)
USK Benefit Trust II	-	-	0.85	-	0.85
	(-)	(-)	(0.85)	(-)	(0.85)
True North Enterprises	-	-	0.25	-	0.25
	(-)	(-)	(0.12)	(-)	(0.12)
Others	0.11	0.46	0.08	0.44	1.09
	(0.12)	(0.33)	(0.01)	(0.22)	(0.68)
Premium Income					
Phoenix ARC Private Limited	0.01	-	-	-	0.01
	(0.01)	(-)	(-)	(-)	(0.01)
Infina Finance Private Limited	0.01	-	-	-	0.01
	(0.01)	(-)	(-)	(-)	(0.01)
Komaf Financial Services Limited	-	-	0.03	-	0.03
	(-)	(-)	(0.03)	(-)	(0.03)
Kotak Commodity Services Private Limited	-	-	0.01	-	0.01
	(-)	(-)	(0.01)	(-)	(0.01)
Business Standard Private Limited	-	-	0.01	-	0.01
	(-)	(-)	(#)	(-)	(#)
Others	-	0.18	0.01	0.02	0.21
	(0.19)	(0.01)	(#)	(0.02)	(0.22)
Brokerage Income					
Infina Finance Private Limited	0.85	-	-	-	0.85
	(1.70)	(-)	(-)	(-)	(1.70)
Kotak Commodity Services Private Limited	-	-	0.12	-	0.12
	(-)	(-)	(0.21)	(-)	(0.21)
Kotak Trustee Company Private Limited	-	-	0.05	-	0.05
	(-)	(-)	(-)	(-)	(-)
Mr. Uday S. Kotak	-	7.06	-	-	7.06
	(-)	(-)	(-)	(-)	(-)
Others	-	0.04	-	0.05	0.09
	(-)	(0.04)	(-)	(#)	(0.04)
V. Other Transactions:					
Dividend Paid					
Mr. Uday S. Kotak	-	-	-	-	-
	(-)	(45.35)	(-)	(-)	(45.35)
Ms. Pallavi Kotak	-	-	-	-	-
	(-)	(-)	(-)	(0.09)	(0.09)
Ms. Indira Kotak	-	-	-	-	-
	(-)	(-)	(-)	(0.18)	(0.18)
Suresh A Kotak HUF	-	-	-	-	-
	(-)	(-)	(0.01)	(-)	(0.01)

(₹ in crore)

Items / Related Party	Associates/ Others	Key Management personnel	Enterprises over which KMP/ relatives of KMP have control / significant influence	Relatives of Key Management Personnel	Total
USK Benefit Trust II	-	-	-	-	-
	(-)	(-)	(0.05)	(-)	(0.05)
Others	-	-	-	-	-
	(-)	(0.09)	(-)	(0.03)	(0.12)
Reimbursements received					
Infina Finance Private Limited	-	-	-	-	-
	(0.07)	(-)	(-)	(-)	(0.07)
Phoenix ARC Private Limited	-	-	-	-	-
	(#)	(-)	(-)	(-)	(#)
Purchase of Investments					
Phoenix ARC Private Limited	25.00	-	-	-	25.00
	(-)	(-)	(-)	(-)	(-)
Kotak Trustee Company Private Limited	-	-	22.35	-	22.35
	(-)	(-)	(-)	(-)	(-)
Sale of Investments					
Kotak Trustee Company Private Limited	-	-	53.78	-	53.78
	(-)	(-)	(-)	(-)	(-)
Mr. Uday S. Kotak	-	345.05	-	-	345.05
	(-)	(-)	(-)	(-)	(-)
Deposits taken during the year					
Infina Finance Private Limited	-	-	-	-	-
	(#)	(-)	(-)	(-)	(#)
Kotak Commodity Services Limited	-	-	-	-	-
	(-)	(-)	(0.03)	(-)	(0.03)
Deposits repaid during the year					
Kotak Commodity Services Limited	-	-	-	-	-
	(-)	(-)	(0.01)	(-)	(0.01)
Swaps/Forwards/Options Contracts					
Others	-	-	-	1.88	1.88
	(-)	(-)	(-)	(-)	(-)

**includes incentive paid during the year*

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

Note: Figures of previous year (FY 2020) are given in bracket.

Maximum balance outstanding

(₹ in crore)

Items/Related Party	Associates/ Others	Key Management Personnel	Enterprise over which KMP/relative of KMP have control / significant influence	Relatives of Key Management Personnel
I. Liabilities				
Deposits	360.60	7,506.70	271.90	234.36
	(3,906.75)	(648.04)	(282.34)	(184.84)
Other Liabilities*	5.60	0.81	3.82	#
	(5.60)	(0.81)	(0.02)	(#)
II. Assets				
Investments-Gross*	201.05	-	#	-
	(226.76)	(-)	(#)	(-)
Advances*	-	7.14	3.27	5.67
	(-)	(7.14)	(3.27)	(5.67)
Other Assets*	1.74	0.05	0.07	0.02
	(0.08)	(0.05)	(0.30)	(0.02)
Non Funded Commitments				
Bank Guarantees*	-	-	1.00	-
	(0.05)	(-)	(1.00)	(-)

** Based on maximum of opening and closing balances for the year.*

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

Note: Figures of previous year (FY2020) are given in bracket.

26. With regard to a 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 was applicable from March 2019.

27. 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 year's presentation.

As per our report of even date attached.

For and on behalf of the Board of Directors

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No. 001076N/N500013

Prakash Apte
Chairman

Uday Kotak
Managing Director and
Chief Executive Officer

Murad D. Daruwalla
Partner
Membership No. 043334

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
Group President and
Group Chief Financial Officer

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Mumbai
3rd May, 2021

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

(₹ in crore)

PART "A": Subsidiaries

Particulars	Kotak Mahindra Prime Limited	Kotak Securities Limited	Kotak Mahindra Capital Company Limited	Kotak Mahindra Life Insurance Company Limited[7]	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	330.00	5.62	29.80	0.05	16.16	7.01	0.07	5.44	0.09	310.70	28.00	8.45	9.40	2.21	26.73
Reserves & Surplus	6,619.39	5,319.82	685.39	3,535.18	(138.66)	2,111.77	973.55	229.32	751.42	365.87	10.49	399.41	23.37	106.17	(2.36)	(1.33)	172.46	3.77	219.87
Total Assets	25,332.49	13,153.67	734.95	48,271.22	1,004.05	7,968.06	1,106.87	233.34	1,126.04	584.63	37.93	581.55	25.98	939.76	26.53	9.38	199.69	6.03	352.09
Total Liabilites	18,709.61	7,832.25	46.13	44,225.75	812.71	5,850.67	103.52	3.96	358.46	211.75	27.36	176.70	2.52	522.89	0.89	2.26	17.83	0.06	105.49
Investments (excluding investment in subsidiaries)	3,449.77	1,476.34	310.07	46,453.78	931.86	1,531.17	1,008.15	225.21	896.98	180.75	-	441.35	-	368.17	26.02	-	87.43	-	62.00
Turnover	2,655.33	2,019.65	202.22	17,692.96	455.68	749.37	602.29	71.83	113.53	122.66	32.82	140.84	9.77	76.20	3.81	0.04	62.06	0.35	205.81
Profit before taxation	720.40	1,057.43	110.94	897.47	1.63	345.84	395.99	69.14	92.29	38.24	5.62	50.50	3.40	33.10	0.45	(0.69)	34.89	0.32	30.87
Provision for taxation	185.70	264.79	28.66	205.54	-	88.09	101.16	17.69	5.87	6.92	0.04	10.46	0.84	-	0.23	-	3.39	0.20	7.71
Profit after taxation	534.71	792.64	82.28	691.93	1.63	257.75	294.83	51.45	86.42	31.32	5.58	40.03	2.56	33.10	0.21	(0.69)	31.51	0.12	23.17
Proposed Dividend (Equity)	NIL	NIL	NIL	81.65	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 includes Preference Share capital.

(2) Investments include investments and stock-in-trade reported by the above entities and also include investments held to cover policyholders' liabilities and unit linked liabilities.

(3) Turnover is the total income reported by each of the entities in their financial statements.

(4) 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 but before financial statements are approved for issue.

(5) % of Shareholding includes direct and indirect holding through subsidiaries.

(6) The figures in respect of Kotak Mahindra, Inc., Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Asset Management (Singapore) Pte. Limited are based on the accounts prepared under Generally Accepted Accounting Principles in India ('Indian GAAP'). The reporting currency of these subsidiaries is USD and exchange rate as on the last day of the financial year ending 31st March, 2021 is 1 USD = 73.11 INR.

(7) On April 27, 2021, the Board of Directors of Kotak Mahindra Life Insurance Company Limited have proposed a final dividend of ₹ 1.60 per share amounting to ₹ 81.65 crore in respect of the year ending March 31, 2021 subject to the approval of shareholders at the Annual General Meeting.

(8) The financial statements of the subsidiaries and associates used for preparation of the consolidated financial statements 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 Indian subsidiaries (excluding insurance companies) and associates are prepared as per Indian Accounting Standards in accordance with the Companies (Indian Accounting Standards) Rules, 2015.

PART "B" : Associates

(₹ in crore)

Particulars	Infina Finance Private Limited	Phoenix ARC Private Limited	ECA Trading Services Limited [1, 3 & 4]
Latest Audited Balance Sheet date	31-Mar-21	31-Mar-21	31-Dec-20
Shares of Associate held by the Group on the year end			
No. of Equity Shares	1,100,240	83,832,000	21,897,850
Amount of Investment in Associates	1.10	100.02	23.77
Extent of Holding %	49.99%	49.90%	20.00%
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
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
Networth attributable to Shareholding as per latest audited Balance Sheet	925.41	224.66	3.54
Profit for the year	150.89	23.67	0.32
i) Considered in the Consolidation	75.43	11.81	0.06
ii) Not considered in the Consolidation	75.46	11.86	0.26

Note:

(1) For the purpose of preparation of consolidated financial statements, the Group has considered unaudited financial statement as of 31st March, 2021.

(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 of 20.00% as on 31st March, 2020 is ₹ 3.48 crore.

(4) Includes adjustments for share of difference between audited and unaudited financial results for the year ended 31st March, 2020.

For and on behalf of the Board of Directors

Prakash Apte
Chairman

Uday Kotak
Managing Director and
Chief Executive Officer

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
Group President and
Group Chief Financial Officer

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Mumbai
3rd May, 2021

Basel III (Pillar 3) Disclosures (Consolidated) as at 31st March, 2021

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.

Directors' Report

To the Members,

KOTAK MAHINDRA BANK LIMITED

Your Directors have pleasure in presenting the Thirty Sixth Annual Report of Kotak Mahindra Bank Limited ("Bank") together with the audited Financial Statements for the financial year ("FY") ended 31st March, 2021.

FINANCIAL HIGHLIGHTS

(A) Kotak Mahindra Bank Limited – Consolidated Financial Highlights *:

(₹ in crore)

	FY 2020-21	FY 2019-20
Total income	56,814.77	50,365.74
Total expenditure, excluding provisions and contingencies	40,386.74	36,385.84
Operating Profit	16,428.03	13,979.90
Provisions and contingencies, excluding provision for tax	3,259.69	2,558.10
Profit Before Tax	13,168.34	11,421.80
Provision for taxes	3,265.44	2,814.72
Profit After Tax	9,902.90	8,607.08
Add: Share in profit of Associates	87.30	(13.72)
Consolidated profit for the Group	9,990.20	8,593.36
Earnings per equity share:		
Basic (₹)	50.53	44.73
Diluted (₹)	50.49	44.68

(B) Kotak Mahindra Bank Limited – Standalone Financial Highlights:

(₹ in crore)

	FY 2020-21	FY 2019-20
Total Income	32,299.47	32,301.72
Total expenditure, excluding provisions and contingencies	20,084.76	22,280.89
Operating Profit	12,214.71	10,020.83
Provisions and contingencies, excluding tax provisions	2,911.72	2,216.16
Profit Before Tax	9,302.99	7,804.67
Provision for taxes	2,338.15	1,857.49
Profit After Tax	6,964.84	5,947.18
Add: Surplus brought forward from the previous year	20,511.81	16,919.29
Amount available for appropriation	27,476.65	22,866.47
Appropriations:		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	1,741.21	1,486.80
Transfer to Investment Reserve Account	-	(31.06)
Transfer to Capital Reserve	14.50	114.84
Transfer to Special Reserve	110.00	80.00
Transfer to Investment Fluctuation Reserve Account	820.66	483.13
Transfer to Fraud Provision	-	(1.40)
Dividend Paid **	40.50	193.26
Corporate Dividend Tax	-	29.09
Surplus carried to Balance Sheet	24,749.78	20,511.81

Notes:

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

*** The Bank has paid interim dividend at the rate of ₹ 0.405 per share on the Perpetual Non-Cumulative Preference Share ("Preference Shares") for FY 2020-21 (Previous Year: ₹ 0.405 per share), to all Preference Shareholders whose names appeared in the Register of Members / Beneficial holders list on the book closure date of 19th March, 2021. As per the requirements of revised AS 4 – 'Contingencies and Events Occurring After the Balance Sheet Date', this payout has been appropriated from the amount available for appropriation in the year of pay-out. Further, the Reserve Bank of India ("RBI"), vide its circular dated 22nd April, 2021, has allowed banks to pay dividend on equity shares from the profits for FY 2020 -21, subject to the quantum of dividend being not more than 50% of the amount determined as per the dividend payout ratio prescribed in the RBI circular dated 4th May, 2005 and subject to the banks complying with the criteria laid down in the said circular. As per the above RBI circular, the Bank has complied with all the criteria and the Board of Directors of the Bank have proposed a dividend of ₹ 0.90 per share (Face Value ₹ 5/-) for FY 2020-21.*

FINANCIAL PERFORMANCE

On a Standalone basis, Profit After Tax of the Bank was ₹ 6,964.80 crore in FY 2020-21 compared to ₹ 5,947.20 crore in FY 2019-20. Net Interest Income ("NII") of the Bank for FY 2020-21 was ₹ 15,339.60 crore as against ₹ 13,499.70 crore in FY 2019-20.

The consolidated Profit after Tax was ₹ 9,990.20 crore in FY 2020-21 compared to ₹ 8,593.36 crore in FY 2019-20. Further, the Group had Capital and Reserves of ₹ 84,836.45 crore as on 31st March, 2021 (₹ 67,134.12 crore as on 31st March, 2020) and Net worth of ₹ 84,336.45 crore as on 31st March, 2021 (₹ 66,634.12 crore as on 31st March, 2020). The book value per Equity Share was at ₹ 425.55 as on 31st March, 2021 (₹ 348.32 as on 31st March, 2020).

Further, details on the financial performance of your Bank are available in the Management Discussion and Analysis Report.

CAPITAL

During the year, pursuant to the approval granted by the Board of Directors of the Bank on 22nd April, 2020 and the approval of the equity shareholders by way of Postal Ballot on 25th May, 2020, your Bank undertook a Qualified Institutional Placement. The object of the issuance was to augment the Bank's capital base and to strengthen its Balance Sheet, which would assist the Bank in dealing with contingencies or financing business opportunities (which may either be organic or inorganic or both), which may arise pursuant to the economic events driven by the outbreak of COVID-19 pandemic or otherwise. Subsequently, on 30th May, 2020 your Bank allotted 6,50,00,000 equity shares of the face value of ₹ 5 each at an issue price of ₹ 1,145 per equity share thereby raising ₹ 74,425,000,000. Further, your Bank allotted 37,97,330 equity shares arising out of the exercise of Employees Stock Options granted to the Whole-time Directors and employees of your Bank and its subsidiaries.

Post allotment of the aforesaid equity shares, the issued, subscribed and paid-up share capital of the Bank as at 31st March, 2021 stood at ₹ 14,90,91,78,340 comprising 1,98,18,35,668 equity shares of ₹ 5 each and 100,00,00,000 preference shares of ₹ 5 each.

DIVIDEND

The Directors have recommended a dividend of ₹ 0.90 per Equity Share for FY 2020-21. In the previous year, the Reserve Bank of India ("RBI") had, vide its circular dated 17th April, 2020, directed all banks to not make any further dividend payouts from profits pertaining to FY 2019-20 until further instructions. Accordingly, your Bank did not declare dividend on equity shares for the financial year ended 31st March, 2020.

The dividend for FY 2020-21, if approved by the Members, would entail a payout of ₹ 178.44 crore, based on the number of equity shares as at 30th June, 2021. The Dividend would be paid to all the equity shareholders, whose names would appear in the Register of Members / Beneficial holders list on the Record Date.

Further, the Board of Directors of the Bank, at its meeting held on 12th March, 2021, declared an interim dividend on Perpetual Non-Cumulative Preference Shares ("PNCPS") of the face value of ₹ 5 each issued by the Bank, carrying a dividend rate of 8.10%, on pro-rata basis, in respect of FY 2020 -21, as per the terms of issuance of PNCPS. This has entailed a payout of ₹ 40.50 crore (Previous Year: ₹ 40.50 crore). The Members are requested to confirm the payment of the aforesaid interim dividend on PNCPS at the ensuing Annual General Meeting.

The Dividend Distribution Policy, in terms of Regulation 43A of the Securities and Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and as reviewed and adopted by the Board of Directors of the Bank, is available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html.

DEBENTURES

During the year, your Bank has not issued any capital under Tier II.

As on 31st March, 2021, outstanding Unsecured, Redeemable Non- Convertible, Subordinated Debt Bonds ("Bonds") aggregated ₹ 456 crore. These Bonds have been issued on a private placement basis and are listed on the BSE Limited and the National Stock Exchange of India Limited.

CAPITAL ADEQUACY RATIO

Your Bank has a Capital Adequacy Ratio ("CAR") under Basel III as at 31st March, 2021 of 22.26%, with Tier I being 21.38%, as against the regulatory requirement of 11.5%.

RATINGS OF VARIOUS DEBT INSTRUMENTS

The details of all credit ratings obtained by the Bank for various securities outstanding as at 31st March, 2021, are disclosed in the Report on Corporate Governance, forming part of this report.

DEPOSITS

Being a banking company, the disclosures required under Rule 8(5)(v) and (vi) of the Companies (Accounts) Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

OPERATIONS

We organise our principal banking business activities into the following business units viz. Consumer Banking, Commercial Banking, Corporate Banking, Treasury and Other Financial Services. The Consumer, Commercial and Corporate Banking businesses correspond to the key customer segments of our Bank. The Treasury offers specialised products and services to these customer segments and also undertakes Asset Liability Management as well as Proprietary Trading for the Bank.

In addition to our banking activities, our Group offers a significant array of other financial products and services as well, which we operate through our subsidiaries. These products and services include Banking, Financing through Non Banking Financial Companies ("NBFCs"), Asset Management, Insurance, Broking, Investment Banking, Wealth Management and Asset Reconstruction.

Consumer Banking

The Consumer Bank business services a customer base covering a wide spectrum across domestic individuals and households, non-residents, small and medium business segments for a range of products from basic Savings and Current Accounts to Term Deposits, Credit Cards, Unsecured and Secured Loans, Working Capital and Investment Advisory.

As of 31st March, 2021, your Bank had 1,604 branches and 2,598 ATMs, covering 781 locations. Due to the unprecedented circumstances linked to the COVID-19 pandemic and the extended lockdown situation, network expansion plans had to be deferred.

In a year unlike any before, your Bank continued to roll out several initiatives aimed at offering a superior and differentiated customer experience. With the year starting with COVID-19 pandemic, your Bank rolled out initiatives to make banking convenient, easy and secure for its customers including through its Digital channels Mobile and Net Banking. While your Bank launched a "Zero-Contact Video KYC Savings Account", many other initiatives were taken to make banking convenient in these times. Your Bank launched – "Bank from Home" campaign – which brought deals on various essential items to its customers through alliance partners– right from Daily Newspaper to Fitness at Home, from deals on Over The Top to exclusively curated offers on Up-skilling and Education. Your Bank has also supported its customers to transact in contact-less manner through its offerings like "Scan n Pay"- Cardless Cash withdrawals. Your Bank has tied up with partners to offer grocery services by integrating links via Mobile App – Kay Mall. Your Bank had organised various campaigns to make its customers aware of the fraudulent transactions and measures to avoid falling prey to fraudsters. Further, for Retail as well as Corporate Salary customers, your Bank has enabled multiple transactions and service request via Digital channels, thereby avoiding the customer's need to step out and take undue risks.

The Privy League Program of your Bank offering for the High Net worth Banking was extended to its Asset Customers. Under this, High Net worth Asset Customers were offered exclusive Privy League Membership to build holistic relationship with the Bank. Another feature offered for the Privy League Programme customers was Konnect2RM, a missed call service – enabling customers to connect with their Relationship Managers by giving a missed call. This has ensured customers one more way to access the Bank in these testing times.

Your Bank had launched Self On-boarding Digital Kits – for the employees of corporates, whereby, using the Quick Response interface, customers can complete the account set up journey in a Do It Yourself ("DIY") mode.

"DigiSign", an end to end eSignature and eStamping of documents, was introduced by your Bank. This solution helped the Bank to send all required documents to the customer electronically and get the same e-signed and stamped by the customer. This brings speed, reduces customer physical touch points and helps to seamlessly process the documentation for lending.

Your Bank has implemented automation of Valuation systems, which enables end to end automated process for property valuation. It works as a repository of properties and provides Property Information Report to the Management along with the benchmark reports.

Some of the initiatives on ease of availing service from the Bank included, enhancing the range of transactions that can be effected via Digital Channels like updation of address, change of home branch, integration of deliverable tracking system with the chat bot, which has generated 55 lakh enquiries in the year. In addition for customer convenience at frontline, your Bank was accorded the IDC Information Visionary award for innovation in Cognitive machine reading solution for corporate banking funds transfer automation, which has helped in speed and accuracy. The Robotics Process Automation has also assisted to process approximately 8.5 lakh requests in FY 2020-21.

Your Bank has also launched a dedicated toll-free number from United Arab Emirates ("UAE") to cater to its large Non Resident customer base. With this addition, your Bank now offers toll-free service to its Non-Resident Indian customers from the United States of America, Canada, United Kingdom, Singapore, Hong Kong, Australia and UAE. In line with your Bank's overall strategy to enhance the customer experience of its Non Resident Indian ("NRI") clients, your Bank had launched a service for its NRI customers that enables them to interact with a Customer Service Representative 24x7, without having to go through the Interactive Voice Response menu options. This has significantly reduced the wait time for NRI customers to speak to the Bank's representative.

Kotak Junior, our banking program for children aged below 18, tied up with Campaign Gratitude to provide a unique opportunity for children to set up their own fundraiser and start raising funds for the cause of COVID-19 relief by reaching out to their family, friends, school mates and relatives. In few steps on the Campaign Gratitude website, children could set up their own fundraiser and select any one of the 3 partner NGOs - Sneha Foundation, Concern India Foundation or Pride India they wished to support. To double the impact of their fundraising, Kotak matched the total amount raised, enabling Juniors to make an impact.

Kotak Silk, our banking program designed especially for women, believes financial independence is the true independence for women. This International Women's Day (8th March, 2021), Silk launched its campaign #SheIsTheChange to financially empower women. The initiative included launch of its dedicated digital platform https://www.silkmoneymatters.com, created to enhance financial knowledge among women and empower them towards managing finances and investments. A series of interactive webinars by experts on different aspects of financial management were also organized for all women customers.

Under the Corporate Salary segment, your bank has launched an exclusive account for the public sector, Government bodies and Armed Force - Salary Account for Public Services. The account comes with a host of benefits, designed specifically to cater to the needs of this segment like Lifetime Free Zero Balance account – customers can enjoy benefits even after retirement, complimentary insurance covers for Personal Accident death, partial / permanent disability, education benefit to dependent child, Family banking, Investment account, Loans and Cards, etc.

Your Bank signed a Memorandum of Understanding with the Indian Army with an exclusive offer for the "Heroes of our country". Your Bank launched Kotak UNI Account for students pursuing professional courses from premier institutes. Every year, large number of students graduate from various Universities / Institutes and join Corporate India. With this offering, your Bank intends to co-create with the universities to ensure that the workforce entering Corporate India is not just skilled but also financial prudent. This program offers facilities such as Digital Banking with 180+ features on Kotak Mobile Banking App, Pay or recharge phone, DTH, or any bill, Scan and Pay facility for contactless and cash free payments, Dream Different Credit Card, benefits from curated brand offers and exciting deals. Most importantly, this program offers strong financial literacy through webinars/ seminars.

Your Bank continued to ramp up 811 acquisition numbers this year. Your Bank launched Zero-Contact Video Know Your Customer ("KYC") based Saving account on 18th May, 2020, during the peak of the pandemic when a face to face meeting was difficult. This technology helps to complete the KYC process of a new customer without meeting the customer in person. This enables seamless and quick process of KYC and provides better experience to the customer. To extend the 811 brand, your Bank launched 811 Dream different Credit Card, which was backed by Fixed Deposit and thus, available for all. This was an offering for millennials and people with no bureau score to help get their first credit card and build credit history.

Your Bank continues to actively participate in various Financial Inclusion initiatives. During the year, your Bank was instrumental in the credit and distribution of COVID-19 subsidy package offered to Women Jan Dhan Account Holders under the Pradhan Mantri Garib Kalyan Yojana. Under this scheme, an Ex-gratia payment of ₹ 500 was credited and distributed to women Jan Dhan account holders for three months starting from April 2020. Further, your Bank has actively participated in the PM Street Vendor's AtmaNirbhar Nidhi Scheme thereby offering loans upto ₹ 10,000 to meet the urgent need of working capital to street vendors to resume their business impact of the COVID-19 pandemic.

Your Bank has collaborated with multiple Corporate Business Correspondents and operates with more than 300 customer service points across Chhattisgarh, Karnataka, Tamil Nadu, Andhra Pradesh and Telangana, offering banking services and Mahatma Gandhi National Rural Employment Guarantee Act payments to Beneficiaries. To enhance its reach and to build customer convenience, your Bank has successfully set up over 160 Aadhaar Enrolment Centres in its branch premises and surpassed the transaction volume mandated by Unique Identification Authority of India.

In Insurance products, at the height of the pandemic, your Bank created digital DIY solutions so that the customer could avail Insurance Plans seamlessly without the need of physical meetings and visits to our Branches. Your Bank was one of the first few banks to enable Sovereign Gold bonds on Mobile Banking and Net Banking platforms to its customers (Trust and HUF), along with Retail customers.

Your Bank has taken a significant leap in digital initiatives during FY 2020-21. Your Bank is among the early Banks in the industry to offer National Pension System ("NPS") on Mobile Platform. Your Bank has started offering NPS accounts on its website, wherein, both your Bank's customers and other banks customers can open an instant and paperless NPS account with eSign options. Your Bank has integrated with the National Securities Depository Limited website for this seamless journey.

Consumer Assets

FY 2020-21 was a challenging period on the Consumer Assets side business with two phases of Moratorium, Emergency Credit Line Guarantee Scheme ("ECLGS"), Restructuring in-line with regulatory guidelines on account of COVID-19. However, your Bank was able to meet these challenges effectively and business volumes started picking up from the second half of FY 2020-21.

During FY 2020-21, the Home Loan business was a key focus area and taking leadership position on interest rates, your Bank was able to significantly ramp up the business volumes. The Home Loan business showed a positive growth on volumes, despite of almost negligible business in the first half of the FY 2020-21. Further, your Bank has launched four new Credit Card products namely White, Zen, Mojo, 811 Secured, in FY 2020-21. These new cards have benchmarked against the best card propositions in the industry and have helped to significantly reposition your Bank's cards offering in the market. The Consumer Finance ("CF") business continued to grow from strength to strength and in the month of March 2021, your Bank saw the best volumes ever in the CF business.

Commercial Banking

Your Bank's Commercial Banking business focuses on meeting the banking and financial needs of various segments. The business has specialised units which offer financial solutions in the areas of Commercial Vehicles, Construction Equipment ("CE"), Tractor and Agriculture Business. It services the priority sector by providing finance for Tractor, Crop Loans to small enterprises and for Allied Agricultural Activities. This business plays a significant role in meeting financial inclusion goals and financing deep into 'Bharat'.

The Construction Equipment industry which was 24% down in FY 2019-20 has reported decent growth in FY 2020-21. With initial hiccups, the overall industry withered the storm of the COVID-19 pandemic and the sector proved to be highly responsible for propelling India's overall development. It enjoys intense focus from Government and plans to spend US$ 1.4 trillion on infrastructure during FYs 2019-23 to have a sustainable development. Infra sectors such as roads, power, bridges, dams, water supply, irrigation, railways and urban infrastructure development are showing significant growth and order flow for contractors. Overall cash flow of contractors/ infra companies which are working for Central Government and its bodies have been good. The overall delinquencies in CE business are showing sign of improvement month on month.

Your Bank's Commercial Vehicle ("CV") business witnessed a drop in disbursement level in line with decline in CV industry numbers. The decline is primarily due to the impact of pandemic and the subsequent lock down. The Passenger segment, comprising staff/ school bus transportation, tour and travel and public transport operation, has been impacted the most. The overall delinquency percentage of the CV portfolio has increased.

Under Agri Business, the Agro and food processing segments were benefitted by their status of being in the essential services and hence, having a limited impact due to the lockdowns. The supportive Government schemes ensured enhanced liquidity to these segments during a period of lengthening receivables due to COVID-19 lockdowns. The segment saw significant demand rise for Term Loans for capacity expansion and stocking given the enhanced demand for commodities.

Further, FY 2020-21 saw one of the best monsoon seasons with the widest spread of rains across geographies and for the most effective period of time. The farmers, therefore, were assured of a bumper Rabi output. This also ensured stability in prices of commodities which improved margins for processors. There was also increased demand in the logistics part of the Agri chain by way of loans for new warehouse / cold storage construction, pledge facilities, packaging units and for grading of agro commodities. The stress on portfolio quality was lesser due to the COVID-19 crisis.

In case of Microfinance Institutions ("MFIs"), despite the moratorium announced, the segment saw improving repayments from their retail borrowers for much of the year and the collection efficiency had improved to over 95% by the end of the financial year. The segment, however, was impacted by the lockdown period of curtailed mobility and saw a flat portfolio growth rate. However, the inflow of equity funding to MFIs, ample liquidity and improving collections ensured that the overall credit losses were contained.

During FY 2020-21, Tractor industry has shown high growth of 26.9% based on strong demand of tractors, mainly due to timely and adequate monsoon and support of commodity prices. Your Bank's Tractor Financing business has grown in line with the Industry. There is a marginal impact on portfolio performance due to loan moratorium and COVID-19 impact on cash flows of farmers due to lockdowns and other restrictions.

Your Bank has Crop Loan business presence in Punjab, Haryana and Western states of India. Portfolio quality in western markets is stable, however, Punjab has witnessed high negative impact due to Kissan Union agitation in spite of good monsoon and better yields.

Corporate Banking

Your Bank's Corporate Banking business caters to a wide range of corporate customer segments including major Indian corporates, conglomerates, financial institutions, public sector undertakings, multinational companies, small and medium enterprises and realty businesses.

This business offers a comprehensive portfolio of products and services to these customers including working capital finance, medium term finance, trade finance, foreign exchange services, other transaction banking services, custody services, debt capital markets and treasury services. The core focus of this business has been to deepen existing relationships and acquire new quality customers on a consistent basis, delivering customised solutions through efficient technology platforms backed by high quality service. Your Bank also aims to secure value addition through the cross-selling of varied products and services.

The year for the Corporate Bank can be best characterised as a 'Tale of Two Halves'. The business witnessed significant headwinds during the first half of the year from COVID-19 related economic disruptions which compounded the economic slowdown that was already visible across sectors. As your Bank navigated those uncertain times, as a prudent risk measure, your Bank was conservative in its exposures. The slowdown in economic activity also impacted working capital utilisations and overall advances were muted during the first half of the year. However, as the country emerged from the first COVID-19 wave, Corporate India turned out to be more resilient than earlier envisaged. Strong capital markets, both debt and equity, helped corporates raise funds that ensured that leverage remained at comfortable levels on company balance sheets. Companies were, by and large, agile in increasing productivity and reducing costs. Moreover, high liquidity in the banking system kept borrowing costs low for these corporates. All these factors ensured that corporates were able to bounce back, largely unscathed by the crisis, once COVID-19 related disruptions eased by the end of the first half of the year. Your Bank too adapted to the new conditions and cautiously started increasing its exposures in line with increasing economic activity. The second half of the year thus witnessed a bounce back of growth and the Corporate Bank ended the year with a strong momentum across its various customer segments.

Your Bank continued to focus on maintaining the health and profitability of the business. There is far more focus on ensuring right risk return metrics and this has led to continued improvement in the risk reward ratio during the year. There has also been greater focus on increasing the liability side of our business and other non-risk income streams. Improved customer service and product innovations have helped us increase cross-sell and wallet share in non-credit businesses. Corporate Current Account grew strongly, further reducing the cost of funds and improving spreads. While income from other non-credit income streams including from Forex, Cash Management and other Transaction Banking products were impacted in the first half of the year, these too grew strongly in the second half in line with overall economic activity. Your Bank has also focused on converting opportunities for syndication of loans. This year, the Bank ramped up its income from debt syndication significantly including from high yield opportunities.

Your Bank has always had robust risk management practices and it is a testimony to these practices that the Corporate Bank has been able to end the year with one of the lowest Credit costs it has witnessed in recent times, despite such a challenging environment. Your Bank continues to remain cautious and watchful of the risks posed by the second COVID-19 wave and will continue to take proactive steps to minimize the impact of these risks on the health of the book.

Across corporate segments, your Bank has been proactive in rebalancing its portfolios to reflect economic situations and reducing exposure to situations with heightened risk. Your Bank's focus on Risk management has helped the business reduce its Risk Weighted assets as a percentage of Assets over the past few years. The use of Risk Adjusted Return on Capital pricing models has become ingrained in the way the Corporate Banking division conducts its business and has helped to optimise pricing, better utilise capital, increase focus on non-capital intensive income streams and improve return on equity.

Favorable risk-return metrics, strong liability growth, controlled credit costs and bounce back of growth across assets and fee incomes in the second half of the year have ensured that your Bank has been able to grow the profitability of the Corporate Banking business and maintain a healthy Return on Equity.

Your Bank continues to focus on strengthening its organisation platform and placing the Corporate Bank in a strong position in the market.

In order to capitalise on market opportunities and offer holistic solutions to clients, your Bank has taken steps to improve integration between its different businesses including Lending, Debt Capital Markets, Wealth Management and Investment Banking. These steps have resulted in an increase in cross divisional synergies and execution of complex solutions such as syndication of structured debt to wealth investors, referring of Investment Banking solutions to wholesale banking clients and such others. As part of this strategy, your Bank has an integrated Corporate and Investment Banking ("CIB") approach towards certain top conglomerates and large corporates. The CIB model has ramped up well over the years for your Bank.

The Custody and Clearing business continued on a growth trajectory during the year despite multiple lockdowns imposed in India as well as key Foreign Portfolio Investment jurisdictions like the US, UK, Singapore, the Middle East and Hong Kong. Your Bank's clients were appreciative of the support provided to them during the lockdowns and operationally there was no impact on client transactions. The domestic Custody business also grew at a fast pace during the year and your Bank on-boarded a number of marquee Portfolio Management Services and Alternative Investment Fund names in addition to a few large family office clients. Your Bank has also opened the first bank account for an AIF at the Bank's Gujarat International Finance Tec-City ("GIFT") City branch and your Bank sees a lot of interest, amongst clients, in the choice of GIFT City as an upcoming Fund jurisdiction.

Your Bank continues to target productivity and efficiency improvements. There is greater focus on measuring and improving employee productivity, including of its sales force, through use of technology and digital tools. Given high focus in this area, costs have been kept well in control, further improving profitability of the business.

Digital Initiatives and Robust Business Continuity Practices helped ensure that your Bank remained open for its customers to transact business in an uninterrupted manner even during the pandemic. Work from Home was enabled for many of our staff through use of technology tools. Your Bank was also agile in implementing digital signatures and other online platform solutions for execution of customer documentation. Also, various digital platforms and initiatives across the customer lifecycle were taken live so as to enable smoother and seamless customer experience, safety first for customer and employees, compliances and improvement in turn-around-time. During the year, a new Cash Management Portal was launched by your Bank, which provides the Bank's customers with enhanced features like new journeys, widgets and personalised reports and dashboard creation. The UI/UX on the Net Banking platform was also upgraded with enhanced login options and ease of navigation among other benefits. Your Bank continues its investment on a dedicated portal for providing a seamless and unified transaction banking experience to all Micro, Small and Medium Enterprises ("MSME"), Multi-nationals, Financial Groups and Large Corporates. Your Bank also enhanced its Application Program Interface Banking by upgrading its API Management Portal, which now hosts a wide range of APIs such as United Payments Interface, Cash Management Services, E-collection, Fund transfer and Account services amongst others. To further enhance the digital journey of its customers, your Bank has continued its initiative to partner with Fintech players especially in the areas of trade, supply chain, acquiring and fund management solutions. During the year, your Bank has launched Digifarm, an app based platform for digitising the KYC of Farmers for Corporate Linked Farmer Finance and is now an empaneled online payment partner of Electronic National Agriculture Marketplace ("ENAM"), a pan India electronic trading portal for agricultural commodities, which will digitise the agricultural ecosystem.

Wealth Management

Wealth Management, your Bank's private banking arm, caters to a number of distinguished Indian families and is one of the oldest and the most respected Indian wealth management firms, managing wealth for 51% of India's top 100 families (Source: Forbes India Rich List 2020), with clients ranging from entrepreneurs to business families and professionals.

Your Bank provides an open architecture proposition to its customers, offering a plethora of wealth products. This business has a strong distribution capability for private clients through distribution/referral model across equities, fixed income and alternates catering to Ultra High Net worth Individuals and High Net worth Individual ("HNI") investors. In addition to comprehensive financial solutions, the division provides a strategic consolidated view on the client's overall portfolio, in addition to comprehensive financial solutions that go beyond investments. These also include banking and credit, consolidated reporting, referral for estate planning services, etc. With an in-depth understanding of client requirements and expertise across various asset classes, this business offers the widest range of financial solutions.

In addition, your Bank has also built a large Priority Banking Business, assisting mass affluent customers with products and solutions developed to meet their financial requirements. The total relationship value of Wealth, Priority Banking and Investment Advisory offerings was approximately ₹ 382,000 crore, as of 31st March, 2021. Your Bank has added 600 new families in FY 2020-21.

In FY 2020-21, a digital transformation journey was initiated as a tactical solution for enhancing customer service which has now become a part of long term strategic plan for the business. Bespoke development was done in partnership with a Fintech to create a platform to provide customised investment reports to clients. Low code platforms were used to create work flow automations for processes like task automation and request tracking, ensuring higher service levels. The overall strategy is focused and devised to use digital solutions to improve client experience and enhance productivity of the business.

International Business

The Gujarat International Finance Tec-City City Branch, an International Financial Services Centre Banking Unit of your Bank, facilitates your Bank's participation in syndication of overseas loans, lending to clients in international markets and providing External Commercial Borrowing to eligible Indian corporates. Your Bank also undertakes client forex and derivative transactions to help offshore clients with management of interest rate and currency risks, in addition to investments in offshore bonds.

Your Bank's first overseas branch at Dubai International Financial Centre, Dubai, was inaugurated in October 2019. With this, the Bank complemented its ability to advise and arrange global investment products, provide loans and accept deposits from its overseas wealth and private banking customers that qualify under the Professional client criteria of the Dubai Financial Services Authority.

Asset Reconstruction

The resolution of several accounts got seriously impacted due to the slowdown of economy, even before the first wave of pandemic. Further, the impact in the first two quarters of FY 2020-21, was due to disruption in functioning of various judicial forums like Debt Recovery Tribunals, Debt Recovery Appellate Tribunal, High Courts, including National Company Law Tribunal proceedings under Insolvency and Bankruptcy Code on account of the pandemic and lockdowns, which resulted in piling of cases and delay in getting legal remedies in various distressed accounts.

Your Bank adapted to the pandemic situation very diligently and closely monitored and spared no efforts to resolve the stressed accounts with empathy and compassion. Unfortunately, now the economy is exposed to the second wave of the pandemic with more severity. However, your Bank will monitor the impact of second wave of the COVID-19 pandemic and will adopt various measures empathetically and diligently to resolve the stressed accounts with compassion.

Your Bank expects a lot of opportunities to present in the acquisition side of the stressed loans and is looking at it very closely. If the prices offered are reasonable and attractive, then your Bank shall be open to acquire several of them.

Treasury

Your Bank's Treasury actively contributes to your Bank by way of:

i. Balance Sheet Management: The Balance Sheet Management Unit ("BMU") ensures maintenance of regulatory reserves and adequate liquidity buffers and requisite investments. The BMU also manages Interest Rate and Liquidity risk within the overall risk appetite of your Bank.

ii. Proprietary Trading: The Proprietary Trading Desks actively trades in products such as Fixed Income, Money Markets, Derivatives, Foreign Exchange and Equity. The Primary Dealer Desk, a part of the proprietary Trading desk, actively participates in primary auctions of Government Securities, makes market in government securities and engages in retailing of government securities.

iii. Customer Transactions: The Customer-facing desks at the Treasury assist and manage customer transactions across Foreign Exchange, Derivatives and Bullion products.

iv. Forex and Derivatives: Facilitating customer access to foreign currency markets through cash and derivatives products for remittances, trade transactions and for managing foreign exchange and interest rate risks.

v. Bullion: The Bullion desk provides efficient working capital solutions to domestic jewellery manufacturers as per the prescribed rules of RBI. Under license from the RBI, your Bank also imports gold and silver to meet the needs of customers.

Further, details of the principal business units of your Bank and their performance are available in the Management Discussion and Analysis Report.

RESPONSE TO COVID-19 PANDEMIC

The outbreak of COVID-19 pandemic has had and continues to have a material impact on the global and Indian economy, the financial services sector and your Bank's business. The lockdowns of various intensities, announced by the National and State Governments, aimed to prevent the spread of the virus has disrupted the normal flow of business operations. It has and continues to test the Indian economy like never before. Although the uncertainty continues, the economy has shown resilience during the first wave and is confident of facing the second wave with similar resilience, recover quickly and emerge out stronger.

In these testing times, your Bank took steps to help, protect and provide relief to the customers and employees. Entering the pandemic with a strong financial and technological foundation, gave your Bank the resources to support the customers and employees. The key approach taken by your Bank to mitigate the impact of the pandemic for its customers and employees is, summarised below:

- Well-being of employees: The focus of your Bank has been to protect the health and ensure the safety of employees, while ensuring minimum disruption to regular banking operations. Information Technology and Human Resources teams of your Bank have worked to move many employee systems to internet-first and mobile-first platforms, ensuring seamless access from home in several areas of operations. Your Bank has also put in place a Remote Working Policy and classified all the employees into 4 categories - "Daily in Office", "Partially in Office", "Work from Home" and "Field Roles". The Remote Working Policy reflects a different way of working and shall remain even after the pandemic is behind us. Your Bank has also formulated a standard operating procedure which has defined the safety protocols and followed it in all the branches and offices for the safety of your Bank's employees and customers. In addition, a dedicated COVID-19 helpline was established to help your Bank's employees and their families.
- Customer Convenience: Your Bank responded swiftly to the challenges faced by the lockdown and put in place technological solutions for the customers to get banking services at the comfort of their homes. Your Bank introduced Zero-Contact Video KYC facility so that the customers could open the full KYC savings account, without visiting the branches.
- Your Bank rolled out Net Banking 2.0, a revamped internet banking platform with new technology stack and new customer experience for key journeys. Net Banking became more comprehensive with new features such as Positive Pay (Cheque Confirmation), Card Controls for Credit, Debit and Forex Cards, Address update, integration of additional Insurance products, etc. The Mobile Banking app continues to be one of the highest rated apps on iOS and Android. Your Bank has also added several new features to the mobile app such as Send money abroad, eStatement, NPS, Insurance, shop on Amazon, etc.. Keya Chatbot and WhatsApp Banking were scaled to start making business impact and become mainstream digital channels by handling more products, services and related queries. Further, for the convenience of the Corporate and Small and Medium Enterprise customers, your Bank has implemented various digital platforms and initiatives across the customer lifecycle so as to enable smoother and seamless customer experience, safety first for customer and employees, compliances and improvement in turn-around-time.
- Support to the Indian Economy: In order to ease the financial stress faced by the businesses and individuals on account of the lockdown, the Reserve Bank of India ("RBI") enabled the banks to allow a one-time rescheduling of payments, by way of a moratorium of three months on payment of instalments (principal and interest payments) falling due between 1st March, 2020 and 31st May, 2020 in respect of all term loans and working capital facilities sanctioned in the form of cash credit/overdraft. Subsequently, this moratorium period was permitted to be extended by the RBI by another three months up to August 31, 2020. Accordingly, your Bank granted the moratorium on payment to the eligible customers. The Government of India launched ECLGS and provided guarantee cover for emergency credit facilities to Micro Small Medium Enterprises ("MSME") to meet their working capital requirements. Your Bank has disbursed about ₹ 11,300 crore under this Scheme, which has protected many small and medium businesses from the vagaries of the pandemic.
- Strengthening the Bank: Your Bank has raised ₹ 7,442 crore from the domestic and foreign institutional investors as equity capital in FY 2020-21. The equity raised by your Bank has further strengthened the Capital Adequacy Ratio of the Bank. The strong capital base will provide enough cushion for any potential stress due to the pandemic as well as provide growth capital for the next few years.

HUMAN RESOURCES

During FY 2020-21, your Bank witnessed the onset of the COVID-19 outbreak and the subsequent nationwide lockdown. The Human Resources ("HR") Department of your Bank implemented various initiatives to transform the HR processes, policies and systems and various employee touchpoints for smooth functioning and business continuity in the new normal scenario. From making great strides in engaging with employees, numerous health and wellness drives, to centralising various HR Processes for aligning employee experience, there have been quite a few measures taken to enhance the experience of employees. It was indeed a proud moment for your Bank to have certified as 'The Great Place to Work' by the Great Place To Work Institute.

Key HR Initiatives taken by your Bank were:

i. Health and Wellness: Various health and wellness related initiatives were launched through online and onsite interactions such as Emotional Assistance Program, Employee Outreach program, Covid test reimbursements for employees and their families, Special Leave - COVID-19 positive and online wellness initiatives such as yoga, meditation, Zumba, quiz sessions, etc.

ii. Leadership and Manager Connect: Your Bank remains heavily invested in regional initiatives like Leadership Connect/Town Hall, Webcast, Meet forums for building manager connect and skip level and also strengthens the platform for top down communication.

iii. Hum Fit Kotak Hit: Your Bank has launched a monthly Fitness allowance with effect from 1st December, 2020, thereby creating a culture of fitness for Kotak employees by encouraging them to update their fitness goals online, driving focus on their health and wellbeing.

iv. Diversity and Inclusion: Building diverse and inclusive culture has been a focus for your Bank over few years. Your Bank has also revamped the Diversity and Inclusion agenda and formed the Diversity and Inclusion Council, representing leaders from all businesses in the Bank, led by Ms. Shanti Ekambaram, Group President – Consumer Bank. The Diversity and Inclusion Council aims to drive changes in the culture, policies, processes and systems to build an Inclusion focused work environment.

v. Remote Working Policy and Allowance: Your Bank introduced the Remote Working Policy offering hybrid working opportunities to its employees and also Remote Working allowance for employees working remotely, to cover Wi-Fi and other work related furnishing expenses.

vi. My Kotak My Say: Your Bank has strengthened the platform for top down communication. At the same time, your Bank has created listening opportunity for voice of Kotakites through 'My Kotak My Say', a bi-annual employee engagement survey engaging the 'Great Place to Work Institute'.

vii. Employee Development: Your Bank increased focus on e-learning for delivering programs at various stages of employee lifecycle. Programs such as Digital Video-based induction, K-Map for managers, New Age Manager Program, Kotak DigiQ and K-League have been introduced in FY 2020-21 ensuring smooth transition to online and digital learning platform.

viii. Talent Acquisition: Your Bank had introduced Oracle Recruiting Cloud, a single platform for all recruitment activities and moving recruitment towards paperless process. Your Bank has also relaunched Internal Job posting program - Kotak Fast Track, to reduce attrition and save cost of hiring.

ix. Talent Management: The talent management framework has been revamped and a rigorous talent review process has been implemented at the senior level to ensure talent classification and succession planning for key roles. The erstwhile online appraisal method has been replaced with the online 'My Agreed Commitment' framework simplifying the entire Performance Review and Appraisal System for Employees exercise.

Your Bank is taking several initiatives to encourage employees to blow the whistle and report incidences of any fraud or unusual events. During the year under review, your Bank has initiated periodic Email campaigns for educating employees on the process of whistle blowing, creating awareness and encouraging employees to blow the whistle and report incidences of any fraud or unusual events. In addition, the same has been reiterated and made an integral part of your Bank's Code of Conduct. Further, the website for reporting the incidences of fraud or any unusual events by employees has been revamped.

EMPLOYEES

The employee strength of your Bank was 51,734 and along with its subsidiaries was over 73,000 as of 31st March, 2021. 149 employees employed throughout the year were in receipt of remuneration of ₹ 102 lakh or more per annum and 86 employees employed for part of the year were in receipt of remuneration of ₹ 8.5 lakh or more per month.

In terms of the proviso to Section 136(1) of the Companies Act, 2013, the Directors' Report is being sent to all Members excluding the aforesaid annexure. The annexure is available for inspection to any Member on request. Any Member interested in obtaining a copy of the said annexure, may write an email to the Company Secretary at avan.doomasia@kotak.com.

INFORMATION UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Bank continues with the belief of zero tolerance towards sexual harassment at workplace and continues to uphold and maintain itself as a safe and non-discriminatory organisation. To achieve the same, your Bank reinforces the understanding and awareness of Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH"). Your Bank has formulated a central Steering Board Committee and Internal Committee at three regions for reporting any untoward instance of sexual harassment. Any complaints pertaining to sexual harassment are diligently reviewed and investigated and treated with great sensitivity. The Internal Committee members have been trained in handling and resolving complaints and have also designed an online e-learning POSH Awareness module which covers the larger employee base.

The following is a summary of sexual harassment complaints received and disposed off during FY 2020-21:

Number of complaints pending as on 1st April, 2020	11
Number of complaints received during FY 2020-21	25
Number of complaints disposed off as on 31st March, 2021	28
Number of complaints pending as on 31st March, 2021	8*

* Out of the 8 complaints pending as on 31st March, 2021, 5 complaints were disposed off as on the date of this Report. Further, all complaints that were pending as on 1st April, 2020, had been disposed off during FY 2020-21.

CODE FOR PREVENTION OF INSIDER TRADING

The Bank has adopted the Kotak Mahindra Bank Limited - Trading Code of Conduct for the prevention of insider trading in the shares of the Bank as well as in other listed and proposed to be listed companies. The Trading Code of Conduct, *inter-alia*, prohibits dealing in securities by insiders while in possession of unpublished price sensitive information. The said Code has been amended from time to time to give effect to the various notifications/circulars of SEBI with respect to SEBI (Prohibition of Insider Trading) Regulations, 2015.

WHISTLE BLOWER POLICY / VIGIL MECHANISM

Your Bank is committed to its "Vision Statement" of upholding its Global Indian Financial Services Brand creating an ethos of trust across all constituents, developing a culture of empowerment and a spirit of enterprise thereby becoming the most preferred employer in the financial services sector.

Consistent with the Vision Statement, your Bank is committed to maintain and provide to all its employees and Directors, the highest standards of transparency, probity and accountability. The Kotak Group endeavours to develop a culture where it is safe and acceptable for all employees and Directors to raise / voice genuine concerns in good faith and in a responsible as well as effective manner.

A vigil mechanism has been implemented through the adoption of a Whistle blower Policy with an objective to enable any employee or director or vendor, raise genuine concern or report evidence of activity by the Bank or its employee or director or vendor that may constitute instances of corporate fraud, unethical business conduct, a violation of Central or State laws, rules, regulations and/or any other regulatory or judicial directives, any unlawful act, whether criminal or civil, malpractice, serious irregularities, impropriety, abuse or wrong doing, deliberate breaches and non-compliance with the Bank's policies and questionable accounting/audit matters/financial malpractice. The concerns can be reported online on the following websites viz. URL: https://cwiportal.com/kotak and / or www.speakup.co.in which are managed by independent third parties. Safeguards to avoid discrimination, retaliation or harassment and confidentiality have been incorporated in the said policy. All employees and Directors have access to the Chairman of the Audit Committee in appropriate and exceptional circumstances. Further, the Chairman of the Audit Committee has access rights to the whistle blower portals. Regular communication is made for sustained awareness.

The Policy has been uploaded and is available on the Bank's intranet as well as website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html.

EMPLOYEE STOCK OPTION AND STOCK APPRECIATION RIGHTS SCHEMES

The Bank has formulated and adopted the Kotak Mahindra Share Based Employee Benefit Scheme to:

- provide means to enable the Bank, its subsidiaries and its associate companies, as applicable, to attract and retain appropriate human talent in the employment of the Bank, its subsidiaries and its associate companies, as applicable;
- motivate the employees of the Bank, its subsidiaries and its associate companies, as applicable, with incentives and reward opportunities;
- achieve sustained growth of the Bank, its subsidiaries and its associate companies, as applicable and to create shareholder value by aligning the interests of the employees with the long term interests of the Bank; and
- create a sense of ownership and participation amongst the employees of the Bank, of its subsidiaries and of its associate companies, as applicable.

The Employee Stock Options ("ESOPs") and the Stock Appreciation Rights ("SARs") granted to the employees of the Bank and its subsidiaries currently operate under the following Schemes:

i. Kotak Mahindra Equity Option Scheme 2015 ("ESOP Scheme")

ii. Kotak Mahindra Stock Appreciation Rights Scheme 2015 ("SARs Scheme").

During the year, the Bank granted Employee Stock Options and SARs to the eligible employees of the Bank and its subsidiaries, in accordance with the respective Schemes and as approved by the Nomination and Remuneration Committee.

The disclosure requirements under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the aforesaid ESOP and SARs Schemes, in respect of the year ended 31st March, 2021, are disclosed on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html. The said Schemes are in compliance of the applicable Regulations and during the year under review, no material changes were made to the Schemes.

CORPORATE SOCIAL RESPONSIBILITY

Your Bank has constituted the Corporate Social Responsibility ("CSR") Committee of the Board, in accordance with the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, from time to time.

Your Bank's CSR policy sets out your Bank's vision, mission, governance and CSR focus areas to fulfill its inclusive agenda across many geographies of India. The Policy also demonstrates your Bank's contribution towards the economic, environmental and social growth of the nation and also reflects the organisation's commitment to contribute towards United Nation's ("UN") Sustainable Development Goals ("SDGs").

It is the constant endeavor of your Bank to enhance its CSR footprint by adopting a purpose driven CSR approach, focusing on sustainable and scalable programmes, spreading in focused geographies and aligning to SDGs and the national narrative.

Your Bank's CSR Committee is responsible for reviewing and recommending to the Board, the various CSR initiatives for the Bank, including the progress of the Bank's CSR Projects. Base on the recommendations made by the CSR committee, the Board reviewed and approved the CSR Policy, Design, Path, Projects, Project Expenditure and related matters. Thereafter, with the approval of the Board, the CSR Projects were implemented by the Bank.

Your Bank's CSR Policy is available on the Bank's website: https://www.kotak.com/en/about-us/corporate-responsibility/our-governance.html.

Your Bank's CSR Projects and CSR Project Expenditure for FY 2020-21 are compliant with the CSR mandate as specified under Sections 134 and 135 of the Act read with Schedule VII to the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time and in line with the Government of India's notifications issued from time to time.

The prescribed CSR expenditure for FY 2020-21, required under Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time, was ₹ 142.27 crore.

The CSR Expenditure for the period 1st April, 2020 to 31st March, 2021 as required under Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time amounted to ₹ 142.99 crore. Of this amount, the Bank's spend on CSR project expenditure and administrative overheads for FY 2020-21 was ₹ 79.40 crore. Your Bank's CSR administration overhead for FY 2020-21 was ₹ 2.47 crore. The balance amount of ₹ 63.59 crore on Unspent CSR Project Expenditure amount of the ongoing CSR Projects of FY 2020-21 has been transferred to the 'Kotak Mahindra Bank Limited Unspent CSR Account FY 2020-21' in April 2021 and the Bank is committed to utilise the same, within the stipulated three years from 1st April, 2021 to 31st March, 2024, towards completion of the Board approved ongoing CSR projects which were initiated in FY 2020-21 and continue to be under implementation as on 31st March, 2021.

Your Bank's CSR Expenditure of ₹ 142.99 crore in FY 2020-21, as a percentage of average net profit under Section 198 of the Act, was about 2.01%. The said CSR Expenditure of ₹ 142.99 crore for FY 2020-21 was 67.83% higher than the CSR Expenditure of about ₹ 85.20 crore in FY 2019-20. Furthermore, as against the stipulated 2% CSR Expenditure requirement of ₹ 142.27 crore under the Act, for FY 2020-21, your Bank's CSR Expenditure for FY 2020-21 was over ₹ 142.99 crore.

The implementation of the CSR projects and programmes in FY 2020-21 had been done either directly and / or through implementing partner organisations having a proven track record of implementing cost and process efficient CSR projects and/or programmes that were scalable, sustainable, outcome driven and committed to make a positive societal impact. Also, your Bank's employees have been actively volunteering and providing on ground support for the Bank's various CSR initiatives, including financial and other assistance directly to the severely impact communities and also through various organizations working on COVID-19 relief operations.

To combat COVID-19 pandemic that continues to hit humanity across geographies, your Bank continues to support various constituencies including the urban and rural poor, tribal communities, doctors, nurses, policemen, frontline workers on COVID-19 duty via various means such as contributing food packets, ration kit, masks, face shields, sanitizers, Personal Protective Equipment Kits ("PPE Kits"), ICU beds, ventilators, oxygenators and such other medical equipments, including extending financial assistance to the marginalised communities who were severely impacted by COVID-19 during last financial year's lockdown and even post lockdown period.

Based on the CSR Committee's review and recommendation, your Bank's Board had reviewed and approved all CSR Projects, CSR Project Expenditure Payments, CSR Administration Overhead Expenses including the Unspent CSR Project Expenditure Funds of FY 2020-21, which had been transferred to Kotak Mahindra Bank Limited Unspent CSR Account FY 2020-21, in April 2021. A brief outline of the CSR Policy, including the over view of the programs undertaken, the composition of the CSR Committee, CSR expenditure during the year under review, has been provided in the Annual Report on CSR activities annexed to this report and also in the Business Responsibility Report section of the Annual Report for FY 2020-21.

BUSINESS RESPONSIBILITY REPORT

In terms of Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank is required to submit its Business Responsibility Report as part of its Annual Report. The said Report describes the initiatives taken by the Bank from an Environmental, Social and Governance perspective and is available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html. Any Member interested in obtaining a copy of this Report may write to the Company Secretary of the Bank at avan.doomasia@kotak.com or submit a written request to the Registered Office of the Bank.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

Your Bank's operations are designed to create a positive impact on environment, employees, customers and the community at large. Your Bank strives to strike a balance between the environmental, social and economic aspects acknowledging natural capital and communities as an integral part of the business. Your Bank believes in growth beyond the numbers. Growth, which would last long and include all its stakeholders, planet and society at large. Environmental, Social and Governance ("ESG") practices are integral components of your Bank's business functions and are embedded in the systems and processes. Your Bank also acknowledges the importance of the triple bottom-line reporting and the associated interdependencies. Your Bank has a well-defined ESG framework which provides guidance to conduct business in an ethical, responsible and transparent manner.

TECHNOLOGY AND DIGITISATION

The COVID-19 crisis has brought about years of change in the way your Bank does its business and the situation has made it clear how important the below points are to make Digital work for customers:

- Redefining customer experience: Putting customers and their needs to the forefront to build solutions with staying power.
- Developing a data strategy / governance for personalisation: Building solutions means knowing what data you have, what data you need, what questions you need to ask of that data and how to interpret the answers so that the customers can be catered in a best way.
- Taking a portable devices view: From contactless banking to account access, customers expect product and service accessibility from portable devices, at a short notice.

Focusing on the above points, your Bank has further accelerated the digitisation of Customer Experience and Digital Channels, Transactions and Payments, Productivity and Growth Initiatives, New Business Models, Future Ready- Technology and Capability Building so that it could address the:

- Changing customer needs or expectations
- Increasing customer demand for online purchasing and/or services
- Increase in remote working and/or collaboration
- Increase in migration of assets to cloud
- Increased spending on cyber-security.

As the zero-contact, completely digital and paperless account opening was the need of the hour in the COVID-19 situation, your Bank ensured that it has integrated the Video KYC process in the account opening journey to carry out the verification of KYC documents and recording of the customer's signature via a video call, eliminating the need for a visit to a Bank's branch or in-person interaction, biometric verification or sharing of physical documents. After the Video KYC is completed, the customer gets a full-fledged bank account with no restrictions on deposits or account balances. This is one of the major projects that has been born and implemented in the cloud.

Net Banking 2.0 was launched keeping in mind the changing customer experience by ensuring the customer's entire relationship with the Bank at a glance i.e. in a single page view. The design was envisaged for superior customer experience delivered through fast, intuitive interface with contextual content, product and service.

Data governance has become indispensable for your Bank's data management initiatives, along with controlling the ever-growing amount of data in order to improve business outcomes.

Automated Teller Machine ("ATM") Terminal Security was introduced to ensure the greatest degree of visibility and control over secured ATM operations and helps to enforce regulatory compliance. The solution has several security features i.e. application whitelisting / blacklisting / sand boxing, USB protection, full hard drive encryption, patch management, time based access management, etc.

Customer Relationship Management NEXT has enabled your Bank to deploy smart, intelligent journeys resulting in faster fulfillment and go to market for your Bank's new products and services and lower cost of sales. It has boosted your Bank's capabilities to deliver superlative customer experience and further strengthen customer loyalty.

Corporate Loan Origination System ("LOS") is the most appropriate automated solution for all the lending needs of a financial product. Corporate LOS is a mature, internet-based, end-to-end software solution, specifically built for processing corporate loans which enables easy tracking, paperless processing, real-time decisions, grow customer relationships, reduce risk and increase customer satisfaction.

In the era of data deluge, efficient data curation is a persistent challenge across organisations. Citing this, your Bank has implemented efficient data curation solution which transforms using Cognitive Machine Reading / Optical Character Recognition based techniques, the documents / scanned images to readable format for further processing. This is aimed at the end-to-end management of data lifecycle – from acquisition through extraction and downstream consumption of such data.

Liquitics Asset Liability Management is implemented which uses advanced scenario and assumption modeling to give deep insight into the Balance Sheet, Capital and long term liquidity. This Solution has helped your Bank to scale on demand, cater to regulator with the reports for ALM, Liquidity Coverage Ratio, Net Stable Funding Ratio, liquidity risk, etc.

Your Bank has also helped to build the platform of National Health Mission, an initiative by Government of Rajasthan.

Your Bank has recently forayed into an addition of cloud based platform for its big data capabilities. The step was taken keeping in mind the scalability challenges, especially with respect to the time to market and support for advancements in this area. Your Bank has initiated a small scale set-up on Amazon Web Services cloud based big data cluster for its ambitious complex use cases for fraud prevention. Based on the success of these use cases, your Bank intends to scale up the cluster for big use cases like real time recommendation engine using big data and machine learning.

The changing customer preferences is driving your Bank to provide 24x7 connectivity and increasingly digitised processes, creating new expectations and new risks. Further, your Bank is continuously evolving operational resilience to deliver critical operations through disruption.

Even though Business Continuity Planning has been an integral part of all functions across your Bank due to COVID-19, the rapid shift to remote working was seamlessly catered by Information Technology for the majority of the staff and business associates. Further, the IT operations were been carried out remotely i.e. End of Day / Beginning of Day, backup, application support, end-user support, etc.

Further, to continuously ensure the protection of the end point systems, your Bank has implemented Endpoint Protection Platform ("EDPR") on all end points. The objective of this solution is to detect and prevent the customised malware to be executed on an endpoint system.

Apart from above, your Bank's technology direction has been formulated to address six areas of strategic importance viz. Platform Building, Modernization and Refresh of Legacy, Analytics and Reporting, Cyber Security and Regulatory, Technology Operations Automation and Adoption of Emerging Technologies.

Your Bank has initiated specific initiatives in each of the areas to ensure productivity, efficiency and significant improvement in customer experience, which is an ongoing process. Investments are being made to leverage Cloud, DevOps, Big Data, Face Recognition, etc. Core Banking, Credit Card Platform, Retail Assets, Treasury systems were areas which were being modernised.

Cyber Security and Fraud Detection is a continuous evolving space. Your Bank invests significantly in technologies to be at the forefront to prevent, detect and act in situations arising from it.

The technology platforms used by your Bank have adequate level of component / system level redundancy built into the production systems. Critical technology platforms / systems have a disaster recovery set up at a Disaster Recovery ("DR") site which can be utilised in the case of any major outages in the corresponding production system. Assurance of the DR set up is provided through Disaster Recovery drills carried out as per an annualised drill calendar and measurement of Recovery Point Objective and Recovery Time Objective parameters of the DR set up on an ongoing basis.

SUBSIDIARIES AND ASSOCIATES

As at 31st March, 2021, your Bank had nineteen subsidiaries in various businesses, as listed below:

Sr. No	Name of the subsidiary	Business activity
1.	Kotak Mahindra Prime Limited	Car Finance and other Lending
2.	Kotak Mahindra Investments Limited	Investments, Lending
3.	Kotak Infrastructure Debt Fund Limited	Infrastructure Financing
4.	Kotak Securities Limited	Stock Broking, E-Broking, Distribution
5.	Kotak Mahindra Capital Company Limited	Investment Banking
6.	Kotak Mahindra Life Insurance Company Limited	Life Insurance
7.	Kotak Mahindra General Insurance Company Limited	General Insurance
8.	Kotak Mahindra Asset Management Company Limited	Mutual Fund
9.	Kotak Mahindra Trustee Company Limited	Trustee company

Sr. No	Name of the subsidiary	Business activity
10.	Kotak Mahindra Pension Fund Limited	Pension Fund
11.	Kotak Investment Advisors Limited	Alternate Asset Management
12.	Kotak Mahindra Trusteeship Services Limited	Trusteeship Services
13.	Kotak Mahindra (UK) Limited	Distribution
14.	Kotak Mahindra (International) Limited	Advisory Services, Investments
15.	Kotak Mahindra Inc.	Broker / Dealer
16.	Kotak Mahindra Asset Management (Singapore) Pte. Limited	Asset Management
17.	Kotak Mahindra Financial Services Limited	Advisory services for Middle East
18.	IVY Product Intermediaries Limited	Distribution
19.	BSS Microfinance Limited	Banking Correspondent

Kotak Mahindra Life Insurance Company Limited ("KLI"): KLI has recorded a growth of 7.4% on the gross written premium, mainly coming from renewal premium and Individual new business. KLI has solvency ratio of 2.90 against a regulatory requirement of 1.50. The Net worth of KLI increased by 20.60% from ₹ 3,353.50 crore as on 31st March, 2020 to ₹ 4,045.50 crore as on 31st March, 2021. On individual Adjusted Premium Equivalent ("APE") Basis (Single 1/10), KLI was posted 8th rank within the private industry. KLI's market share for Individual New Business premium (APE terms) was 4.0% for FY 2020-21 amongst private insurers. On group APE Basis (Single 1/10), KLI has posted 2nd rank within the private industry. KLI's market share for Group New Business premium (APE terms) was 14.7% for FY 2020-21 amongst private insurers. KLI saw an increase in its Assets under Management ("AUM") (including shareholders) by 33.23% YoY to ₹ 46,518.07 crore in FY 2020-21. Further, Operating expense ratio improved to 13.6% as against 14.2% in previous year. This was possible by a 7.4% YoY growth in total premium in FY 2020-21 and is also attributed to improved productivity while maintaining cost around the same level as the previous year. The second wave of COVID-19 led to an unprecedented increase in fatalities in the country and consequently, the death claims being reported from May 2021. In view of these COVID related developments, it is estimated that claims, net of reinsurance, for the quarter ending June 2021, would be significantly higher than expected. Due to increased claims and higher mortality related provisioning arising on account of the second wave, KLI incurred a loss for the quarter ended 30th June, 2021 of ₹ 243.44 crore on the Shareholder's Account. The provisioning, going forward, will depend on the trends in mortality. KLI continues to have a strong capital and solvency position.

Kotak Securities Limited ("KSL") and Kotak Mahindra Capital Company Limited ("KMCC"): In FY 2020-21, the Indian Equity Capital Markets witnessed a record fundraising year completing 32 Initial Public Offers ("IPOs"), 1 Further Public Offer ("FPO"), 32 Qualified Institutional Placement ("QIP"), 35 Offer for Sale ("OFS") and 20 Rights Issue. Post the impact of COVID-19 on the first few months of FY 2020-21, the record surge in activity can be primarily attributed to monetary and fiscal stimulus by Central Banks globally and locally leading to a Foreign Institutional Investors ("FII") inflow of US$ 38 billion into Indian markets in FY 2020-21. Capital markets initially witnessed mega-QIPs by Banks and NBFCs, followed by a resumption in IPO activity in the latter half of FY 2020-21. Further, the Sensex closed at 49,509 as on 31st March, 2021 compared to 29,468 as on 31st March, 2020, with a high of 52,516 and low of 27,500. Similarly, the benchmark Nifty which closed at 8,598 as on 31st March, 2020 closed at 14,691 as on 31st March, 2021 with a high of 15,431 and low of 8,056. Accordingly, KSL and KMCC reported higher profits compared to previous year.

Kotak Mahindra Asset Management Company Limited ("KMAMC"): The growth in the Mutual Funds industry continues. The industry registered a growth of 19.2% YoY in Q4 of FY 2020-21 over Q4 of FY 2019-20 with the Quarterly Average Assets under Management ("QAAUM") for Q4 of FY 2020-21 at ₹ 32.37 lakh crore. During the same period, on the basis of percentage growth in QAAUM, KMAMC was amongst the third fastest growing Mutual Fund House – within the top 10 Fund Houses ranked by QAAUM. The QAAUM which stood at ₹ 234,798 crore for January to March 2021 has seen growth of around 26% in Q4 of FY 2020-21 over Q4 of FY 2019-20. KMAMC jumped one rank and is now the 5th largest Fund House in the country in terms of QAAUM as on 31st March, 2021 vis-à-vis 31st March, 2020. Market Share in QAAUM has grown to 7.25% in Q4 of FY 2020-21 from 6.86% in Q4 of FY 2019-20 and 5.41%, 3 years back. The annual AAUM of KMAMC for FY 2020-21 was ₹ 202,826 crore against ₹ 173,394 crore in FY 2019-20, a growth of 17%.

Kotak Mahindra Prime Limited ("KMPL") and Kotak Mahindra Investments Limited ("KMIL"): The passenger car market in India de-grew by 1.5% in FY 2020-21 compared to 17.4% de-growth in FY 2019-20. Due to the change in regulations last year, there was a decrease in the loan book of the Bank's NBFC subsidiaries. KMPL and KMIL held a COVID-19 related general provision of ₹ 90 crore and ₹ 27 crore, respectively. The above factors have impacted the profits of these companies.

Kotak Mahindra Pension Fund Limited ("KMPFL"): Your Bank had acquired 1,30,80,000 equity shares (46.7% of the issued and paid-up Equity Share Capital) of KMPFL from Kotak Mahindra Asset Management Company Limited on 17th May, 2021. Post-acquisition of equity shares of KMPFL by the Bank, KMPFL had now become a direct subsidiary of the Bank, with the Bank now holding 51%.

The Bank's Policy for determining material subsidiaries is available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html in line with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. KLI is a material subsidiary of the Bank.

The various activities of the subsidiaries and the performance and financial position of the subsidiaries and associate companies are outlined in the Management Discussion and Analysis section appended to this Report. Pursuant to the provisions of Section 129(3) of the Companies Act, 2013 ("Act"), the Statement containing the salient features of the Financial Statements of the said subsidiary companies of the Bank, in Form AOC-1, is annexed to this Annual Report.

As at 31st March, 2021, your Bank had the following three Associate companies:

i. Infina Finance Private Limited

ii. Phoenix ARC Private Limited

iii. ECA Trading Services Limited
(previously known as ACE Derivatives & Commodity Exchange Limited)

Further, pursuant to the provisions of Section 136(1) of the Act, the Annual Report of the Bank, containing the standalone and consolidated financial statements and all other relevant documents required to be annexed thereto are available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html and the separate audited financial statements in respect of each of the subsidiaries, are available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html.

The financial statements of the subsidiaries used for consolidation of the Bank's consolidated financial statements are special purpose financial statements prepared in accordance with "GAAP" specified under Section 133 of the Act read with relevant notifications.

The Ministry of Corporate Affairs ("MCA") has issued General Circular No. 20/2020 dated 5th May, 2020 and Circular no. 02/2021 dated 13th January, 2021 and the Securities and Exchange Board of India has issued Circular No. SEBI/HO/CFD/ CMD1/CIR/P/2020/79 dated 12th May, 2020 and Circular no. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January, 2021 in relation to "Relaxation from compliance with certain provisions of the SEBI Listing Regulations" in view of the prevailing situation and owing to the difficulties involved in dispatching of physical copies of the Annual Report and the Notice convening the Annual General Meeting ("AGM"). Members who wish to have physical copy may write to the Company Secretary of the Bank at avan.doomasia@kotak.com or submit a written request to the Registered Office of the Bank. In accordance with the aforesaid Circulars, the weblink of the Annual Report and the Notice convening the AGM of the Bank is being sent in electronic mode only to Members whose e-mail address is registered with the Bank or the Depository Participant(s). Those Members, whose email address is not registered with the Bank or with their respective Depository Participant(s) and who wish to receive the Notice of the AGM and the Annual Report for the financial year ended 31st March, 2021, can get their email address registered by following the steps as detailed in the Notice convening the AGM. The Annual Report of your Bank and its subsidiaries will be available on your Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html.

PROMOTER STAKE DILUTION MATTER

In January 2020, basis a proposal submitted by the Bank and accepted by Reserve Bank of India ("RBI"), RBI conveyed its 'in-principle' approval of the revised terms in relation to the dilution of promoter shareholding which, *inter alia*, required the Promoters' shareholding in the Bank to be reduced to 26% of Paid-up Voting Equity Share Capital ("PUVESC") of the Bank within 6 months from the date of final approval of RBI.

On this basis, the writ petition filed by the Bank was withdrawn and, thereafter, on 18th February, 2020, the RBI accorded its final approval to the above. Post the Qualified Institutional Placement in May 2020 and subsequent sale of shares by promoters in the secondary market, the shareholding of the promoters in the Bank has reduced.

Your Bank is now in compliance with the requirement of 26% of PUVESC as stipulated by the RBI, within the prescribed timeline.

BOARD OF DIRECTORS

Board Composition

The composition of the Board of Directors of the Bank is governed by the Companies Act, 2013 ("Act"), Banking Regulation Act, 1949 ("BR Act") and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). As on 31st March, 2021, the Board of Directors comprised a combination of ten Directors viz. Mr. Prakash Apte, Independent Non-Executive Part-time Chairman, Mr. Uday Chander Khanna, Mr. Uday Shankar, Ms. Farida Khambata and Dr. Ashok Gulati, Independent Directors, Mr. C. Jayaram, Non-Executive Director, Mr. Uday Kotak, Managing Director & Chief Executive Officer, Mr. Dipak Gupta, Joint Managing Director, Mr. K.V.S. Manian and Mr. Gaurang Shah, both Whole-time Directors. Hence, the Board is in conformity with the aforementioned provisions with respect to its composition and the size of the Board is commensurate with the size and business of the Bank. The Board mix provides a combination of professionalism, knowledge and experience required in the banking industry.

Change in composition of the Board during the year

At the meeting of the Board of Directors of the Bank held on 13th May, 2020, the Board approved the re-appointments of Mr. Uday Kotak as the Managing Director & Chief Executive Officer, Mr. Dipak Gupta as Joint Managing Director and Mr. Prakash Apte as Part-time Chairman of the Bank, with effect from 1st January, 2021 till 31st December, 2023. Subsequently, the Members, at the Annual General Meeting ("AGM") of the Bank held on 18th August, 2020, approved the said appointments, subject to the approval of RBI.

Further, Reserve Bank of India ("RBI") approved the aforementioned re-appointments of Mr. Uday Kotak as the Managing Director & Chief Executive Officer, Mr. Dipak Gupta as Joint Managing Director and Mr. Prakash Apte as the Part-time Chairman of the Bank for a period of three years, with effect from 1st January, 2021.

Based on the recommendation of the Nomination and Remuneration Committee ("NRC"), the Board of Directors of the Bank at its meeting held on 5th March, 2021, approved the appointment of Dr. Ashok Gulati (DIN:07062601) as an Additional Director of the Bank holding office up to the ensuing AGM of the Bank and as an Independent Director of the Bank for a term of five years, with effect from 6th March, 2021, subject to the approval of the Members of the Bank. In terms of Section 160 of the Act, the Bank has received, in writing, a notice from a Member, proposing the candidature of Dr. Gulati for the office of a Director. The approval of the Members is being sought at the ensuing AGM of the Bank, for the appointment of Dr. Ashok Gulati as a Director and as an Independent Director of the Bank for a term of five years, with effect from 6th March, 2021.

Further, Prof. S. Mahendra Dev (DIN: 06519869) ceased to be an Independent Director of the Bank, with effect from 14th March, 2021, consequent upon completion of eight years on the Board of the Bank, in accordance with the provisions of Section 10 (2A)(i) of the B R Act. Your Directors place on record their sincere appreciation for the contribution made by Prof. Dev during his tenure as a Director of the Bank.

The Members of the Bank had, at the AGM held on 20th July, 2017, approved the appointment of Mr. Uday Chander Khanna (DIN No. 00079129) as an Independent Director on the Board of the Bank, to hold office for a period of 5 years commencing from 16th September, 2016 up to 15th September, 2021. The Bank has received a declaration from Mr. Khanna to the effect that he meets the criteria of independence as provided under Section 149(6) of the Act read with the Rules framed thereunder and Regulation 16(1)(b) of the SEBI Listing Regulations and is also eligible to be appointed as a Director in terms of

Section 164 of the Act. Mr. Khanna has also given his consent to act as a Director. Based on the recommendation of the NRC and on the basis of the skill, expertise and outcome of performance evaluation, the Board of Directors of the Bank, at its meeting held on 29th June, 2021, approved the re-appointment of Mr. Khanna as an Independent Director of the Bank, to hold office for a second term of three years, with effect from 16th September, 2021 up to 15th September, 2024 (both days inclusive), subject to the approval of the Members of the Bank. This is in line with the provisions of Section 10A(2A) of the BR Act which stipulates a maximum permissible tenure of eight continuous years, as a Non-Executive Independent Director.

Directors retiring by rotation

At the Meeting of the Board of Directors held on 29th June, 2021, the Board approved the proposal relating to the re-appointment of Mr. C. Jayaram (DIN: 00012214), as the Non-Executive Director of the Bank, liable to retire by rotation at the ensuing AGM, in terms of Section 152 of the Act.

The details of the Directors along with the rationale for their proposed appointment / re-appointment, as mentioned above, are included in the Notice convening the Thirty-Sixth AGM of the Bank.

Declaration from Independent Directors

All the Independent Directors of the Bank have submitted the requisite declarations stating that they meet the criteria of independence as prescribed under Section 149 (6) and (7) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations. The said declarations were placed before the Board for their review. The Board, after due assessment, has confirmed and taken on record the said declarations and has duly verified the same. In the opinion of the Board, all the Independent Directors fulfil the said conditions as mentioned in Section 149(6) of the Act and SEBI Listing Regulations and are independent of the Management. All the Independent Directors of the Bank have complied with the provisions of sub rule (1) and (2) of Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 with respect to registration with the Indian Institute of Corporate Affairs for the Independent Directors' Data base and have passed the proficiency test or are exempted from the same. There has been no change in the circumstances affecting their status as Independent Directors of the Bank. In the opinion of the Board, the Independent Directors possess the requisite integrity, experience, expertise and proficiency required under all applicable laws and the policies of the Bank.

Certificate from a Company Secretary in Practice

In terms of Regulation 34(3) read with Schedule V of the SEBI Listing Regulations, the Bank has obtained a Certificate from Rupal D. Jhaveri, Practising Company Secretary, confirming that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of the companies either by the Securities and Exchange Board of India or the Ministry of Corporate Affairs or any other Statutory / Regulatory Authorities. The certificate obtained by the Bank from Rupal D. Jhaveri, Practising Company Secretary, is annexed to this Report.

Director e-KYC

The Ministry of Corporate Affairs has vide amendments to the Companies (Appointment and Qualification of Directors) Rules, 2014, mandated registration of KYC of all Directors. All the Directors of the Bank have complied with said requirement for FY 2020-21.

Board Evaluation

The Bank conducted the performance evaluation of the Individual Directors, Board Committees, the Board as a whole and the Chairman of the Bank in accordance with the provisions of the Act and the SEBI Listing Regulations including Guidance Note on Board Evaluation issued by SEBI on 5th January, 2017.

The NRC of the Board approves the criteria and the mechanism for carrying out the said performance evaluation process. Accordingly, the NRC approved the assessment questionnaire designed for the annual performance evaluation which broadly covered the following criteria:

(i) Board - Competencies, composition and structure, board dynamics, process and procedure, functioning, oversight of committee functioning and ethics and compliance.

(ii) Committees - Composition and quality, adequacy of independence, congenial environment for operation, frequency, flow of updates, process and procedure, terms of reference and effectiveness in terms of respective roles assigned to the Committees.

(iii) Chairman - Key focus areas covering understanding of the role, commitment, team work attributes, utilisation of domain expertise, effective communication, etc.

(iv) Individual Directors - Understanding of role, commitment, effective contribution, independent view to decision making, etc.

The aforesaid questionnaire was circulated to all the Directors of the Bank for the annual performance evaluation. The Board evaluated the effectiveness of its functioning and that of the Committees and of individual Directors through the annual Board Evaluation Process.

The Bank had engaged an external professional services firm for issuing a report on the Board Evaluation for the Bank, based on the responses received from the Directors. Based on the assessment of the responses received to the questionnaire from the Directors on the annual evaluation of the Board, its Committees, the Chairman and the individual Directors, the Board Evaluation Report was placed before the meeting of the Independent Directors for consideration. Similarly, the Board at its meeting held on 5th March, 2021, assessed the performance of the Independent Directors and the outcome of the Board performance evaluation exercise.

The Directors noted that the results of the performance evaluation of the Board and its Committees, Chairman and individual directors indicated a high degree of satisfaction amongst the directors. Some of the suggestions given by the Directors were continuing education program including on-boarding, to enhance understanding of relevant risk, regulatory and industry issues, increasing the frequency of Committee Meetings, enhancing the role of the NRC and the Audit Committee of the Bank. The Bank has accepted all the suggestions made which emanated from the Board performance evaluation and appropriate action has been taken by arranging training programmes for the Directors, re-viewing the composition of the Board Committees, making the Risk Management Committee and the Group Risk Management Committee as Board Committees, increasing the frequency of Committee Meetings, etc.. The status of compliance of the said suggestions will be reviewed and reported to the Board.

Further, the Bank had taken necessary steps to comply with the suggestions which had arisen from the Board performance evaluation for FY 2019-20.

KEY MANAGERIAL PERSONNEL

During the year under review, your Bank has appointed Ms. Avan Doomasia as the Company Secretary and Key Managerial Personnel of the Bank, with effect from 1st December, 2020 consequent upon the retirement of Ms. Bina Chandarana, with effect from the close of business hours on 30th November, 2020.

The following officials of the Bank are the Key Managerial Personnel pursuant to the provisions of Section 203 of the Companies Act, 2013 and Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

i. Mr. Uday Kotak, Managing Director & Chief Executive Officer

ii. Mr. Dipak Gupta, Joint Managing Director

iii. Mr. K.V.S. Manian, Whole-time Director

iv. Mr. Gaurang Shah, Whole-time Director

v. Mr. Jaimin Bhatt, Group President and Group Chief Financial Officer

vi. Ms. Avan Doomasia, Company Secretary

POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

The appointment and remuneration of Directors of the Bank is governed by the provisions of Section 35B of the Banking Regulation Act, 1949. The Nomination and Remuneration Committee ("NRC") has formulated the criteria for appointment of Directors and Senior Management Personnel. Based on the criteria set, the NRC recommends to the Board, the appointment of Directors and Senior Management Personnel.

The NRC reviews the range of skills, experience and expertise on the Board and identifies its needs. After a detailed search, a master list of candidates is prepared. The NRC then shortlists the candidates from the master list based on the selection criteria viz. qualifications, knowledge, experience, skills, expertise, fit and proper status, positive attributes as per the suitability of the role, independent status and various regulatory / statutory requirements, as may be required of the candidate. After detailed discussions and deliberations, the NRC recommends the candidate to the Board.

The Bank adheres to the process and methodology prescribed by the Reserve Bank of India ("RBI") in respect of the 'Fit & Proper' criteria as applicable to Private Sector Banks, signing of Deeds of Covenants which binds the Directors to discharge their responsibilities to the best of their abilities, individually and collectively in order to be eligible for being appointed/re-appointed as a Director of the Bank. The prescribed declarations / undertakings given by the Directors, other than that of the Members of the NRC, are placed before the NRC and the declarations / undertakings given by the Members of the NRC are placed before the Board, for its review and noting.

The said declarations / undertakings are obtained from all the Directors on an annual basis and also at the time of their appointment / re-appointment, in compliance with the said laws. An assessment on whether the Directors fulfil the prescribed criteria is carried out by the NRC and the Board, on an annual basis and also at the time of their appointment / re-appointment.

RBI, vide its circular no. DOR.Appt.BC.No.23/29.67.001/2019-20 dated 4th November, 2019, has issued the Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff of Private Sector Banks on Compensation Policy. In accordance with the aforesaid RBI Circular, the Board of the Bank has adopted a revised Compensation Policy for its Whole-time Directors, Chief Executive Officer of the Bank and other employees. The said Policy was amended on 30th May, 2021 and thereafter on 29th June, 2021. The salient features of the Compensation Policy are, as follows:

Objective:

- To maintain fair, consistent and equitable compensation practices in alignment with Kotak's core values and strategic business goals.
- To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking.
- To have mechanisms in place for effective supervisory oversight and Board engagement in compensation.
- To ensure that the compensation practices are within the regulatory framework stipulated from time to time by RBI.

Compensation structure comprises total remuneration consisting of:

- Fixed Pay, which includes perquisite pay/ benefits
- Variable Pay, which includes Performance bonus/Incentive, Long Term Incentive Pay in form of cash bonuses, all share-linked instruments (e.g. ESOP, SARS, etc.)
- Other payments, which includes Joining/ Sign on Bonus, Severance package, Deferred Incentive Plans, etc.

Further, the employees have been broadly classified into following categories:

(i) Category I – Comprising Managing Director & Chief Executive Officer and Whole Time Directors ("WTDs").

(ii) Category II – Material Risk Takers ("MRTs").

These include employees whose actions may have material impact on the risk exposures of the Bank and who satisfy both - qualitative and quantitative criteria, as given below:

a. Qualitative Criteria: Employees in the Grade M10 and above

b. Quantitative Criteria: Fixed Cost To Company ("FTCTC") is ₹ 1 crore p.a. and above.

This excludes employees under Category III.

(iii) Category III – Risk control and compliance employees, comprising staff in Grade M9 and above in the following Control functions.

- Risk & Policy function
- Financial Control including group consolidation
- Compliance
- Internal Audit
- Back-office Operations
- Vigilance
- Legal
- Secretarial
- Human Resources
- Corporate Social Responsibility
- Investor Relations

(iv) Category IV: Other employees - This includes all employees, not explicitly covered in the first three categories.

The limits on the ratio of total Variable Pay (Including Cash or Non Cash Pay) to Fixed Pay and the limits on the ratio of Cash v/s Non Cash within Variable Pay, is outlined for each category of employee classification. Further, Malus and Clawback clauses are applicable as per the Compensation Policy.

The NRC of the Bank and the Board reviewed and approved all the amendments to the said Compensation Policy.

The details of the remuneration paid to the Non-Executive Chairman, Executive and Non-Executive Directors of the Bank for the year ended 31st March, 2021 is provided in the Report on Corporate Governance annexed to this Report.

Mr. Prakash Apte, the Non-Executive Part-time Chairman of the Bank receives a fixed amount of remuneration as recommended by the Board and approved by the Members of the Bank and RBI, from time to time. Mr. Apte also receives remuneration by way of sitting fees for attending meetings of the Board or Committees thereof.

The RBI had, vide its circular no. DBR.No.BC.97/29.67.001/2014-15 dated 1st June, 2015 issued guidelines on payment of compensation upto a maximum amount of ₹ 10 lakh payable annually to the Non-Executive Directors ("NEDs") of private sector banks. Accordingly, the Board of Directors of the Bank (in consultation with the NRC) has formulated and adopted a comprehensive compensation policy for NEDs (other than Non-Executive Part-time Chairperson).

Further, RBI vide its circular bearing No. RBI/2021-22/24 OR.GOV.REC.8/29.67.001/2021-22 dated 26th April, 2021 titled "Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board", effective from FY 2021-22, has permitted payment of fixed remuneration to the NEDs, excluding the Non-Executive Part-time Chairperson, up to a sum not exceeding ₹ 20 lakh per annum for each NED.

Based on the recommendation of the NRC, the Board at its meeting held on 29th June, 2021, approved the payment of compensation by way of a fixed remuneration to the NEDs of the Bank (except the Non-Executive Part-time Chairperson) linked to fixed base amount plus amounts linked to attendance, membership of specific committees or any other parameter, upto an amount not exceeding ₹ 20 lakh per annum or such other amount as may be prescribed by RBI, from time to time, subject to the approval of the Members of the Bank, by way of a special resolution, as required under Sections 197 and 198 of the Act, at the ensuing Annual General Meeting.

The salient features of the revised Compensation Policy for NED are, as follows:

i. Compensation structure broadly divided into:

   a. Sitting fees

   b. Re-imbursement of expenses

   c. Compensation in the form of Fixed Remuneration

ii. Amount of sitting fees and remuneration to be decided by the Board from time to time, subject to the regulatory limits.

iii. Overall cap on compensation in the form of fixed remuneration for each NED (excluding the Non-Executive Part-time Chairperson) of ₹ 20 lakh per annum or such other amount as may be prescribed by the RBI, from time to time.

iv. NEDs not eligible for any stock options of the Bank.

The Remuneration paid to the Key Managerial Personnel is in line with the Compensation Policy of the Bank which is based on the RBI Guidelines. In addition to the above, the Non-Executive Part-time Chairman of the Bank is paid a fixed remuneration as approved by RBI and the Members. The Compensation Policy is available on the Bank's website viz. URL: https://www.kotak.com/content/kotakcl/en/investor-relations/governance/policies.html

DISCLOSURES PURSUANT TO RULE 5 OF COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

The disclosures pursuant to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are annexed to this Report.

CORPORATE GOVERNANCE REPORT

The Bank is committed to achieving and adhering to the highest standards of Corporate Governance and constantly benchmarks itself with best practices, in this regard.

Pursuant to Regulation 27 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), a separate section entitled 'Report on Corporate Governance' has been included in this Annual Report along with the Certificate issued by the Statutory Auditors of the Bank confirming compliance with the mandatory requirements relating to Corporate Governance. The Report of Corporate Governance also contains certain disclosures required under the Companies Act, 2013, including the details of the Board meetings held during the year ended 31st March, 2021.

The Bank also files with the Stock Exchanges, the quarterly Report on Corporate Governance in terms of Regulation 27(2) of the SEBI Listing Regulations. The said Reports have been uploaded on the website of the Bank and are available on https://www.kotak.com/en/investor-relations/governance/sebi-listing-disclosures.html.

SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of your Bank had appointed Parikh & Associates, Company Secretaries, Mumbai, a peer reviewed firm, to act as the Secretarial Auditor of the Bank for FY 2020-21. The Secretarial Audit Report for the financial year ended 31st March, 2021 as required under Section 204 of the Act and Regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") is annexed to this Report. Your Bank is in compliance with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act for FY 2020-21. The Secretarial Auditor's Report does not contain any qualifications, reservations, adverse remarks or disclaimers and is annexed to this Report

Kotak Mahindra Life Insurance Company Limited ("KLI"), the Bank's material unlisted subsidiary, has completed its secretarial audit and there are no reservations or adverse remarks or disclaimers made in the Secretarial Audit Report for the financial year ended 31st March, 2021. The Secretarial Audit Report of KLI is annexed to this Report.

In terms of the SEBI circular dated 8th February, 2019, your Bank has submitted the Annual Secretarial Compliance Report for FY 2020-21 to the Stock Exchanges within the prescribed time and the same is available on websites of the Stock Exchanges i.e. the BSE Limited (www.bseindia.com), the National Stock Exchange of India Limited (www.nseindia.com) and on the Bank's website viz URL: https://www.kotak.com/en/investor-relations/governance/sebi-listing-disclosures.html.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representations received from the operational management, confirm in pursuance of Sections 134(3) and 134(5) of the Companies Act, 2013 ("Act"), that:

(i) your Bank has, in the preparation of the annual accounts for the financial year ended 31st March, 2021, followed the applicable accounting standards and guidance provided by The Institute of Chartered Accountants of India along with proper explanations relating to material departures, if any;

(ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Bank as at 31st March, 2021 and of the profit of your Bank for the financial year ended 31st March, 2021;

(iii) they have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Bank and for preventing and detecting fraud and other irregularities;

(iv) the annual accounts have been prepared on a going concern basis;

(v) they have laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and are operating effectively; and

(vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

ANNUAL RETURN

Pursuant to the provisions of Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Bank is available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html.

STATUTORY AUDITORS

M/s. Walker Chandiok & Co LLP, Chartered Accountants (Firm Registration Number: 001076N/N500013) were appointed as the Statutory Auditors of the Bank for a period of two years from financial year 2019-20 to financial year 2020-21. In view of the Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) issued by the Reserve Bank of India ("RBI") vide Circular No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27th April, 2021 ("RBI Circular/Guidelines") read together with Frequently Asked Questions, the current Statutory Auditors can now be a Joint Statutory Auditor of the Bank for a continuous period of three years, including the number of years for which they have been Statutory Auditors, effective FY 2021-22, subject to the audit firms satisfying the eligibility norms stipulated therein, each year. Further, since the Bank's asset size is more than the threshold stipulated in the said RBI Circular, the statutory audit of the Bank would need to be conducted under the joint audit with a minimum of two Joint Statutory Auditors.

Based on the recommendation of the Audit Committee, the Board at its meeting held on 24th June, 2021, *inter alia*, approved and recommended, subject to the approval of RBI, the following for the approval of the Members:

(i) re-appointment of M/s. Walker Chandiok & Co LLP, as the Joint Statutory Auditors of the Bank, for FY 2021-22, to hold office from the conclusion of the Thirty Sixth Annual General Meeting ("AGM") until the conclusion of the Thirty Seventh AGM of the Bank; and

(ii) appointment of M/s. Price Waterhouse LLP, Chartered Accountants (Firm Registration Number: 301112E/E300264) as the other Joint Statutory Auditors of the Bank, for a period of three years with effect from FY 2021-22, to hold office from the conclusion of the Thirty Sixth AGM until the conclusion of the Thirty Ninth AGM of the Bank, subject to the approval of RBI every year, for the purpose of the audit of the Bank's standalone and consolidated financial statements.

M/s. Walker Chandiok & Co LLP and M/s. Price Waterhouse LLP have consented to act as the Joint Statutory Auditors of the Bank and have intimated that such appointment would be in accordance with the conditions prescribed in Section 139 of the Companies Act, 2013 ("Act") and have also confirmed their eligibility to be re-appointed / appointed (as the case may be) as Statutory Auditors in terms of Section 141 of the Act and applicable rules and RBI guidelines.

The RBI has, vide its letter bearing Ref No. DOS.ARG.No. PS-91/08.46.005/2021-2022 dated 9th July, 2021 granted its approval for the aforementioned re-appointment / appointment of the Statutory Auditors for FY 2021-22.

Further, in terms of the authority granted by the Board to the Audit Committee at its meeting held on 26th July, 2021, the Audit Committee approved of the payment of an overall audit fee of ₹ 2,90,00,000 lakh for FY 2021-22, to be allocated by the Bank between M/s. Walker Chandiok & Co LLP and M/s. Price Waterhouse LLP, depending upon their respective scope of work and additionally out of pocket expenses, outlays and taxes.

The approval of the Members is being sought at the ensuing AGM for the aforementioned re-appointment / appointment of the Joint Statutory Auditors of the Bank along with the proposed annual fee, as set out in the Notice of the ensuing AGM of the Bank.

As required under Regulation 33(1)(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Joint Auditors have confirmed that they have subjected themselves to the peer review process of the Institute of Chartered Accountants of India ("ICAI") and that they hold a valid certificate issued by the Peer Review Board of ICAI.

There are no qualifications, reservations, adverse remarks or disclaimers made by Messrs. Walker Chandiok & Co. LLP, Chartered Accountants, in the Statutory Auditors Report.

Payment of additional fees /remuneration to the existing Statutory Auditors for financial year 2020-21:

At the AGM of the Bank held on 22nd July, 2019, the Members approved the appointment of M/s. Walker Chandiok & Co LLP, Chartered Accountants (Firm Registration Number. 001076N/N500013) as the Statutory Auditors of the Bank for a period for two years and for the payment of an annual remuneration / fees to them for an amount of ₹ 1,90,00,000 plus outlays and taxes at the applicable rates for the purpose of audit of the Bank's accounts.

Based on the approval and recommendation of the Audit Committee, the Board at its meeting held on 29th June, 2021, approved of the payment of additional remuneration, subject to the approval of the Members of the Bank and such other consents/permissions/ sanctions as may be required from any Regulatory / Statutory authority, if any. The approval of the Members is being sought at the ensuing AGM for payment of additional fees/remuneration of ₹ 24,00,000 plus outlays and taxes at the applicable rates to M/s. Walker Chandiok & Co LLP, Chartered Accountants, for additional certification requirements and general increase in efforts for FY 2020-21.

INTERNAL FINANCIAL CONTROLS

The Board of Directors confirm that your Bank has laid down set of standards, processes and structure which enables it to implement internal financial controls across the organisation with reference to financial statements and that such controls are adequate and are operating effectively. Controls are reviewed / revisited / updated / deleted each year for change in processes / organisational changes/product changes, etc. Given the COVID-19 pandemic, all additional controls that were implemented due to lockdowns and consequential Work From Home requirements were also considered and incorporated. Testing is done for each of the controls with the help of an independent firm of Chartered Accountants, on behalf of Management, who confirm to the Audit Committee of the Bank, the existence and operating effectiveness of controls over financial reporting. During the year under review, no material or serious observations were observed for inefficiency or inadequacy of such controls.

IMPLEMENTATION OF IND AS

The Ministry of Finance, Government of India, has vide its press release dated 18th January, 2016 outlined the roadmap for implementation of International Financial Reporting Standards ("IFRS") converged Indian Accounting Standards ("Ind AS") for Scheduled Commercial Bank (excluding RRBs), Non-Banking Financial Companies and Insurance companies. The Reserve Bank of India ("RBI") had advised Banks vide circular no. RBI/2015- 16/315DBR.BP.BC. No.76/21.07.001/2015-16 dated 11th February, 2016 to follow Ind AS from 1st April, 2018 as notified under the Companies (Indian Accounting Standards) Rules, 2015 subject to any guideline/direction issued in this regard. Subsequently, RBI through its first monetary policy statement for FY 2018-19 on 5th April, 2018, deferred Ind AS implementation for the Scheduled Commercial Bank ("SCB") (excluding RRBs) by one year i.e. the implementation of Ind AS to begin from 1st April, 2019 onwards. Further, RBI vide circular no. DBR.BP.BC.No.29/21.07.001/2018-19 dated 22nd March, 2019, deferred the implementation of Ind AS for SCBs till further notice. The RBI has not issued any further notification on implementation of Ind AS for SCBs.

As per RBI directions, your Bank has taken the following steps so far:

i. Submitted Standalone Proforma Ind AS Financial Statements to RBI on a quarterly basis effective FY 2018-19, as required.

ii. Formed Steering Committee for Ind AS implementation. The Steering Committee comprises representatives from Finance, Risk, Operations and Treasury. The Committee oversees the progress of Ind AS implementation in the Bank and provides guidance on critical aspects of the implementation such as Ind AS technical requirements, systems and processes, business impact, people and project management. The Committee closely reviews progress of Ind AS implementation.

iii. The Bank has identified gaps in IT Systems and the changes required to automate Ind AS. The Bank is in the process of taking necessary steps for Ind AS implementation. The Bank will continue to liaise with RBI and industry bodies on various aspects pertaining to Ind AS implementation.

RELATED PARTY TRANSACTIONS

During the year, except as mentioned below, the Bank has not entered into any materially significant transactions with its Promoters, Directors, Management, Subsidiaries or relatives of the Directors/Management, which could lead to a potential conflict of interest between the Bank and these parties, other than transactions entered into in the ordinary course of business. All the Related Party Transactions that were entered into during the financial year were on an arm's length basis and were in ordinary course of business. Hence, pursuant to Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no Related Party Transactions to be reported under Section 188(1) of the Companies Act, 2013 and hence, Form AOC-2 is not applicable to the Bank.

The Members of the Bank have granted their consent by way of Postal Ballot for entering into / carrying out / and / or continuing with material related party transactions with Infina Finance Private Limited (Mr. Suresh Kotak, father of Mr. Uday Kotak, Managing Director & CEO, Promoter and a Key Managerial Personnel of the Bank and Mr. Jaimin Bhatt, Group President & Group Chief Financial Officer and a Key Managerial Personnel of the Bank, who are Directors on the Board of Infina Finance Private Limited) and with Mr. Uday Kotak, Managing Director & CEO and Key Managerial Personnel of the Bank, with respect to Deposits, other banking transactions / arrangements / service, etc. which may exceed or have exceeded 10% of the annual consolidated turnover of the Bank, wherein Deposits would form a substantial portion of such transaction value. The said transactions were in the ordinary course of business for the Bank and at an arm's length basis. Other than the aforesaid transactions, the Bank has not entered into any material financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they were either directly or through their relatives interested as directors and/or partners. The Bank has not entered into any material financial or commercial transactions with its subsidiaries and other related parties as per AS-18 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 that may have potential conflict with the interest of the Bank at large. Further, there were no related party transactions which were not in the ordinary course of business or at an arm's length basis.

All Related Party Transactions are placed before the Audit Committee for its review and approved on a quarterly basis. An omnibus approval of the Audit Committee is obtained for the Related Party Transactions which are repetitive in nature. Further, all Related Party Transactions are reviewed by the Statutory Auditors of the Bank. Also, during the year, the Bank had engaged the services of an external auditor for verification of the Related Party Transactions, its disclosure and validation of the process followed by the Bank.

All Related Party Transactions, as required under Accounting Standards AS-18, are reported in Note 25 of Schedule 17 - Notes to Accounts of the Consolidated Financial Statements and Note 7 of Schedule 18B – Notes to Accounts of the Standalone Financial Statements of your Bank.

In terms of the SEBI Listing Regulations relating to Corporate Governance, the Bank's Policy on dealing with Related Party Transactions is available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The provisions of Section 186 of the Companies Act, 2013 ("Act") except sub-section (1), do not apply to loans made, guarantees given, securities provided by a banking company in the ordinary course of its business are exempted from the disclosure requirement under Section 134(3)(g) of the Act.

The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of Banking Regulation Act, 1949.

RISK MANAGEMENT POLICY

Pursuant to Regulation 21 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Bank has constituted a Risk Management Committee, details of which can be referred to in the Corporate Governance report forming part of this Report. Your Bank has a robust Risk Management Framework. While Risk Management is the responsibility of the Board of Directors, it has delegated its powers relating to monitoring and reviewing risks associated with the Bank to the Risk Management Committee. The Bank has also adopted a Group Enterprise wide Risk Management framework supported by appropriate policies and processes for management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk and various other Risks. Details of identification, assessment, mitigations, monitoring and the management of these Risks are mentioned in the Management Discussion and Analysis Report appended to this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Bank has undertaken various initiatives for conservation of energy. Details of the same are available in the Business Responsibility Report of the Bank which is available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html.

The Bank has used information technology extensively in its operations as detailed in the para on 'Technology and Digitisation'. Further, the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 for Foreign Exchange Earnings are not applicable to your Bank.

REPORTING OF FRAUDS BY AUDITORS

During the year under review, no instances of fraud committed in the Bank by its officers or employees were reported by the Statutory Auditors and Secretarial Auditor under Section 143(12) of the Companies Act, 2013 to the Audit Committee or the Board of Directors of the Bank.

MAINTENANCE OF COST RECORDS

Being a Banking Company, your Bank is not required to maintain cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND OPERATIONS IN FUTURE

During the year under review, no significant and / or material order was passed by any Regulatory or Court or Tribunal against the Bank, which could impact the going concern status or its future operations.

MATERIAL CHANGES AND COMMITMENT AFFECTING THE FINANCIAL POSITION OF THE BANK

There are no material changes and commitments which affected the financial position of your Bank, which occurred between the end of the financial year to which the financial statements relate and up to the date of this Report.

ANNEXURES

The following statements/reports/certificates are annexed to the Directors' Report:

i. Certificate confirming that that none of the Directors of the Bank have been debarred or disqualified from being appointed or continuing as directors of companies by SEBI/Ministry of Corporate Affairs or any such statutory authority.

ii. Disclosures pursuant to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

iii. Annual Report on Corporate Social Responsibility Activities of the Bank for the financial year ended 31st March, 2021.

iv. Secretarial Audit Report pursuant to Section 204 of the Companies Act, 2013 and Regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

v. Management Discussion and Analysis Report pursuant to Schedule V Part B of the SEBI Listing Regulations.

vi. Corporate Governance Report pursuant to Schedule V Part C of the SEBI Listing Regulations.

vii. Certificate from the auditors regarding compliance of conditions of corporate governance as stipulated in para E of Schedule V of the SEBI Listing Regulations.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the Reserve Bank of India, the Securities and Exchange Board of India, Stock Exchanges, Insurance Regulatory and Development Authority and other Government and Regulatory agencies.

Your Directors acknowledge the support of the Members for their continued support and also wish to place on record their appreciation of employees for their commendable efforts, commitment, teamwork and professionalism.

For and on behalf of the Board of Directors

Prakash Apte
Chairman

Place : Pune
Date : 26th July, 2021

To,
The Members
Kotak Mahindra Bank Limited
27BKC, C 27, G Block, Bandra Kurla Complex,
Bandra (E), Mumbai – 400051

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **Kotak Mahindra Bank Limited** having CIN **L65110MH1985PLC038137** and having registered office at 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2021 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India or any such other Statutory Authority

Sr. No.	Name of the Director	DIN	Date of appointment in Company*
1	Mr. Prakash Apte	00196106	18th March, 2011
2	Prof. S. Mahendra Dev	06519869	15th March, 2013
3	Ms. Farida Khambata	06954123	7th September, 2014
4	Mr. Uday Khanna	00079129	16th September, 2016
5	Mr. Uday Shankar	01755963	16th March, 2019
6	Dr. Ashok Gulati	07062601	6th March, 2021
7	Mr. C Jayaram	00012214	1st October, 1999
8	Mr. Uday Kotak	00007467	21st November, 1985
9	Mr. Dipak Gupta	00004771	1st October, 1999
10	Mr. K.V.S Manian	00031794	1st November, 2019
11	Mr. Gaurang Shah	00016660	1st November, 2019

** Date of appointment is taken from MCA*
[1] Ceased to be the Director of the Bank with effect from 14th March, 2021

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these based on my verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Rupal Dhiren Jhaveri
FCS No: 5441
Certificate of Practice No.: 4225
ICSI UDIN: F005441C000522716
Peer Review Certificate No.: 1139/2021

Place : Mumbai
Date : June 26, 2021

Disclosure pursuant to Section 197 (12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. **Ratio of the remuneration of each Director to the median remuneration of the employees for the financial year:**

Directors	Title	Ratio
Mr. Prakash Apte	Non-Executive Part-time Chairman	5.07x
Mr. Uday Kotak	Managing Director & CEO	31.53x
Mr. Dipak Gupta	Joint Managing Director	79.90x
Mr. K.V.S. Manian	Whole-time Director	82.79x
Mr. Gaurang Shah	Whole-time Director	82.63x

2. **Percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:**

Directors/Key Managerial Personnel	Title	% increase in remuneration	% increase in remuneration excluding Stock Appreciation Rights ("SARs")
Mr. Prakash Apte	Non-Executive Part-time Chairman	-	-
Mr. Uday Kotak#@	Managing Director & CEO	(41.49)	(41.49)
Mr. Dipak Gupta@	Joint Managing Director	48.77	48.77
Mr. K.V.S. Manian	Whole-time Director	(4.63)	(3.09)
Mr. Gaurang Shah	Whole-time Director	(7.42)	(3.70)
Mr. Jaimin Bhatt	Group Chief Financial Officer	(6.25)	(3.05)
Ms. Bina Chandarana*	Company Secretary	(26.01)	(29.92)
Ms. Avan Doomasia*	Company Secretary	-	-

 # Please refer to note (vi) below
** Please refer to note (v) below*
@ Please refer to note (vii) below

3. **Percentage increase in the median remuneration of employees in the financial year:**

   For employees other than managerial personnel who were in employment for the whole of FY 2019-20 and FY 2020-21, increase in the median remuneration is 1.08%.

4. **Number of permanent employees on the rolls of Bank at the end of the year:** 51,734

5. **Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

   For employees other than managerial personnel who were in employment for the whole of FY 2019-20 and FY 2020-21, the average increase is 1.08 % and 1.54%, excluding SARs.

   Average increase for managerial personnel is (14.53)% and (12.28)%, excluding SARs.

6. **Affirmation that the remuneration is as per the remuneration policy of the Bank:**

   The Bank is in compliance with its Compensation Policy.

Notes:

i. Remuneration includes Fixed Pay + Variable Pay paid during the year + perquisite value as calculated under the Income Tax Act, 1961. Remuneration does not include value of Stock Options.

ii. Stock Appreciation Rights ("SARs") are awarded as Variable Pay. These are settled in cash and are linked to the average market price/closing market price of the Bank's stock on specified value dates. Cash paid out during the year is included for the purposes of remuneration.

iii. For FY 2020-21, the Non-Executive Directors of the Bank, other than the Non-Executive Part-time Chairman, received remuneration in the form of sitting fees for attending the Board / Committee meetings and in the form of an annual profit based commission. The Non-Executive Chairman received sitting fees for attending meetings and a fixed remuneration, as approved by the Members and the Reserve Bank of India ("RBI").

iv. The Reserve Bank of India vide its letter DoR.GOV. No. 43173/29.40.001/2021-22 dated 5th May, 2021 has approved the remuneration of Mr. Uday Kotak, Managing Director & CEO, Mr. Dipak Gupta, Joint Managing Director, Mr. K.V.S Manian, Whole-time Director and Mr. Gaurang Shah, Whole-time Director, for FY 2020-21, as per the terms and conditions stated therein.

v. The Bank has appointed Ms. Avan Doomasia as the Company Secretary and Key Managerial Personnel of the Bank, with effect from 1st December, 2020 consequent upon the retirement of Ms. Bina Chandarana from the close of business hours on 30th November, 2020.

vi. In view of the COVID–19 pandemic, Mr. Uday Kotak had opted to forego his fixed salary and accepted a token amount of Re.1 for the FY 2020-21.

vii. Remuneration for Mr. Uday Kotak and Mr. Dipak Gupta includes variable pay for the year ended 31st March 2019 and 31st March 2020, paid to them on receipt of RBI approval during the year.

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES OF KOTAK MAHINDRA BANK LIMITED FOR THE FINANCIAL YEAR 2020-21

1. **Brief outline on CSR Policy of the Company.**

   Kotak Mahindra Bank Limited ("Bank") recognises the immense opportunity it has to bring about a positive change in the lives of the communities through its business operations and Corporate Social Responsibility ("CSR") initiatives.

   Your Bank aspires to be a trusted partner and contributes significantly towards the economic, environmental and social growth of the nation and is also committed to contribute towards United Nation's ("UN") Sustainable Development Goals ("SDGs"). This policy sets out your Bank's vision, mission, governance and CSR focus areas to fulfill its inclusive growth agenda in India.

   While ensuring that it's CSR Policy, projects and programmes are compliant with the CSR mandate as specified under Sections 134 and 135 read with Schedule VII of the Companies Act, 2013 ("Act") along with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time and in line with the Government of India's notifications issued from time-to-time, your Bank also endeavours to align its CSR projects and programmes with government initiated social development programmes and interventions and last but not the least, UN's SDGs.

   The Bank's CSR Policy is available on the Bank's website viz URL: https://www.kotak.com/en/about-us/corporate-responsibility/our-governance.html

2. **Composition of CSR Committee:**

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Prakash Apte*	Chairman (with effect from 15th March, 2021) / Independent Director	Not Applicable	Not Applicable
2	Mr. C. Jayaram	Member / Non-Executive Director	1	1
3	Mr. Dipak Gupta	Member / Joint Managing Director	1	1
4	Prof. S. Mahendra Dev.**	Chairman (till 14th March, 2021) / Independent Director	1	1

* Appointed as Chairman and a Member of the Committee, with effect from 15th March, 2021

** Ceased to be Member of the Committee consequent upon his retirement as an Independent Director, with effect from 14th March, 2021.

3. Web-link where Composition of CSR Committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company: https://www.kotak.com/en/about-us/corporate-responsibility/our-governance.html

4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report): **Not Applicable for FY 2020-21**

5. Details of the amount available for set off in pursuance of sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any: **Not Applicable**

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be setoff for the financial year, if any (in ₹)
1	-	-	-
2	-	-	-
3	-	-	-
	TOTAL		

6. Average net profit of the Company as per Section 135(5) of the Act: ₹ **7,113.74 crore**

7. (a) Two percent of average net profit of the Company as per Section 135(5) of the Act: ₹ **142.27 crore**
   (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: **Not Applicable**
   (c) Amount required to be set off for the financial year, if any: **Not Applicable**
   (d) Total CSR obligation for the financial year (7a+7b-7c): ₹ **142.27 crore**

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6) of the Act		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5) of the Act.		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
79.40	63.59	23rd April, 2021	-	-	-

(b) Details of CSR amount spent against ongoing projects for the Financial Year:

(1) Sl. No.	(2) Name of the Project	(3) Item from the list of activities in Schedule VII to the Act	(4) Local area (Yes/No)	(5) Location of the project		(6) Project duration	(7) Amount allocated for the project (in ₹ crore)	(8) Amount spent in the current financial Year (in ₹ crore)	(9) Amount transferred to Unspent CSR Account for the project as per Section 135(6) of the Act (in ₹ crore)	(10) Mode of Implementation - Direct (Yes/No)	(11) Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1	Education & Livelihood (Inclusiveness)	Education & Livelihood	Yes	Maharashtra	Panvel	Two Financial Years, effective from 1st April, 2020	3.80	1.80	2.00	No	Society of Parents of Children with Autistic Disorders (SOPAN)	CSR00001865
2	Education & Livelihood (Rural)	Education & Livelihood	Yes	Gujarat Rajasthan	Dahod Panchmahal Jhalawar Banswara	Three Financial Years, effective from 1st November, 2020	5.20	1.80	3.40	No	NM Sadguru Water & Development Foundation	CSR00000285
3	Education & Livelihood - [Project Digital learning Solution-(DLS)]	Education & Livelihood	Yes	Maharashtra	Mumbai (MMR)	Two Financial years, effective from 1st April, 2020	12.70	3.70	9.00	No	Kotak Education Foundation	CSR00001785
4	Education & Livelihood (Inclusiveness)	Education & Livelihood	Yes	Madhya Pradesh, Haryana, West Delhi	Bhopal, Gurugram, Keshavpuram	Two Financial years, effective from 1st January, 2021	1.29	0.24	1.05	No	Sarthak Educational Trust	CSR00001093
5	Healthcare (Primary Healthcare on wheels)	Healthcare	Yes	Telangana	Hyderabad	Eighteen months effective from 1st April, 2020	2.71	2.21	0.50	No	Wockhardt Foundation	CSR00000161
6	Healthcare (Cancer Support)	Healthcare	Yes	Delhi	Delhi	Three Financial years, effective from 1st April, 2020	1.22	0.42	0.80	No	CanSupport	CSR00000673
7	Healthcare (Cancer care and Home away from home)	Healthcare	Yes	Pan India	Pan India	Three Financial years, effective from 1st April, 2020	9.00	3.85	5.15	No	Cankids…KidsCan	CSR00000341
8	Healthcare (Mental Health)	Healthcare	Yes	Maharashtra	Mumbai	Two Financial years, effective from 1st January, 2021	0.75	0.30	0.45	No	Aditya Birla Education Trust	CSR00004879
9	Sports (Olympics)	Sports	Yes	Karnataka	Bellary	Two Financial years, effective from 1st October, 2020	13.00	4.00	9.00	No	Inspire Institute of Sport	CSR00000123
10	Sports (Olympics)	Sports	Yes	Telangana	Ranga Reddy	Two Financial years, effective 1st April, 2020	34.00	10.00	24.00	No	Pullela Gopichand Badminton Foundation	CSR00001555
11	Environment & sustainable development (Green Crematorium)	Environment & Sustainable Development	Yes	Maharashtra	Mumbai	Two Financial years, effective from 1st April, 2020	2.40	1.00	1.40	No	Hiralal Parekh Parivar Charity Trust	CSR00000249
12	Environment & Sustainable Development (Biodiversity)	Environment & Sustainable Development	Yes	Maharashtra	Mumbai	Two Financial years, effective from 1st March, 2021	0.80	0.40	0.40	No	Nature Forever Society	CSR00002915
13	Relief and Rehabilitation - COVID 19	Relief & Rehabilitation	Yes	Pan India	Pan India	Two Financial years, effective from 1st October, 2020	8.00	3.05	4.95	Yes	-	Not Applicable
14	Relief & Rehabilitation - COVID 19 (Dry Ration Kit, Health Hygiene Facilities)	Relief & Rehabilitation	Yes	Pan India	Pan India	Two Financial years, effective from 1st April, 2020	0.40	0.36	0.04	Yes	-	Not Applicable
15	Relief & Rehabilitation - COVID 19 (Protecting the Protector Round-2)	Relief & Rehabilitation	Yes	Pan India	Pan India	Two Financial years, effective from 1st October, 2020,	1.00	0.46	0.54	Yes	-	Not Applicable
16	Relief & Rehabilitation - COVID 19 (Direct)	Relief & Rehabilitation	Yes	Pan India	Pan India	Two Financial years, effective from 1st January, 2021	1.60	0.69	0.91	Yes	-	Not Applicable
		Total					**97.87**	**34.28**	**63.59**			

(c) Details of CSR amount spent against other than ongoing projects for the Financial Year:

(1) Sl. No.	(2) Name of the Project	(3) Item from the list of activities in schedule VII to the Act.	(4) Local area (Yes/ No).	(5) Location of the project. State.	(5) Location of the project. District.	(6) Amount spent for the project (in ₹ crore)	(7) Mode of implementation - Direct (Yes/No).	(8) Mode of implementation - Through implementing agency Name	(8) Mode of implementation - Through implementing agency CSR registration number
1	Education & Livelihood (Vocational skill development)	Education & Livelihood	Yes	Pan India	Pan India	5.15	No	Pratham Education Foundation	CSR00000258
2	Education & Livelihood (Inclusiveness)	Education & Livelihood	Yes	Pan India	Pan India	0.30	No	Vidhi Centre for Legal Policy	CSR00000775
3	Education & Livelihood (Inclusiveness)	Education & Livelihood	Yes	Bihar, Kerala, Uttarakhand	Patna, Kochi, Dehradun	0.50	No	Youth 4 Jobs Foundation	CSR00002046
4	Education & Livelihood (Inclusiveness)	Education & Livelihood	Yes	Maharashtra	Mumbai	0.50	No	Deeds Public Charitable Trust	CSR00000703
5	Education & Livelihood (Vocational skill development)	Education & Livelihood	Yes	Pan India	Pan India	1.49	No	Head Held High Foundation	CSR00000919
6	Education & Livelihood (Learning centres)	Education & Livelihood	Yes	Delhi and Goa	Kishangar and Chimbel	0.40	No	Samarpan Foundation	CSR00000382
7	Education & Livelihood (Girl Child)	Education & Livelihood	Yes	Pan India	Pan India	2.48	No	IIMPACT	CSR00002935
8	Education & Livelihood [Information and communication technolgy (ICT) for school eduation}	Education & Livelihood	Yes	Bangalore	Karnataka	0.77	No	IT For Change	CSR00009141
9	Education & Livelihood (Support to Balwadi)	Education & Livelihood	Yes	Maharashtra	Mumbai	0.20	No	National Society for Clean Cities India	CSR00007539
10	Education & Livelihood (Inclusiveness)	Education & Livelihood	Yes	Maharashtra	Across Maharashtra	0.06	No	Blind Welfare Organisation	CSR00006377
11	Education & Livelihood (Inclusiveness)	Education & Livelihood	Yes	Rajasthan	Jaipur	2.80	No	Disha Foundation	CSR00005628
12	Education & Livelihood (Youth for Governance - moral values)	Education & Livelihood	Yes	Maharashtra	Mumbai	0.05	No	Public Concern Governance Trust	CSR00006197
13	Education & Livelihood (Ekal vidyalaya)	Education & Livelihood	Yes	Pan India	Pan India	0.09	No	Friends of Tribals Society	CSR00001898
14	Education & Livelihood (school infrastructure)	Education & Livelihood	Yes	Maharashtra	Beed	0.08	Yes		Not Applcable
15	Education & Livelihood (Entrepreneurship)	Education & Livelihood	Yes	Pan India	Pan India	1.20	No	Indian Institute of Management, Bangalore	CSR00003458
16	Education & Livelihood (Girl Child)	Education & Livelihood	Yes	Maharashtra	Kolhapur	0.54	No	KC Mahindra Trust	CSR00000511
17	Education & Livelihood (Project Hope)	Education & Livelihood	Yes	Maharashtra	Pune	0.06	No	URMEE	CSR00006410
18	Education & Livelihood (Seva Kutir)	Education & Livelihood	Yes	Madhya Pradesh	Dewas, Sehore	1.00	No	Parivaar Education Society	CSR00000052
19	Education & Livelihood (Multiple interventions)	Education & Livelihood	Yes	Maharashtra	Mumbai	17.30	No	Kotak Education Foundation	CSR00001785
20	Healthcare (Cancer & Rare disorder treatment)	Healthcare	Yes	Maharashtra	Mumbai	1.00	No	KARO Trust	CSR00008234
21	Healthcare (Cancer treatment)	Healthcare	Yes	Maharashtra	Mumbai	0.40	No	OCA Foundation	CSR00006375
22	Healthcare (Spinal care Peer Trainer)	Healthcare	Yes	Pan India	Pan India	0.31	No	Ganga Foundation	CSR00009550
23	Healthcare(Paediatric cancer patient support)	Healthcare	Yes	Maharashtra	Mumbai	0.08	No	Dhanwantari Medical Trust	CSR00003761
24	Healthcare (Primary Healthcare on wheels)	Healthcare	Yes	Gujarat	Valsad	0.22	No	Shrimad Rajchandra Sarvamangal Trust	CSR00000266
25	Healthcare (Critical healthcare on wheels)	Healthcare	Yes	Kashmir	Kupwara and Baramullah	1.73	No	Borderless World Foundation	CSR00002223
26	Healthcare (Inclusiveness)	Healthcare	Yes	Maharashtra	Badlapur and Nashik	0.15	No	ADHAR	CSR00000230
27	Healthcare (Multiple Sclerosis)	Healthcare	Yes	Delhi	Delhi	0.09	No	Multiple Sclerosis Society of India	CSR00004961
28	Healthcare (Right Wheelchair Project)	Healthcare	Yes	Pan India	Pan India	0.30	No	Ganga Foundation	CSR00009550
29	Healthcare (Hypoxic therapy)	Healthcare	Yes	Maharashtra	Pune	0.64	No	Lata Mangeshkar Medical Foundation	CSR00001393
30	Healthcare (Diagnostics)	Healthcare	Yes	Uttar Pradesh	Mathura	0.38	No	Ramakrishna Mission Sevashrama	CSR00006101
31	Healthcare (Eyecare)	Healthcare	Yes	Rajasthan, Telangana, Gujarat	Jaipur, Hyderabad, Ahmedabad	0.03	No	Doctors For You	CSR00000608
32	Sports (Olympics)	Sports	Yes	Pan India	Pan India	0.40	No	Foundation for Promotion of Sports and Games	CSR00001100
33	Environment & Sustainable Development (Water infrastructure and river management)	Environment & Sustainable Development	Yes	Maharashtra	Satara	0.17	No	Gram Gourav Pratishthan	CSR00003751
34	Relief & Rehabilitation (Protecting the Protector - Police)	Relief & Rehabilitation - COVID-19	Yes	Pan India	Pan India	0.50	Yes		Not Applicable
35	Relief & Rehabilitation COVID-19 (Protecting the protector)	Relief & Rehabilitation - COVID-19	Yes	Pan India	Pan India	1.00	Yes		Not Applicable
36	Relief & Rehabilitation COVID-19 (Meal Distribution, Mumbai)	Relief & Rehabilitation - COVID-19	Yes	Maharashtra	Mumbai	0.05	No	Rotary Club of Bombay Queens Necklace Charitable Trust	CSR00004403
37	Relief & Rehabilitation COVID-19 (Meal Distribution, Hyderabad)	Relief & Rehabilitation - COVID-19	Yes	Telangana	Hyderabad	0.01	Yes		Not Applicable
38	Relief & Rehabilitation COVID-19 (Dry ration kit - Kolkota)	Relief & Rehabilitation - COVID-19	Yes	West Bengal	Bidhannagar	0.01	Yes		Not Applicable
39	Relief & Rehabilitation COVID-19(Dry ration kit - Varanasi)	Relief & Rehabilitation - COVID-19	Yes	Uttar Pradesh	Varanasi	0.03	Yes		Not Applicable
40	Relief & Rehabilitation COVID-19 (Protecting the Protectors - Gujarat)	Relief & Rehabilitation - COVID-19	Yes	Gujarat	Surat and Vadodara	0.01	Yes		Not Applicable
41	Relief & Rehabilitation COVID-19 (Campaign Gratitude)	Relief & Rehabilitation - COVID-19	Yes	Maharashtra	Mumbai, Thane, Raigad	0.18	No	Campaign Gratitude (SNEHA, Concern India Foundation and Pride India)	SNEHA – CSR00002137 The Pride India – CSR00001069 Concern India Foundation- CSR00000898
		Total				**42.65**			

(d) Amount spent in Administrative Overheads: ₹ 2.48 crore

(e) Amount spent on Impact Assessment, if applicable : **Not Applicable for FY 2020-21**

(f) Total amount spent for the Financial Year : ₹ 79.40 crore *

(8b+8c+8d+8e)

*Excludes unspent amount transferred to unspent CSR account

(g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in crore)
(i)	Two percent of average net profit of the Company as per section 135(5) of the Act	142.27
(ii)	Total amount spent for the Financial Year	142.99 **
(iii)	Excess amount spent for the financial year [(ii)-(i)]	0.72
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Not Applicable
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	0.72

**Includes unspent amount transferred to unspent CSR account and administrative overheads

9. (a) Details of Unspent CSR amount for the preceding three financial years: **Not Applicable**

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1.							
2.							
3.							
	TOTAL						

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): **Not Applicable**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed / Ongoing
1.								
2.								
3.								
	TOTAL							

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details).

(a) Date of creation or acquisition of the capital asset(s).

CSR Focus Area	Partner NGO/Direct Implementation	Amount of CSR spent for creation or acquisition of asset (₹ in crore)	Date of creation of assets	Details of assets	Project Location and complete address	Address of Implementing Agency	Ownership of Asset
Sports	Pullela Gopichand Badminton Foundation	10.00	FY 2020-21	Capital Asset	Hyderabad, Telangana	Plot No. 15, "Bharani Enclave", Road No. 78, Jubilee Hills, Hyderabad 500 033	Implementing Agency
Education & Livelihood	Society of Parents of Children with Autistic Disorders (SOPAN)	1.80	FY 2020-21	Capital Asset	Panvel, Maharashtra	BMC School Building, Road No. 5, Natwar Nagar, Jogeshwari (East), Mumbai - 400060	Implementing Agency
Education & Livelihood	Disha Foundation	2.80	FY 2020-21	Capital Asset	Jaipur, Rajasthan	Disha- Pandit T N Mishra Marg, Nirman Nagar C, Jaipur 302019	Implementing Agency
Environment & Sustainable Development	Hiralal Parekh Parivar Charity Trust	1.00	FY 2020-21	Capital Asset	Mumbai, Maharashtra	c/o Dr. Ramnik Parekh, 1004 B, Pheonix Tower, Senapati Bapat Marg, Lower Parel, Mubai - 400013	Implementing Agency
Healthcare	Shrimad Rajchandra Sarvamangal Trust	0.22	FY 2020-21	Capital Asset	Valsad, Gujrat	Patel Chambers, Third Floor, Plot – 13, Mathew Road, Opera House, Mumbai - 400004	Implementing Agency
Healthcare	Borderless World foundation	1.73	FY 2020-21	Capital Asset	Kupwara and Baramullah, Kashmir	C1/1, S NO 14/15, Yashavantrao Chavan Nagar Dhankwadi Pune 411043	Implementing Agency
Healthcare	Lata Mangeshkar Medical Foundation	0.64	FY 2020-21	Capital Asset	Pune, Maharashtra	Deenanath Mangeshkar Hospital, Erandwane, Pune - 411004	Implementing Agency
Education & Livelihood	IIMPACT	0.37	FY 2020-21	Capital Asset	Pan India	M 2/3, DLF Phase II, Gurgaon 122002	Implementing Agency
Healthcare	Ramakrsihna Misssion Sevashram	0.38	FY 2020-21	Capital Asset	Mathura, Uttar Pradesh	Swami Vivekanand Marg, Vrindavan PO, Mathura Dist, 281121, Uttar Pradesh	Implementing Agency
Education & Livelihood	Kotak Education Foundation	3.70	FY 2020-21	Capital Asset	Mumbai, Maharashtra	1st floor, North Side, Ujagar Silk Mills Compound, Sunder Baug, Opp. Deonar Bus Depot, Off Sion – Trombay Road, Deonar, Mumbai – 400088	Implementing Agency
	Total	**22.64**					

(b) Amount of CSR spent for creation or acquisition of capital asset: ₹ 22.64 crore

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. –Details provided in Point No. 10(a) above

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). Details provided in Point No. 10(a) above

11. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per Section 135(5) of the Act. – Not Applicable

Uday Kotak
Managing Director & Chief Executive Officer

Place : Mumbai
Date : 26th July 2021

Prakash Apte
Chairman – Corporate Social Responsibility Committee

Place : Pune
Date : 26th July 2021

FORM No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2021

(Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
Kotak Mahindra Bank Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kotak Mahindra Bank Limited (hereinafter called the "Bank"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Bank's books, papers,minute books, forms and returns filed and other records maintained by the Bank, to the extent the information provided by the Bank, its officers, agents and authorised representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management, and considering the relaxations granted by the Ministry of Corporate Affairs and the Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on 31st March, 2021, complied with the statutory provisions listed hereunder and also that the Bank has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records made available to us and maintained by the Bank for the financial year ended on 31st March, 2021 according to the provisions of:

(i) The Companies Act, 2013 ("the Act") and the rules made thereunder;

(ii) The Securities Contract (Regulation) Act, 1956 ('SCRA") and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, as applicable;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"), to the extent applicable and as amended from time to time:

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

d) The Securities and Exchange Board of India (Share Based Employees Benefits) Regulations, 2014;

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (Not applicable to the Bank during the audit period)

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Bank during the audit period)

h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Bank during the audit period)

i) The Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992;

j) The Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994;

k) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993;

l) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;

m) The Securities and Exchange Board of India (Investment Advisors) Regulations 2013;

n) The Securities and Exchange Board of India (Custodian) Regulations, 1996;

o) The Securities and Exchange Board of India (Intermediaries) Regulations, 2008;

p) The Securities and Exchange Board of India (Certification of Associated Persons in the Securities Market) Regulations, 2007;

q) The Securities and Exchange Board of India {KYC (Know Your Client) Registration Agency} Regulations, 2011;

r) The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019;

s) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003; and

t) The Securities and Exchange Board of India-guidelines for Anti-Money Laundering Measures.

(vi) Other laws applicable specifically to the Bank namely:

(a) Banking Regulation Act, 1949, Master Circulars, Notifications and Guidelines issued by the Reserve Bank of India and as amended from time to time;

(b) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Other laws to the extent applicable to the Bank as per the representations made by the Bank.

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to Board of Directors (SS-1) and General Meetings (SS-2).

(ii) The Listing Agreements entered into by the Bank with the BSE Limited and the National Stock Exchange of India Limited read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, standards, etc. mentioned above.

We further report that:

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, except where meeting was held at a short notice to transact urgent business and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the meetings of the Board of Directors of the Bank were carried out unanimously. There were no dissenting views by any member of the Board of Directors during the period under review.

We further report that there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the following events occurred during the year which have a major bearing on the Bank's affairs in pursuance of the laws, rules, regulations, guidelines, standards etc. referred to above.

1. The Issuance Committee of the Board of Directors of the Bank at its meeting held on 30th May, 2020, approved the allotment of 6,50,00,000 Equity Shares of face value ₹ 5 each to eligible qualified institutional buyers at the issue price of ₹ 1,145 per Equity Share (including a premium of ₹ 1,140 per Equity Share), aggregating to ₹ 74,425,000,000 pursuant to the Issue.

2. During the year Bank issued 37,97,330 Equity Shares of the face value of ₹5 each under the Employee Stock option Scheme of the Bank.

For **Parikh & Associates**
Company Secretaries

Jigyasa N. Ved
Partner
FCS No: 6488 CP No: 6018
UDIN : F006488C000533971

Place : Mumbai
Date : 29th June, 2021

This Report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure A'

To,
The Members
Kotak Mahindra Bank Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process aswere appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

For **Parikh & Associates**
Company Secretaries

Jigyasa N. Ved
Partner
FCS No: 6488 CP No: 6018
UDIN : F006488C000533971

Place : Mumbai
Date : 29th June, 2021

FORM No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2021

(Pursuant to section 204 (1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kotak Mahindra Life Insurance Company Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, the information to the extent provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by The Ministry of Corporate Affairs warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021, generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records made available to us and maintained by the Company for the financial year ended on 31st March, 2021 according to the provisions of:

(i) The Companies Act, 2013 ("the Act") and the rules made thereunder;

(ii) The Securities Contract (Regulation) Act, 1956 ("SCRA") and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"):

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Not applicable to the Company during the audit period);

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and amendments from time to time (Not applicable to the Company during the audit period);

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments from time to time (Not applicable to the Company during the audit period);

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (Not applicable to the Company during the audit period);

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the audit period);

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (Not applicable to the Company during the audit period);

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the audit period);

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 and amendments from time to time (Not applicable to the Company during the audit period); and

(iv) Other Regulations applicable specifically to the Company namely:-

- Insurance Act, 1938 and Regulations, Guidelines and Directions issued by the Insurance Regulatory & Development Authority of India ("IRDAI")

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to board and general meetings.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, standards etc. mentioned above.

In the case of Corporate Social Responsibility ("CSR"), the Company has spent an amount of ₹ 795 lakhs out of the amount of ₹ 966 lakhs to be spent during the year and has transferred balance amount of ₹ 171 lakhs to the Unspent CSR Account, in accordance with the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There have been no change in the composition of the Board of Directors during the period under review.

Adequate notice was given to all directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance for meetings other than those held at shorter notice, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the Board Meetings were taken unanimously.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period no event occurred which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, standards, guidelines, etc.

For **Parikh & Associates**
Company Secretaries

Sarvari Shah
Partner
FCS No: 9697 CP No: 11717
UDIN : F009697C000193861

Place : Mumbai
Date : 27th April, 2021

This Report is to be read with our letter of even date which is annexed as ***Annexure A*** and Forms an integral part of this report.

'Annexure A'

To,
The Members
KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management Representation about the Compliance of laws, rules and regulations and happening of events, etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **Parikh & Associates**
Company Secretaries

Sarvari Shah
Partner
FCS No: 9697 CP No: 11717
UDIN : F009697C000193861

Place : Mumbai
Date : 27th April, 2021

Management Discussion and Analysis

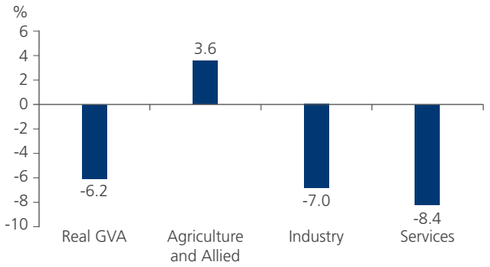
MACRO-ECONOMIC ENVIRONMENT

The pandemic resulted in an unprecedented health crisis, prompting countries to implement lockdowns that led to a meltdown in economic activity. In this situation, global GDP growth is expected to have contracted by 3.3% in 2020 as against 2.8% in 2019 as per the International Monetary Fund (IMF). Voluntary social distancing and lockdown restrictions brought steep income losses and dented consumer confidence worldwide. Firms became conservative in their investments when faced with negative demand shocks, supply interruptions, and uncertain future earnings prospects. Consequently, major economies except for China experienced a sizeable contraction in economic activity. On the positive front, the global policy response to an extent managed to cushion households from income losses and firms from the consequences of lockdowns and led to a sharp bounce back in activity and sentiments in H2CY2020.

India had implemented a nationwide lockdown in the second-half of March 2020 in response to the pandemic. This had strong repercussions for an already weak economy. The combined impact of demand compression and supply disruptions led to an unprecedented decline in fixed investment, private consumption and exports, with overall GDP contracting 24.4% in Q1FY21. Government expenditure only somewhat cushioned the deterioration. On the supply side, the nation-wide lockdown, social distancing norms and the exodus of migrant workers led to a steep decline in manufacturing and in construction activity. Trade and transportation went down to a fraction of their pre-Covid levels. Credit conditions also remained muted. The only silver lining was the resilience of agriculture on the back of strong rabi procurement, bolstered sowing of a range of kharif crops in Q1FY21 and normal monsoons. Given that the rural sector was relatively less affected by the first wave of infections, the policy support remained largely focused on providing temporary employment opportunities to returning migrant workers under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and ensuring adequate food supply. With the gradual unlocking of the economy from May/June 2020, signs of stabilisation appeared and real GDP growth recorded sequential upturn in Q2FY21 and regained positive growth in Q3FY21. Festive and pent-up demand also remained supportive of demand. On the supply side, the sustained resilience of agriculture was complemented by the momentum in manufacturing and services sectors. As a result, both GDP and Gross Value Added (GVA) growth turned positive from Q3FY21. Risks to economic activity continue with the second-wave of COVID-19 from March 2021.

Given the sharp meltdown in economic activity during H1FY21, FY 2021 GDP growth is expected at (-)7.3% (as against 4% in FY 2019-20), according to the NSO. On value added basis, the National Statistical Office (NSO) has projected real GVA growth at (-)6.2% for FY 2020-21 compared to 4.1% in FY 2019-20. Industrial sector growth is expected at (-)7% in FY 2020-21 in comparison to (-)1.2% in FY 2019-20, while services sector growth is expected at (-)8.4% as against 7.2% in FY 2019-20. The only support came from the agriculture and allied activities sector which grew at 3.6% as against 4.3% in FY 2019-20. On the expenditure side, private consumption growth and investment growth fell to a record low of (-)9.1% and (-)10.8%, respectively.

Real GVA growth in FY2021 NSO estimates



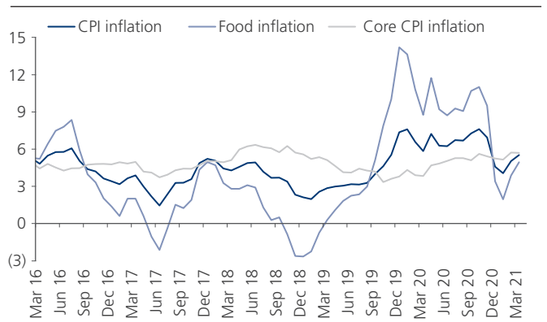
Source: CSO, Kotak Economic Research

To revive the economy, the government announced the Atmanirbhar Bharat Package to strengthen infrastructure logistics, capacity building, governance and administrative reforms. In addition, the government also legislated three important governance and administrative reforms to attract private investments in the agriculture sector and make it competitive. These measures represent long-awaited reforms in the agriculture sector, and successful implementation will play a key role. In order to boost domestic manufacturing, growth and employment, and to cut-down on import bill, the government introduced the production-linked incentive (PLI) scheme that aims to give companies incentives on incremental sales from products manufactured in domestic units. The government's push to domestic manufacturing through extension of the PLI scheme also complements its labour market reforms and corporate tax rates reduction announced earlier.

Domestic Price Dynamics

During the pandemic, while there was a rapid decline in demand, inflation readings hovered close to or above the RBI's upper limit of 6% for FY 2020-21 owing to non-monetary factors, such as supply disruptions in food, higher taxes on fuel, and increase in gold price. At the same time, inflation became more broad-based with higher food prices risking increasing inflation expectations and pushing core inflation higher. After breaching the upper tolerance threshold of 6% for six consecutive months (June-November 2020; April and May are regarded as a break in the series due to computational challenges), consumer price index (CPI) inflation fell in December 2020 and eased further in January 2021 to 4.1% on the back of a sharp correction in vegetable prices and softening of cereal prices. It has since rebounded to 5.5% in March amidst elevated core inflation and favourable base effects. Overall, headline CPI inflation ranged between 4.1-7.6% and averaged 6.2% in FY 2020-21 as against 4.8% in FY 2019-20. Food inflation ranged between 2-11.7% in FY 2020-21 with the March reading coming in at 4.9%.

CPI inflation averaged 6.2% in FY 2020-21 against 4.8% in FY 2019-20
(%)



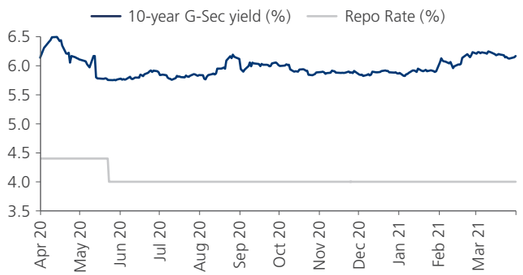
Source: CEIC, Kotak Economic Research

Going forward, while the incoming rabi harvest arrivals and the overall increase in domestic production in FY 2020-21 should augment supply and enable some softening of these prices, pump prices of petroleum products have remained high. The impact of high international commodity prices and increased logistics costs is being felt across manufacturing and services. Even as the Monetary Policy Committee (MPC) has acknowledged these upside risks to inflation, it expects the headline inflation to broadly remain within the target band in FY 2021-22 amidst muted demand and favourable base effects.

Monetary Policy and Interest Rates

To mitigate the economic and financial costs inflicted by the pandemic, the RBI did most of the heavy-lifting with the MPC cutting the policy repo rate by 40 bps to 4.0% on top of the sizeable cut of 75 bps in its 27th March, 2020 off-cycle meeting. The RBI also announced a range of other monetary, liquidity, credit easing and regulatory measures in the form of moratoriums, targeted long-term repo operations for corporates to maintain calm in the financial markets and ease fears of a liquidity squeeze. While these measures were successful, supply disruptions and other non-monetary factors like increase in gold price and retail prices of petrol and diesel pushed inflation well above the RBI's upper limit even as economic recovery remained at a nascent stage. In this context, the MPC noted that the revival of the economy assumed the highest priority as it expected headline CPI inflation to normalise with the easing of supply-side pressures. The MPC, therefore, decided to look through the inflation spike and unanimously voted to keep the repo rate unchanged and to continue with the accommodative stance into FY 2021-22 to revive growth on a durable basis and to mitigate the impact of the pandemic on the economy, while ensuring that inflation remained within the target going forward.

The spread between Repo rate and Benchmark G-sec yield remains high owing to fiscal concerns



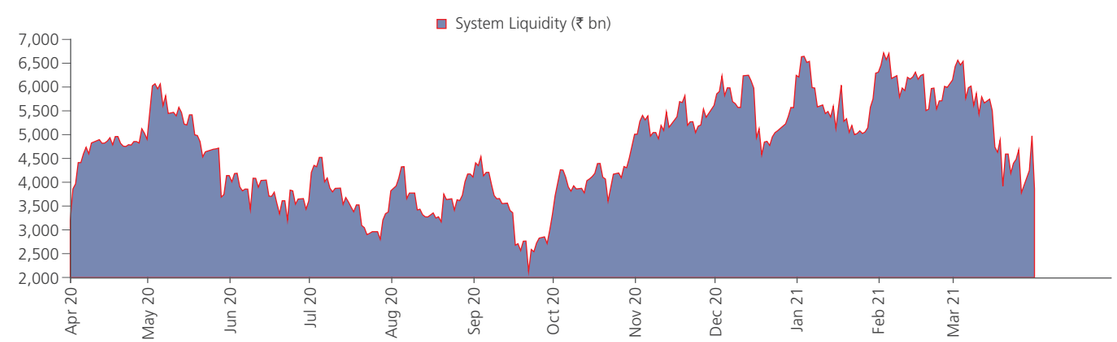
Source: CSO, Kotak Economic Research

RBI's actions helped in stabilising domestic financial markets during H1FY21 as trading volumes recovered, spreads narrowed leading to record corporate bond issuances and financial asset prices rebounded after a near collapse due to the implementation of the lockdown. Equity markets recovered strongly from panic sell-offs in March 2020 tracking global movements. Even the Rupee, which initially came under pressure with the spread of the pandemic, subsequently appreciated with the return of investor appetite for emerging market assets. In the credit market, transmission improved considerably, facilitated by rate cuts, abundant liquidity surplus and the introduction of the external benchmark system for the pricing of loans in select sectors. Markets remained buoyant even during H2FY21, fuelled by optimism around a speedy vaccine-led recovery. However, growing global inflation concerns amidst expectations of revival in global economic activity and pass-through of another stimulus package in the US sparked expectations of earlier than anticipated global policy normalisation and kept market sentiments subdued since February.

With respect to rates, despite pressure from record borrowings and elevated inflation, yields on government bonds moderated during Q1FY21 with the 10-year yield coming down by 25 bps in response to rate cuts and the conventional and unconventional measures taken by the RBI to enhance systemic liquidity and compress term spreads. Likewise, the corporate bond market, which experienced severe stress during March-April 2020, regained normalcy with decadal low yields and record primary market issuances. Yields on AAA-rated three-year bonds moderated significantly aided by surplus liquidity conditions, targeted long-term repo operations (TLTROs) and operation twist auctions. The fall in yields was also evident across issuer categories and credit ratings.

During Q2FY21, government bond yields exhibited a hardening bias due to a rise in fuel prices and higher inflation. In response, the RBI conducted five Operation Twist (OTs) during July-September and increased the limit of statutory liquidity ratio (SLR) securities kept under the held to maturity (HTM) category by 2.5% of net demand and time liability (NDTL) from 19.5% to 22.0%. During Q3FY21, the 10-year yield softened by 15 bps aided by introduction of on-tap TLTROs, open market operation (OMO) purchase auctions and OTs, along with the MPC's forward guidance on maintaining an accommodative monetary policy stance as long as necessary to revive growth on a durable basis. The extent of softening, however, was limited due to supply concerns, especially after the announcement that the Centre would borrow an additional ₹ 1.1 trillion to fund the shortfall in GST compensation for states. During Q4FY21, yields remained range bound until the budget on 1st February, 2021. Yields spiked following the announcement of larger than expected borrowing for both FY 2020-21 and FY 2021-22. Yields were under further pressure in the second-half of February in the wake of the sharp rise in US treasury yields and higher crude oil prices. However, the cancellation of the last scheduled G-sec auction, OMO purchases and OTs resulted in some moderation in yields towards the end of March.

The system liquidity remains well in surplus (₹ bn)



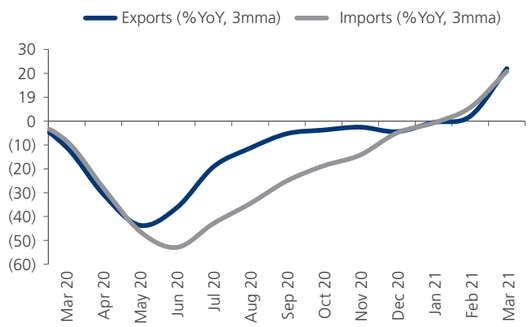
Source: RBI, Kotak Economic Research

External Sector Dynamics and the USD/INR

The overall external position remains comfortable with the current account balance having turned into surplus owing to a sharper deceleration in import activity compared to exports. As per the official release, for the first nine months of FY 2020-21, the current account surplus is at 1.7%, with the last official Q3FY21 print reporting a marginal deficit of 0.2%. While export growth has been weak owing to declining global demand, imports have contracted at a sharper pace owing to the correction in oil prices and weak domestic demand. Meanwhile, the capital account surplus rose to 2.7% of GDP in 9MFY21 on account of stronger foreign investment aided by the global accommodative policy stance. Portfolio investment recorded a net inflow of US$ 29 billion in 9MFY21 as against an inflow of US$ 15 billion in the same period a year ago. With FDI flows remaining buoyant, India's FX reserves rose by US$ 101 billion to around US$ 579 billion at the end of FY 2020-21.

After depreciating to its lowest level of ₹ 76.81 on 22nd April, 2020, the INR subsequently appreciated owing to foreign portfolio investment (FPI) flow to the domestic equity market with the return of risk appetite for emerging market assets amidst a global accommodative policy stance and broad dollar weakness. The appreciation of the INR against the US dollar was, however, modest as compared with other emerging market peers owing to active RBI intervention. Expectations of a global growth revival on the back of positive vaccine-related developments were supportive of INR. After some depreciation in November 2020 owing to uncertainty with the second-wave of infections in the US, the INR again regained its trend of gradual appreciation and touched ₹ 72.29 on 24th February, 2021 amidst sustained strong FPI inflow. The INR depreciated somewhat thereafter due to elevated global financial market volatility on the back of rising US Treasury yields, higher crude oil prices and moderation in FPI inflows. INR moved in a range of ₹ 76.84-72.32 during FY 2020-21. On the whole, INR appreciated by 3.32% to end the year at ₹ 73.11.

Imports have contracted at a sharper pace



Source: CEIC, Kotak Economic Research

INR gains after correction in oil prices and improved risk sentiment

Source: Bloomberg, Kotak Economics Research

CONSOLIDATED FINANCIAL PERFORMANCE

The Bank, along with its subsidiaries (the Group), offers a comprehensive range of financial products and services to its customers. The key businesses are commercial banking, investment banking, stock broking, vehicle finance, advisory services, asset management, life insurance and general insurance.

The financial results of the subsidiaries 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 Indian subsidiaries (excluding insurance companies) and associates are prepared as per Indian Accounting Standards in accordance with the Companies (Indian Accounting Standards) Rules, 2015.

In addition to the widespread public health implications, the COVID-19 pandemic has had an extraordinary impact on macroeconomic conditions in India and around the world. During the previous year, people and economies around the world, witnessed serious turbulence caused by the first wave of the pandemic, the consequent lockdowns, the gradual easing of restrictions and the emergence of new variants of the virus. Although the government has initiated vaccination drives, COVID-19 cases have significantly increased in recent months due to the second-wave in India. Various state governments have again announced strict measures including lockdowns to contain this spread. As COVID vaccines get administered to more and more people, businesses in sectors impacted by the pandemic may gain momentum. However, the continuing and evolving nature of the virus has created uncertainty regarding estimated time required for businesses and lives to return to normal.

The Group continues to closely monitor the situation and in response to this health crisis, it has implemented protocols and processes to execute its business continuity plans, protect its employees and support its clients. The pandemic impacted lending business, distribution of third-party products, fee income from services or usage of debit/ credit cards and collection efficiency among others. It resulted in increase in customer defaults and consequently increase in provisions. The Bank and its subsidiaries, however, have not experienced any significant disruptions in the past one year and have considered the impact on carrying value of assets based on the external or internal information available up to the date of approval of consolidated financial results. The future direct and indirect impact of COVID-19 on the Group's businesses, results of operations, financial position and cash flows remains uncertain. The consolidated financial results do not include any adjustments that might result from the outcome of this uncertainty.

The Group held a general provision of ₹ 1,396 crore relating to COVID-19 of which ₹ 1,279 crore pertains to standalone Bank.

The Bank and the major entities in the Group continued to be rated "AAA" rating during the year.

Entity-Wise Capital and Reserves of the Group

(₹ in crore)

Particulars	31st March, 2021	31st March, 2020
Kotak Mahindra Bank	63,727.0	49,015.3
Kotak Mahindra Prime	6,622.9	6,088.4
Kotak Mahindra Investments	2,117.4	1,859.6
Kotak Securities	5,321.4	4,528.8
Kotak Mahindra Capital Company	688.8	622.0
Kotak Mahindra Life Insurance	4,045.5	3,353.5
Kotak Mahindra General Insurance	191.3	164.7
Kotak Mahindra AMC & Trustee Co	1,232.7	886.4
Kotak Infrastructure Debt Fund	416.9	383.8
International Subsidiaries	1,340.0	1,229.6
Kotak Investment Advisors	404.8	364.8
Other Entities	301.7	275.7
Total	**86,410.4**	**68,772.6**
Add: Share in Affiliates	1,028.9	941.6
Less: Consolidated Adjustments	2,602.9	2,580.1
Consolidated Capital and Reserves*	**84,836.4**	**67,134.1**

**Includes Preference Share Capital*

On 30th May, 2020, the Bank issued and allotted 6.5 crore equity shares to the eligible qualified institutional buyers at an issue price of ₹ 1,145 per equity share, aggregating to ₹ 7,442.5 crore pursuant to the Issue.

Consolidated Performance

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	56,814.8	50,365.7
Consolidated PAT	9,990.2	8,593.4
Consolidated Capital and Reserves	84,836.4	67,134.1
Key Ratios		
Return on Average Assets (RoAA) %	2.16%	2.10%
Return on Average Networth %	12.80%	13.75%
Earnings per equity share (diluted) (₹)	50.5	44.7
Book-value per equity share (₹)	425.5	348.3
Net Interest Margin (NIM) %	4.47%	4.59%
Gross NPA %	3.22%	2.16%
Net NPA %	1.23%	0.70%
Consolidated Capital Adequacy Ratio (CAR) %*	23.39%	19.77%
Tier I*	22.65%	19.21%

** Capital Adequacy Ratio and Tier I Ratio is computed as per Basel III norms issued by RBI.*

The Group had capital and reserves of ₹ 84,836.4 crore as on 31st March, 2021 (₹ 67,134.1 crore as on 31st March, 2020) and net worth of ₹ 84,336.4 crore as on 31st March, 2021 (₹ 66,634.1 crore as on 31st March, 2020). The book value per equity share was at ₹ 425.5 as on 31st March, 2021 (₹ 348.3 as on 31st March, 2020). The Group earned a Return on Average Assets (RoAA) of 2.16% in FY 2020-21 (2.10% in FY 2019-20). The Group's return on average net worth was 12.80% for FY 2020-21 compared to 13.75% for FY 2019-20. The Bank maintained high capital adequacy ratio in uncertain times, which resulted in lower return on equity.

The financial results of subsidiaries are explained later in this discussion. A snapshot of the entity-wise Profit before Tax (PBT) and Profit after Tax (PAT) is as follows:

Financial Results of Subsidiaries

(₹ in crore)

Particulars	FY 2020-21		FY 2019-20	
	PBT	PAT	PBT	PAT
Kotak Mahindra Bank	9,303.0	6,964.8	7,804.7	5,947.2
Kotak Mahindra Prime	720.4	534.7	923.4	673.1
Kotak Mahindra Investments	345.8	257.8	368.5	270.1
Kotak Securities	1,057.4	792.6	738.4	550.0
Kotak Mahindra Capital Company	110.9	82.3	107.6	79.1
Kotak Mahindra Life Insurance	897.5	691.9	839.1	608.2
Kotak Mahindra General Insurance	1.6	1.6	(28.1)	(28.1)
Kotak Mahindra AMC & Trustee Co	465.1	346.3	454.3	336.8
Kotak Infrastructure Debt Fund	33.1	33.1	34.0	34.0
International Subsidiaries	170.4	154.1	138.8	118.8
BSS Microfinance	30.9	23.2	78.9	59.3
Others	54.7	43.0	16.2	12.6
Total	**13,190.8**	**9,925.4**	**11,475.8**	**8,661.1**
Add: Share from Affiliates		87.3		(13.7)
Less: Inter-company and Other Adjustments		22.5		54.0
Consolidated PAT		**9,990.2**		**8,593.4**

Contribution of The Affiliates to the Net Profit of the Group

(₹ in crore)

Name of the Company	Investment by Kotak Group	% shareholding of the Group	Group's share for FY 2020-21
ECA Trading Services Limited	23.8	20.00%	0.1
Infina Finance Pvt Ltd	1.1	49.99%	75.4
Phoenix ARC Pvt Ltd	100.0	49.90%	11.8

Assets under Management (AUM) as on 31st March, 2021 were ₹ 323,762 crore (₹ 225,878 crore as on 31st March, 2020), comprising assets managed and advised by the Group.

Relationship value of Wealth, Priority and Investment Advisory business was ~₹ 382,000 crore as on 31st March, 2021 (~₹ 270,000 crore as on 31st March, 2020).

Split of the Assets Under Management (AUM) Across the Group

AUM - ₹ 323,762 crore – 31st March, 2021 (%)

AUM - ₹ 225,878 crore – 31st March, 2020 (%)

**including undrawn commitments, wherever applicable*

The Group has a wide distribution network of branches and franchisees across India, an International Business Unit at Gujarat International Finance Tec-City (GIFT), overseas branch at the Dubai International Financial Centre (DIFC), and international offices in London, New York, Dubai, Abu Dhabi, Mauritius and Singapore.

Bank, Its Subsidiaries and Associates: Financial and Operating Performance

Bank Highlights

Kotak Mahindra Bank (the Bank) is the flagship company of the Kotak Group. The principal business activities of the Bank are organised into consumer banking, commercial banking, corporate banking, treasury, wealth and recovery of acquired stressed assets. The consumer, commercial and corporate banking businesses correspond to the key customer segments of the Bank. The treasury offers specialised products and services to these customer segments and also undertakes asset liability management as well as proprietary trading for the Bank.

Profit Before Tax (PBT) of the Bank for FY 2020-21 was ₹ 9,303.0 crore as against ₹ 7,804.7 crore for FY 2019-20. Profit After Tax (PAT) of the Bank was ₹ 6,964.8 crore in FY 2020-21 compared with ₹ 5,947.2 crore in FY 2019-20. RoAA for FY 2020-21 was 1.85% compared to 1.87% for FY 2019-20.

PROFIT AND LOSS ACCOUNT

A synopsis of the Profit and Loss Account

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Net Interest Income	15,339.6	13,499.7
Other Income	5,459.2	5,372.1
Net Total Income	**20,798.8**	**18,871.8**
Employee Cost	3,729.1	3,877.6
Other Operating Expenses	4,855.0	4,973.3
Operating Expenditure	**8,584.1**	**8,850.9**
Operating Profit	**12,214.7**	**10,020.9**
Provision & Contingencies (Net)	**2,911.7**	**2,216.2**
- Provision on Advances (Net)	1,876.0	1,470.8
- General Provision COVID-19 related	629.0	650.0
- Provision on Other Receivables	(1.6)	5.3
- Provision on Investments	408.3	90.1
PBT	**9,303.0**	**7,804.7**
Provision for Tax	2,338.2	1,857.5
PAT	**6,964.8**	**5,947.2**

Net Interest Income

Net Interest Income (NII) of the Bank for FY 2020-21 was ₹ 15,339.6 crore compared to ₹ 13,499.7 crore for FY 2019-20. The Bank had a Net Interest Margin (NIM), excluding dividend income and interest on income-tax refund, of 4.4% for FY 2020-21 compared to 4.6% for FY 2019-20. During the year:

- The yield on interest earning assets decreased from 9.2% for FY 2019-20 to 7.7% for FY 2020-21 mainly due to change in asset mix and decreasing interest rate scenario.
- Cost of funds decreased from 5.2% in FY 2019-20 to 3.8% in FY 2020-21 primarily due to decrease in rates offered on savings account deposits and term deposits, resulting in a decrease in cost of deposits.
- The average interest earning assets increased by 19.0% from ₹ 291,599 crore for FY 2019-20 to ₹ 347,068 crore for FY 2020-21.
- The average current and savings accounts (CASA) balances increased by 24.2% from ₹ 119,355 crore in FY 2019-20 to ₹ 148,293 crore in FY 2020-21, whereas the average borrowings increased from ₹ 25,823 crore in FY 2019-20 to ₹ 39,219 crore in FY 2020-21.

Further, RBI circular dated 7th April, 2021 required banks to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. 1st March, 2020 to 31st August, 2020 in conformity with the Honourable Supreme Court of India judgement on 23rd March 2021. Pursuant to the said order and as per the RBI circular, the methodology for calculation of the amount of such 'interest on interest' was finalised by the Indian Banks Association (IBA). The Bank has created an estimated liability of ₹ 110.0 crore towards interest relief and has reduced the same from interest earned for the FY 2020-21.

Non-Interest Income

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Commission, Exchange and Brokerage	3,384.1	3,779.3
Profit on Sale of Investments	272.5	483.1
Profit on Exchange on Transactions (Net) (Including Derivatives)	1,233.4	675.9
Profit on Recoveries of Non-Performing Assets Acquired	172.1	148.5
Income From Subsidiaries/Associates Towards Shared Services	111.6	89.6
Dividend From Subsidiaries	15.6	51.8
Others	269.9	143.9
Total Other Income	**5,459.2**	**5,372.1**

Non-interest income increased from ₹ 5,372.1 crore in FY 2019-20 to ₹ 5,459.2 crore in FY 2020-21 due to:

- Increase in Profit on exchange on transactions (net) (including derivatives) compared to the previous year
- Increase in others is primarily due to higher income received from sale of Priority Sector Lending (PSL) certificates

  This was partly offset by:
- Decrease in commission, exchange and brokerage income primarily on account of decrease in credit card fees, service charges on loans and direct banking fees and charges, offset, in part, by increase in third-party referral fees and syndication income;
- Profit on sale of investments declined primarily due to decrease in profit on sale of Government Securities.

Employee Cost

Employee cost of the Bank has decreased to ₹ 3,729.1 crore for FY 2020-21 compared to ₹ 3,877.6 crore for FY 2019-20 primarily due to decrease in retirement obligations. The retirement obligation relating to pension and gratuity was higher in FY 2019-20 owing to lower interest rates, increase in annuity rates by LIC and decrease in return on retirement benefit funds. The above was offset, in part, by increase in employee base to 51,734 as on 31st March, 2021 from 50,034 as on 31st March, 2020 and employee incentives.

Other Operating Expenses

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Rent, Taxes and Lighting	687.4	677.9
Printing and Stationery	57.3	83.5
Advertisement, Publicity and Promotion	104.6	121.2
Depreciation on Bank's Property	366.8	371.9
Directors' Fees, Allowances and Expenses	2.0	1.8
Auditors' Fees and Expenses	2.6	2.4
Law Charges	46.3	51.7
Postage, Telephone etc.	174.3	174.0
Repairs and Maintenance	508.9	444.2
Insurance	323.7	233.4
Travel and Conveyance	52.2	98.0
Professional Charges	796.4	916.3
Brokerage	193.4	292.1
Stamping Expenses	4.9	12.7
Other Expenditure	1,555.0	1,522.2
Reimbursement from Group Companies	(20.9)	(30.2)
Total	**4,855.0**	**4,973.1**

Other operating expenses were ₹ 4,855.0 crore for FY 2020-21 compared to ₹ 4,973.1 crore for FY 2019-20, primarily due to:

- Decrease in professional charges mainly due to lower amount of fee payments to business correspondents, which is consistent with business volumes
- Decrease in brokerage expenses consistent with decreased business volumes
- Decrease in travel and conveyance expenses and printing and stationery expenses due to remote working during lockdown

  This was offset, in part, by:
- Increase in insurance expenses consistent with increased business volumes
- Increase in repairs and maintenance expenses due to increase in repairs and refurbishment of branches
- Increase in other expenses is primarily on account of:
  - Higher expenditure on corporate social responsibility (CSR) activities
  - Higher Priority Sector Lending Certificates (PSLC) expenses

  This was offset, in part, by:
  - Decrease in credit card expenses mainly due to lower POS expenses, cost of acquiring e-Commerce business and decrease in volume of card transactions
  - Decrease in ATM acquiring fees and subvention expenses

The Bank's Cost to Income ratio was at 41.3% for FY 2020-21 as compared to 46.9% for FY 2019-20.

Provisions and Contingencies (excluding tax)

Provisions and contingencies (excluding tax) were ₹ 2,911.7 crore for FY 2020-21 compared to ₹ 2,216.2 crore for FY 2019-20 primarily due to higher specific provision on loans (excluding COVID-19 related provisions) by ₹ 405.2 crore and provision on investments by ₹ 318.2 crore in FY 2020-21.

The Bank held a general provision of ₹ 1,279.0 crore relating to COVID-19.

Credit cost on Advances was 112 bps for FY 2020-21 compared to 97 bps for FY 2019-20. Excluding COVID-19 related provisions, credit cost on advances was 84 bps for FY 2020-21 compared to 67 bps for FY 2019-20.

Provision for tax

Provision for tax increased from ₹ 1,857.5 crore for FY 2019-20 compared to ₹ 2,338.1 crore for FY 2020-21 primarily due to higher profits in FY 2020-21.

BALANCE SHEET

The assets and liabilities composition of the Bank is as follows:

(₹ in crore)

Liabilities	31st March, 2021	31st March, 2020
Capital and Reserves	63,727.0	49,015.3
Deposits	280,100.0	262,820.5
- Current Account Deposits (CA)	52,087.0	43,012.7
- Savings Account Deposits (SA)	117,225.7	104,608.6
- Term Deposits (TD) Sweeps	20,923.7	17,467.3
- Other TDs	89,863.6	97,731.9
Borrowings	23,650.6	37,993.3
Other Liabilities and Provisions	16,011.0	10,422.6
Total	**383,488.6**	**360,251.7**

(₹ in crore)

Assets	31st March, 2021	31st March, 2020
Cash and Bank Balances	39,626.5	53,292.3
Investments	105,099.2	75,051.5
- Government Securities	85,344.9	61,905.6
- Other Securities	19,754.3	13,145.9
Advances	223,688.6	219,748.2
Fixed Assets and Other Assets	15,074.3	12,159.7
Total	**383,488.6**	**360,251.7**

The Bank's capital adequacy continue to be healthy with overall CRAR at 22.3% (Tier I ratio of 21.4%) as compared to 17.9% (Tier I ratio of 17.3%) as on 31st March, 2020.

Deposits

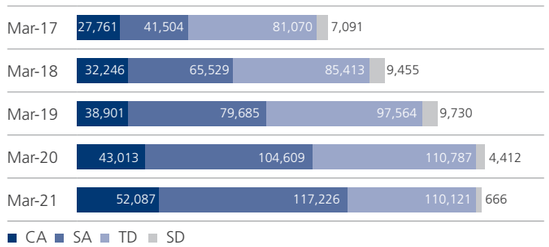
The Bank's strategy is based on its fundamental philosophy to build a low-cost and stable liability franchise and it has been successful over the past few years. The Bank's deposits grew to ₹ 280,100.0 crore as on 31st March, 2021 compared to ₹ 262,820.5 crore as on 31st March, 2020. CASA deposits increased to ₹ 169,312.7 crore as on 31st March, 2021 to ₹ 147,621.3 crore as on 31st March, 2020. CASA ratio stood at 60.4% as on 31st March, 2021 compared to 56.2% as on 31st March, 2020.

Savings account (SA) deposits grew by 12.1% to ₹ 117,225.7 crore and Current account (CA) deposits grew by 21.1% to ₹ 52,087.0 crore. Total Term deposits (TD), including certificate of deposits, de-grew by 3.8% to ₹ 110,787.3 crore. Certificate of deposits (CD) de-grew by 84.9% from ₹ 4,411.7 crore as on 31st March, 2020 to ₹ 666.1 crore as on 31st March, 2021.

During FY 2020-21, average SA increased by 27.0% to ₹ 108,811.9 crore in FY 2020-21 compared to ₹ 85,656.3 crore in FY 2019-20 and average CA increased by 17.2% to ₹ 39,481.4 crore in FY 2020-21 from ₹ 33,698.9 crore in FY 2019-20. CASA ratio stood at 60.4% as on 31st March, 2021 compared to 56.2% as on 31st March, 2020.

CASA plus term deposits below ₹ 5 crore account for 91% of the total deposits.

Deposits (₹ crore)



Advances

The classification of advances of the Bank is as follows:

(₹ in crore)

	31st March, 2021	31st March, 2020
Corporate Banking	59,125.9	64,563.6
Small and Medium Enterprises (SME)	19,957.5	20,291.1
Commercial Vehicles & Construction Equipment (CV/CE)	20,386.8	19,253.1
Agriculture Division – Others	23,741.3	21,188.5
Tractor Finance	9,418.3	7,568.6
Home Loans and Loan Against Property (LAP)	54,749.2	48,515.8
Consumer Bank Working Capital (Secured)	21,839.2	19,838.8
Personal Loans, Business Loans & Consumer Durables	7,024.0	9,754.2
Credit Cards	3,968.5	4,700.5
Other Loans	3,477.9	4,074.1
Total Advances	**223,688.6**	**219,748.2**
Credit Substitutes	15,168.4	9,222.5
Total Customer Assets	**238,857.0**	**228,970.7**

Advances grew at 1.8% to ₹ 223,688.6 crore as on 31st March, 2021 compared to ₹ 219,748.2 crore as on 31st March, 2020. Customer Assets grew at 4.3% to ₹ 238,857.0 crore as on 31st March, 2021 compared to ₹ 228,970.7 crore as on 31st March, 2020. The slow growth of advances was primarily due to conservative approach of the Group and subdued economic activity. Advances de-grew in the first-half of the year due to the intensity of the pandemic during that period. However, signs of improvement were seen in the second-half of the year and the Bank leveraged the opportunity with Advances in the second half of the year growing at ~ 18% (annualised). The growth in Advances was primarily due to home loans and loans against property (LAP), Agriculture Division, Tractor Finance and Commercial Vehicles/Construction Equipment as a result of an increase in demand in these segments. The Corporate Banking book decreased as a result of the Bank's conservative approach on growing its corporate loan portfolio to higher-rated corporates.

Unsecured Retail Advances as a percentage of net advances reduced to 5.8% as on 31st March, 2021 compared to 7.5% as on 31st March, 2020.

The Bank's credit deposit ratio stood at 79.9% as of 31st March, 2021 over 83.6% as of 31st March, 2020.

Asset Quality

While some stress has been observed in segments such as Personal Loans, Business Loans & Consumer Durables, Working Capital, Credit cards, CV/CE and Agriculture division, the Bank has an overall healthy asset quality.

The position of Gross and Net NPA is as under:

(₹ in crore)

Particulars	31st March, 2021	31st March, 2020
Gross NPA	7,425.5	5,026.9
Gross NPA %	3.25%	2.25%
Net NPA	2,705.2	1,557.9
Net NPA %	1.21%	0.71%

The provision coverage ratio, including technical write off, was 70.2% as of 31st March, 2021 as compared to 76.3% as of 31st March, 2020. Total provisioning towards advances (including specific, standard, COVID related, etc.) is 95% of the GNPA of the Bank.

Moratorium

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020, 17th April, 2020 and 23rd May, 2020 and clarification issued by RBI through Indian Bankers Association dated 6th May, 2020, the Bank had granted moratorium on the payment of installments and/or interest, as applicable, falling due between 1st March, 2020 and 31st August, 2020 to eligible borrowers classified as Standard, even if overdue, as on 29th February, 2020. The moratorium period, wherever granted, was excluded from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms.

The Bank held provisions as at 31st March, 2021 against the potential impact of customers impacted by COVID-19 pandemic, which is higher than the regulatory requirements.

Restructuring

In accordance with Resolution Framework for COVID-19 announced by RBI on 6th August, 2020, the Bank has implemented one-time restructuring for certain eligible borrowers and such borrowers are classified as Standard in accordance with the above framework. Total restructuring implemented by the Bank as on 31st March, 2021 was ₹ 435 crore; 0.19% of the net advances of the Bank.

Directed Lending

Priority Sector Lending and Investments

The RBI guidelines on priority sector lending require banks to lend 40.0% of their adjusted net bank credit (ANBC), to fund certain types of activities carried out by specified borrowers. Out of the overall target of 40.0%, banks are required to lend a minimum of 18.0% of their ANBC to the agriculture sector. Sub-targets of 8.0% for lending to small & marginal farmers (out of agriculture) and 7.5% lending target to micro-enterprises were introduced from fiscal 2016. Average lending to non-corporate farmers is notified by RBI on basis of the banking system's average level at the beginning of each year. RBI notified a target level of 12.14% of ANBC for this purpose for fiscal 2021 (FY 2019-20: 12.11%). The banks are also required to lend 10.0% of their ANBC to certain borrowers under the 'weaker section' category. Priority sector lending achievement is evaluated on a quarterly average basis.

The shortfall in the amount required to be lent to the priority sectors and weaker sections may be required to be deposited in funds with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India, the National Housing Bank, MUDRA Limited and other financial institutions as decided by the RBI from time to time. These deposits have a maturity of up to seven years and carry interest rates lower than market rates. At 31st March, 2021, the Bank's total investment in such bonds was ₹ 6,314.5 crore (31st March, 2020: ₹ 5,201.7 crore), which was fully eligible for consideration in overall priority sector lending achievement.

As prescribed in the RBI guideline, the Bank's priority sector lending achievement is computed on a quarterly average basis. Total average priority sector lending for FY 2020-21 was ₹ 95,155.7 crore (FY 2019-20: ₹ 77,854.5 crore) constituting 43.95% (FY 2019-20: 40.37%) of ANBC, against the requirement of 40.0% of ANBC. The average lending to the agriculture sector was ₹ 37,568.2 crore (FY 2019-20: ₹ 30,512.3 crore) constituting 17.35% (FY 2019-20: 15.82 %) of ANBC against the requirement of 18.0% of ANBC. The average advances to weaker sections were ₹ 26,991.3 crore (FY 2019-20: ₹ 21,073.2 crore) constituting 12.47% (FY 2019-20: 10.93 %) of ANBC against the requirement of 10.0% of ANBC. Average lending to small and marginal farmers was ₹ 19,855.0 crore (FY 2020-21: ₹ 14,368.6 crore) constituting 9.17% (FY 2019-20: 7.45%) of ANBC against the requirement of 8.0% of ANBC. The average lending to micro enterprises was ₹ 18,320.0 crore (FY 2019-20: ₹ 15,107.8 crore) constituting 8.46% (FY 2019-20: 7.83%) of ANBC against the requirement of 7.5% of ANBC. The average lending to non-corporate farmers was ₹ 25,236.69 crore (FY 2019-20: ₹ 19,519.2 crore) constituting 11.65% (FY 2019-20: 10.12%) of ANBC against the requirement of 12.14% (FY 2019-20: 12.11% of ANBC). The above includes the impact of PSLCs purchased / sold by the Bank.

A brief analysis of the performance of various divisions of the Bank is as follows:

Consumer Banking

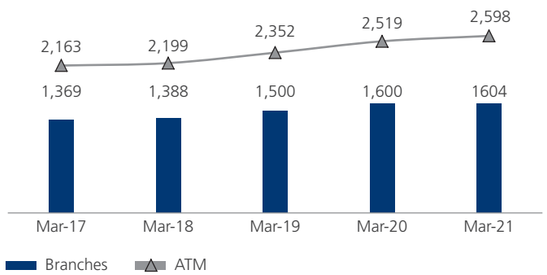
Branch Banking

In a year unlike any before, the Bank continued to roll out several initiatives aimed at offering a superior and differentiated customer experience.

Network

The Bank had 1,604 branches (excluding GIFT and DIFC) and 2,598 ATMs as on 31st March, 2021.

Branches and ATM growth



Key initiatives taken during the year are:

Products and Services

- Rolled out initiatives to make banking convenient, easy and secure for its customers. The Bank launched a "Zero-Contact Video KYC" Savings account
- launched "**Bank from Home**" campaign, which introduced various deals on essential items to its customers through alliance partners–daily newspaper, fitness at home, OTT platforms, exclusively curated offers on up-skilling and education. The Bank also supported its customers to transact in contact-less manner through its offerings like "Scan n Pay"and Cardless Cash withdrawals. It also tied up with partners to offer grocery services by integrating links via Mobile App – Kay Mall. Various campaigns were conducted to make customers aware of fraudulent transactions and how to avoid falling prey to fraudsters.
- For its retail as well as corporate salary customers, the Bank enabled multiple transactions and service request via Digital forms – thereby saving the customers' need to step out and take undue risks.

- Kotak Silk, our banking program designed especially for women, believes financial independence is the true independence for women. This International Women's Day (Mar 8, 2021), Silk launched its campaign #SheIsTheChange to financially empower women. The initiative included launch of its dedicated digital platform https://www.silkmoneymatters.com created to enhance financial knowledge among women and empower them towards managing finances & investments. A series of interactive webinars by experts on different aspects of financial management were also organized for all women customers.
- Under Corporate Salary segment, the Bank has launched an exclusive account for the Public Sector, Government bodies and Armed Force - **Salary Account for Public Services.** The account comes with host of benefits designed specifically to cater to the needs of this segment like Lifetime Free Zero Balance account. Customers can enjoy benefits even after retirement, Complimentary insurance covers such as Personal Accident Death cover, Partial / Permanent Disability cover, Education benefit to dependent child, Family banking, Investment account, Loans & Cards etc.
- Signed an MOU with **Indian Army** with an exclusive offer for the "Heroes of our country". It launched **Kotak UNI Account** for students pursuing professional courses from premier institutes. Every year large number of students graduate from various Universities / Institutes and join corporate India. With this offering, the Bank intends to co-create with the universities to ensure that the work force entering Corporate India is not just Skilled but also Financial Prudent. This programme comes with facilities such as Digital Banking with 180+ features on Kotak Mobile Banking App, Pay or recharge phone, DTH, or any bill, Scan & Pay* facility for contactless and cash free payments, #DreamDifferent Credit Card, benefits from curated brand offers and exciting deals. Most importantly this programme offers strong financial literacy through webinars/ seminars.
- Privy League Programme, the Bank's offering for the HNW banking, was extended to its HNW Asset customers. Under this, high net worth asset customers are offered exclusive Privy League membership and build a holistic relationship with the bank.
- For its premium customers under the exclusive Privy programme, the Bank enabled Konnect2RM, a missed call service enabling customers to connect with their Relationship Managers by giving missed call. This ensured customers one more way to access the Bank in these testing times.
- Bank launched unique Self On-boarding Digital Kits for the Corporate employees, whereby, using the QR interface, customer can complete the account set up journey.
- Introduced end-to-end eSignature and eStamping of documents, this solutions helps Bank to send all requirement documents to customer electronically and get esigned and stamped by customer and send us back. This brings speed and reduces customer physical touch points and seamlessly processed the documentation process.
- Implemented Valuation systems, which enables end-to-end automated process for property valuation, works a repository of properties and also provide property information report to management along with benchmark reports.
- Bank continues to actively participate in various Financial Inclusion initiatives. During the year, it was instrumental in the credit and distribution of COVID-19 subsidy package offered to women jandhan account holders under the Pradhan Mantri Garib Kalyan Yojana (PMGKY). Under this scheme an Ex-gratia payment of ₹ 500 was credited and distributed to women Jan Dhan account holders for three months starting from Apr'20.
- Actively participated in the PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) scheme thereby offering loans upto ₹ 10,000 to meet the urgent need of working capital to street vendors to resume their business after impact of COVID-19 pandemic.
- Launched a dedicated toll-free number from UAE to cater to its large Non Resident customer base. With this addition, bank now offers toll-free service to its Non-Resident Indian customers from USA, Canada, UK, Singapore, Hong Kong, Australia and UAE. In line with the Bank's overall strategy to enhance the customer experience of its NRI clients, it launched a service for its Non-Resident Indian customers that enables them to interact with a Customer Service Representative 24/7, without having to go through the IVR menu options. This has significantly reduced the wait time for customers to speak to a bank representative.

811:

- The Bank continued to ramp up 811 acquisition numbers this year. It launched a Zero-Contact Video KYC based Saving account during the peak of the pandemic (on 18th May, 2020), when face to face meetings were difficult. This technology helps in completion of the KYC process for new customers without meeting in person. This enables seamless and quick process of KYC and provides better experience to customer.
- To extend the 811 brand, the Bank launched 811 Dream different credit card, which was backed by Fixed Deposit & thus available for all. This will help people with No bureau score to get their first credit card & build credit history.

Customer Convenience

Customer convenience remains the core thread intertwining of the Bank's digital initiatives during the year. This year, technology was leveraged to deliver customer experience, business efficiency, business collaborations and cybersecurity.

Digital Payments:

- New digital payment methods were introduced for the Bank's customers including Aadhaar enabled payments, UPI 2.0 allowing customers to create one-time mandates and apply for IPOs via the new UPI product enhancement from NPCI
- The app also became more comprehensive with new features like Forex card, Premature withdrawal of Fixed Deposit, Payday loan, Fastag, Insurance, UPI 2.0, Image credit card etc. and a number of in-app merchant partnerships like –Amazon (Multi-category), Flipkart (Multi-category including Groceries), Bigbasket (Groceries), Nykaaman (Fashion & Personal Care), Train Bookings via IRCTC (Travel), Flights Bookings via GoIBIBO (Travel), Bus Bookings via GoIBIBO (Travel), Hotel Bookings via GoIBIBO (Travel), Magazines via Indiamags.
- QR Code (UPI): Digital mode of payment: Generation of dynamic QR code with customer loan account no. and instalment amount. Customer can make payment through UPI on receipt of QR code, thereby improving collection efficiency and ensuring a contactless process.
- Number of key digital payment initiatives helped to get ranked amongst the Top 3 Banks in MeitY Digital Payments Annual Score card for FY 2020-21.

Transformation

- Net Promoter Score of 90+ in Branches across Digitised Service Requests
- New Requests have been added to help customers bank online including updating their address via Netbanking and changing their home branches to a closer and convenient branch
- The Bank saw manifold increase in enquiries over Keya Chatbot via its deliverable tracking system to provide them status of their deliverables like cheque book and debit card
- The Bank launched a cheque tracking portal for the status and image of the cheques
- Won the IDC Information Visionary award for the innovation in Cognitive machine reading solution for corporate banking funds transfer automation which has helped in speed and accuracy.
- The Robotics Process Automation processed 2X requests in FY 2020-21 YoY.

Net Banking

- New, revamped Net Banking was launched with new technology stack and new customer experience for key journeys
- Net Banking became more comprehensive with new features such as Positive Pay (Cheque Confirmation), Card Controls for Credit, Debit and Forex Cards, Address update and integration of additional Insurance products

Mobile Banking

- Mobile banking app continues to be one of the highest rated iOS app with 4.8 rating and Android app is at 4.3 rating
- It has been made more secure with the new device registration process
- The App also been upgraded with new features like Send money abroad, eStatement, NPS, Insurance, and Amazon accessibility

Conversational Banking

- Keya Chatbot and WhatsApp Banking were scaled to start creating business impact and become mainstream digital channels by handling more products, services and related queries
- WhatsApp has become one of the important channels for the bank to communicate with customers for important service-related communications.
- WhatsApp channel has been upgraded to understand customer queries in natural language and leverage the existing knowledge of Keya chatbot to answer customer queries
- Keya chatbot has been enabled with Voice and Hindi language support to cater to more customers
- Keya Chatbot and WhatsApp handle queries about variety of products like Credit Card, Debit Card, Accounts, Fund Transfer, Bill Payment, NPS, Fixed Deposits, Loans and more. It also handles customer requests such as online tracking of packages, card on-off, credit card bill payment, recharge and loan statements

New business and new models

Digital Acquisition

- Zero-Contact Video KYC was launched for acquisition of Kotak 811 account. It proved to be a leading driver of new acquisition

Digital Lending

- Launched Overdue EMI payment through PSP applications like Google pay, Phone Pay etc. for all term loans.
- Enabled loan services i.e. Loan Information, Loan statement & repayment schedule on Whatsapp & Keya chatbot
- Enabled Digital Payment options for collections Ubona (call bot solution), Pay U (Payment link sent to customer) and Collection Sales application (all payment modes enabled).
- Launched end-to-end digital processing of personal loans (DIGI-PL) with online disbursal for existing to bank customers.
- Automated lien and SI process for due SPLN and CFB loans for effective collection process and reduce manual intervention
- Launched Digisign Pan Bank, a facility that offers customers the ease and convenience to digitally sign and execute documents with the bank without physical touchpoint
- Launched E2E Sanction process for Home Loans (Digi HL).

Innovation Lab

- Implementation of Nudges to provide actionable insights for customers in NB 2.0.
- Connected banking platform was launched and Zoho was onboarded as the first partner.

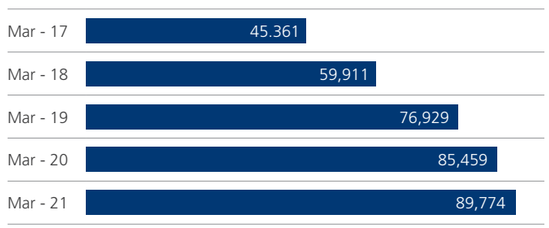
Consumer Assets

FY 2020-21 was a challenging period on the Consumer Assets side of the business with 2 phases of Moratorium, ECLGS and restructuring in-line with regulatory guidelines. However, the Bank was able to meet these challenges effectively, and business volumes showed momentum during H2FY21.

Under the Consumer Assets portfolio, the Bank offers a wide range of products. The key ones are home loans, loans against property, personal loans, gold loans, working capital loans (for small businesses). Consumer bank advances increased by 5.0% in FY 2020-21.

The Bank continued to focus on building a significant book from active engagement with existing liability customers of the Bank.

Consumer Banking Advances (₹ crore)



Products and Services

There were quite a few positives for the year:

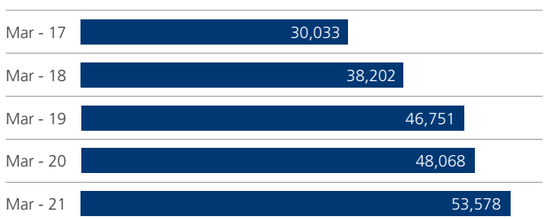
- The Home Loan business was a key focus area, and taking leadership position on interest rates, the Bank was able to significantly ramp up business volumes. The Home Loan business showed a positive growth in volumes despite almost negligible business in the first half of the year.
- For Credit cards, the Bank launched 4 new products in a year. These new cards (White, Zen, Mojo, 811 Secured) are benchmarked against the best card propositions in the industry and will help significantly reposition the offerings.
- Consumer Finance (CF) business continues to grow from strength to strength. March 21 saw the best ever volumes in the CF business.

Commercial Banking

The Commercial Banking business focuses on meeting the banking and financial needs of various segments. The Commercial Bank has specialised units which offer financial solutions in the areas of commercial vehicles, construction equipment, tractor, and agriculture business. It services the priority sector by providing finance for tractor, crop loans, to small enterprises and for allied agricultural activities. The business plays a significant role in meeting financial inclusion goals and financing deep into 'Bharat' through an expanding network of branches and associates.

Trend of commercial advances over the last five years is as below:

Commercial Banking Advances (₹ crore)



Construction Equipment (CE) industry which was 24% down in FY 2019-20 reported decent growth in FY 2020-21 with initial hiccups, the overall industry withered the storm of COVID-19 and sector proved to be highly responsible for propelling India's overall development. It enjoys intense focus from Government and it plans to spend US$ 1.4 trillion on infrastructure during 2019-23 to have a sustainable development. Infra sectors such as roads, power, bridges, dams, water supply, irrigation, railways and urban infrastructure development are showing significant growth and order flow for contractors. Overall cash flow of contractors/ infra companies which are working for central governments and its bodies have been good. Overall delinquencies in CE business are showing sign of improvement month on month.

Commercial Vehicle (CV) business witnessed a drop in disbursement level in line with decline in CV industry numbers. The decline is primarily due to the impact of pandemic and the subsequent lock down. The Passenger segment, comprising Staff/ School bus transportation, tour & Travel and public transport operation, has been impacted the most. The overall delinquency percentage of the CV portfolio has increased.

Under Agri Business, the agro & food processing segments were benefitted by their status of being in the essential services and hence having a limited impact due to the lockdowns. The supportive government schemes ensured enhanced liquidity to these segments during a period of lengthening receivables due to COVID lockdowns. The segment saw significant demand rise for Term Loans for Capacity expansion and stocking given the enhanced demand for commodities.

FY 2020-21 saw one of the best monsoon seasons with the widest spread of rains across geographies and for the most effective period of time. Farmers, therefore, were assured of a bumper rabi output. This also ensured stability in prices of commodities which improved margins for processors. There was also increased demand in the logistics part of the Agri chain by way of loans for new warehouse / cold storage construction, pledge facilities, packaging units and for grading of agro commodities. The stress on portfolio quality was lesser due to the COVID crisis.

Key initiatives were made on the digital ways of doing businesses without having to come into physical contact. Digital documentation for sanction and legal acceptance of the terms for the government supported guarantee program was one such an initiative. Also the Government sponsored e-NAM for online payments between farmers and traders/processors was introduced. Kotak Bank was only one of the six banks shortlisted by the government to provide this facility. The bank was amongst the first to go live in this digital payment initiative.

In case of MFI, despite the moratorium announced, the segment saw improving repayments from their retail borrowers for much of the year and the collection efficiency had improved to over 95% by the end of the financial year. The segment however was impacted by the lockdown period of curtailed mobility and saw a flat portfolio growth rate. However the inflow of equity funding to MFIs, ample liquidity and improving collections ensured that the overall credit losses were contained.

During FY 2020-21, Tractor industry has shown high growth of 26.9% based on strong demand of tractors mainly due to timely and adequate monsoon and support of commodity prices. Kotak Tractor Financing business grown in line with Industry. There is a marginal impact on portfolio performance due to Loan moratorium and COVID-19 impact on cash flows of farmers due to lockdowns and other restrictions.

Bank has Crop Loan business presence in Punjab, Haryana and Western states. Portfolio quality in western markets is stable however Punjab witness high negative impact due to Kissan Union agitation in spite of good monsoon and better yields.

Wholesale Banking

The Bank's Wholesale Business has a number of business groups catering to various customer and industry segments, such as Conglomerates and Large Corporates, Small and Medium Enterprises, Financial Institutions, Multinational Corporates and Corporate Real Estate offering a wide range of banking services covering their working capital, medium term finance, trade finance, foreign exchange services, supply chain, cash management and other transaction banking requirements. The focus has been on customised solutions delivered through efficient technology platforms backed by high quality service. The Bank's core focus has been to acquire quality customers on a consistent basis and ensure value add through cross-sell of the varied products and services.

Wholesale Banking's experience in the two halves of this year stand in contrast to each other. During the first half of the year, in the face of significant challenges from COVID related economic disruptions, and as a prudent risk measure, the Bank was cautious in its exposures. While the Bank was measured in taking fresh long-term exposures, working capital utilisations were impacted due to a slowdown in economic activity. Assets and most of the fee income lines were therefore muted. As the first COVID-19 wave slumped and economic activity rebounded sharply, the Bank too started cautiously increasing its exposures and the second half of the year saw a return of growth in the Bank's Assets and most of the fee income streams.

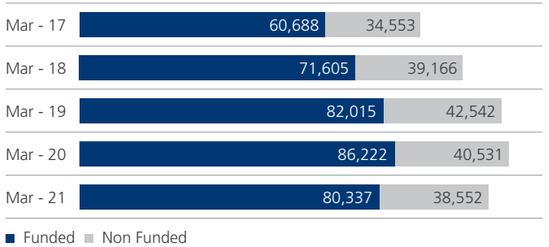
Despite such significant economic disruptions as seen during the pandemic, the Bank's portfolio has remained healthy. This has been facilitated by both the Bank's robust risk management practices and the manner in which corporate India handled the crisis. In the face of unprecedented COVID related challenges during the year, corporates, by and large, have proven to be more resilient than earlier envisaged. Companies focused on productivity and other efficiencies and cost reductions. Robust equity capital markets helped many of these corporates to also bolster their balance sheets and keep leverage at comfortable levels. Even as companies kept a tight leash on their balance sheets, the Bank continued its proactive approach towards risk and sought to rebalance its portfolio in response to the economic situation. Over the years, the Bank has ensured that growth has been achieved in a profitable manner without compromising the health of the book. Its portfolio is well-diversified and industry, group and company specific exposure limits are reviewed periodically. The entire portfolio is rated based on internal credit rating tool, which facilitates appropriate credit selection & monitoring. Exposure, over the years, has been confined to segments with credit comfort in terms of better rated exposure and industries with a positive outlook and where pricing has been adequate for the risk being underwritten. These practices helped ensure that the overall portfolio continued to show robust characteristics throughout the year and the Wholesale Bank, this year, witnessed one of its lowest credit costs in recent times despite this being such a disruptive year. The Bank continues to remain cautious and watchful of the risks posed by the second COVID-19 wave and will continue to take proactive steps to minimise the impact of these risks on the health of the book.

Even as Asset volumes remained volatile through the year, risk-return metrics were favourable though competitive pressures dampened placement yields a bit during the ending months. Over the years, the Bank has also continued to focus on non-credit income streams including liability income and from Transaction Banking services such as Cash Management and Forex services. This year too, Wholesale Current Account grew strongly due to the Bank's focus on granularity and Transaction Banking businesses and this helped reduce cost of funds and further improve Asset spreads.

The year also saw liquidity return to debt capital markets and this led to a significant uptick in corporates raising funds through these markets. Larger corporates started replacing their bank borrowings from funds raised in the capital markets through listed debentures and other instruments. In line with this trend, the Bank also significantly ramped up its investment portfolio in these debt instruments ensuring it has been able to gain a higher share of a shrinking wallet of such large corporates. The Bank assisted several customers in raising debt through these markets; thus, significantly growing its Debt Capital Market and Loan Syndication revenue stream.

The mix between funded and non-funded (Letter of Credit and Bank Guarantees) for last five years is as follows:

Wholesale Banking Advances (₹ crore)



After a number of quarters of muted growth, the Bank has stabilised its lending to Small and Medium Enterprises (SMEs) and new customer acquisitions in this segment showed a significant ramp up in the second half of the year. This was achieved through a focused acquisition strategy and initiatives taken to reduce response times in credit underwriting. The Government's Emergency Credit Line Guarantee Scheme (ECLGS), under which disbursals were guaranteed by the Government, was also well received by the segment. Disbursals under this Scheme remained strong and has helped the Bank increase its exposures while making good use of the credit backstop provided by the Government guarantee.

The Financial Sector including the NBFC segment has been seen gaining from the policies of the Government and the Reserve Bank of India that were aimed towards keeping interest rates low and liquidity high. In response to this trend, the Bank has, in a calibrated manner, increased its exposures to the better rated Banking and NBFC customers and loans to this segment witnessed a strong growth this year.

In face of heightened risks, the Bank consciously focused on building a healthy and profitable business. The Bank has been particularly focused on ensuring the right risk return metrics. Pricing models such as Risk Adjusted Return on Capital (RaRoC) measurements have got ingrained in the system. Due to these initiatives, focus is high on ensuring the right risk-return balance and on maximising non-credit income streams. Risk Weighted Assets as a proportion to the overall book has fallen over the past few years, signifying a shift towards better rated corporates and less risky assets.

Improvement in productivity helped ensure costs were kept under control.

The Bank follows an integrated Corporate and Investment Banking approach to large conglomerates and corporate groups. Over the years, this strategy has helped strengthen the position the Bank with clients and increase the wallet share. This year, the Bank witnessed good growth in its non-credit business streams with these clients. It was awarded the 'Best Corporate & Investment Bank in India' by Asiamoney for the calendar year 2020. The Bank has won this award for the fourth time in the last five years and this is a testimony to its capabilities and business model.

The Bank has a co-operation agreement with ING Bank globally covering a number of countries which is expected to aid the Bank in targeting greater number of multinational corporates in India. Dedicated marketing efforts have helped to make significant inroads into identified corridors such as Singapore, Hongkong, Italy, Germany, Switzerland and Austria. The two-way co-operation agreement has also helped the Bank deliver cross border products to its clients in India. The Bank has also set up a Korea desk to cater to Korean clients in India and has been able to achieve significant success. Replicating this model, the Bank has now formed a dedicated desk to cater to newer MNCs entering India by offering end-to-end solutions by partnering with various agencies to co-create a sustainable ecosystem.

The Custody & Clearing business continued to grow during the year despite multiple lockdowns imposed in India as well as key FPI jurisdictions like the US, UK, Singapore, the Middle East and Hong Kong. The Domestic Custody business also grew at a fast pace during the year, and the Bank on-boarded a number of marquee PMS and AIF names in addition to a few large Family Office clients. The Bank is also seeing interest among its clients in the choice of GIFT City as a Fund jurisdiction and the Bank opened the first bank account for an AIF at its GIFT City branch this year.

The Bank continues its strong momentum in Global Transaction Services (GTS). With its long-term strategy of providing an integrated portal across all its product suites, the Bank continued its focus on innovation, digitisation, structured solutions and fee income.

During the year, the Bank endeavoured to provide its clients with a comprehensive product-suite to help their businesses grow in a sustainable and holistic manner. It was agile in implementing new and digital processes to address client requirements during the pandemic. Initiatives such as the Bank's investment on a single platform that supported end-to-end workflow, document management and transaction processing along with digitally signing Trade documents enabled moving thousands of customers from physical to digital in record time, in turn, helping them to seamlessly function. While the Trade industry faced multiple challenges during the year, starting from disruptions in the supply chain, to logistics issues to that of stretching of working capital cycles, the Bank overcame these challenges by innovating and simplifying the way it handled Trade for its customers. Despite the negative year on year growth for India's Trade industry, the Bank's funded trade book grew by double digits and its supply chain finance portfolio grew by over 50% year on year. To enhance customers' Forex experience, the Bank also digitised the registration process for FxLive onboarding, created a microsite to disseminate proprietary research to clients through web and messaging platforms and launched the Digital FX calendar which provides information on Fx and Money Markets in addition to providing a real time Economic calendar.

Across the Bank's Cash Management Services too, the focus was on digitising the customer's journey. It started with the roll out of the digital signatures initiative to process documents and daily transactions and continued with the implementation of new offerings like the APIs for B2B payments and reconciliation of virtual accounts and the Technical Service Provider model for AllPay acquiring. The digital focus of the Bank resulted in a 3x increase in payment customers, a 100x increase in number of BBPS transactions, a 15x increase in E-NACH mandate registrations and a 2x increase in number of transaction approvals through the Bank's corporate mobility solution as compared to the previous year. The Bank continued its focus on building a granular Current Account book in addition to increasing its focus across specialised offerings - Escrow, RERA and Nodal Accounts, which grew 30% year on year. Throughout the year, the Bank also continued on its journey towards providing a unified portal for all of its transaction banking customers by investing in new technologies and upgrading its processing engines.

In summary, a return of growth in Assets and Fee Incomes in the second-half of the year, favourable risk-return metrics through the year, strong liability incomes and controlled credit costs have helped the Wholesale Bank grow its profitability and maintain a healthy After Tax Return on Equity (ATROE) despite the many challenges faced during the year.

Wealth

The Bank's private banking arm, caters to a number of distinguished Indian families and is one of the oldest and the most respected Indian wealth management firms, managing wealth for 51% of India's top 100 families (Source: Forbes India Rich List 2020), with clients range from entrepreneurs to business families and professionals.

It provides an open architecture proposition to its customers, offering a plethora of wealth products. This business has a strong distribution capability for private clients through distribution/referral model across equities, fixed income & alternates catering to Ultra HNI and HNI (High Networth Individual) investors. In addition to comprehensive financial solutions, the division provides a strategic consolidated view on the client's overall portfolio, in addition to comprehensive financial solutions that go beyond investments. These also include banking and credit, consolidated reporting, referral for estate planning services etc. With an in-depth understanding of client requirements and expertise across various asset classes, this business offers the widest range of financial solutions.

In addition, the Bank has also built a large Priority Banking business, assisting mass affluent customers with products and solutions developed to meet their financial requirements. The total relationship value of Wealth, Priority and Investment Advisory offerings is ~₹ 382,000 crore (as of 31st March, 2021). It has added ~600 new families in 2020.

In 2020, a digital transformation journey was initiated as a tactical solution for enhancing customer service which has now become a part of long term strategic plan for the business. Bespoke development was done in partnership with a Fintech to create a platform to provide customized investment reports to clients. Low code platforms were used to create work flow automations with use cases like task automation and request tracking, ensuring higher service levels. The overall strategy is focused and devised to use digital solutions to improve client experience and enhance productivity of the business.

Kotak Wealth Management has been consistently featured as the Best Private Bank, India across multiple Global and Domestic Surveys, in 2020. Some of the recent accolades include:

- Best Private Bank, India by Euromoney Private Banking and Wealth Management Survey, 2021
- Best for Super Affluent Clients by Euromoney Private Banking and Wealth Management Survey, 2021
- Digital Private Bank of the Year' (India) by The Asset Triple A Digital Awards, 2021.

GIFT City

The GIFT City branch had commenced operations in FY 2016-17. The Branch caters to the funding needs and requirements of managing currency and interest rate risks of the Bank's overseas corporate customers. The Branch is also supporting the IFSC infrastructure at GIFT City by providing account and clearing services to the Exchanges and its members at GIFT City.

Loans made from GIFT City branch are also subject to the same rigorous and conservative credit underwriting standards and prudence of the Bank. In FY 2020-21, the focus at GIFT City branch stayed focused on maintaining credit quality, while maintaining the quality of service to its short/medium term trade loans borrowers. In FY 2020-21, the loan book mix changed favourably to short-term Trade loans.

For most of FY 2020-21, there were continued intermittent disruptions due to COVID pandemic in the state. The GIFT City branch – while intermittently working offline through the disruptions maintained seamlessly continued operations, operational efficiency and prudence. The Branch maintained heightened vigilance through the year.

The International Financial Services Centres Authority [IFSCA] was set-up as a unified regulator with a vision to promote ease of doing business in IFSC and provide a world-class regulatory environment. The IFSCA started its operations in H2FY21, working towards revamping and stream lining the operational guidelines for banks in the IBU leading to opening of new vistas. GIFT City branch is working towards augmenting its resourcing to benefit from incremental opportunities at the IFSC.

DIFC Branch

DIFC Branch - the Bank first overseas branch at Dubai International Financial Centre [DIFC], Dubai started operations in Oct 2019; DIFC Branch complements the Bank ability to advise & arrange global investment products, provide loans and accept deposits from its overseas wealth and private banking customers that qualify the Professional client criteria of the DFSA.

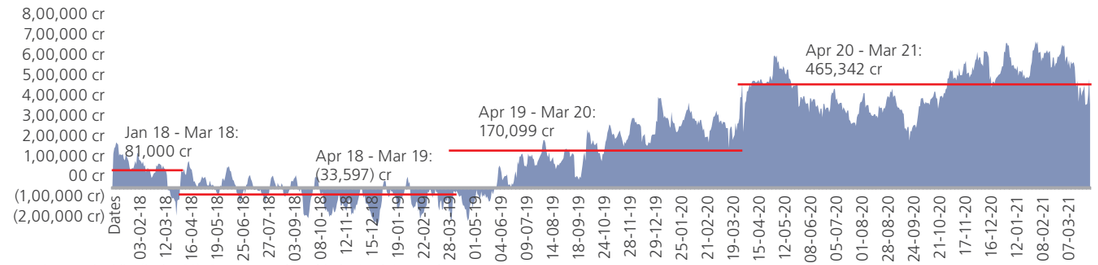
Shortly after initiating business operations at DIFC branch, international trade and traffic started disrupting due to COVID19 pandemic. Global disruptions slowed customer on-boarding process due to restrictions on international couriers, meeting etc. and hence the consequent KYC related delays. However, through the disruptions, the branch maintained continuity of extant operations and client on-boarding. The branch reviewed its business focus and product mix amidst raging global pandemic and market volatility and adopted a cautious approach. In FY 2020-21, the branch business was marginally lower than expected, it added value to business groups and international services of the Bank.

Treasury

India embarked on lockdowns in stages during March 2020 to break the viral chain. Disruption in markets and to businesses at large was unprecedented. Globally, Central banks responded with accommodative policies and high liquidity infusion; while fiscal response globally was one of undertaking higher public spend and consequently higher fiscal deficit. Markets reacted in the entire spectrum of fear, anxiety and hope in FY 2020-21. Ensuing volatility and pockets of segmental disconnects was the central theme of the markets in FY 2020-21. This not only caused risks, it also generated segmental and market specific opportunities.

	Open	High	Low	Close	Range
Yield on 10yr Indian Govt Bond	6.24	6.51	5.72	6.17	0.79
Yield on 10yr US Treasury Bond	0.66	1.77	0.5	1.74	1.27
Indian Rupee	75.96	76.91	72.27	73.11	4.64
EUR / USD	1.1	1.23	1.07	1.17	0.16
GOLD (USD/Troy ounce)	1,577	2,075	1,569	1,708	506
BRENT Crude	19.3	71.4	35.7	63.5	35.7
NIFTY	8,584	15,431	8,056	14,691	7,375

The adjoining table gives the extent of movement in key market benchmarks for FY 2020-21. The range [difference between the High and Low] is representative of the volatility during the year.



Net System Liquidity [incl.MSS]; *Source: Kotak Mahindra Bank Research*

In India, the RBI pursued the policy of accommodative policy, with systemic liquidity being maintained in very comfortable zone. In the hope that extra liquidity will compel banking institutions to take liquidity driven exposure decisions and expanding credit.

The RBI also extended the Long-Term Repos (LTROs) and Targeted Long Term Repo (TLTRO) providing directed liquidity. While offtakes were not significant, it added to the market comfort on available liquidity.

In a pandemic-marred year, the Treasury teams, like their colleagues in other parts of the Bank, came together, rising above personal struggles, joined hands to deliver a seamless output. Even in an extended period of 'Work From Home' environment. Treasury team emerged a closer-knit unit—testimony to the blend of professional and human touch.

Bank Treasury started the year on a very conservative note and progressively built upon strategy of aligning customer flows and managing surplus liquidity. As per prudence norms, the Treasury maintained more than adequate liquidity in the period for meeting any eventuality. Treasury – across various desks, increased investments into short duration and liquid portfolio, gainfully deploying the surplus liquidity aligned with the liquidity & liability strategy of the Bank consistent with the external environment.

Fixed Income Trading Desk, with a positive outlook, careful data backed analysis and a cautious approach, anticipated & managed the trading portfolio durations optimally and with agility. Well-thought and composed positions yielded desired outcomes. The Primary Dealer (PD) desk at Treasury, in addition to gainful positioning on the Trading portfolio, improved upon the distribution and retailing of sovereign securities. The PD desk also successfully met its regulatory obligations of bidding and success ratios in primary auctions and trading volumes in the secondary market for Government Securities.

Fueled by high global liquidity, the FPI inflows in FY 2020-21 were about US$ 35 billion; supported by flow-backed demand, market indices negated fall of early CY2020 and rose to fresh highs. Notwithstanding interim volatility, primary markets also saw healthy offtake. Treasury equity desk took measured calls on the market, principally focusing on the primary market offerings.

In a market interspersed with events, bouts of volatility mirroring global currency movements followed by RBI's efforts to smoothen volatility - FX Trading desk took measured and calibrated positions. The FX desk - in addition to facilitating customer flows, facilitated efficient pricing for FX requirements of the Bank's customers.

Consequent to COVID related disruptions, customer FX flow was significantly impeded in the initial part of the year. The Treasury FX Sales desk had reached out to its customers - helping in understanding of the markets, management of FCY flows and providing efficient products & pricing. Customer volumes and profitability stabilised and subsequently normalised in the latter part of the year. The FX Sales desk continued on its efforts on technology based solutions, pricing efficiency, process optimisation and fine-tuning of desk organisation to deliver experiential service to its customers.

The Bullion desk continued building the annuity book of Gold Loans – achieving stability and sustained profitability.

High systemic liquidity, lower credit demand & appetite resulted in increased liquidity with the Bank – as also with the banking system. While some increase in liquidity buffer was necessitated given the challenging business environment in the pandemic hit year, the BMU managed balancing liquidity deployment with yield optimisation and protection of the liability franchise. The Balance sheet Management Unit (BMU) maintained heightened vigil while managing funding, Liquidity & Interest Rate Risks and regulatory investments of the Bank. Regulatory requirements on reserves and liquidity ratios were maintained above the stipulated thresholds.

The Technology team within the Treasury contributed by not only maintaining Treasury applications through the year, but also by delivering enhanced technology solutions towards increased efficiency, enhanced computational, monitoring and reporting capabilities. Amidst choppy markets and intermittent pandemic disruptions, seamless continuation of operations at the Bank Treasury is a testimony of the Bank's agility, preparedness and resilience of its systems and processes.

The Bank's Asset Liability Committee (ALCO), which also functions as the Investment Committee, maintained a cautious and vigilant approach with a conservative risk appetite in its oversight of Market Risk, Interest Rate and Liquidity Gaps, counterparty and country exposures.

Subsidiaries Highlights

Kotak Mahindra Prime Limited (KMP)

KMP is primarily engaged in vehicle financing; financing of retail customers of passenger cars, Multi-Utility Vehicles (MUVs) and term funding to car dealers. KMP finances new and used cars under retail loan, hire purchase and lease contracts. KMP is also engaged in finance against securities, corporate loans, developer finance, two-wheeler finance and other lending.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Net Interest Income	1,211.7	1,229.5
Other Income	220.4	290.3
Total Income	**1,432.1**	**1,519.8**
PBT	720.4	923.4
PAT	534.7	673.1

(₹ In crore)

Particulars	31st March, 2021	31st March, 2020
Net Customer Assets	21,803.9	24,864.3
- Car advances	15,800.8	17,480.1
Net NPA %	1.66%	0.60%
RoAA %	2.1%	2.3%

The passenger car market in India de-grew by 1.5% for FY 2020-21 compared to 17.4% de-growth in FY 2019-20. The sale of cars and MUVs at 27.16 lakh units in FY 2020-21 compared to 27.60 lakh units in FY 2019-20. KMP added 62,134 contracts in FY 2020-21 compared to 72,311 contracts in FY 2019-20.

PBT for FY 2020-21 at ₹ 720.4 crore was lower than ₹ 923.4 crore for FY 2019-20 primarily due to increase in retail losses and provisions and decrease in overall asset. NIM for FY 2020-21 was 5.0% compared to 4.3% for FY 2019-20.

KMP held COVID-19 related general provision of ₹ 90 crore as on 31st March, 2021. Gross NPA was ₹ 788.7 crore (3.55% of gross advances) while net NPA was ₹ 362.0 crore (1.66% of net advances) as on 31st March, 2021 on account of lower collections/recoveries due to the pandemic. Further, the capital adequacy ratio as on 31st March, 2021 was 29.4% (24.3% as of 31st March, 2020).

Kotak Mahindra Investments Limited (KMIL)

KMIL is primarily engaged in real estate developer finance, corporate loans, other activities such as holding long-term strategic investments. KMIL's Real Estate finance team offers one of the most trusted dedicated real estate finance platforms in the country with expertise across all key asset classes. From structuring complex transactions to broadening the access to capital, its comprehensive financing and expert execution have made KMIL a leading choice for real estate developers and investors for over a decade.

Real Estate: The real estate industry remains largely regional play with only a handful of players having a meaningful presence in more than a couple of cities. Given the lockdown in Q1, Real Estate was expected to be among the worst impacted industries. While Q1FY21 did see a sharp fall in residential sales, quarters post the lockdown saw a sharp rise which took most industry experts by surprise. The same was driven by a combination of factors such as government support (reduction of stamp duty in Maharashtra being one example), low home loan rates and improving affordability index. While access to liquidity remains a challenge for the industry, the leading players in most large cities have benefited from improving collections. The impact of COVID-19 on commercial real estate segment is still open to debate. Work from Home has meant significantly lower office attendance – whether this is a sustainable trend is yet to be seen. FY 2020-21 saw a sharp reduction in Grade A building leasing and that too was driven by pre-leased deals agreed before the lockdown. Large developers are re-jigging their expansion plans in this segment.

KMIL continues to be judicious about the real estate developers that it works with and remains confident of the quality of the lending book. The asset quality has not deteriorated through FY 2020-21 but at the same time, KMIL continues to closely monitor the COVID-19 second wave and its potential impact on the industry.

Loans against shares: Given the RBI letter to the holding company directing the group to stop providing services such as loan against shares and IPO financing through its NBFC subsidiaries, this business is on the decline. In line with the regulatory guidance, KMIL continue to service the loans that are already disbursed. As expected, this part of the book continues to decline.

Corporate Lending: KMIL is focusing on increasing the non-LAS part of its Corporate Lending book. M&A, PE exits / acquisitions and promoters' needing liquidity to expand offers it significant opportunity to grow this part of the book.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Net Interest Income	354.5	361.7
Other Income	74.0	91.9
Total Income	**428.5**	**453.6**
PBT	345.8	368.5
PAT	257.8	270.1

(₹ In crore)

Particulars	31st March, 2021	31st March, 2020
Net Customer Assets	6,795.4	5,874.6
Net NPA %	0.57%	0.67%
RoAA %	3.5%	2.9%

Customer assets increased to ₹ 6,795.4 crore as on 31st March, 2021 as compared to ₹ 5,874.6 crore as on 31st March, 2020. However, average earning customer assets decreased from ₹ 7,889.6 crore in FY 2019-20 to ₹ 5,747.9 crore in FY 2020-21, causing a drop of 4.8% in PAT to ₹ 257.8 crore for FY 2020-21 from ₹ 270.1 crore in FY 2019-20. NIM for FY 2020-21 was 5.6% compared to 4.3% for FY 2019-20.

KMIL held COVID-19 related general provision of ₹ 27 crore as on 31st March, 2021. Gross NPA at ₹ 62.0 crore (0.92% of customer assets) while net NPA was ₹ 38.3 crore (0.57% of customer assets) as on 31st March, 2021. The capital adequacy ratio as on 31st March, 2021 is 33.2% (29.4% as of 31st March, 2020).

Kotak Securities Limited (KS)

Kotak Securities provides broking services in equity cash and derivatives segments, commodity derivatives, currency derivatives, depository and primary market distribution services. Kotak Securities is a member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), National Commodity & Derivatives Exchange Limited, Multi Commodity Exchange Limited, and Metropolitan Stock Exchange of India Limited. KS is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and is also registered as a portfolio manager with Securities and Exchange Board of India (SEBI). Further, it is registered as a Mutual Fund Advisor with Association of Mutual Funds in India. The company having composite license issued by IRDA also acts as Corporate Agent of Kotak Mahindra Life Insurance Company Limited and Kotak Mahindra General Insurance Company Limited.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	2,019.6	1,690.0
PBT	1,057.4	738.4
PAT	792.6	550.0

The Sensex closed at 49,509 as on 31st March, 2021 compared to 29,468 as on 31st March, 2020, with a high of 52,516 and low of 27,500. Similarly, the benchmark Nifty which closed at 8,598 as on 31st March, 2020 closed at 14,691 as on 31st March, 2021 with a high of 15,431 and low of 8,056.

The financial year FY 2020-21 saw volume growth in cash market and equity derivative segment over FY 2019-20. Market average daily volumes (excluding proprietary segment) increased to ₹ 48,523 crore for FY 2020-21 from ₹ 29,704 crore for FY 2019-20 for the cash segment, and to ₹ 1,481,155 crore for FY 2020-21 from ₹ 937,508 crore for FY 2019-20 for NSE derivatives segment.

Kotak Securities average daily volumes (excluding proprietary segment) in cash market has increased to ₹ 4,518 crore for FY 2020-21 from ₹ 2,972 crore for FY 2019-20. Kotak Securities average daily volumes (excluding proprietary segment) in NSE Derivative Market has increased to ₹ 28,544 crore for FY 2020-21 from ₹ 18,912 crore for FY 2019-20. Kotak Securities cash market share (excluding proprietary segment) decreased to 9.3% for FY 2020-21 compared to 10.0% in FY 2019-20. Overall market share of Kotak Securities decreased to 1.4% for FY 2020-21 compared to 1.7% for FY 2019-20.

With the help of seamless digital account opening, Kotak Securities increased its client acquisition by 69% (YoY) and the NSE active client base increased from 5.72 lakh in FY 2019-20 to 7.43 lakh in FY 2020-21. The Kotak Securities Trade Free Plan (TFP) accounted for 61% of the total acquisitions in the period Nov'20 to Mar'21. Due to the continued thrust on digital, mobile trading application of Kotak Securities, saw a massive adoption resulting in 121% growth in the trading volume through the Kotak Securities Mobile app.

Further, during the year following digital products and platforms were launched:

- With this plan, intra-day trading is free and clients can open Do-It-Yourself (DIY) accounts instantly without any additional cost and begin trading in just 60 minutes.
- Launched a new Direct Mutual Fund Platform that enables clients to invest in mutual funds through the direct route at a lower expense ratio.
- Enabled investments in the US stock market with its Global investing platform. The platform has a complete online onboarding process and remittance capabilities.

The company today has a national footprint of 1,450 branches, franchisees and satellite offices across 350 cities in India serving its customers.The cumulative number of registered authorised persons stood at 1,716 for NSE and 1,387 for BSE.

The Institutional Equities division registered a significant growth in revenues and continues to be the leader in both the cash equities and derivatives segments. Institutional market volumes during FY 2020-21 witnessed a strong growth in the cash as well as the derivatives segment. Although yields across the client segments continued to be under pressure, the Company was able to hold on to the yields during the year. The Company continued its leadership position in distribution of IPOs, QIPs and open offers and maintained its strong position in execution of block trades. It continued to invest in technology to upgrade its IT infrastructure with a special focus on developing new algorithms for better execution and improving operational efficiency. The Institutional Equities Research team continues to be rated highly by institutional clients and it continues to further enhance its leadership position through incisive research on companies, sectors and themes.

Awards and Recognitions

In FY 2020-21, Kotak Securities was adjudged as Top Business Performers in 3 segments Offer For Sale (OFS), Offer To Buy (OTB) and Primary Market Segment by BSE.

Kotak Mahindra Capital Company Limited (KMCC)

KMCC is a leading, full-service investment bank in India offering integrated solutions encompassing high-quality financial advisory services and financing solutions. The services include Equity Capital Market issuances, M&A Advisory and Private Equity Advisory.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	202.2	228.8
PBT	110.9	107.6
PAT	82.3	79.1

Equity Capital Markets

In FY 2020-21, the Indian Equity Capital Markets witnessed a record fundraising year completing 32 IPOs, 1 FPO, 32 QIPs, 35 OFS and 20 Rights. A total of ₹ 244,910 crore (vs ₹ 147,974 crore in FY 2019-20) was raised across Initial Public Offerings (IPOs), Qualified Institutional Placements (QIPs), Further Public Offering (FPO), Rights Issues, Offers for Sale (OFS) and Block Deals dominated by large issuances. Post the impact of COVID-19 on the first few months of FY 2020-21, the record surge in activity can be primarily attributed to monetary and fiscal stimulus by central banks globally and locally leading to an FII inflow of US$ 38 billion into Indian markets in FY 2020-21. Capital markets initially witnessed mega-QIPs by Banks and NBFCs, followed by a resumption in IPO activity in the latter half of FY 2020-21. *(Source: Prime Database).*

KMCC successfully completed 28 marquee transactions, including 8 IPOs, 13 QIPs, 4 Block Deals, 1 FPO and 2 Rights Issues raising a total of ₹ 155,580 crore in FY 2020-21. Kotak was the left lead banker to India's largest IPO of the year and GCBRLM to India's largest ever Capital Markets transaction (World's largest Rights Issue by a non-financial institution). Kotak also led India's first ever REIT follow-on transaction during this period.

KMCC was ranked No. 1 in IPOs in FY 2020-21 having led 8 out of 10 IPOs more than ₹ 1,000 crore with ~80% market share. KMCC had a 64% market share in FY 2020-21 across all ECM transactions. *(Source: Prime Database)*

Top Equity Deals that were concluded by KMCC during the year include:

IPO: Gland Pharma - ₹ 6,480 crore, Mindspace Business Parks REIT - ₹ 4,500 crore, Brookfield India REIT - ₹ 3,800 crore, Computer Age Management Services (incl. Pre-IPO) - ₹ 3,000 crore, UTI Asset Management - ₹ 2,160 crore, Indigo Paints - ₹ 1,169 crore, Home First Finance - ₹ 1,154 crore, Burger King India (incl. Pre-IPO) - ₹ 1,067 crore

Rights: Reliance Industries - ₹ 53,124 crore, Mahindra & Mahindra Financial Services - ₹ 3,089 crore

FPO: Yes Bank - ₹ 15,000 crore

QIP: ICICI Bank - ₹ 15,000 crore, HDFC Ltd - ₹ 14,000 crore, Kotak Mahindra Bank - ₹ 7,443 crore, Godrej Properties - ₹ 3,750 crore, Embassy Office Parks REIT - ₹ 3,685 crore, PI Industries - ₹ 2,000 crore, Max Healthcare Institute - ₹ 1,200 crore, Apollo Hospitals - ₹ 1,170 crore, Phoenix Mills - ₹ 1,100 crore, PVR - ₹ 800 crore, SRF - ₹ 750 crore, Varroc Engineering - ₹ 699 crore, VMart Retail - ₹ 375 crore

Blocks: Kotak Mahindra Bank - ₹ 6,944 crore, Bharat Petroleum Corp - ₹ 5,525 crore, Phoenix Mills - ₹ 833 crore, Coromandel International - ₹ 470 crore

Mergers & Acquisitions and Private Equity Advisory

The total M&A Advisory deal value in India for FY 2020-21 increased to US$ 124 billion vis-à-vis US$ 100 billion in FY 2019-20, while deal volumes decreased to 2,035 in FY 2020-21 from 2,170 in FY 2019-20. (Source: Bloomberg, as on 3rd April, 2021)

In FY 2020-21, KMCC was ranked #5 by volume of deals and #8 by value of deals in the M&A league tables (Source: Bloomberg, as on 12th April, 2021). KMCC advised on a diverse array of 12 M&A transactions across a range of products and sectors, for a total deal value of US$ 6.6 billion (not considering deals where values have not been disclosed).

- Across products, ranging from Acquisitions, Divestments, Mergers, Private Equity investments, Restructuring, Demerger, Buyback Offers
- Across sectors, ranging from Industrials, Real Estate, Financial Services, Healthcare, Specialty Chemicals, Technology, etc.

Deal values in FY 2020-21 shown growth of ~24% vis-à-vis the previous year despite disruptions like COVID-19 pandemic. While the total values of deals witnessed healthy increase in FY 2020-21, the deal volumes witnessed decline from FY 2019-20 levels. Private equity funds accounted for around 33% of the transactions by value and constituted significant part of India's M&A activity.

The deal activity during FY 2020-21 was largely contributed by inbound minority investments in the Digital, TMT and Consumer sectors. Investment by financial sponsors, including control transactions, is expected to drive to the deal activity during FY 2021-22 as well. Consolidation, including deals in distress situations, was another major driver for M&A transactions in FY 2020-21 and the trend is expected to continue in FY 2022. Other factors such as investment by global strategic players, divestment of non-core assets, restructuring are also expected to drive the M&A activity in FY 2022.

Some of the key advisory deals that were announced by KMCC during the financial year include:

- Financial advisor and fairness opinion provider to Samvardhana Motherson International in group reorganisation
- Buyside advisor to Embassy REIT for its acquisition of Embassy Tech Village
- Fairness opinion provider to Tata Motors for subsidiarisation of passenger vehicles business
- Fairness opinion provider for sale of Indo Gulf Fertilizers by Grasim Industries
- Sellside financial advisor to Star Health and Allied Insurance Company for fund raise via private placement
- Buyside advisor to Piramal Pharma for its acquisition of 100% stake in Hemmo Pharmaceuticals
- Manager to buyback through tender offer process of Majesco Limited
- Sellside advisor to Utkarsh Small Finance Bank for private equity investment led by Olympus Capital
- Transaction advisor and fairness opinion provider for proposed reorganisation of India based US business undertaking and consumer business undertaking by Cipla Limited
- Exclusive financial advisor to Signet Excipients on acquisition by IMCD India (100% subsidiary of IMCD N.V.)

Kotak Mahindra Life Insurance Company Limited (KLI)

Kotak Mahindra Life Insurance Company Limited (KLI), a 100% subsidiary of Kotak Bank, is in the business of Life Insurance, annuity and providing employee benefit products to its individual and group clientele. KLI has developed a multi-channel distribution network to cater to its customers and markets through agency, alternate group and online channels on a pan-India basis.

The financial performance of KLI for the current and previous financial year is given below.

Network

KLI had 230 life insurance outlets across 140 locations. KLI has 109,321 life advisors, 41 bancassurance partners and 222 brokers and corporate agency tie-ups.

Financial Highlights

The financial performance of KLI is given below:

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Gross Premium	11,100.2	10,340.1
First Year Premium (incl. Group and Single)	5,256.5	5,105.8
APBT – Shareholders' Account	897.5	839.1
PAT – Shareholders' Account	691.9	608.2
Solvency Ratio	2.90	2.90

The Indian Embedded Value (IEV) was ₹ 9,869 crore (31st March, 2020: ₹ 8,388 crore) as on 31st March, 2021. This is computed based on the principles prescribed by APS10. The methodology, assumptions and results have been reviewed by Willis Towers Watson Actuarial Advisory LLP.

The Value of New Business (VNB) for FY 2020-21 was ₹ 691 crore and the VNB margin was 28.6%.

The net worth of KLI increased by 20.6% to ₹ 4,045.5 crore as on 31st March, 2021 from ₹ 3,353.5 crore as on 31st March, 2020.

An insurance company is considered to be solvent if its assets are adequate and liquid to pay off claims/liabilities as and when they arise. Solvency ratio indicates the Company's claim / liability paying ability. KLI has solvency ratio of 2.90 against a regulatory requirement of 1.50.

Revenue Performance

KLI has recorded a growth of 7.4% on the gross written premium from renewal premium and Individual new business. The summary of premiums is as under:

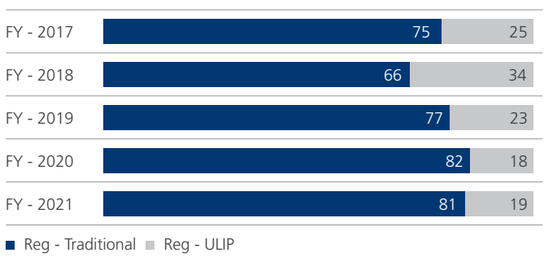
(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Individual Regular Premium	1,693.4	1,561.7
Individual Single Premium	1,251.2	837.0
Group Premium	2,311.9	2,707.1
Total New Business Premium	**5,256.5**	**5,105.8**
Renewal Premium	5,843.7	5,234.3
Gross Premium	**11,100.2**	**10,340.1**

Distribution Mix (Individual business APE (Single 1/10))

The distribution mix for Individual business APE (Single 1/10) is 48% for the Bancassurance channel and 52% for Agency & other channels.

Individual Regular Product Mix (%)



Product mix of KLI in individual regular premium inclines towards traditional business being 81% and 19% ULIP.

Protection Share

Protection share as % of Individual New Business and Total Group Business stood at 26.6%. Individual Protection share increased from ₹ 78.3 crore in FY 2019-20 to ₹ 105.6 crore in FY 2020-21.

Group Product Mix

The group employer-employee business has grown by 33.3% in FY 2020-21 over FY 2019-20. However due to COVID, the group Credit business and group fund business has de-grown by 13.2% and 18.2% respectively. The overall group business has de-grown by 12.4% in FY 2020-21 over FY 2019-20 from ₹ 2,989.6 crore in FY 2019-20 to ₹ 2,619.2 crore in FY 2020-21.

Conservation and Persistency

Conservation ratio is 85.0% in FY 2020-21 compared to 88.9% in FY 2019-20. KLI has set up a dedicated retention team to improve the retention of the premiums of KLI. As of Mar'21, the persistency was – 89.6% (13th month), 79.2% (25th month), 72.2% (37th month), 67.3% (49th month) and 58.0% (61st month).

Industry Comparison

On individual APE Basis (Single 1/10) KLI has posted 8th rank within private industry. KLI market share for Individual New Business premium (APE terms) is 4.0% for FY 2020-21 among private insurers.

On group APE Basis (Single 1/10) KLI has posted 2nd rank within private industry. KLI market share for Group New Business premium (APE terms) is 14.7% for FY 2020-21 among private insurers.

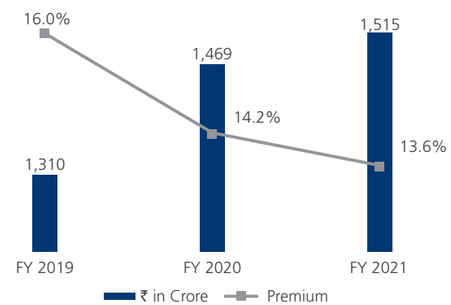
In FY 2020-21 Private insurance industry as a whole registered a growth of 8.2% on Total New Business Premium – Adjusted Premium Equivalent (APE) terms (Single 1/10), KLI registered a de-growth of -3.1% on Total New Business Premium- APE terms. On the same basis, KLI market share stood at 5.9% of private industry.

Claims Settlement Ratio

The individual claims settlement ratio for FY 2020-21 stood at 98.5% (FY 2019-20: 96.4%) while the group claims settlement ratio for FY 2020-21 stood at 99.4% (FY 2019-20: 99.3%).

Cost Analysis

Operating expense ratio has improved to 13.6% as against 14.2% in previous year. This was possible by a 7.4% YoY growth in total premium in FY 2020-21 and is also attributed to improved productivity while maintaining cost around the same level as the previous year.



Assets Under Management

KLI saw an increase in its AUM (including shareholders) by 33.2% YoY to ₹ 46,518.1 crore in FY 2020-21.

Digital Initiatives

- Digital on-boarding of customers through Genie, continues to remain above 95%.
- Smart Nudges to improve customer engagement and performance were launched in Boost for advisors, a mobile app for productivity improvement and higher engagement. Boost has been extended to more front-end sales user groups, where it helps in visibility and improving business and team performance.
- KLI Recruit a completely digital advisor-onboarding platform, was launched to provide convenience to prospective advisors.
- 'Digipro' was launched in Q4, enabling completely digital customer onboarding. Video calling for verification now includes digital liveliness check and face match technology.
- Insta-claims was launched in the group business to expedite claims settlement and improve customer experience.
- As customer usage of digital servicing tools like whatsapp and chatbot increases, newer services such as policy document download and premium calculators have been added.

Social and Rural Obligations

KLI has 77,394 written rural policies (FY 2019-20: 71,835) representing 22.7% of total policies against regulatory requirement of 20%. Further, KLI has covered 6,736,586 (FY 2019-20: 2,690,177) social lives which is more than the regulatory requirement of 5% total lives. KLI takes the social sector target not as an obligation, but with a sense of duty to the community as a life insurance company.

Kotak Mahindra General Insurance Company Limited (KGI)

KGI was incorporated in December 2014 as a 100% subsidiary of the Bank. KGI received its certificate of registration from Insurance Regulatory and Development Authority of India (IRDAI) in November 2015 and subsequently commenced operations in December 2015.

KGI is in the business of underwriting general insurance policies relating to Fire and Miscellaneous segments. KGI sources Insurance policies through agents, brokers and online channels.

The general insurance industry as a whole registered a YoY growth of 5.2% in FY 2020-21, in which the private sector (excluding standalone health insurance companies) grew by 7.6%. KGI grew its premium (excluding re-insurance) from ₹ 433.3 crore in FY 2019-20 to ₹ 544.0 crore in FY 2020-21, registering a growth of 25.5%.

Financial and Other Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Gross Written Premium (GWP) (including re-insurance)	548.3	436.4
Profit/(Loss) Before and After Tax	1.6	(28.1)
Claims Ratio	67.0%	68.8%
Combined Ratio	107.1%	112.5%

Revenue Review

For the year KGI registered a growth of 25% by issuing 22.6 lakh number of policies in FY 2020-21 against 18.1 lakh number of policies in FY 2019-20.

Product Mix

In order to maintain a balanced product mix, KGI product mix for Motor, Health and Others has moved from 58:31:11 in FY 2019-20 to 52:38:10 in FY 2020-21.

Distribution Mix

For the year Bancassurance Channel grew by 42% from ₹ 184.8 crore in FY 2019-20 to ₹ 262.8 crore in FY 2020-21. Including FIG growth at 27%, Multi Distribution channel registered 24% growth from ₹ 190.5 crore in FY 2019-20 to ₹ 237.1 crore in FY 2020-21.

Solvency

As on 31st March, 2021, the solvency ratio of KGI stood at 1.95 against the regulatory requirement of 1.50.

Investments

Investments of KGI as on 31st March, 2021 stood at ₹ 931.8 crore against the previous year amount of ₹ 676.5 crore, registering a growth of 37.7%.

Distribution Network

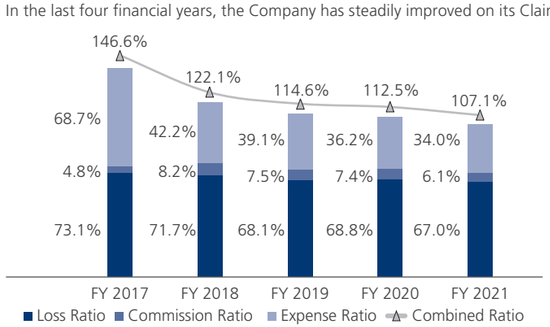
KGI has a network of 19 branches catering to more than 300 locations. KGI has registered 25 Corporate Agents, 130 Individual Agents, 419 Point of Sale agents and 18 Micro Insurance Agents.

Rural and Social Obligations

KGI has written a premium of ₹ 59.2 crore under rural obligation representing 10.9% of total premium. Further, KGI has covered 91,331 social lives against the regulatory requirement of 57,898.

Improving Financial Performance

In the last four financial years, the Company has steadily improved on its Claims and Combined Ratio which is depicted in the graph given below.



Claim Servicing

The number of claims settled by the Company has increased from ~ 50,000 in 2020 to ~ 56,000 in 2021 an increase of 12%.

Kotak Mahindra Asset Management Company Limited (KMAMC) and Kotak Mahindra Trustee Company Limited (KMTCL)

KMAMC is the asset manager of Kotak Mahindra Mutual Fund (KMMF) and KMTCL acts as the trustee to KMMF.

Financial Highlights

(₹ in crore)

Kotak Mahindra Asset Management Company Limited	FY 2020-21	FY 2019-20
Total Income	602.3	603.2
PBT	396.0	394.1
PAT	294.8	291.8
AAUM	202,826	173,394

Kotak Mahindra Trustee Company Limited	FY 2020-21	FY 2019-20
Total Income	71.8	62.0
PBT	69.1	60.2
PAT	51.5	45.0

The mutual fund industry registered a YoY growth of 19.2% YoY in Q4FY21 over Q4FY20 with the Quarterly Average Assets under Management (QAAUM) for Q4FY21 at ₹ 32.37 lakh crore.

During the same period, on the basis of percentage growth in QAAUM, KMAMC was amongst the third fastest growing Mutual Fund House – within the top 10 Fund Houses ranked by QAAUM. The QAAUM of KMMF which stood at ₹ 234,798 crore for Jan-Mar 2021 has seen growth of around 26% in Q4FY21 over Q4FY20. KMAMC jumped one rank and is now the 5th largest Fund House in the country in terms of QAAUM as on 31st March, 2021 vis-à-vis 31st March, 2020. Market Share in QAAUM has grown to 7.25% in Q4FY21 from 6.86% in Q4FY20 and 5.41% in Q4FY19. The annual AAUM of KMAMC for FY 2020-21 was ₹ 202,826 crore against ₹ 173,394 crore FY 2019-20, a growth of 17%.

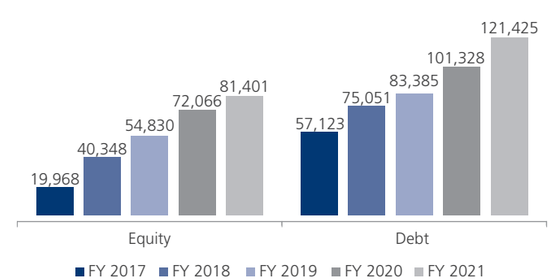
KMAMC has 25.9 lakh unique investors basis the RTA data against industry of 227 lakh, a market share of 11.38% in March 2021, against a share of 11.1% in March 2020.

KMAMC ended the year with discretionary AUM under the portfolio management business of ₹ 1,645 crore as on 31st March, 2021 against ₹ 1,597 as on 31st March, 2020.

There is a marginal increase in revenue from operations to ₹ 599.3 crore from ₹ 596.0 crore. The overall costs reduced to ₹ 206.3 crore in FY 2020-21 against ₹ 209.0 crore in FY 2019-20. Hence, the overall profit before tax has increased to ₹ 396.0 crore in FY 2020-21 compared to ₹ 394.1 crore in FY 2019-20.

The trend of average AUM of KMAMC over years is given below.

Average AUM - ₹ crore



The Funds managed by KMAMC continued to deliver consistent risk adjusted return to their investors over the long-term.

Kotak Mahindra Pension Fund Limited (KMPFL)

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	3.8	3.3
PBT	0.45	0.07
PAT	0.21	0.06
AUM	1,572	991

The Company manages nine schemes. During the year, the general business environment has been good for Pension Funds with the industry keeping up the momentum in line with the previous financial year. The combined assets under management (AUM) on 31st March, 2021 were ₹ 1,572 crore (₹ 991 crore as of 31st March, 2020) a growth of 58.6%. The overall pension fund industry AUM (including the private and public sector) has grown from ₹ 417,477 crore as on 31st March, 2020 to ₹ 578,024 crore as on 31st March, 2021, a growth of 38.6% and the private sector industry AUM has grown from ₹ 13,239 crore as on 31st March, 2020 to ₹ 25,809 crore as on 31st March, 2021, a growth of 94.8%.

Considering the low rates of management fees in Pension Fund Management Business, the revenue generated from the investment management activity for FY 2020-21 is ₹ 0.13 crore (FY 2019-20 - ₹ 0.09 crore).

KMAMC and Kotak Bank have applied to PFRDA under the revised RFP dated December 2020, which is under consideration of the authorities.

There has been an increase in other income to ₹ 3.7 crore in FY 2020-21 as compared to ₹ 3.6 crore in FY 2019-20 primarily on account of increase in profit from sale of investments. The costs have increased to ₹ 3.4 crore in FY 2020-21 from ₹ 3.3 crore in FY 2019-20. KMPFL has reported a profit before tax during FY 2020-21 of ₹ 0.45 crore as compared to ₹ 0.07 crore in FY 2019-20.

Kotak Investment Advisors Limited (KIAL)

KIAL, an alternate assets manager, is in the business of managing and advising funds across the following asset classes namely (a) Private Equity (b) Real Estate (c) Infrastructure (d) Listed Strategies (e) Special Situations and Credit, and (f) Investment Advisory. KIAL develops and invests in unique and interesting investment opportunities relevant to the Indian markets and financing requirements of businesses.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	140.8	119.9
PBT	50.5	12.4
PAT	40.0	9.7

During the year, KIAL has received new capital commitments of around ₹ 3,836 crore. The aggregate alternate assets managed / advised (including undrawn commitments, wherever applicable) by KIAL as on 31st March, 2021 were ₹ 17,906 crore. It managed 17 domestic funds, advised 1 domestic fund and 6 offshore funds during the year.

Of the new capital commitments received during the year, the Kotak Performing RE Credit Strategy Fund completed its first & final close with commitments of ₹ 2,760 crore from a large marque sovereign wealth fund and a global insurance company. This Fund will target both early stage and late stage real estate projects in residential, commercial, retail, warehousing and hospitality sectors. KIAL also raised commitments from three open ended funds - two under the Optimus brand to garner ₹ 712 crore and the third of ₹ 364 crore for India Whizdom Fund II. KIAL also continues to actively deploy capital in the Indian special situations, credit and distressed space through Kotak Special Situations Fund (KSSF) and in the Indian real estate space through its existing real estate funds/ mandates. Despite Covid-related restrictions, deployed significant capital across 6 portfolio investments from KSSF. These investments were made across real estate, chemicals, technology, cement and pharmaceuticals space. KSSF also acquired Prius Commercial Projects Private Limited (Prius), its maiden investment under the Insolvency and Bankruptcy Code (IBC).

KIAL also has Investment Advisory business for Private Clients with ₹ 16,938 crore assets under Advice as on 31st March, 2021.

Kotak Mahindra Trusteeship Services Limited (KMTSL)

KMTSL acts as a trustee to domestic venture capital, private equity and alternate investment funds. It also acts as a trustee to estate planning trusts, in which it assists in setting up private trusts for high net worth individuals to achieve their succession and financial planning.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	9.8	9.2
PBT	3.4	3.4
PAT	2.6	2.5

Kotak International subsidiaries

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	331.1	307.3
PBT	170.4	138.8
PAT	154.1	118.8

Kotak International subsidiaries consist of following entities:-

1. Kotak Mahindra (UK) Limited
2. Kotak Mahindra (International) Limited
3. Kotak Mahindra, Inc.
4. Kotak Mahindra Asset Management (Singapore) Pte. Limited
5. Kotak Mahindra Financial Services Limited

The international subsidiaries have offices in UK, Mauritius, USA, UAE and Singapore.

They are mainly engaged in investment management, advisory services, dealing in securities, broker-dealer activities and investments on own accounts.

The funds managed or advised by the International Subsidiaries are India centric equity and debt funds and target investors from across the globe seeking to invest into India. Though the International Subsidiaries have the right blend of products to be offered to global investors through its network of sub- distributors, it is heavily dependent on the performance of the Indian capital markets and funds, other product manufacturers and also the investment appetite of the global investors seeking to invest into India.

Business update

The closing assets managed/ advised (AUM) by the International Subsidiaries increased from ₹ 23,430.9 crore (US$ 3.1 billion) as on 31st March, 2020 to ₹ 28,237.0 crore (US$ 3.9 billion) as on 31st March, 2021 on account of mark-to-market gains net of redemptions from investors witnessed during the year.

As regards the bond dealing business, higher than normal volatility witnessed at the start of FY 2020-21 following the onset of the COVID-19 pandemic in the previous year reduced eventually due to liquidity infusion by central banks resulting in asset price inflation and one directional markets. This led to fall in revenue for the year. The volumes and income generated from dealing in securities also declined due to lower investor participation in stressed and high yield bonds which was witnessed during the previous year.

Financial update

The total income earned by international subsidiaries increased from ₹ 307.3 crore during the FY 2019-20 to ₹ 331.1 crore during the current year increasing by ₹ 23.8 crore.

Global fixed income securities had witnessed panic selling and corresponding fall in prices during March 2020 after the World Health Organisation (WHO) declared COVID-19 as a global pandemic. However, during the current year, the prices bounced back which led to high revenue through recovery of marked-to-market losses on own investments recognised in FY 2019-20 by ₹ 82.2 crore. These gains were partly offset by lower income from dealing in fixed income securities by ₹ 15.7 crore and dividend income by (earned in FY 2019-20) ₹ 29.5 crore.

The overall expenses decreased from ₹ 168.5 crore during the previous year to ₹ 160.7 crore during the current year.

Resultantly, the profit before tax for the year stood at ₹ 170.4 crore versus a profit of ₹ 138.8 crore for the previous year.

Kotak Infrastructure Debt Fund Limited (KIDFL)

KIDFL, is the infrastructure debt financing company. KIDFL provides long term finance to infrastructure projects. It provides long term finance to infrastructure projects and has been able to forge relationships with multiple Infrastructure developers.

KIDF continues to be judicious about credit underwriting and selection of customers. COVID-19 pandemic has impacted all industries; however, the fact that only one customer has requested for moratorium reflects the quality of book the Company has built. It continues to closely monitor the developments.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	76.1	81.7
PBT / PAT	33.1	34.0

Customer Assets decreased to ₹ 734.9 crore as on 31st March, 2021 compared to ₹ 785.2 crore as on 31st March, 2020.

IVY Product Intermediaries Ltd (IVYPIL)

At present, IVYPIL earns income from investment of its surplus money in fixed deposits.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	0.4	0.4
PBT	0.3	0.4
PAT	0.1	0.3

BSS Microfinance Limited (BSS)

BSS is a wholly-owned subsidiary of Kotak Mahindra Bank Limited (KMBL) and working as Business Correspondent (BC) of the Bank. BSS facilitates Microfinance Loans to Rural and Semi-urban poor women and has 353 branch offices across Karnataka, Maharashtra, Madhya Pradesh, Tamilnadu and Bihar. Loans originated by BSS are eligible for priority sector advances of the Bank.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	205.8	197.1
PBT	30.9	78.9
PAT	23.2	59.3

It also provides first loss default guarantee to Bank on the loans originated by it. The PBT is lower compared to previous year, mainly on account of increase in credit costs due to increase in COVID-19 related delinquencies.

Associates Highlights

Infina Finance Private Limited

Infina Finance Private Limited is a non-banking financial company engaged in the business of investments, trading in securities and providing finance against securities.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	276.6	149.1
PBT	202.3	(16.1)
PAT	150.9	(16.9)
Share of Kotak Group	75.4	(8.4)

The profit for the current year is higher due to increase in profit on trading in securities compared to previous year.

Phoenix ARC Private Limited

Phoenix ARC Private Limited is into asset reconstruction business and provides stress asset recovery service to banks and NBFCs.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	166.3	193.9
PBT	38.7	(9.7)
PAT	23.7	(11.7)
Share of Kotak Group	11.8	(5.8)

Profit after tax of the company saw an increase due to substantially better recoveries in this year, which led to increase in profits and decline in provision for diminution in value of investments during FY 2020-21.

ECA Trading Services Limited

(Unaudited)

Ace Derivatives and Commodity Exchange Limited ('The Company') was a demutualised national level multi commodity exchange and discontinued its operations as commodity exchange with effect from 31st May, 2015. The Exchange received SEBI approval on 21st December, 2018 for surrender of its license. Post SEBI approvals, the Company changed its name from Ace Derivatives and Commodity Exchange Limited to ECA Trading Services Limited with effect from 18th September, 2019. The Company has changed its business to trading of all commodities in spot and futures markets. For FY 2020-21, the Company has made a profit primarily from investment of surplus money. The Company was not engaged in any business activity in FY 2020-21.

Financial Highlights

(₹ in crore)

Particulars	FY 2020-21	FY 2019-20
Total Income	0.6	1.4
PAT	0.3	1.1
Share of Kotak Group (post adjustments)	0.1	0.4

RISK MANAGEMENT

A. Risk Management

The Group views risk management as a core competency and tries to ensure sound management of risks through timely identification, assessment and management. The Group manages Risk under an Enterprise wide Risk Management (ERM) framework that aligns risk and capital management to business strategy, protects its financial strength, reputation and ensures support to business activities for adding value to customers while creating sustainable shareholder value. The ERM policy sets the approach for Risk Management and is adopted by legal entities in the Group, with suitable modifications, as appropriate for their individual businesses. The policy guides the organisation of the risk management function and the identification, measurement, management and reporting of risks. The ERM policy is complemented by policies that are aligned to individual risks. These specific policies set the principles, standards and core requirements for the effective management of those risks. The ERM framework supports the MD & CEO and CRO in embedding strong risk management and risk culture. The ERM framework lays down the following components for effective Risk Management across the Group:

- An Independent Risk organisation and governance structure with a clear common framework of risk ownership and accountability
- Governance standards and controls to identify, measure, monitor and manage risks
- Policies to support and guide risk taking activities across the Group
- Risk Appetite statements
- Standardised risk metrics and risk reports to identify and communicate and risks
- Periodic stress testing to assess the impact of adverse business conditions on earnings, capital and liquidity

The Bank has adopted a three-lines-of-defence model towards risk management. Business units and the independent risk management function, work in collaboration to ensure that business strategies and activities are consistent with the laid down policies and limits. Responsibilities for risk management at each line of defence are defined, thereby providing clarity in the roles and responsibilities towards risk management function.

At the first line of defence are the various business lines that the Bank operates, who assume risk taking positions on a day-to-day basis within approved framework and boundaries.

The second line of defence is made up of Risk Management, Finance and Compliance functions. This line provides independent review, challenge and oversight of the activities conducted by the first line and periodic reporting to the Board. The Bank's second line risk management function is responsible for monitoring the risk management and reviewing the risks that the bank is exposed to and ensures that the management and the Board is sufficiently informed of the risk exposure.

The third line of defence is the audit function that provides an independent assessment of the first and second line of defence and reports to the audit committee of the Board.

The risk management framework based on the three lines of defence governance model is further strengthened by a strong risk culture that is present at all levels. All employees are responsible for understanding and managing risks within the context of their individual roles and responsibilities.

The Chief Risk Officer (CRO), who is appointed by the Board of Directors and reports directly to the MD & CEO, heads the independent risk function in the Bank. The Risk function provides an independent and integrated assessment of risks across various business lines.

The risk management process is the responsibility of the Board of Directors which approves risk policies and the delegation matrix. The Board is supported by an experienced executive management team and various management committees as part of the Risk Governance framework. The Bank and every legal entity in the Group, operates within overall limits set by the Board and Committees to whom powers are delegated by the Board. Every quarter, the CRO reports to the Board, on the performance against risk appetite and the risk profile. Besides this, formal updates on various portfolios are provided to the Board periodically. Such regular and transparent risk reporting and discussion at senior management level, facilitates communication and discussion of risks and mitigating strategies, across the organisation. A Group Risk Management committee (GRMC) is constituted to ensure that there

is a holistic view of risks at overall Group level. The Board has oversight of the management's efforts to balance growth and prudent risk management, while creating value for stakeholders.

During the year, the Bank and major entities of the Group continued to be rated "AAA", reflecting the Group's strong financial risk profile, sound asset quality, robust liquidity and strong capital adequacy.

B. Capital Adequacy

The Group's approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment. Capital management involves an on-going review of the level of capitalisation against key objectives and to maintain a strong capital base to support long-term stability, planned business growth and risks inherent in various businesses. The strong Tier I capital position of the Group is part of the overall business strategy and a source of competitive advantage. It provides assurance to regulators and credit rating agencies, while protecting the interests of depositors, creditors and shareholders. Strong capitalisation also enables the Group to take advantage of attractive business opportunities. The Group strives to strike a balance between the need for retaining capital for strength and growth, while providing an adequate return to shareholders. The Group sets an internal capital adequacy ratio target that includes a discretionary cushion in excess of the minimum regulatory requirement.

In addition to the regulatory risk-based capital framework, the Group is also subject to minimum Leverage Ratio requirement. The leverage ratio is calculated by dividing Basel III Tier I capital by the total of on-balance sheet assets and off-balance sheet items at their credit equivalent values. The strong Tier I position of the group ensures a high leverage ratio for the Group.

Capital planning is an important element of overall financial planning and capital requirements of businesses are assessed based on the growth plans. The Capital utilisation & requirement is monitored every quarter to ensure sufficient capital buffer above regulatory and internal requirement. Senior management considers the implications on capital, prior to making strategic decisions. During the year, the Bank and each legal entity in the Group placed emphasis on capital and liquidity to ensure that they were capitalised above internal and regulatory minimum requirements at all times, including under stress conditions.

C. Risk Appetite

The risk appetite is set by the Board and is a top-down process consisting of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk the Group is willing to accept in support of its financial and strategic objectives. The risk appetite statements set the "Tone from the Top" and cover all key risk factors and clearly define the boundaries of risk taking. The risk appetite is a key building block of the Bank's risk management culture and risk management framework. Risk Appetite forms a key input to the business and capital planning process by linking risk strategy to the business strategy, through a set of comprehensive indicators. The Risk appetite statements are reviewed by senior management who recommend it to the Board for approval. Annual financial plans are tested against key risk appetite measures to ensure alignment. Regular monitoring of risk exposures is carried out to ensure that risk taking activity remains within risk appetite. Performance against approved risk appetite is measured every quarter and reviewed by the Senior Management, RMC & Board. Action is taken as needed to maintain balance of risk and return. The framework is operational at the consolidated level as well as for key legal entities.

D. Credit Risk

Of the various types of risks which the Group assumes, credit risk contributes to the largest regulatory capital requirement. Credit risk arises as a result of failure or unwillingness on part of customer or counterparties' to fulfil their contractual obligations. These obligations could arise from wholesale, retail advances, off balance sheet items or from investment and trading portfolio by way of issuer risk in debt paper, counterparty risk on derivative transactions and downgrade risk on non SLR investments and OTC contracts. The Group assumes credit risk in areas that are well understood and where there is sufficient expertise, resources and infrastructure to effectively measure and manage the risk and balance risk with reward.

The Group has a comprehensive top-down credit risk framework defined by Credit policies & Standards that sets out the principles and control requirements under which credit is extended to customers in various business divisions. The policies and standards cover all stages of the credit cycle including origination; client ratings, risk assessment; credit approval; risk mitigation; documentation, administration, monitoring and recovery. The Group aims to have a consistent approach across legal entities when measuring, monitoring and managing credit risk.

Credit and investment decisions must comply with established policies, guidelines, business rules and risk assessment tools used to help make these decisions. Managing credit risk is the responsibility of several levels of employees - from those who deal directly with clients to authorising officers. The Group has credit approving authorities and committee structures and a set of formal limits for the extension of credit, linked to the risk levels of the borrower and transaction. Authorities are delegated to positions commensurate with their function and the level of credit knowledge and judgement that employees holding that position are required to possess. The delegation of authority is reviewed at least annually.

The Credit philosophy in the Bank mandates that lending is based on credit analysis, with full understanding of the purpose of the loan and is commensurate to customer financials and ability to repay from business operations without compromising business continuity or finances. Off balance sheet transactions are subjected to the same rigorous credit analysis as on balance sheet transactions. Appropriate levels of collateralisation is obtained based upon the nature of the transaction and the credit quality, size and structure of the borrower.

Wholesale and retail portfolios are managed separately owing to difference in the risk profile of the assets.

Wholesale lending is managed on a name-by-name basis for each type of counterparty and borrower Group. Credit rating models provide a consistent and structured assessment, which, supplemented with expert judgment determines Credit Approval. Wholesale credit is monitored at an aggregate portfolio, industry, individual client and borrower Group level. Annual credit reviews of borrowers are a key credit control measure. Parameters for new underwritings are clearly specified and internal ratings are assigned when a credit is initially approved. The ratings are reviewed at least once annually, with updated information on financial position, market position, industry economic condition and account conduct. Besides client account reviews, sector outlook and performance of borrowers within sectors are monitored and reported to senior management.

Retail portfolios typically consist of a large number accounts of relatively small value loans. They comprise mortgage loans, vehicle loans, personal loans, credit cards, small business loans etc. These are mainly schematic lending within pre-approved parameters. The credit assessment in such portfolios is typically done using a combination of client scoring, product policy, external credit reporting information such as credit bureaus where available and is also supplemented by Credit officer's judgment. Internal historical information from previous borrowers also forms an input into credit decisions. There are specific guidelines for each product and the credit decision will take into account the parameters like loan to value, borrower demographics, income, loan tenor, availability of guarantors etc.

Retail clients are monitored on pools of homogeneous borrowers and products. Business-specific credit risk policies and procedures including client acceptance criteria, approving authorities, frequency of reviews, as well as portfolio monitoring frameworks and robust collections and recovery processes are in place.

The Bank's credit process is divided into three stages - pre-sanction, sanction and post -sanction.

At the pre-sanction stage, the independent credit function conducts credit appraisal and assign a borrower credit rating based on internal rating model. The credit rating takes into consideration the borrowers current and anticipated financial position and other relevant risk factors like Business risk, Industry and Management quality. The Bank has various rating models depending upon the borrower size and segment. Each credit rating assigned maps into a borrower's probability of default. The borrower rating is supplemented by a separate risk rating assigned at the facility level, that takes into consideration additional factors, such as security, seniority of claim, structure, and any other form of approved credit risk mitigation. At a minimum, two independent credit officers are involved in the rating decisions and the ratings are finalised by a senior credit officer.

In the post sanction process, the credit administration team processes documentation, on the completion of which, credit is disbursed. There is regular reporting on portfolio distribution by risk grades, monitoring of covenants prescribed as part of sanction and pending documentation if any.

An independent loan review team conducts reviews of credit exposures covering compliance to internal policies, sanction terms, regulatory guidelines, account conduct and suggests remedial measures to address irregularities if any. The Bank has an enterprise-wide Early Warning Signal (EWS) framework that considers various financial and non-financial parameters to identify signs of credit weakness at an early stage. In case of loans where there is significant deterioration, the Bank employs various recovery mechanisms, including transferring the account to an internal unit specialised in managing problem accounts, to maximise collection from these accounts.

E. Collateral and Credit Risk Mitigation

Credit Risk mitigation begins with proper customer selection through assessment of the borrower, along financial and non-financial parameters, to meet commitments. The Group uses a number of methods to mitigate risk in its credit portfolio (on and off balance sheet), depending on suitability of the mitigant for the credit, legal enforceability, type of customer and internal experience to manage the particular risk mitigation technique. Common credit risk mitigation techniques are facility structuring, obtaining security / collateral, guarantees and lending covenants. While collateral cannot replace a rigorous assessment of a borrower's ability to meet obligations, it is an important complement. Mitigating mechanisms like syndication, loan assignments as well as reduction in the amount of credit granted are also used. While unsecured facilities may be provided, within the Board approved limits for unsecured lending, collateral is taken wherever needed, depending upon the level of borrower risk and the type of loan granted.

The Bank has an approved Collateral management policy that sets out the acceptable types of collateral, valuation framework and the hair cut applicable. The haircut applied depends on collateral type and reflects the risk due to price volatility, time taken to liquidate the asset and realisation costs. Collateral values are assessed at the time of loan origination by an independent unit and the valuations are updated, as per policy, depending on the type of collateral, legal environment and creditworthiness of the borrower. In cases where the value of collateral has materially declined, additional collateral may be sought to maintain the cover as per sanction terms.

The main types of collateral / security taken include cash & cash equivalents, immovable property, movable fixed assets, inventory and receivables. Guarantees from higher rated entities are also obtained in cases where credit worthiness of the standalone borrower is not sufficient to extend credit. Guarantees that are treated as eligible credit risk mitigation are monitored along with other credit exposures to the guarantor.

Legal enforceability of collateral obtained is critical, to improve recoveries in the event of a default. The Bank has specific requirements in its internal policies with regards to security verification and appropriate legal documentation. Periodic inspections of physical collateral are performed where appropriate and where reasonable means of doing so are available. The Credit Administration and Legal function ensure that there is timely registration, adequate legal documentation, in line with internal policies, to establish recourse to any collateral, security or other credit enhancements.

F. Credit Risk Concentration

To avoid undue concentration in credit exposures and maintain diversification, the Bank operates within Board approved limits or operational controls in its loan portfolio, that include -

- Single / Group borrower & Substantial exposure limits
- Sector and Industry limits
- Exposure limits on below investment grade accounts
- Country / Bank exposure limits

The Bank has defined internal limits for managing borrower concentrations, which are tighter than regulatory norms. Exposures are monitored against approved limits to guard against unacceptable risk concentrations, and appropriate actions are taken in case of any excess. Concentration limits represent the maximum exposure levels the Bank will hold on its books. Besides controlling fresh exposure generation, loan sell-downs are used as a key tool in managing concentrations. Concentration levels in the credit portfolio are reported to senior management. Based on evaluation of risk and stress in various sectors, the Bank identifies stressed sectors and makes provisions for standard assets at rates higher than the regulatory minimum, in such sectors.

Concentration is also monitored in geographic locations in the retail portfolio, delinquency trends, types of credit facilities and collaterals. The risk appetite of the Bank mandates a diversified portfolio and has suitable metrics for avoiding excessive concentration of credit risk. Through periodic monitoring, analysis and reporting, the Bank ensures that the overall risk in the portfolio is diversified and consistent with the risk appetite mandate while achieving financial objectives.

G. Market Risk in Trading Book

Market Risk is the risk that earnings or capital will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, implied volatilities, credit spreads, commodity and equity prices. The Board Approved Investment Policy sets out the Investment Philosophy of the Bank and its approach to Market Risk Management. The Asset Liability Management Committee (ALCO) of the Bank approves the market risk & limit framework, the allocation of limits to business units & desks, the risk monitoring systems and risk control procedures. The Bank's Board Committee for Derivative Products and Senior Management Committee for Derivatives are responsible for the oversight of the client derivatives business.

The Bank has a comprehensive market risk limit-framework including limits on sensitivity measures like PV01, Duration, Option Greeks (Delta, Gamma, Vega etc.) and other limits like VaR limits, loss-triggers, value-limits, gap-limits, deal-size limits, tenor restrictions and holding-period limits.

The independent Market Risk Management unit reports directly to the Chief Risk Officer and ensures that all market risks are identified, assessed, monitored and reported for management decision making. The unit is responsible for identifying and escalating any risks, including limit breaches on a timely basis. Major limits like PV01, Bond Position Limits, Desk-wise Fx Position limits, Greek limits etc. are even monitored on an intraday basis.

Liquidity of the trading portfolio is assessed and an appropriate deduction is made from Tier I capital towards illiquidity if any.

The Bank uses Value-at-Risk (VaR) to quantify the potential price risk in the portfolio. The VaR model is based on historical simulation and a confidence level of 99%. Value-at-Risk limits have been set on all major trading portfolios. The VaR model is periodically validated through a process of back testing. The Bank also uses metrics like Stressed Value-at-Risk and periodically performs Stress testing to measure the exposure of the Bank to extreme, but plausible market movements.

H. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before final settlement of the transaction's cash flows. An economic loss would occur if the transaction or portfolio of transactions with the counterparty has a positive economic value for the Bank at the time of default.

The CCR exposure is calculated on a daily basis, using Current Exposure Method. Limits for interbank counterparties are set on the basis of an internal model, approved by the ALCO. CCR limits for other counterparties are set on the basis of their internal ratings, Loan Equivalent Ratio, business requirements and are approved by the appropriate sanctioning authorities.

The Bank has an approved framework to evaluate the Suitability of the customer and Appropriateness of the derivative to the client's hedging requirements. The Group computes Credit Valuation Adjustment, which captures the risk of mark to market losses due to deterioration in the credit worthiness of the counterparty.

With a view to reduce counterparty and systemic risk, there are regulatory initiatives directing OTC trades to be cleared through Central Counterparties (CCPs). The Bank has a dedicated team that manages the interface with CCPs and understands the implications of the risk transfer from being distributed among individual bilateral counterparties to CCPs. The Bank operates within ALCO approved limits on individual CCP.

I. Interest Rate Risk in Banking Book (IRRBB)

IRRBB consists primarily of risk inherent in ALM activities and relates to the potential adverse impact of changes in market interest rates on future net interest income. IRRBB arises from mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items in the banking book. The intensity of the impact depends largely on timing mismatches in the maturity and repricing of assets and liabilities and off-balance sheet positions. The aim of managing interest-rate risk is to limit the sensitivity of the balance sheet to interest rate fluctuations. The Group assesses and manages interest rate risk in its banking book as well as including trading book.

ALCO is the guiding body for management of IRRBB in the bank and sets the overall policy and risk limits. Balance Sheet Management Unit (BMU), which is part of the treasury, is entrusted with the responsibility of managing IRRBB and uses Funds Transfer Pricing (FTP) to transfer risk from business units to centralised treasury. No interest rate risk is retained within any business other than treasury. Measuring interest rate risk in the banking book, includes conventional parallel yield curve shifts as well as scenarios in which the curvature of the yield curve changes.

As interest rate risk can impact both net interest income (NII) and value of capital, it is assessed and managed from both earning and economic perspective. Bank uses earnings at risk (EaR) as a short-term risk indicator to assess the sensitivity of NII and NIM over a one-year period, to change in interest rates. From an economic perspective, which is a long-term risk indicator, it uses duration approach to determine the sensitivity of economic value of equity (EVE) to changes in interest rates.

During the year, the management of structural balance sheet risk has allowed the Bank to mitigate the negative impact of the downward trend in interest rates and the volatility experienced as a result of the effects of COVID-19.

J. Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due without adversely affecting its financial condition or not being able to finance growth of its assets without incurring a substantial increase in costs. The efficient management of liquidity is essential to the Group in order to retain the confidence of the financial markets and maintain the sustainability of the business. Liquidity is managed through the Group Liquidity policy, which is designed to maintain high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations while maintaining a diversified funding profile. Diversification of funding sources is a key element of the funding strategy and funding sources are well diversified by source, instrument, term and geography. The choice of funding sources and instruments is based on a number of factors, including relative cost and market capacity as well as the Group's objective to achieve an appropriate balance between the cost and the stability of funding. The organisation strives to maintain a long-term funding structure in line with the liquidity of its assets, with maturity profiles that are compatible with the generation of stable and recurrent cash flows, so that the balance sheet can be managed without liquidity strains in the short term. The funding of lending activity is fundamentally carried out using stable customer funds.

Asset Liability Management Committee (ALCO) of the Bank defines its liquidity risk management strategy and risk tolerances. Balance Sheet Management Unit (BMU) of the Bank is responsible for managing liquidity under the liquidity risk management framework. The framework is designed to maintain liquidity resources that are sufficient in amount, quality and funding tenor profile to support the liquidity risk appetite. Liquidity risk management strategies and practices are reviewed to align with changes to the external environment, including regulatory changes, business conditions and market developments. Actual and anticipated cash flows generated are monitored to ensure compliance with limits. Liquidity risk tolerance is an integral part of the Board approved risk appetite statements.

There is an internal funds transfer pricing mechanism under which each business is allocated the full funding cost required to support its assets, businesses that raise funding are compensated at an appropriate level for the liquidity benefit provided by the funding. Limit setting and transfer pricing are tools designed to control the level of liquidity risk taken and drive the appropriate mix of funds.

Liquidity risk is assessed in the Bank from both structural and dynamic perspective and the Bank uses various approaches like Stock approach, cash flow approach & stress test approach to assess this risk. Bank has also set prudential internal limits in addition to regulatory limits on liquidity gaps, call borrowing and interbank liabilities among others. Cash flow management is critical for liquidity risk management and the Bank has developed models for predicting cash flows for products with indeterminate maturity, products with embedded options, contingents, etc. The outcome of the models is periodically back tested to test their effectiveness.

The Bank also manages its intra-day liquidity positions so that payments and settlement obligations are met on a timely basis. The Bank dynamically manages the queue of payments, forecasts the quantum and timing of cash flows, prioritising critical payment transactions, assessing the drawing power of intraday liquidity facilities, etc.

The Bank follows a scenario-based approach for liquidity stress testing to evaluate the impact of stress on the liquidity position. The Liquidity Coverage Ratio (LCR) aims to promote short-term resilience of a bank's liquidity risk profile and measures the extent to which a Banking Group's High-quality liquid assets (HQLA) are sufficient to cover short-term expected cash outflows in a stressed scenario, over the next 30 calendar days. The expected cash outflows are arrived by applying specific run off rates, prescribed by the regulator, against outstanding liabilities and off-balance sheet commitments. These outflows are partially offset by inflows, which are calculated at regulatory prescribed inflow rates. The HQLA have to meet the defined eligibility criteria laid down by the regulator. The Group monitors and manages the composition of liquid assets to ensure diversification by asset class, counterparty and tenor.

In view of the exceptional conditions due to COVID-19, the RBI vide notification dated 17th April, 2020, reduced the LCR requirement to 80%. The LCR requirement reset to 90% on 1st October, 2020 and is 100% from 1st April, 2021. The Group is well above the minimum regulatory requirement for the LCR. The Group considers the impact of its business decisions on the LCR and regularly monitors the LCR as part of the liquidity risk management framework.

Besides LCR, the Basel III liquidity framework also envisage the Net Stable Funding Ratio (NSFR), which measures the ratio between available stable funding (> 1 year) and the required stable funding (> 1 year) to support long-term lending and other long term assets. The RBI has prescribed NSFR of at least 100% from 1st October 2021. The Group is on track to meet the NSFR requirements as per the RBI guidelines.

To supplement the monitoring of liquidity risk under normal business conditions, a framework has been designed to prevent and manage liquidity stress events. The bank has a Contingency Liquidity Plan (CLP) approved by ALCO and the Board, that plays an important role in its liquidity risk management framework. The CLP incorporates Early Warning Indicators (EWIs) to forewarn emerging stress liquidity conditions and to maximise the time available to undertake appropriate mitigating strategies. The plan establishes an appropriate governance structure, lines of responsibility, contact lists to facilitate prompt communication with all key internal and external stakeholders and also defines strategies and possible actions to conserve or raise additional liquidity, under stress events of varying severity, to minimise adverse impact on the Bank.

K. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The objective of operational risk management at the Bank is to manage and control operational risk in a cost effective manner within targeted levels as defined in the risk appetite. The centralised and independent operational risk management function manages this risk as guided by the Board approved operational risk management policy.

The Board of Directors, Risk Management Committee and the Operational Risk Executive Committees (ORECs) have overall oversight function for operational risk management. The Group level IT Security Committee provides direction for mitigating the operational risk in IT security. There is a group wide IT security programme (ARISTI) to ensure complete data security and integrity. There is also a Committee on Frauds, which reviews all frauds above a threshold amount. Further, an Executive level Fraud Risk Management Committee has been constituted under the chairmanship of the Chief Risk Officer.

The business units and support functions are accountable for operational risks and controls in their respective areas, which they manage under the policies, standards, processes, procedures and operational risk management framework laid down by the independent Operational Risk Management (ORM) function. The ORM function defines standardised tools and techniques such as Risk and control self-assessment (RCSA) to identify and assess operational risks and controls. The RCSA programme is executed by Business and support functions in accordance with the standards established by the ORM function. The ORM team provides independent challenge to the RCSAs and evaluates the residual risks. Key Risk Indicators (KRIs) are defined and tracked to monitor trends of certain key operational risk parameters. Internal audit and Internal Control teams provide oversight and assurance that activities are conducted as per laid down guidelines.

The Bank has an internal framework for reporting and capturing operational risk incidents. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. The Bank has a Whistle Blower policy and platform, which is open to employees and vendors for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event. Disaster recovery and Business Continuity Plans (BCP) have been established for significant businesses to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness.

Risk transfer via insurance is a key strategy to mitigate operational risk exposure at the Bank. The Operational Risk team helps to review and provide inputs on insurance coverage basis trends and triggers emerging from unusual events or changes in risk profile basis introduction of new products or developments in the external environment.

L. Technology Risks

The Bank has committed significant resources to manage technology risk. A layered technology architecture is implemented to manage risks due to system failures, cyber-attacks etc. Disaster recovery and Business Continuity Plans (BCP) have been established and various functional and technology initiatives have been taken to enhance system resiliency.

End of Life/out of support systems pose operational and security risks such as vendor support, patch, bug fixes etc. The Bank has a process for planned upgrades of out of support systems.

Effective access control mechanism is a key technology control to prevent unauthorised access. The access to business applications is provisioned by an independent team. The access is provided based on the roles and segregation of duties. Technology and Operational controls are implemented to manage privileged access to systems.

Cyber threats and the associated risks in the external environment have increased and the Bank works continuously to improve processes and controls to mitigate these risks. Cyber resilience framework is established to mitigate the threats such as data breaches, malware, denial-of-service attacks etc.

New digital product offerings are thoroughly assessed for cyber risks prior to roll out and on an ongoing basis.

During the year, cyber drills were conducted to assess the effectiveness of the prevention, detection and response controls. Several initiatives were taken to impart and assess the security awareness of employees/contractors. The Bank has enhanced its threat hunting capabilities to proactively detect malicious behavior/anomalies in the IT Infrastructure. Risk Assessments were conducted and various measures are implemented to enhance the overall security framework.

The Bank constantly monitors the technology risk environment, emerging regulatory requirements and mitigation strategies.

Ongoing audits/tests are conducted to assess the robustness of its technology controls and minimise the impact of any incidents.

N. Reputation Risk

Trust is the foundation for the banking industry and is critical to building a strong customer franchise. Reputation risk is the risk of current or prospective loss arising from stakeholder's adverse experience while dealing with the institution, which results in an adverse perception / loss of Trust in the institution. Reputation Risk most often results from the poor management of other risks and can arise from a variety of sources including direct sources like poor financial performance, poor governance and indirect sources like increased operational risk or control failures. Reputation is critical to achieving Group Objectives and targets and damage to it can have negative effects on its business. Managing reputation is a priority area for the Group and there is Zero tolerance for knowingly engaging in any activities that are not consistent with its values, Code of Conduct or policies and have the potential for unacceptable regulatory or reputational risk. The Group ERM policy lays down the framework to ensure reputation is managed effectively and consistently across the Group. This is supplemented by business procedures for identifying and escalating transactions that could pose material reputation risk, to senior management. Each employee has the responsibility to consider the impact on reputation of the Group, when engaging in any activity. The framework seeks to proactively identify and avoid areas that may result in potential damage to reputation and guidelines for managing crisis situations, if a reputation risk incident has occurred. The reputation risk management process is integrated with the Internal Capital Adequacy Assessment Process. While reputation risk can be difficult to quantify, the Bank has adopted a scorecard approach, based on expert judgment, to assess various reputation risk drivers and the overall level of reputation risk.

O. Conduct Risk

Conduct risk means any action that would cause harm to consumer protection, market integrity or competition. The Bank has identified conduct risk arising out of: Manipulation of financial benchmarks / markets, Mis-selling, Fair dealing with customers and Compliance with laws of the land. Minimising conduct risk is critical to achieving long term business goals and meeting regulatory standards. The Bank has processes for managing conduct risk and policies that guide staff in dealing with prevention of conflict of interest, employee conduct and dealing with proprietary and confidential information, so that they conduct themselves ethically and in compliance with the law. Product approval, product review processes, suitability and appropriateness policies, are some of the measures embedded in the Bank's framework to mitigate conduct risk. Conduct Risk is managed by maintaining a positive and dynamic culture that emphasises acting with integrity. Respective policies ensure that business decisions are guided by standards that take into account right conduct apart from commercial considerations. Conduct risk management is incorporated into HR practices, including recruiting, training, performance assessment, promotion and compensation processes. The Group places zero tolerance on instances of professional or personal misconduct. Conduct risk is assessed in the ICAAP through a scorecard that considers the various drivers of conduct risk.

During the year, in the context of COVID-19, the Bank maintained its focus on customers and culture. The Bank implemented measures to support customers and ensure continuity of service. The Bank supported its employees in these unprecedented conditions, adapting its controls and risk management processes in view of the significant levels of remote working throughout the year.

P. Risk Culture

Culture and values are a priority area for the Group. Risk culture refers to desired attitudes and behaviours relative to risk taking. The Group embeds a strong risk culture, through clear communication and appropriate training for employees. The objective is to develop a disciplined risk culture where managing risk is a responsibility shared by all employees. The Group only assumes those risks that can be managed, with clear understanding of the implications. Senior Management receives regular and periodic information on various matters for the respective business lines and clearly communicate their plans, strategy and expected outcomes to team members. The Bank has a structured induction programme for new employees to help them in understanding various businesses across the Group and how risk management culture and practices support in building and sustaining the organisation. All employees are required to be familiar with risk management policies relevant to their roles and responsibilities and it is their responsibility to escalate potential risk issues to senior management, on a timely basis. The risk culture in the Group lays emphasis on responsible business practices, prioritisation of customers' needs and appropriate disclosures. Risk is taken into consideration when preparing business plans and when launching new products. These objectives are backed by suitable policies and processes for implementation.

The enterprise risk management framework outlines the methodology used to manage the risks inherent in its activities, while ensuring the outcomes of risk-taking are aligned with its overall strategy and mandate. The framework reinforces a risk culture across the organisation that ensures a high level of risk awareness and makes risk management an integral part of organisational decision-making. The Bank's risk management practices and culture enables it to take the risks necessary to fulfill its mandate while ensuring the organisation is financially sustainable.

Q. Internal Capital Adequacy Assessment Process ('ICAAP')

Every year, the Group undertakes the Internal Capital Adequacy Assessment Process (ICAAP), which provides management with a view of overall risks, assessment and capital allocated to cover the risks. The ICAAP is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. ICAAP is an assessment of all significant risks (Pillar II), other than Pillar I risks, to which the Group is exposed and covers the consideration of whether additional capital is required, based on internal assessment. Once the risks are identified, the Group determines the method and extent of risk mitigation. Risk mitigation takes place through strengthening policies, procedures, improving risk controls and having suitable contingency plans. Finally, the Group determines the risks that will be covered by capital and the level of capital sufficient to cover those risks. The ICAAP outcomes are reviewed by senior management and formally approved by the Board. During the year, the ICAAP was enhanced to include greater detail and more in-depth analysis. The Group was adequately capitalised to cover Pillar I & Pillar II risks.

R. Stress Testing

Stress testing is a key element of the ICAAP and an integral tool in the Risk Management framework as it provides management a better understanding of how portfolios perform under adverse economic conditions. Stress testing is integral to strengthening the predictive approach to risk management and supplements other risk management tools by providing an estimate of tail risks.

The Bank has a Board approved Stress testing policy which is aligned to regulatory guidelines and covers material risks. Indicative stress scenarios are defined in the policy. Liquidity stress tests are also part of this framework and aim to ascertain whether the Bank has recourse to adequate liquidity to withstand the impact of approved stress scenarios. As actual events can sometimes be more severe than anticipated, management considers additional stresses outside these scenarios, as necessary. Reverse stress testing is used to explore extreme adverse events that would cause capital adequacy to fall below the internal capital threshold.

The results of stress tests are interpreted in the context of the Bank's internal risk appetite for capital adequacy and reported to management and the Board. The stress testing exercise provides an opportunity to develop suitable mitigating response prior to onset of actual conditions exhibiting the stress scenarios. The ICAAP integrates stress testing with capital planning and during the year, the Bank was above regulatory and internal target capital ratios under all approved stress scenarios.

During the year, the Bank ran a range of internal stress scenarios to determine potential outcomes of the COVID-19 pandemic, which informed management actions. The aim of the tests was to identify key vulnerabilities that were most relevant and material to the business model and to assess the resilience of key balance sheet metrics including capital adequacy and liquidity. The balance sheet capital adequacy and liquidity remain resilient based on internal stress test outcomes.

S. COVID-19

The COVID-19 pandemic is the one of the most severe public health crisis in modern history. The outbreak and its effect on the global economy affected its customers, and the future effects of the outbreak remain uncertain. Many business models and income were impacted by the economic downturn caused by the COVID-19 outbreak, requiring them to take support from both governments and banks. The government responded at unprecedented levels to protect public health, economy and livelihoods, through a combination of lockdowns to limit the spread of infection and to avoid overburdening the healthcare system. The lockdowns restricted public life and led to a significant decline in sales in many sectors, such as restaurants, hotels, recreation, transportation, tourism and retailing. Different areas of economic policy, such as monetary policy and fiscal policy have operated in synergy during the crisis. Throughout the pandemic, the Bank has continued to support its customers and maintained its levels of service as its people, processes and systems responded to changes in the operating environment. The strong balance sheet and liquidity position also helped it to support its customers.

Compliance

The Bank has, since inception, a well-established and comprehensive compliance framework and structure to identify, monitor and manage the Compliance Risk in the Bank. The framework, policy and the structure are also adhering to all the regulatory prescriptions issued by the RBI in this regard. In addition, all key subsidiaries of the Bank have independent Compliance Function. The Compliance officials of the Bank and the Group interact on various issues periodically to ensure that all the supervisory and regulatory instructions are interpreted and implemented in letter and spirit. This also helps exchange of views on best practices and to understand compliance risk across the Group. Guidance or directions are extended to the subsidiary companies Compliance Officers, keeping in the mind the overall responsibility of the Bank as the Holding Company. The Compliance Function is responsible for all

aspects of regulatory compliance across the Bank. Compliance is given utmost importance with the tone from the Top and Senior Management of the Bank and subsidiaries are directly monitoring the same.

The compliance framework, approved by the Board, broadly sets out the compliance risk management processes and tools to be used by businesses, management and Compliance Officers for managing its compliance risks. Apart from the Bank's compliance framework, the Bank and all the subsidiaries have their own operating procedures. The Compliance team supports top management and manages and supervises the compliance framework along with providing compliance assistance to various businesses/support functions. The Bank has a Board approved New Products/Process approval policy and all new products/processes or modifications to the existing product/processes are approved by Compliance by satisfying that these products are compliant with not only various RBI regulations but that of SEBI / IRDAI / PFRDA. As prescribed by RBI, Bank has a system of compliance review of its new products within six months of its launch to satisfy that all the regulatory prescriptions have been adhered to. These Review reports are issued to the concerned businesses / Product Heads.

The Compliance Department ensures that the applicable regulatory prescriptions apart from Anti-Money Laundering / Combating Financing of Terrorism / KYC aspects are dovetailed in to the new products / processes notes. Compliance Department senior executives are members of various internal and external committees, which enable them to monitor the compliance risk of the institution effectively.

The Bank uses the knowledge management tools for monitoring the changes in existing regulations as well as new regulations. The Bank has put in place Compliance tracking and Monitoring system to ensure that the regulatory instructions are implemented effectively within the organisation. The Bank also looks at regulatory websites and participates in industry working groups that discuss evolving regulatory requirements. In-house compliance newsletter keeps the employees abreast of the key regulatory updates affecting the businesses of the Bank and its subsidiaries. Compliance also disseminates the changes in the regulations by way of compliance alerts to all the employees. Training on compliance matters is imparted to employees on an ongoing basis both online and classroom. The Compliance Department keeps the management/Board informed about important compliance related matters through monthly, quarterly and annual compliance reviews.

Internal Controls

The Bank has adequate internal controls, driven through various policies and procedures which are reviewed periodically. Businesses have an Internal Risk Control Unit or Internal Controls functions to assess the efficacy of the controls put in place to mitigate identified risks and to identify new risks. Senior officers of the operating and business units, also monitor the mitigating measures taken.

The Bank has Internal Audit function which is responsible for independently evaluating the adequacy and effectiveness of all internal controls, Information Security controls, Risk management, Governance systems & processes and is manned by appropriately skilled, experienced and qualified personnel. The Bank has Information Systems Audit team in place, as a part of its Internal Audit team, to identify and address Technology and IT-related Security issues commensurate with the nature and complexities of its operations. The Internal Audit department and Compliance function ensure business units adhere to internal processes and procedures as well as to regulatory and legal requirements and provide timely feedback to Management for corrective action. The audit function also proactively recommends improvements in operational processes and service quality. The Bank takes corrective actions to minimise the design risk, if any.

Audit department adopts a risk based audit approach in congruence with the RBI's Guidelines on Risk Based Internal Audit (RBIA) and carries out audits across various businesses and functions i.e. Consumer, Commercial, Wholesale, Treasury (for domestic and overseas operations) and audit of Operations units, Risk and support functions, Information Security Audits, Information Technology audits, IT Governance & Infrastructure audits in order to independently evaluate the adequacy and effectiveness of internal controls on an ongoing basis and pro-actively recommending enhancements thereof. An oversight on the critical areas of operations is also kept through off-site monitoring. Further, critical units of the Bank are subjected to Independent Concurrent Audit process by reputed external audit firms as well as through its own staff.

To ensure Independence, the Internal Audit function has a reporting line to the Chairman of the Audit Committee of the Board and a dotted line reporting to the Managing Director & CEO. The Audit Committee of the Board also reviews the performance of the Audit & Compliance functions and reviews the effectiveness of controls & compliance with regulatory guidelines.

Human Resources

As on 31st March, 2021, the employee strength of Group was over 73,000 as compared to over 71,000 Kotakites a year ago. The standalone Bank had over 51,700 employees as on 31st March, 2021.

In the FY 2020-21, there was increased focus on employee wellness, work life balance, engagement and development. With its undeterred efforts and exceptional employee initiatives, the Bank is now certified as a **'Great Place to Work'** by the GPTW institute. Key areas where several employee initiatives were introduced and re-engineered are as follows:

A. Employee Health & Wellness:

Bank has championed Health and Wellness drives with the initiative, **#HumFitKotakHit**. It has addressed a holistic welfare of Kotakites, including Physical, Social, Financial and Emotional welfare.

- Bank has launched a monthly Fitness allowance with effect from December 1, 2020, thereby creating a culture of fitness for Kotak employees by encouraging them to update their fitness goals online, driving focus on their health and well-being.
- Doctors, counsellors, psychiatrists, nutritionists are available online for all Kotakites. Online yoga, Zumba, meditation and mindfulness were conducted to help Kotakites combat physical and mental stress.
- Introduced **'Special Leave COVID-19 Positive'** of upto 15 days which is over and above the leave balance.
- All Kotakites are covered under **Term life + Personal accident policy** and also **Mediclaim** policy. The employee's share of the Mediclaim insurance premium is waived off.
- By way of Virtual Connect, Bank reached out to Kotakites in Branch banking through **Employee Outreach Programme**, to check on them and their families during the lockdown phase and whether they needed any assistance of any kind.
- Bank is also **reimbursing Covid tests** expenses for Kotakites and their families.
- **828 Guidelines** was introduced ensuring that no work related emails or messages are sent to Kotakites between 8 pm and 8 am.
- **Remote working policy** has been introduced offering hybrid working opportunities to Kotakites with Remote Working **allowance** to cover wi-fi and other work related furnishing expenses.
- **Emotional Assistance Programme** was launched to support and guide Kotakites emotionally.

B. Diversity and Inclusion:

- Bank has created an opportunity for multi-generations with current average age of 32 years, creating an opportunity for younger talent across grades. Around 65% of Kotakites are in their 40s at senior levels, thereby creating a balance at all levels.
- Bank also revamped the D&I agenda and formed the **D&I Council** representing leaders from all businesses in the Bank lead by Shanti Ekambaram, Group President-Consumer Bank. The D&I Council aims to drive changes in the culture, policies, processes and systems to build an Inclusion focused work environment.
- "Kotak Mahindra Bank" is one of the best amongst the competition on Gender Diversity in the Banking sector with current gender diversity close to 1/4th of its employee population.
- Regional **R&R events** were organised where Kotak Wonder Women (KWW) were felicitated under 4 different categories.
- The Bank has designed a Kotak Wonder Women **coaching intervention** which is a journey spread over 6-8 months for senior women leaders across Kotak group.
- To promote diversity, Bank has introduced special **Talent Acquisition initiatives** such as, exclusive women recruitment drives with preference of women candidates, including replacement of positions with women candidates and hiring women for remote working roles.
- The Bank launched a **Digital Learning platform** exclusively for Kotak Wonder Women in collaboration with Everywoman – a UK based Gender Diversity organisation with specially curated content based on 9 themes focusing on challenges faced by women in corporate life.
- **Employee Assistance Programme** was introduced for all KWW.
- **Eve talk** was launched to discuss topics such as managing work life balance, transition from a manager to a leader, handle a bad day at work, discuss challenges and offer solutions.

C. Employee Engagement Initiatives:

- On 21st November, 2020 the Bank celebrated **35 years of Kotak Foundation Day** virtually, with more than 25,000 Kotakites participating online along with their families. During the event, bank launched the annual **Kotak Infinity awards**, had a talent contest - **Kona Kona Kalakaar** besides live quiz by host Siddharth Kannan, live music by singer Palash Sen and live address by the MD & CEO, Uday Kotak.
- It is said, that to form any new habit it takes 21 days and so inspired from that belief the **Kotak 21 Day challenge** was introduced to encourage managers to initiate fun activities within their teams ahead of the 35th Kotak Foundation Day.
- Bank has also strengthened the platform for top down communication. At the same time created listening opportunity for voice of Kotakites through **'My Kotak My Say'** a bi-annual employee engagement survey engaging the 'Great Place to Work Institute'. Other channels of listening have been strengthened such as **Meet Forums and Town Halls.**
- Bank has also introduced **Kotak Young Leader Committee (KYLC)** where young managers are selected and given an opportunity to work as independent entrepreneurs on various projects and shadow the Kotak Leadership Team (KLT) and Group Management Council (GMC).
- Bank launched **Channel-K,** a fortnightly digital channel for and by Kotakites with an objective to communicate important news and events, entertain and showcase the infinite talent at Kotak.
- Besides, Kotakites at regional levels celebrated festivals and other occasions ensuring Covid Safety Protocols.

D. Employee Development:

- The crisis period of COVID-19 expedited the Bank's move and investments towards adopting new practices, and moving to a **Digital video-based** approach. Digital Video based Induction is a major transition for onboarding the new joiners in their first week of joining to make them role-ready and ensure a seamless experience post joining.
- Following the pandemic, a flagship certification program was launched for all people managers called **K-MAP** for effective team management, team development and culture building. Around 80% managers got covered in FY 20-21.
- The **New Age manager programme** was successfully introduced in the months following the lock down which addressed the challenges of dealing with virtual team management, virtual stake holder management and growth mindset.

- **"Kotak DigiQ: Propelling Transformation & Disruption through Digital"** for the senior team at Consumer Bank was designed to address the emerging requirement for senior business leaders to make them aware of adoption of digital in business, anchored by senior global business faculty from leading B-Schools such as Cornell, University of Wisconsin, IIM-Ahmedabad among others. All Kotakites participated in DigiQ before end of FY 2020-21.
- **K-League** Harvard programme was launched for the KLT which is focused on a Learning Series spread over 6-8 months which would leverage the expertise, thought leadership and research content from the **Harvard Ecosystem**. Over 60 leaders from Kotak Group are undergoing this programme.

E. Talent Acquisition Strategy:

- Bank has implemented Oracle Recruiting Cloud (ORC), one single platform for all recruitment activities and moving recruitment towards paperless process.
- Relaunched the internal job posting programme - Kotak Fast Track, to attract internal talent for new growth opportunities, reduce attrition and save cost of hiring.
- In-house sourcing has doubled, resulting in less cost towards consultant hiring.

F. Other initiatives:

- The Bank has revamped the Code of Conduct policy, amended existing policies and introduced new HR policies**.**
- The talent management framework has been revamped and a rigorous talent review process has been implemented at the senior level to ensure talent classification and succession planning for key roles.
- Performance Management System and **PRAISE** process has been revamped and My Agreed Commitment **(MAC)** framework has replaced the BSC method of appraisals.

BANK'S BUSINESS STRATEGY

There are nine key strategic drivers identified by the Bank, as set forth below, to ensure that it maintains its leadership position:

1. Technology at the Core: Investing in cutting edge technology for both infrastructure and applications with a dual objective: 'run the Bank' and 'change the Bank'

The Bank recognises the importance of building technology capabilities focused on providing improved customer experience, increasing employee productivity, improving operational performance, capabilities for superior regulatory compliance and proactive risk management. The Bank's investment in technology are focused towards following business imperatives:

1.1. Adoption of emerging technology

1.2. Automation in development and technology operations

1.3. Platform convergence

1.4. Strengthen capabilities in cyber security

1.5. Regulatory compliance

1.6. Analytics and reporting for decision making and improved customer interactions

1.7. Modernisation of legacy systems

2. Leadership in digital capabilities: Continue journey on best-in-class digital processes and interface at speed

2.1. Digital customer acquisition and servicing: The Bank recognises the importance of digital capabilities for scaling up its pace of customer acquisition and providing a best-in-class customer experience.

With a promise of quick account opening through an entirely digital journey, at any time of the day, Kotak 811 continues to be instrumental in driving acquisition of savings account customers for the Bank. Across many other products, as part of its core digital focus, the Bank is investing to create simplified, technology-driven journeys and processes for customer acquisition and servicing.

2.2. Best-in-class digital banking experience: In FY 2020-21 the Bank undertook a complete revamp of its net-banking platform to make it more user friendly, faster, safer and more convenient. The Bank will continue to invest in digital transaction channels for enhancing customer acquisition, safety, servicing, transaction processing capability, especially across payments and transfers.

2.3. Partnerships with Fintechs: In order to remain at the cusp of fast evolving technologies in the areas of customer acquisition, customer servicing and customer experience, the Bank will actively partner with multiple Fintechs and other such startups.

2.4. 'Digital Everything' experience: The Bank aims to head towards a 'Digital Everything' experience and plans on continuing to invest in delivery of multiple products and services through an integrated value proposition across acquiring, lending & transactions.

3. Customer centricity: Keep customer at the core of the business in order to provide a positive experience and build long term relationships

The Bank has and will continue to be customer-centric using technology as core by building enablers across customer acquisition, customer experience and customer deepening (cross-sell) and provide a frictionless experience for customers through comprehensive products and services ecosystems.

3.1. Customer Acquisition

The Bank believes that digital banking experience, and trust and convenience of branch presence are amongst the most important factors influencing customers' choice of banks. The Bank proposes to take a 'Phygital' approach to expansion and plans to undertake a measured growth of its branch network, focusing on value creation, and to expand customer reach. At the same time, Kotak 811 and other digital banking initiatives will continue to be the main driver of customer acquisition. This 'Phygital' strategy will help the Bank consolidate its experience of conventional and modern banking to make customers' journey seamless and complete.

3.2. Customer Experience

The Bank endeavours to enhance customer experience through the development and delivery of a large array of financial products and services using cost-efficient, convenient-to-access, and easy-to-use delivery channels, including various digital and technological initiatives.

The Bank wants to add a delightful experience layer at all customer touchpoints to potentially surpass customer expectations. Towards this, the Bank has invested across various customer engagement channels such as virtual relationship manager, Keya – voice and chat bot and WhatsApp banking. Further, process capabilities such as paperless and biometric processing will help the Bank in creating a 'Customer Wow' experience.

The Bank relentlessly pursues to be amongst the most trusted financial services conglomerates in India and has continuously striven to create an ethos of trust across all the businesses. The Bank tracks "Net Promoter Score" on a regular basis and uses it as a basis for understanding the customer delight, loyalty and satisfaction levels with the Bank.

3.3. Customer Deepening (cross-sell)

The Bank aims to strengthen its data and analytics capability, leading to improved actionable customer insights. The Bank believes that such investments in advanced analytics shall improve product holding by anticipating customer needs and uptiering risk analytics on lending (both for smarter lending and portfolio management). Additionally, enhanced customer experience is also expected to lead to higher cross-selling of products.

3.4. Ecosystem Play

The Bank believes that a comprehensive products and services ecosystem provides frictionless experience driving customer stickiness and enables the Bank in increasing customer wallet share. The Bank intends to combine existing products and services, creating a platform wherever needed and provide ecosystems across customer categories such as 811 ecosystem (digital accounts and loans for technologically savvy millennial population), Cherry by Kotak (artificial intelligence powered multi-asset investment advisory platform launched by Kotak group company) and Lending ecosystem (banking layer on top of business applications for the business banking customers)

4. Expanding access to low cost liabilities

The Bank has and will continue to fund its loan growth objectives largely by growing the retail deposit base, in particular savings & current deposits. The Bank has grown its CASA ratio from 38.1% as of 31st March, 2016 to 60.4% as of 31st March, 2021, which is amongst the highest in the Indian banking industry. Retail depositors form an important source of low-cost and stable funding for the Bank. The Bank focuses on leveraging its strengths and expanding the base of retail savings.

The Bank was amongst the first banks to raise interest rates over the prevalent 4% on domestic savings deposits after the RBI deregulated interest rates on savings deposits in 2011, which helped to drive a rise in its savings deposit base. Whilst the Bank has reduced its interest rates in more recent years, its interest rates are still higher than a number of its peers.

It plans to continue expanding its retail banking business by growing its distribution network, increasing its customer base, diversifying its banking product mix, providing banking convenience to customers, optimising digital channels and offering differentiated products and solutions to meet the specific needs of customers.

Further, the Bank aims to expand its current deposits by providing lending solutions, a range of customised products including wealth products targeted at the owners, promoters and directors of corporate customers, salary accounts and cash management and liquidity management solutions.

The Bank believes that its customer-specific orientation will result in an increase in current accounts and retail deposits to the Bank, which will expand its pool of low-cost and stable funding.

5. Pursue advances growth ensuring right asset quality additions at risk adjusted pricing and appropriate risk management

5.1. Advances

The Bank's strategy is centred on risk adjusted returns with a sharp focus on 'Return of Capital' along with return on capital and sustainable balance sheet growth, led by retail advances and maintaining a high-quality diversified asset portfolio.

The Consumer Banking vertical is expected to remain a key driver of the Bank's overall growth strategy. The Bank aims to strengthen its data and analytics capability, leading to improved actionable customer insights. The Bank believes that such investments in advanced analytics shall improve product holding by anticipating customer needs and up tiering risk analytics on lending (both for smarter lending and portfolio management). The Bank is also focused on a 'Digital Everything' experience by providing end-to-end digital journeys with digital onboarding, straight through approvals with decision engines enabled by integrated core systems, digital disbursement, servicing though digital channels and collections driven by a digital platform. The Bank believes that this strategy will enable it to build relationships in areas far beyond its physical outreach.

The Bank aims to increase its focus on increasing the lending towards RBI defined priority sector lending through providing finance for Tractor, Crop loans, Small Enterprises, allied agricultural activities and microfinance for women borrowers.

The core focus of wholesale business is to acquire quality customers, delivering customised solutions through efficient technology platforms backed by high quality service. The Bank would continually monitor its portfolio diversification through the tracking of industry, group and company specific exposure limits. Additionally, the Bank aims to increase its Environmental, Social and Corporate Governance (ESG) consciousness by considering ESG as one of the metrics while evaluating credit and portfolio composition. The Bank will continue to use Risk Adjusted Return on Capital (RaRoC) model for pricing its advances. RaRoC model ensures that the return earned is appropriately adjusted for expected losses, firm's expenses and taxes and capital deployed.

5.2. Risk Management

The Bank strongly believes in doing everything to ensure the safety of its depositors' savings entrusted to it. To meet the same, the Bank has instituted a rigorous process of managing risk and recovery at the heart of its lending practices. The Bank views appropriate credit risk management as the foundation for providing risk-adjusted returns.

The Bank assumes credit risk in areas that are well understood and where there is sufficient expertise, resources and infrastructure to effectively measure and manage the risk and balance risk with reward. A disciplined credit risk management approach has enabled the Bank to build a diversified portfolio of high-quality assets with acceptable levels of credit cost. The Bank will continue to improve its credit risk procedures to keep its credit cost within acceptable levels.

6. Executing with discipline – efficiency, productivity and capital

6.1. Cost efficiency: The Bank will continue to expand its market share across businesses, bringing scale efficiency. Additionally, the Bank will continue to invest in various digital initiatives and technology infrastructure to acquire customers, enhance customer experience, and make internal operations more efficient. A comprehensive digital strategy will allow the Bank to deepen relationship with the customers and automate processes bringing cost-efficiency over the medium to long term.

6.2. Operational risk management: The objective of operational risk management at the Bank is to manage and control operational risk within targeted levels as defined in the risk appetite laid down by the Board and reduce losses resulting from inadequate or failed internal processes, people and systems or from external events.

6.3. Employee productivity: The Bank works towards continuously improving employee productivity levels and has identified technology, automation and 'do-it-yourself' as critical enablers to achieving the same. Automating repetitive tasks not only helps in reducing costs, but also improves turnaround time, creating customer wow and increased wallet share and improving operating leverage.

6.4. Capital: The Bank plans its capital requirements with the objective to meet its regulatory and business requirements striking a balance between risk/reward on the capital to be deployed. The Bank will continue to maintain Tier-I capital in excess of the regulatory required Tier-I capital and will continue to ensure that Credit to Deposit ratio remains within acceptable levels.

7. Approaching financial inclusion as an opportunity

The Bank believes that Financial Inclusion is a major step towards inclusive growth. It helps in the overall economic development of the underprivileged population.

The Bank focuses on meeting the banking and financial needs of customer segments beyond metro and urban centres and services the priority sector by providing finance for Tractor, Crop loans, Small Enterprises and Allied agricultural activities and microfinance for women borrowers. The Bank intends to increase geographical presence by leveraging its digital ecosystem and tying up with channel partners. With rising rural incomes and strong demand, the Bank believes that there exists a potential for robust growth across product lines.

The Bank aims to deepen access to financial products and services under various Government led initiatives in a sustainable manner. Under its financial inclusion plan, key products and services offered by the Bank include:

- Basic Saving Bank Deposit Accounts offered to customers in the lower income brackets
- Distribution of government sponsored protection schemes
- Lending in low income segments through government sponsored schemes and offering services such as Aadhar Enabled Payment Systems through its branch and BC network

The Bank will increase its focus on converting these activities into sustainable opportunities over the long run.

8. Attracting, retaining and building a team of talented, engaged and motivated employees in an agile structure

The Bank believes that one of the keys to its success is the ability to recruit, retain, motivate and develop talented and experienced professionals. In 2021, the Bank received 'Great Place to Work' Award from the Great Place to Work Institute for its 'High-Trust and High-Performance Culture'.

The Bank intends to continue its focus on recruitment and cultivation of a high-quality, professional, and empowered workforce through initiatives such as:

- training and development programmes for employees to enhance professional knowledge and upskilling of capabilities
- enhancing management and employee incentive programmes to align compensation with performance
- creating an encouraging work atmosphere
- enhancing employee engagement

The Bank aims to design an organisation for the future by:

- reorganising leadership cadre to bring out higher focus on technology orientation and customer orientation
- creating an agile structure with
  - younger talented employees on faster growth paths
  - fewer and flatter reporting structures
- improving diversity in the workforce to have a variety of perspectives

This will help the Bank in becoming a product, technology and innovation led customer centric organisation.

9. Leverage strong standing to pursue inorganic opportunities

The Bank will actively seek inorganic growth opportunities in the Indian financial services space. These opportunities can take various forms, including acquisitions, mergers, joint ventures, strategic investments and asset purchases. The Bank will seek inorganic growth opportunities in businesses or assets that either enable it to expand its market share; allow entry into an industry, customer or geographic segment that it is currently not present in; or provide with new capabilities. In addition, the Bank will also actively seek opportunities of making minority investments in businesses where it would derive financial value from business models which are not managed by it. The Bank will pursue these inorganic growth opportunities where it sees the ability to add value for its stakeholders and customers.

Outlook

Some of the key opportunities and threats in the economic and financial environment are as follows:

Opportunities

- Power a digital growth engine in a digital economy which includes rural India
- Implement and leverage new technologies for business transformation
- Differentiate the Kotak Brand through the services provided and put customer centricity at the forefront
- Capitalise on opportunities arising from increasing NPAs and stressed assets in the Indian Financial Industry
- Leverage opportunities in the under-penetrated Life and General Insurance space
- Enhance the impact of Financial Inclusion

Threats

- Delay in vaccination of entire country
- Uncertainty persisting due to pandemic and far more attention to it at the cost of other diseases
- A volatile external and global environment
- Threat of fraud and cyber attacks
- Fast moving alternative players to banking: Tech giants, Fintech companies
- Competition from the newer models of banks
- Talent management and training them for the right culture

Going forward, the Bank will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios, and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase. They will need to refine their risk management skills for enterprise-wide risk management. Also, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service, and an efficient transfer-pricing mechanism that would determine capital allocation.

Outlook for Kotak Group

Kotak Group's results for the financial year demonstrate the strong fundamental growth in India. However, concerns remain on the extent to which the recent COVID-19 outbreak will impact Indian economy, financial markets and liquidity. The Group believes that with sound risk management and a strong capital adequacy ratio, it is well positioned to capitalise on the growth opportunities offered by India of the future.

The Group aims to expand its market share in Indian financial services by increasing the customer base across the Group, and enhancing the customer experience, which will lead to higher cross-selling of products, thereby contributing to the future growth and profitability.

The Group will actively seek inorganic growth opportunities in the Indian financial services space. The Group will seek inorganic growth opportunities in businesses or assets that either enables it to expand its market share; allows entry into an industry, customer, or geographic segment that the Group is currently not present in; or provides it with new capabilities.

Safe Harbour

This document contains certain forward-looking statements based on current expectations of Kotak Mahindra management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and government policies that may impact the businesses of Kotak Mahindra Group as well as its ability to implement the strategy. Kotak Mahindra does not undertake to update these statements.

This document does not constitute an offer or recommendation to buy or sell any securities of Kotak Mahindra Bank or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by Kotak Mahindra, including but not limited to units of its mutual fund, life insurance policies and general insurance policies.

All investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities market. The performance of the sponsor, Kotak Mahindra Bank Limited, has no bearing on the expected performance of Kotak Mahindra Mutual Fund or any schemes there under.

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

Report on Corporate Governance

PHILOSOPHY OF CORPORATE GOVERNANCE

Corporate Governance provides a framework for attaining the Bank's objectives and encompasses practically every sphere of management from action plans and internal controls to performance measurement, ethics and corporate disclosures. Good Corporate governance helps to build trust with the investors and the community and also helps in creating and enhancing long term sustainable value for all its stakeholders.

The Bank believes that Corporate Governance is a reflection of its value system, encompassing its culture, policies and its relationship with the stakeholders such as shareholders, regulators, employees, customers, vendors, government and the community at large. It is a system of practices, processes and rules which directs the affairs of an organization in an efficient manner and helps it to maximize value for its stakeholders. It essentially involves balancing the interests of an organization with that of its various stakeholders. Corporate Governance is more than just adherence to the regulatory and statutory requirements. It is equally about focusing on the voluntary practices that underlie the highest levels of transparency.

The Bank is committed to achieving and adhering to the highest standards of Corporate Governance and it constantly benchmarks itself with best practices, in this regard. The Bank's philosophy on Corporate Governance is, therefore, based on the core principles of Accountability and Responsibility, Integrity, Independence, Transparency in dealings, Fair and timely disclosures, Equality and Social Responsibility.

The Bank endeavors to adopt the highest standards of Corporate Governance and ethical practices and the activities of the Bank are carried out in accordance with good Corporate Governance practices. In this regard, the Bank has adopted the Code of Conduct for employees which lays down the values and standard of conduct that is expected from employees of the Bank while performing their roles and responsibilities across various functions of the Bank. The Bank has also adopted the Vigilance Policy, Whistle Blower Policy, Policy against Sexual Harassment in the Workplace and Trading Code of Conduct.

The Bank is in compliance with the requirements prescribed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), as applicable, with respect to Corporate Governance.

BOARD OF DIRECTORS

The Board of Directors provide guidance to the Management and directs, supervises and controls the activities of the Bank. The responsibilities of the Board, *inter alia*, include formulation of overall strategy for the Bank and the group, taking new initiatives, formulating policies, performance review, monitoring of plans, monitoring due compliance with applicable laws, pursuing of policies and procedures, reviewing and approving the financial results, enhancing corporate governance practices and ensuring the best interest of the shareholders, the community, environment and its various stakeholders. The Board is responsible for the business and overall affairs of the Bank and the reporting structure of the Bank is consistent with the same.

Size and Composition of the Board

The size of the Board is commensurate with the size and business of the Bank. The composition of the Board of Directors of the Bank is governed by the Companies Act, 2013 ("Act") and the Rules thereunder, the Banking Regulation Act, 1949, Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the guidelines issued by the Reserve Bank of India ("RBI"), from time to time, and is in conformity with the same. The Board has an optimum mix of Independent, Non-Executive and Executive Directors, with one-half of the Board being Independent Directors. The Bank's Board consists of eminent individuals having expertise and experience in various fields who understand and respect their fiduciary roles and responsibilities towards its stakeholders and strive hard to meet their expectations at all times. The Board mix provides a combination of professionalism, knowledge and experience required in the banking industry.

As on 31st March, 2021, the Board of Directors comprised a combination of ten Directors, as mentioned below:

Sr. No.	Category of Directorship	Name of the Director(s)
1.	Independent Directors	Mr. Prakash Apte (Part-time Chairman of the Board) Ms. Farida Khambata Mr. Uday Khanna Mr. Uday Shankar Dr. Ashok Gulati
2.	Non-Executive Director	Mr. C. Jayaram
3.	Executive Directors	Mr. Uday Kotak, Managing Director & CEO Mr. Dipak Gupta, Joint Managing Director Mr. K.V. S. Manian, Whole-time Director Mr. Gaurang Shah, Whole-time Director

A brief description of the Directors, along with the companies in which they hold directorship and the membership of the Committees of the Board of the Bank, are given below:

Mr. Prakash Apte, Non-Executive Independent Part-time Chairman

(DIN: 00196106)

Mr. Prakash Apte, aged 67 years, B.E. (Mechanical), served as Managing Director of Syngenta India Limited ("SIL"), an agricultural business company in India and a subsidiary of Syngenta Group, one of the largest research based agribusiness across the world, from November 2000 to April 2011. Since May 2011, Mr. Apte has been the Non-Executive Chairman of SIL. He was instrumental in setting up the Syngenta Foundation India which focuses on providing knowledge and support for adopting scientific growing systems to resource poor farmers and enabling their access to market. In a career spanning over 40 years, he has extensive experience in various areas of management, business leadership and agriculture sector. In the more than 16 years of successful leadership experience in agriculture business, he has gained diverse knowledge in various aspects of businesses and has been involved with many initiatives for technology, knowledge and skills upgradation in this sector, which is vital for India's food security. He was on the Boards of Syngenta Foundation India and Indo-Swiss Centre of Excellence upto 15th July, 2021 and 8th June, 2021, respectively.

Mr. Apte was appointed as a Non-Executive Director of the Bank, with effect from 18th March, 2011. He was appointed as the Part-time Chairman of the Bank, with effect from 20th July, 2018 and, thereafter, re-appointed for a period up to 31st December, 2023. Mr. Apte is also the Chairman of the Corporate Social Responsibility Committee, Risk Management Committee and Group Risk Management Committee and Member of the Audit Committee, Nomination and Remuneration Committee, Special Committee of the Board for follow-up of frauds and Review Committee for classification and declaration of borrowers as willful defaulters of the Bank.

Mr. Apte is also on the Board of the following companies:

Syngenta India Limited (Non-Executive Director)	Kotak Mahindra Life Insurance Company Limited (Independent Director)
Fine Organic Industries Limited (Independent Director)	

He is the Chairman of the Audit Committees of Syngenta India Limited and Kotak Mahindra Life Insurance Company Limited and a Member of the Audit Committee of Fine Organic Industries Limited. He is also a Member of the Stakeholders Relationship Committees of Syngenta India Limited and Fine Organic Industries Limited.

Ms. Farida Khambata, Independent Director

(DIN: 06954123)

Ms. Farida Khambata, aged 71 years, is Master of Arts in Economics from the University of Cambridge, a Master of Science in Business Management from the London Business School and a Chartered Financial Analyst and has attended the Advanced Management Program at Wharton. She was earlier with International Finance Corporation ("IFC") and was a Member of IFC's Management Group, the senior leadership team of IFC. In her last position at IFC, she served as Regional Vice President in charge of all operations in East Asia and the Pacific, South Asia, Latin America and the Caribbean and the Global Manufacturing Cluster. Ms. Khambata joined IFC in 1986 from the World Bank where she managed pension fund assets. She is a Member on the Advisory Board of ADM CEECAT Fund.

Ms. Khambata is a Director of the Bank from 7th September, 2014 and is the Chairperson of the Nomination and Remuneration Committee and the Stakeholders Relationship Committee of the Bank.

Ms. Khambata is also on the Board of the following companies:

Dragon Capital Group Limited (Director)	Cartica Acquisition Corp (Director) (w.e.f. 29th April, 2021)

Mr. Uday Chander Khanna, Independent Director

(DIN : 00079129)

Mr. Uday Chander Khanna, aged 71 years, is a Chartered Accountant by qualification. Mr. Khanna was the Financial Controller and Treasurer of Hindustan Unilever and was, thereafter, on the Board of Hindustan Unilever as Director - Exports. He has also worked as Vice Chairman of Lever Brothers in Nigeria and General Auditor for Unilever - North America, based in the USA and was the Senior Vice President - Finance, Unilever - Asia, based in Singapore. Thereafter, Mr. Khanna joined the Lafarge Group in Paris in June 2003 as Senior Vice President for Group Strategy, after an extensive experience of almost 30 years with Hindustan Lever/Unilever in a variety of financial, commercial and general management roles both nationally and internationally. Mr. Khanna was also the Managing Director & CEO of Lafarge India from July 2005 to July 2011 and the Non-Executive Chairman of Lafarge India from July 2011 to September 2014. He was the Non-Executive Chairman of Bata India Limited till 2nd August, 2019. Mr. Khanna has been the past President of the Bombay Chamber of Commerce & Industry and also the Indo French Chamber of Commerce and Industry. He is a Director of the Bank from 16th September, 2016. He was the recipient of the "Ordre National du Merite" from the President of the Republic of France for his contribution in promoting Indo-French trade relations. He is a Member of the Board of Governors of The Anglo Scottish Education Society and Jt. Managing Trustee of the Indian Cancer Society. Mr. Khanna was the recipient of the 'Best Independent Director' award by Asian Centre for Corporate Governance Sustainability in 2018.

Mr. Khanna is a Director of the Bank from 16th September, 2016. He is the Chairman of the Audit Committee of the Bank and a Member of the Special Committee of the Board for monitoring and follow up of Frauds and Group Risk Management Committee of the Bank.

Mr. Khanna is also on the Board of the following companies:

Pfizer Limited (Independent Director)	Pidilite Industries Limited (Independent Director)
Castrol India Limited (Independent Director)	DSP Investment Managers Private Limited (Non-Executive Director)

He is the Chairman of the Audit Committees of Castrol India Limited and DSP Investment Managers Private Limited and a Member of the Audit Committees of Pfizer Limited and Pidilite Industries Limited as also a Member of the Stakeholders Relationship Committee of Pfizer Limited.

Mr. Uday Shankar, Independent Director

(DIN : 01755963)

Mr. Uday Shankar, aged 59 years, is a M. Phil in History from the Jawaharlal Nehru University, Delhi. Presently a technopreneur, he is also one of the Board members of Business Standard Private Limited and the President of the Federation of Indian Chambers of Commerce & Industry ("FICCI"). Until recently, he was the President, Asia Pacific of the Walt Disney Company Direct-to-Consumer & International ("DTCI") and the Chairman of Star and Disney India and lead the charge for Disney's transformation into a direct-to-consumer company in Asia Pacific. Prior to this role, he was the President of 21st Century Fox, Asia & CEO of Star India. Under his leadership, Star achieved a distinct leadership in Indian television broadcasting and has also made strides in disrupting the digital landscape with the launch of Hotstar. Mr. Shankar has played a key role in shaping the media and broadcasting industry in the country, bringing reforms for the industry and its consumers. He has been at the forefront of the landmark changes in self-regulation and pushing access for consumers to digitized distribution. Mr. Shankar began his professional life as a political journalist. Prior to Star, he was the CEO and Editor of Media Content and Communications Services, which operated Star News. Mr. Shankar was also Editor and News Director of TV Today Group, where he led the launch of Aaj Tak in 2000 and Headlines Today in 2003. He is the Designated Partner of Anupama Ventures LLP.

Mr. Shankar is a Director of the Bank from 16th March, 2019 and is the Chairman of the Customer Service Committee of the Bank.

Mr. Shankar is also on the Board of the following companies:

Business Standard Private Limited (Additional Director)	Asia Initiatives Pte Ltd. (Director)
Seven Islands Inc (Co-Chairman and Director)	

Dr. Ashok Gulati, Additional and Independent Director (appointed with effect from 6th March, 2021)

(DIN: 07062601)

Dr. Ashok Gulati, aged 67 years, is a M.A. and Ph.D. from Delhi School of Economics. Dr. Gulati is an eminent Indian agricultural economist and is currently Infosys Chair Professor for Agriculture at the Indian Council for Research on International Economic Relations. He was also a former Chairman of the Commission for Agricultural Costs and Prices, Government of India (2011-14). He was also on the Central Board of Directors of the Reserve Bank of India and National Bank for Agriculture and Rural Development ("NABARD"). He is currently a Member of the Tenth Audit Advisory Board of the Comptroller and Auditor General of India. He was Director at the International Food Policy Research Institute for more than 10 years from 2001. He worked as a Chair Professor NABARD at Institute of Economic Growth from 1998 to 2000 and prior to that, was Director/Chief Economist, Agriculture and Rural Development at National Council of Applied Economic Research from 1991 till 1997. Dr. Gulati has been deeply involved in policy analysis and advice in India. He was the youngest member of the Economic Advisory Council of Prime Minister Shri Atal Bihari Vajpayee; Member of the Economic Advisory Council of the Chief Minister of Andhra Pradesh and Member of the State Planning Board of Karnataka. For his contributions to the field, the President of India honored him with the "Padma Shri" award in 2015. He has 16 books to his credit on Indian and Asian Agriculture, besides numerous research papers in national and International Journals. He has been a prolific writer in leading newspapers in India.

Dr. Gulati was appointed as an Additional Director and as an Independent Director of the Bank, for a term of five years, with effect from 6th March, 2021, subject to the approval of the Members of the Bank. He is a Member of the Audit Committee of the Bank.

Dr. Gulati is also on the Board of the following companies:

National Commodity and Derivatives Exchange Limited (Independent Director)	Godrej Agrovet Limited (Independent Director) (w.e.f. 7th May, 2021)

Mr. C. Jayaram, Non-Executive Director

(DIN: 00012214)

Mr. C. Jayaram, aged 65 years, B. A. (Economics), PGDM-IIM, Kolkata, is the Non-Executive Director of the Bank. He has varied experience of over 38 years in many areas of finance and business and was earlier the Managing Director of Kotak Securities Limited. Mr. Jayaram headed the Wealth Management business, Alternative Investments business including Private Equity funds and Real Estate funds and international operations for Kotak Group till his retirement as Joint Managing Director in April 2016.He was with the Kotak Group for 26 years and was instrumental in building a number of new businesses at Kotak Group. Prior to joining the Kotak Group, he was with Overseas Sanmar Financial Ltd.

Mr. Jayaram is the Non-Executive Director of the Bank from 1st May, 2016. Mr. Jayaram is a Member of the Nomination and Remuneration Committee, Audit Committee, Stakeholders Relationship Committee, Special Committee of the Board for monitoring and follow up of Frauds, Corporate Social Responsibility Committee, ESOP Allotment Committee and Review Committee for classification and declaration of borrowers as willful defaulters of the Bank.

Mr. Jayaram is also on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited (Non-Executive Director)	Multi Commodity Exchange of India Limited (Shareholder Director)
Multi Commodity Exchange Clearing Corporation Limited (Non-Executive Director)	

He is a Member of the Audit Committees of Kotak Mahindra Asset Management Company Limited and Multi Commodity Exchange of India Limited.

Mr. Uday Kotak, Managing Director & CEO

(DIN: 00007467)

Mr. Uday Kotak, aged 62 years, holds a Bachelor's degree in Commerce and a MMS degree from Jamnalal Bajaj Institute of Management Studies, Mumbai and was appointed as a Director on 21st November, 1985. He is the Managing Director & CEO of the Bank and also its promoter. Under Mr. Kotak's leadership, over the past 35 years, the Kotak Group established a prominent presence in major areas of financial services including banking, stock broking, investment banking, car finance, life and general insurance and asset management. He is a Member of the International Advisory Board of GIC Private Limited, Singapore and International Advisory Panel of Monetary Authority of Singapore, Investment Advisory Committee of the Army Group Insurance Fund and was the President of the Confederation of Indian Industry till 31st May, 2021.He is also a Governing Member of the Mahindra United World College of India, Member of the Board of Governors of Indian Council for Research on International Economic Relations and The Anglo Scottish Education Society (The Cathedral & John Connon School). Mr. Kotak was recipient of the 'Ernst & Young World Entrepreneur of the Year Award' in 2014, 'Economic Times Business Leader of the Year Award' in 2015, 'Businessman of the Year 2016' by Business India, 'Lifetime Achievement Award' at Financial Express' Best Banks' Awards 2016, 'USIBC Global Leadership Award' at the 2018 India Ideas Summit organised by the U.S.-India Business Council, 'Life Time Achievement Award' at Magna Awards 2019 by Businessworld, 'Best CEO in Banking Sector' by the Business Today Best CEO Awards 2019 and 'India Business Leader of the Year' by CNBC-TV18 at the India Business Leader Awards 2021, amongst many others.

Mr. Kotak is the Chairman of the Share Transfer and Other Matters Committee, Special Committee of the Board for monitoring and follow up of Frauds, ESOP Allotment Committee, Review Committee for classification and declaration of borrowers as willful defaulters and the Management Committee and a Member of the Stakeholders Relationship Committee, Customer Service Committee, Risk Management Committee and Group Risk Management Committee of the Bank.

Mr. Kotak is also on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited (Non-Executive Director and Chairman)	Kotak Mahindra Prime Limited (Non-Executive Director and Chairman)
Kotak Mahindra Capital Company Limited (Non-Executive Director and Chairman)	Kotak Mahindra Investments Limited (Non-Executive Director and Chairman)
Kotak Mahindra Life Insurance Company Limited (Non-Executive Director and Chairman)	Infrastructure Leasing and Financial Services Limited (Non-Executive Director and Chairman)

He is also the Chairman of the Audit Committee of Kotak Mahindra Capital Company Limited.

Mr. Dipak Gupta, Joint Managing Director

(DIN: 00004771)

Mr. Dipak Gupta, aged 60 years, B.E. (Electronics), PGDM-IIM, Ahmedabad, is the Joint Managing Director of the Bank and has over 35 years of experience in the financial services sector, 29 years of which, have been with the Kotak Group. He is a Whole Time Director of the Bank from 1st October, 1999. Mr. Gupta helms numerous functions of the Bank including Information Technology, Digital Initiatives, Internal Audit, Human Resources, Vigilance, Customer Experience, Marketing & Communications, Environment Social Governance, Corporate Social Responsibility and Priority Sector Lending. Mr. Gupta was responsible for leading the Kotak Group's initiatives into the banking arena. He was the Chief Executive Officer of Kotak Mahindra Prime Limited and prior to joining the Kotak Group, was with A. F. Ferguson & Company for approximately six years.

Mr. Gupta is the Chairman of the Committee for Derivative Products and Member of the Stakeholders Relationship Committee, Share Transfer and Other Matters Committee, Special Committee of the Board for monitoring and follow up of Frauds, Customer Service Committee, Corporate Social Responsibility Committee, ESOP Allotment Committee, Management Committee, Risk Management Committee and Group Risk Management Committee of the Bank.

Mr. Gupta is also on the Board of the following companies:

Kotak Mahindra Life Insurance Company Limited (Non-Executive Director)	Kotak Investment Advisors Limited (Non-Executive Director)
Kotak Mahindra Capital Company Limited (Non-Executive Director)	Kotak Infrastructure Debt Fund Limited (Non-Executive Director)
Kotak Mahindra Inc. (Non-Executive Director)	Kotak Mahindra (UK) Limited (Non-Executive Director)

He is also a Member of the Audit Committees of Kotak Mahindra Capital Company Limited and Kotak Investment Advisors Limited and the sponsor of Brij Disa Foundation, a Section 8 company under the Act.

Mr. K.V.S. Manian, Whole-time Director

(DIN : 00031794)

Mr. K.V.S. Manian, aged 59 years, is an electrical engineer from IIT (BHU) - Varanasi, Post Graduate in Financial Management from Jamnalal Bajaj Institute of Management Studies and a Cost and Works Accountant. Mr. Manian is the Whole Time Director of the Bank from 1st November, 2019. Mr. Manian has a rich experience of 36 years, of which, over 26 years have been with the Kotak Group. Mr. Manian heads the Corporate Banking business and has oversight responsibility of the Investment Bank, Institutional Equities and Wealth Management businesses in the Group. Mr. Manian has steered the business through its integration with ING Vysya Bank Limited and has since then been focused on building a high quality profitable corporate franchise. Prior to leading the Corporate Bank, Mr. Manian was the President of the Consumer Banking business and also oversaw the retail brokerage business of Kotak Securities Limited. Mr. Manian also played a crucial role in Kotak's journey from a Non-Banking Financial Company ("NBFC") to a Bank and has, over his tenure at the Group, launched and grown to scale a number of businesses including the likes of the Commercial Vehicles Financing, Business Loans, Asset Reconstruction and Structured Financing. Prior to joining the Kotak Group, he had over a decade of work experience in corporate finance across Premier Auto Electric and NELCO, a TATA group company.

Mr. Manian is a Member of the Committee for Derivative Products, Share Transfer and Other Matters Committee (from 15th April, 2021), Customer Service Committee and Management Committee of the Bank.

Mr. Manian is also on the Board of the following companies:

Kotak Mahindra Investments Limited (Non-Executive Director)	Kotak Securities Limited (Non-Executive Director)
Kotak Mahindra Capital Company Limited (Non-Executive Director)	Kotak Infrastructure Debt Fund Limited (Non-Executive Director)

He is a Member of the Audit Committee of Kotak Infrastructure Debt Fund Limited.

Mr. Gaurang Shah, Whole-time Director

(DIN : 00016660)

Mr. Gaurang Shah, aged 59 years, is an M.Com and a Chartered Accountant. Mr. Shah is a Whole Time Director of the Bank from 1st November, 2019. He has over 36 years of rich experience primarily in financial services, of which, over 24 years have been with the Kotak Group. Mr. Shah is in charge of the Credit function of the Bank and is the Chairman of the Credit Committee (Level E) of the Bank. Mr. Shah oversees the Insurance, Asset management including Alternate Assets and Asset Reconstruction businesses and is a Non-Executive Director on the Board of the Insurance, Asset management and international business entities, which are wholly owned subsidiaries of the Bank. Prior to this, Mr. Shah headed the Group Risk Management function. Mr. Shah played a key role in building the Group's Consumer Banking and Life Insurance businesses and has held several positions of responsibility, including Head of Retail Assets at the Bank. Mr. Shah was the Managing Director of Kotak Mahindra Life Insurance Company Limited ("KLI") and during his tenure from 1st November, 2004 to 30th April, 2010, KLI became one of the first life insurance companies to break even and also became one of the most efficient users of capital. He was also an Executive Director of Kotak Mahindra Prime Limited, one of India's leading automobile finance companies from 1st October, 1999 to 31st December, 2002.

Mr. Shah is a Member of ESOP Allotment Committee (from 15th April, 2021), Management Committee, Share Transfer and Other Matters Committee, Committee for Derivative Products (from 15th April, 2021), Risk Management Committee and Group Risk Management Committee of the Bank.

Mr. Shah is also on the Board of the following companies:

Kotak Mahindra Life Insurance Company Limited (Non-Executive Director)	Kotak Mahindra General Insurance Company Limited (Non-Executive Director)
Kotak Mahindra Asset Management (Singapore) Pte. Ltd. (Non-Executive Director)	Kotak Investment Advisors Limited (Non-Executive Director)
Kotak Mahindra Inc. (Non-Executive Director)	Kotak Mahindra (UK) Limited (Non-Executive Director)
Kotak Mahindra Asset Management Company Limited (Non-Executive Director)	

He is a Member of the Audit Committee of KLI.

Note:

For the Chairmanship / Membership of companies other than the Bank, only the Audit Committee and Stakeholders Relationship Committee have been considered.

The Board believes that the skills / competencies / expertise, as mentioned in the table below, are required for the business of the Bank and Directors of the Bank possess these skills / competencies / expertise for it to function effectively, in terms of the Banking Regulation Act, 1949.

The names and categories of the Directors on the Bank's Board, the number of directorships and Committee positions held by the Directors in other public limited as also the areas of specialization and expertise of the Directors, as on 31st March, 2021 are, given below:

Name of Director(s)	Category	Special Knowledge / Expertise	No. of Directorships in other Companies		No. of Committee Positions held in the Bank and other Public Companies	
			Indian Public Companies	Other Indian Companies	Chairman	Member
Mr. Prakash Apte	Independent Non-Executive Part-time Chairman	Agriculture, Rural Economy & Management	3	2	2	4
Ms. Farida Khambata	Independent Non- Executive Director	Economics, Finance & Management	-	-	1	-
Mr. Uday Khanna	Independent Non- Executive Director	Business Management, Accountancy & Finance	3	2	4	2
Mr. Uday Shankar	Independent Non-Executive Director	Digital Media	-	2	-	-
Dr. Ashok Gulati	Additional Director/ Independent Non- Executive Director	Agriculture, Rural Economy	1	-	-	1
Mr. C. Jayaram	Non-Executive Director	Finance, Economics & Management	3	-	-	4
Mr. Uday Kotak	Managing Director & CEO, Promoter	Banking, Finance & Management	6	2	1	1
Mr. Dipak Gupta	Joint Managing Director	Finance, IT & Management	4	1	-	3
Mr. K.V.S. Manian	Whole-time Director	Banking & Finance	4	-	-	1
Mr. Gaurang Shah	Whole-time Director	Banking, Finance & Insurance	4	-	-	1

Notes:

1. *Prof. S. Mahendra Dev (DIN: 06519869) ceased to be a Director of the Bank, with effect from 14th March, 2021, consequent upon the completion of eight years on the Board of the Bank, in accordance with the provisions of Section 10A (2A)(i) of the Banking Regulation Act, 1949.*
2. *Dr. Ashok Gulati (DIN: 07062601) was appointed as an Additional Director of the Bank and an Independent Director, for a term of five years, with effect from 6th March, 2021, subject to the approval of the Members of the Bank.*
3. *The Committee Memberships mentioned above are only for the statutory committees as per Regulation 26 of the SEBI Listing Regulations, namely Audit Committee and Stakeholders Relationship Committee.*
4. *Pursuant to the SEBI Listing Regulations, none of the Directors on the Board hold directorships in more than ten public companies and serve as Directors or as Independent Directors in more than seven listed entities. Further, the Executive Directors of the Bank do not serve as Independent Directors in any Company.*
5. *Pursuant to SEBI Listing Regulations, none of the Directors on the Board of the Bank are members of more than ten committees and Chairperson of more than five committees across all public companies in which he/she is a Director. For the purpose of the determining the limit, membership and chairpersonship of Audit Committee and Stakeholders Relationship Committee have been taken into consideration. All the Directors have made disclosures regarding their membership on various Committees in other companies.*
6. *In compliance with Regulation 24(1) of the SEBI Listing Regulations, Mr. Prakash Apte, an Independent Director on the Board of the Bank, is also on the Board of Kotak Mahindra Life Insurance Company Limited, an unlisted material Indian subsidiary of the Bank, as an Independent Director.*
7. *None of the Directors are related to each other.*

BOARD MEETINGS

Scheduling and selection of agenda items for Board meetings

The Board meetings are convened by giving appropriate notice after obtaining the approval of the Chairman and the Managing Director & CEO. The Board meets at least once a quarter to review the financial results and other items on the agenda, once a year for approval of annual budgets, strategy and such other matters as required under the applicable laws. The Board also reviews business strategy, financial reports and their integrity, risk, compliance, customer protection, financial inclusion and human resources i.e. the 'Seven Critical Themes' as prescribed by RBI vide its Circular no. DBR No.BC.93/29.67.001/2014-15 dated 14th May, 2015. As required and when necessary, additional meetings are held. Dates of the Board meetings are decided in advance.

The agenda of the Board meetings is drafted by the Company Secretary along with the Agenda notes and these are distributed in advance to the Directors. Every Director is free to suggest the inclusion of matters for meetings of the Board. All divisions/departments in the Bank are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion/ approval/ decision at the Board/ Committee meetings. All such matters are communicated to the Company Secretary in advance so that the same could be included in the Agenda for the Board meetings.

The Agenda notes are prepared by the concerned officials of the respective departments and are approved by the Managing Director & CEO and/or Joint Managing Director. Agenda papers are circulated to the Board by the Company Secretary. Additional items on the agenda are permitted with the permission of the Chairperson and with the consent of all the Directors present at the meeting.

The Directors are presented with important information on operations of the Bank as well as that which requires deliberation at the highest level. Information is provided on various critical items such as annual operating plans and budgets, capital budgets, quarterly results, minutes of meetings of the Audit Committee and other Committees of the Board, details of joint ventures and non-compliance, if any, with regulatory or statutory guidelines or with the listing requirements. etc.

Disclosures of interest are duly received from all the Directors and there is no potential conflict of interest in any transaction of the Bank with any Director. There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-a-vis the Bank (except banking transactions in the ordinary course of business and on arm's length basis) during FY 2020-21.

To address specific urgent need, meetings are also convened at shorter notice. The Board also passes resolutions by circulation on a need basis. Conference calls are arranged to enable the Directors to discuss, in detail, the items to be approved by circulation and seek clarification as may be required. The Agenda papers for meetings of the Board are uploaded on a secured web-based portal and can be easily accessed on an ipad or laptop or computer.

The Bank also provides an option to its Directors to attend the Board / Committee meetings through Audio-Video-conferencing facility to enable the Directors to participate in the proceedings of the meeting electronically on account of the restrictions imposed due to the COVID-19 pandemic, in accordance with the various circulars issued by the Ministry of Corporate Affairs.

The draft minutes of the meetings of the Board are circulated to the Directors, for their comments and confirmation. The minutes of all the Committees of the Board of Directors of the Bank and the minutes of the meetings of the Board of Directors of the subsidiary companies of the Bank are also placed before the Board.

The quarterly, half-yearly and the annual results for the consolidated entity and for the Bank standalone are first placed before the Audit Committee of the Bank for its review and recommendation and, thereafter, are placed before the Board of Directors, for its approval.

A Compliance Certificate, signed by the Managing Director & CEO in respect of various laws, Rules and Regulations, as applicable to the Bank is placed before the Board, every quarter.

The Bank has put in place a post meeting follow-up, review and reporting process for the action taken on decisions of the Board. The Company Secretary submits follow-up Action Taken Report to the Board at each meeting on the compliance of the decisions/instructions of the Board.

During the year under review, fourteen meetings of the Board of Directors were held on 22nd April, 2020, 13th May, 2020, 30th June, 2020, 14th July, 2020, 27th July, 2020, 24th August, 2020, 4th September, 2020, 12th September, 2020, 26th October, 2020, 30th November, 2020, 25th January, 2021, 22nd February, 2021, 5th March, 2021 and 12/13th March, 2021, at which the requisite quorum was present throughout the meeting. The maximum time gap between any two meetings was not more than 60 days. The average duration of the board meetings held was approximately three and half hours. All recommendations made by the Committees of the Board were duly accepted by the Board.

Meetings and Attendance

The details of attendance of the Directors at Board meetings held during the year commencing 1st April, 2020 and ending 31st March, 2021 and at the last Annual General Meeting ("AGM") are, as under:

Sr. No.	Name of the Director	Board Meetings held during tenure of the Director	Board Meetings attended during FY 2020 – 21	Whether attended last AGM held on 18th August, 2020
1.	Mr. Prakash Apte	14	14	Yes
2.	Prof. S. Mahendra Dev	14	14	Yes
3.	Ms. Farida Khambata	14	14	Yes
4.	Mr. Uday Khanna	14	14	Yes
5.	Mr. Uday Shankar	14	11	Yes
6.	Dr. Ashok Gulati	1	1	Not Applicable
7.	Mr. C. Jayaram	14	14	Yes
8.	Mr. Uday Kotak	14	14	Yes
9.	Mr. Dipak Gupta	14	14	Yes
10.	Mr. K.V.S. Manian	14	14	No
11.	Mr. Gaurang Shah	14	14	Yes

Notes:

1. *In view of the lock down in the country to combat COVID -19 and relaxation given by Ministry of Corporate Affairs vide Notifications dated 19th March, 2020 and 24th March, 2020, as extended from time to time, the Board Meetings were held through Video Conferencing. Further, the AGM of the Bank was held through Video Conferencing / Other Audio Visual Means.*
2. *Prof. S. Mahendra Dev (DIN: 06519869) ceased to be a Director of the Bank, with effect from 14th March, 2021, consequent upon completion of eight years on the Board of the Bank, in accordance with the provisions of Section 10A (2A)(i) of the Banking Regulation Act, 1949.*
3. *Dr. Ashok Gulati (DIN: 07062601) was appointed as an Additional Director of the Bank and an Independent Director, for a term of five years, with effect from 6th March, 2021, subject to the approval of the Members of the Bank.*
4. *Due to unavoidable circumstances, Mr. K.V.S. Manian could not attend the AGM of the Bank.*

Separate Meeting of Independent Directors

During the year under review, one meeting of the Independent Directors of the Bank was held on 5th March, 2021. The said meeting was held without the presence of Non-Independent Directors and Executive Directors.

The Independent Directors at the aforementioned meeting discussed the Board Evaluation Report and other matters for FY 2020-21. All the Independent Directors of the Bank attended the same.

Directors' Remuneration

The details of remuneration to the Executive Directors of the Bank for the year ended 31st March, 2021 are, as under:

(₹ '000)

Particulars	Mr. Uday Kotak	Mr. Dipak Gupta	Mr. K.V.S Manian	Mr. Gaurang Shah
Basic	-	18,770.00	15,820.20	15,820.20
Allowances	-	3,371.96	2,985.55	2,985.55
Provident Fund	-	2,252.40	1,898.42	1,898.42
Superannuation	-	100.00	100.00	100.00
SARs Payout	-	-	13,877.17	13,877.17
Annual Incentive	15,500.00	15,500.00	7,000.00	7,000.00
Others	-	100.00	100.00	100.00
Number of Stock options granted during the year	-	54720	48030	49530

Notes:

1. *The amount shown above excludes Gratuity payable and value of car perquisites under the Income Tax Act, 1961.*
2. *Annual Incentive:*

   For Mr. Uday Kotak and Mr. Dipak Gupta, the Annual Incentive includes an amount of ₹ 8,500,000 for FY 2018-19, approved by the RBI on 6th July, 2020 and ₹ 7,000,000 for FY 2019-20, as approved by RBI on 26th March, 2021.

   For Mr. K.V.S. Manian and Mr. Gaurang Shah, the Annual Incentive for FY 2019-20 is the amount paid during this financial year, after receipt of approval from RBI.
3. *In view of the COVID-19 pandemic, Mr. Uday Kotak had opted to forego his fixed salary and accepted a token salary of Re.1 for the FY 2020 – 21.*
4. *The terms of employment of Whole-time Directors provide for termination by mutual consent or by giving three month notice in writing. In the event of termination of employment, the liability of the Bank shall be limited to providing only the salary, retiral benefits and perquisites as prescribed by the terms of employment for a period of three months from the date of notice.*

The details of the options granted during the year under review, under the Kotak Mahindra Equity Option Scheme 2015, to the Directors are, as under:

Name of the Director	Date of Grant	No. of options exercised	Price Granted ₹	Exercise Period	Options Vested	Vesting Date
Series 29/2015 of Kotak Mahindra Equity Option Scheme 2015						
Mr. Dipak Gupta	7th August, 2020	54,720	1000 per share	26th March, 2022 to 26th September, 2022	30%	26th March, 2022
				30th November, 2022 to 31st May, 2023	30%	30th November, 2022
				30th June, 2023 to 31st December, 2023	20%	30th June, 2023
				31st December, 2023 to 30th June, 2024	20%	31st December, 2023
Mr. Gaurang Shah	7th August, 2020	49,530	1000 per share	26th March, 2022 to 26th September, 2022	30%	26th March, 2022
				30th November, 2022 to 31st May, 2023	30%	30th November, 2022
				30th June, 2023 to 31st December, 2023	20%	30th June, 2023
				31st December, 2023 to 30thJune, 2024	20%	31st December, 2023
Mr. K.V.S. Manian	7th August, 2020	48,030	1000 per share	26th March, 2022 to 26th September, 2022	30%	26th March, 2022
				30th November, 2022 to 31st May, 2023	30%	30th November, 2022
				30th June, 2023 to 31st December, 2023	20%	30th June, 2023
				31st December, 2023 to 30th June, 2024	20%	31st December, 2023

Note: *The above are the only stock options which have been granted during the year by the Bank to any employee at a discount to the prevailing market price on the date prior to the grant date.*

Mr. Prakash Apte, Non-Executive Independent Director and Part-time Chairman of the Bank was paid remuneration of ₹ 2,500,000 for the Financial Year ended 31st March, 2021, in accordance with the approval received from RBI.

The RBI has approved the (i) revision in remuneration of Mr. Uday Kotak, Mr. Dipak Gupta, Mr. K.V.S. Manian and Mr. Gaurang Shah for the FY 2020-21 (ii) the Stock options granted (as indicated above) to Mr. Dipak Gupta, Mr. K.V.S. Manian and Mr. Gaurang Shah (iii) the re-appointment of Mr. Prakash Apte as Part-time Chairman of the Bank for a period of three years from 1st January, 2021 to 31st December, 2023 and payment of remuneration of ₹ 2,500,000 to Mr. Prakash Apte for FY 2020-21 and (iv) re-appointment of Mr. Uday Kotak as the Managing Director & CEO of the Bank and Mr. Dipak Gupta as the Joint Managing Director of the Bank for a period from 1st January, 2021 to 31st December, 2023.

The Bank paid sitting fees to the Independent Directors and the Non- Executive Director for attending meetings of the Board and its Committees. Pursuant to RBI guidelines dated 1st June, 2015 on Compensation to Non-Executive Directors of Private Sector Banks and pursuant to the relevant resolution in this regard passed by the Members, Non-Executive Directors, including the Independent Directors, other than the Part-time Chairman, also received profit related commission as per the limits prescribed in the RBI guidelines and the Companies Act, 2013 and as approved by the Members. The Bank will pay Commission for the financial year ended 31st March, 2021 during the financial year ended 31st March, 2022, as approved by the Board at its meeting held on 3rd May, 2021.

The details of Sitting fees and Commission paid to the Non-Executive Directors for the year ended 31st March, 2021 are, as under:

(₹ '000)

Sr. No.	Name of the Director(s)	Sitting fees (Paid for Financial Year ended 31st March, 2021)	Commission (Paid for Financial Year ended 31st March, 2020)
1.	Mr. Prakash Apte	2,900.00	-
2.	Prof. S. Mahendra Dev	2,240.00	1,000.00
3.	Ms. Farida Khambata	1,720.00	1,000.00
4.	Mr. Uday Khanna	2,220.00	1,000.00
5.	Mr. Uday Shankar	1,440.00	1,000.00
6.	Dr. Ashok Gulati	160.00	Not Applicable
7.	Mr. C. Jayaram	**2,620.00**	1,000.00

Notes:

1. *Commission refers to Commission for FY 2019 -20, paid out in FY 2020 – 21.*
2. *Prof. S. Mahendra Dev (DIN: 06519869) ceased to be a Director of the Bank, with effect from 14th March, 2021, consequent upon completion of eight years on the Board of the Bank, in accordance with the provisions of Section 10A (2A)(i) of the Banking Regulation Act, 1949 .*
3. *Dr. Ashok Gulati (DIN: 07062601) was appointed as an Additional Director of the Bank and an Independent Director, for a term of five years, with effect from 6th March, 2021, subject to the approval of the Members of the Bank.*
4. *The relevant disclosure with regard to criteria for making payments to Non-Executive Directors is given in the Director's Report.*

COMMITTEES OF THE BOARD OF DIRECTORS

Composition, role, meeting details of Board Committees:

The Board has constituted several Board and Non-Board Committees to deal with specific matters and has delegated powers for different functional areas, as required under the Companies Act, 2013 ("Act"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Reserve Bank of India ("RBI"). These Committees monitor the activities falling within their specific terms of reference.

The details of Board Committees are, as under:

Audit Committee

The Audit Committee of the Bank presently consists of four Members, with any three Members, including presence of atleast two Independent Directors, forming the quorum. The composition of this Committee is in line with the provisions of the Act, SEBI Listing Regulations and RBI guidelines / circulars issued from time to time. During the year under review, the Audit Committee was re-constituted, with effect from 15th March, 2021 with the inclusion of Dr. Ashok Gulati as a Member and presently consists of Mr. Uday Khanna (Chairman), Mr. Prakash Apte, Dr. Ashok Gulati and Mr. C. Jayaram. It may be noted that consequent upon the retirement of Prof. S. Mahendra Dev as an Independent Director, he ceased to be a Member of the Committee, with effect from 14th March, 2021.

All the Members of the Committee are Non-Executive Directors and majority of the Members are Independent Directors of the Bank. All the Members of the Committee are financially literate in terms of Regulation 18 of the SEBI Listing Regulations. Mr. Uday Khanna possesses the requisite accounting and financial management expertise.

The Board has adopted an Audit Committee Charter which defines the purpose, composition, roles, responsibilities and duties and powers of the Audit Committee.

A gist of the terms of reference/responsibilities of the Audit Committee of the Bank is, as under:

Documents/Reports Review and Financial Reporting Process:

- Review and update the Charter, considering regulatory requirements, business environment, etc. and place it before the Board of Directors of the Bank for its approval. The frequency of review shall be atleast once every three years.
- Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure the fair presentation of financial statements in accordance with accounting principles generally accepted in India, applicable regulatory requirements and provisions of the Companies Act, 2013.
- Review the organization's annual financial statements and any reports or other financial information submitted to any regulatory body, or the public, including any certification, report, opinion, or review rendered by the independent auditors or firm of accountants.

- Review, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Compliance with accounting standards, selection of accounting policies, significant judgements, estimates and assumptions that affect reported amounts in financial statements.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with regulatory guidelines, Securities and Exchange Board of India and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions.
  - Approve or ratify transactions of the Bank with related parties and review significant transactions and matters related thereto. Grant of omnibus approval for related party transactions proposed to be entered into by the Bank subject to such conditions as prescribed and as amended from time to time. Related Parties to have the same meaning as provided in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time).
  - Modified opinion(s) in the draft audit report.
  - Going concern assumption.
  - Management Discussion and Analysis of financial condition and results of operations.
- Review, with the Management, the quarterly financial statements / results before submission to the Board for approval.
- Reviewing, with Management, the statement of uses / application of funds, wherever necessary, raised through an issue (public issue, right issue, preferential issue etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public of right issue and making appropriate recommendations to the Board to take up steps in this matter wherever necessary.
- Review compliance with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (as amended from time to time) at least once in a financial year and verify that the systems for internal control pertaining to the same are adequate and are operating effectively.
- Valuation of undertakings or assets of the Bank, wherever it is necessary.
- Review evaluation of internal financial controls and risk management systems.
- Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of dividend declared) and creditors.
- Approval of appointment of CFO after assessing the qualifications, experience and background, etc. of the candidate.
- Review reasons for revenue leakage and approve corrective action plan and monitor them at regular interval. Monitor areas of repeat occurrences, if any and ensure immediate actions are taken to prevent such repeat occurrences of revenue leakage.
- Review the financial statements of unlisted subsidiary company/ies and more particularly the investments made by them.
- Review the key audit observations pertaining to the subsidiaries presented to the respective Audit Committee of the Board / Board, as the case may be.
- Reviewing the utilization of loans and / or advances from / investment by the Bank in the subsidiary exceeding ₹ 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.
- Review details presented to the Committee, at prescribed frequency, vide RBI circular dated 10th November, 2010 and as updated from time to time.
- Discuss with independent statutory auditors significant issues raised in the Long Form Audit Report and follow up there on.

Independent Statutory Auditors:

- Recommend to the Board of Directors the appointment, re-appointment, replacement and removal of the independent statutory auditors for both domestic and overseas operations, considering independence and effectiveness, terms of appointment, the fees and other compensation to be paid to the independent statutory auditors.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Approve all payments for services rendered to the statutory auditors other than as statutory auditors.
- Review and monitor, auditors' independence performance and effectiveness of audit process.
- Periodically consult with the independent statutory auditors in the absence of Management about internal controls and fair presentation of financial statements in accordance with accounting principles generally accepted in India, applicable regulatory requirements.
- Discuss with the independent statutory auditors before commencement of the audit the nature and scope of the audit.
- Discuss and ascertain from the independent statutory auditors post the completion of the audit, areas of concern, if any.
- Review management letters / letters of internal control weaknesses issued by the statutory auditors.
- Provide a right to be heard to the independent statutory auditors and the key management personnel in the meetings of the Audit Committee.

Internal Audit Department:

- Approve appointment, re-appointment, replacement and removal of the Concurrent auditors and outsourced internal auditors and the fees and other compensation to be paid to them.
- Review with Management, performance of internal auditors and adequacy of the internal control systems.
- Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit including Information Systems Audit.
- Discuss with internal auditors any significant findings and follow up there on.
- Review the internal audit reports relating to internal control weaknesses.
- Review the findings of any internal investigations by the internal auditors / vigilance department into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and report the matter to the Board of Directors.
- Approve, review and monitor the Risk Based Internal Audit Plan each year.
- Review appointment, removal and performance of Head – Internal Audit and detailed organization structure.

Whistleblowing/ Vigil mechanism:

- The Committee shall review the Bank's mechanism for its directors, employees and vendors to raise genuine concerns; whether it provides adequate safeguards against victimization of persons who use such mechanism and provides for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases.
- Review Statement of deviations, if any:
  - quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32 (1) of SEBI Listing Regulations.
  - annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) of SEBI Listing Regulations.

Inspections conducted by regulators:

- Read the audit inspection reports of the inspection team of Reserve Bank of India or any other regulator, approve action plans for corrective actions to be taken and monitor compliance thereof.

Risk Management:

- Review the implementation and effectiveness of the financial and Risk Management policies and process and highlight any gaps observed to the Board of Directors.

Process Improvement:

- Establish a process of reporting by the Management or Independent Statutory Auditor, as the case may be, to the Audit Committee with regard to any significant judgment made in preparation of the Financial Statements along with their views on appropriateness of such judgments.
- Following completion of the annual audit and internal audit plan, review separately with each of management, the independent statutory auditors and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- Review any significant disagreement among management and the independent statutory auditors in connection with the preparation of the financial statements.
- Review any significant disagreement among management and the internal audit department in connection with the observations made in the internal audit report.
- Review with Management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented.
- Perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

The Bank has constituted a First Tier Audit Committee ("FTAC") as per the guidelines issued by the RBI. The Committee presently consists of four Members viz., Mr. Dipak Gupta (Chairman), Mr. Jaimin Bhatt – Group President & Group Chief Financial Officer, Mr. T.V. Sudhakar, President and Head Compliance and Mr. Devang Gheewalla, President and Chief of Operations. Where the internal audit report pertains to specific businesses, the specific business head also attends the meeting. The Committee screens the matters entrusted to the Audit Committee and also the routine matters such as overseeing the programme of inspections and compliance of inspection reports so as not to burden the Audit Committee with matters of detail. During the year, 22 meetings of the FTAC were held. The Committee meets for approximately four hours.

Internal Audit framework:

Internal Audit Department ("IAD") in the Bank is an independent function reporting into the Audit Committee of the Bank. The Head of Internal Audit functionally reports to the Chairman of the Audit Committee to ensure independence of operations. It is governed by the Internal Audit Policy approved by the Board of Directors of the Bank. The said Policy defines the Independence, Reporting, Authority, Accountability and functional responsibility.

IAD has full access to the organization's records, personnel and activities to review, assess the effectiveness of risk management, controls, governance and operations for objective and constructive recommendations for improvement.

IAD comprises 200 members located at five locations across India, majority of whom are Chartered Accountants, Certified Internal Auditors, Certified Information System Auditors and experienced Bankers. Internal Audit team members regularly attend audit related workshops, conferences and training on specialized topics within the banking industry. The team members are encouraged and supported for acquiring additional skillsets / certifications of topical relevance.

The Company Secretary acts as the Secretary to the Committee. Besides the Members of the Committee, meetings of the Audit Committee are generally attended by the Managing Director & CEO, the Joint Managing Director, the Group President & Group Chief Financial Officer, Company Secretary, the Statutory Auditors and the Head-Internal Audit. Further, meetings of the Audit Committee for considering Financials for the quarter and year end, are attended by the other Directors as Invitees.

Mr. Khanna, Chairman of the Audit Committee, was present at the last Annual General Meeting ("AGM") to answer the queries of the Members. The Members of the Audit Committee meet the Statutory Auditors independently at least once a year.

During the year, nine meetings of the Committee were held on 13th May, 2020, 27th July, 2020, 19/20th August, 2020, 26th October, 2020, 20th November, 2020, 25th January, 2021, 22nd February, 2021, 25th February, 2021 and 19th March, 2021. The average time taken at the Committee meeting is approximately three and half-hours. The maximum time gap between any two meetings was not more than 80 days. The Board has accepted all the recommendations made by the Audit Committee during the financial year.

Stakeholders Relationship Committee

During the year under review, the Stakeholders Relationship Committee of the Bank was re-constituted, with effect from 15th March, 2021 by the inclusion of Ms. Farida Khambata and presently consists of four Members, Ms. Farida Khambata (Chairperson), Mr. C. Jayaram, Mr. Uday Kotak and Mr. Dipak Gupta, with any three Members including the presence of atleast one Independent Director, forming the quorum. It may be noted that consequent upon the retirement of Prof. S. Mahendra Dev as an Independent Director, he ceased to be a Member of the Committee, with effect from 14th March, 2021. The constitution and composition of the Committee is in accordance with the provisions of Regulation 20 of the SEBI Listing Regulations and the criteria specified by the Reserve Bank of India. The Company Secretary acts as the Secretary of the Committee.

The terms of reference of the Stakeholders Relationship Committee of the Bank, *inter alia*, includes the following:

- To resolve grievances of security holders.
- To review measures for effective exercise of voting rights by shareholders.
- To review adherence to service standards adopted by listed entity for services rendered by the Registrar & Transfer Agent.
- To review measures and initiatives taken for reducing quantum of unclaimed dividend and ensuring timely receipt of dividend / annual report / statutory notices.

The Company Secretary of the Bank functions as the Compliance Officer and also acts as the Secretary to the Committee. Prof. S. Mahendra Dev (the then Chairperson of the Committee) was present at the last AGM to answer the queries of the Members.

During the year, two meetings of the Committee were held on 7th July, 2020 and 18th January, 2021. The Committee meets for approximately half an hour.

During the year under review, 35 investor complaints were received and 6 complaints were pending as on 31st March, 2021. The pending investor complaints were resolved as on 30th April, 2021 to the satisfaction of the Members. As on 31st March, 2021, there were no instruments of transfer of shares, pending. No penalties or strictures were imposed on the Bank by any of the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority on any matter related to capital markets, during the last three years.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Bank presently consists of three Members viz. Ms. Farida Khambata (Chairperson), Mr. Prakash Apte and Mr. C. Jayaram, with presence of all the three Members forming the quorum.

A brief description of the terms of reference of the Committee is, as under:

- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees.
- While formulating the policy ensure that:
  - the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
  - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- To recommend to the Board remuneration (in whatever form payable) to senior management.

The Company Secretary acts as the Secretary to the Committee. Ms. Farida Khambata was present at the last AGM to answer the queries of the Members.

During the year, seven meetings of the Committee were held on 7th May, 2020, 25th July, 2020, 7th August, 2020, 17th September, 2020, 30th November, 2020, 17th February, 2021 and 5th March, 2021. The Committee meets for approximately one hour.

The details of the performance evaluation criteria for Independent Directors of the Bank have been mentioned in the Directors Report. Further, the Bank has a Remuneration policy in place, the details of which have been mentioned in the Directors' Report.

Share Transfer and Other Matters ("STOM") Committee

The STOM Committee of the Bank was reconstituted, with effect from 15th April, 2021, with the induction of Mr. Gaurang Shah as a Member and presently consists of Mr. Uday Kotak (Chairman), Mr. Dipak Gupta, Mr. K.V.S. Manian and Mr. Gaurang Shah, with any three Members forming the quorum.

The terms of reference of the STOM Committee are, as under:

- To approve transfer, transmission, transposition, name deletion, consolidation and splitting of share and debenture certificates of the Bank.
- To issue duplicate share/debenture certificates.
- To apply for registration of the Bank with various authorities of any State or Centre including GST tax authorities, income tax authorities, shops & establishment authorities and to do or perform all matters relating to such matters.
- To apply, in the name of and for the Bank, for telephone, telex, fax and other telecommunication and electrical/electronic connections and to do all matters relating to such applications.
- To open, operate and close Bank Accounts of the Bank and change the operating instructions of existing Bank Accounts of the Company.
- To authorise persons to sign on behalf of the Bank, Share Certificates, Share Allotment Letters, Fixed Deposit Receipts.
- To authorise persons to represent the Bank at General Meetings of any company or cooperative society of which the Company is a shareholder/member.
- To fix the dates for closure of the Bank's Register of Members and Debenture holders and Transfer Books of Shares or Debentures and/or fixing Record Dates, in consultation with the Stock Exchanges.
- To authorise the opening of Securities General Ledger Account or any other account with any scheduled banks or with any department of the Reserve Bank of India.
- To authorise persons to execute Loan Agreements, Demand Promissory Notes and any other documents as may be necessary for lending out of any line of credit sanctioned to the Bank.
- To authorise officials of the Bank to sign documents for registration of motor vehicles and to do all acts and things for the transfer of any such motor vehicles.
- To authorise employee(s) or others to execute, for and on behalf of the Bank, agreements, applications, deeds, documents and any other writings in connection with the business of the Bank and, if required, to issue Power of Attorney in favour of such persons for the purpose.
- To authorise employee(s) or others to represent the Bank before any Court, Tribunal, Consumer Redressal Forum or any Statutory or other Authority on any matter relating to the operations of the Bank or with which the Bank is in any way connected or to represent the Bank generally or for any specific purpose or purposes and, if required, issue Power of Attorney in favour of such persons for the purpose.
- To appoint or change nominees to hold shares for and on behalf of the Bank in any subsidiary/associate companies.
- To grant permission and authorise incorporation of companies, with a prefix "Kotak Mahindra" before the name.
- To authorise the use of the Common Seal of the Bank and to appoint persons to sign/countersign documents, etc. on which the Common Seal is to be affixed.
- To approve appointment of any employee /Director of the Bank or any other person as a nominee on the Board of other companies under certain circumstances to protect the interest of the Bank's exposures / investments in such companies.
- To approve appointment of any employee of the Bank as a part-time employee of any other company under certain circumstances to protect the interest of the Bank's exposures / investments in such companies.
- To approve appointment of any employee /Director of the Bank or any other person as an appointee on the Board of other companies (including Section 8 companies) LLPs, firms, if so invited.
- To carry out the following activities in respect of equity shares of erstwhile ING Vysya Bank Ltd. being rights shares held in abeyance for various reasons :
  - Allotment of shares in respect of rights shares held in abeyance and bonus entitlement thereon, after the resolution of the Court case, transmission, dispute etc. as the case may be and upon receipt of application money and other necessary documents.
  - Authorize officials of the Bank to take necessary action for credit of shares to the demat account of the concerned shareholder(s) or issue of physical share certificates as the case may be.
  - Authorize officials of the Bank to make the necessary applications to the Stock Exchanges for listing and trading of the shares so allotted, file the various regulatory returns and refund the excess share application money received, if any.
- To authorise employee(s) to delegate authority to any other employee(s) or others in respect of any of the matters stated herein subject to it being permissible under applicable law.

During the year, one meeting of the Committee was held on 31st March, 2021. The Committee met for approximately fifteen minutes. The Committee also passes resolutions by circulation on a need basis. During the year, 29 resolutions were passed by circulation.

Special Committee of the Board for monitoring and follow up of Frauds (earlier known as the Committee on Frauds)

Pursuant to the directives of the RBI, the Bank has constituted a Special Committee of the Board for monitoring and follow-up of Frauds (earlier known as the Committee on Frauds) for exclusive monitoring and reviewing all the frauds involving amounts of ₹ 1 crore and above. The Committee presently consists of five Members, Mr. Uday Kotak (Chairman), Mr. Dipak Gupta, Mr. Prakash Apte, Mr. Uday Khanna and Mr. C. Jayaram, with any three including the presence of atleast one Independent Director, forming the quorum. Mr. Uday Kotak was designated as the Chairman of the Committee, effective 15th March, 2021.

During the year under review, the Committee on Fraud was re-named as the Special Committee of the Board for Monitoring and Follow-up of Frauds ("SCBF"), in line with the circular dated 14th January, 2004 issued by RBI on "Monitoring of large value frauds by the Board of Directors" read with Master Directions on Frauds issued by RBI on 1st July, 2016.

The objectives of the Committee are to identify systemic lacunae, if any, that may have facilitated perpetration of fraud and put in place measures to plug the same; identify the reasons for delays, if any, in detection, as well as in reporting to top Management of the bank and RBI; monitor progress of investigations by law enforcement authorities, and recovery position; ensure that staff accountability is examined at all levels and disciplinary actions are taken timely; and review the efficacy of the remedial actions taken to prevent recurrence of frauds.

During the year, five meetings of the Committee were held on 5th May, 2020, 14th August, 2020, 15th January, 2021, 24th February, 2021 and 26th March, 2021. The Committee meets for approximately two hours.

Customer Services Committee

The Bank has, pursuant to the directives issued by the RBI, constituted a Customer Services Committee. During the year under review, the Committee was reconstituted, with effect from 15th March, 2021, with the inclusion of Mr. Uday Shankar as Chairman and presently consists of four Members viz. Mr. Uday Shankar (Chairman), Mr. Uday Kotak, Mr. Dipak Gupta and Mr. K.V.S. Manian, with any three Members including the presence of atleast one Independent Director, forming the quorum. It may be noted that consequent upon the retirement of Prof. S. Mahendra Dev as an Independent Director, he ceased to be a Member of the Committee, with effect from 14th March, 2021.

The Committee has been constituted to bring about ongoing improvements in the quality of customer services provided by the Bank. The Committee would also oversee the functioning of the Customer Service Standing Committee, compliance with the recommendations of the Committee on Procedures and Performance Audit and Public Services and also mount innovative measures for enhancing the quality of customer service and improving the level of customer satisfaction for all categories of cliental, at all times.

During the year, four meetings of the Committee were held on 7th July, 2020, 2nd September, 2020, 18th January, 2021 and 30th March, 2021. The Committee meets for approximately thirty minutes.

Corporate Social Responsibility Committee

The Bank has constituted a Corporate Social Responsibility Committee pursuant to the provisions of the Act. During the year under review, the Committee was reconstituted, with effect from 15th March, 2021 with the induction of Mr. Prakash Apte as Chairman and presently consists of three Members viz. Mr. Prakash Apte (Chairman), Mr. C. Jayaram, and Mr. Dipak Gupta, with all the three Members forming the quorum. It may be noted that consequent upon the retirement of Prof. S. Mahendra Dev as an Independent Director, he ceased to be a Member of the Committee, with effect from 14th March, 2021. The Committee has been constituted to:

- Formulate and recommend to the Board, a Corporate Social Responsibility ("CSR") Policy which shall indicate the activities to be undertaken by the Bank, as laid down in Schedule VII to the Act.
- Recommend the amount of expenditure to be incurred on the CSR activities.
- Monitor Bank's CSR Policy and implementation of CSR projects undertaken from time to time.

During the year, one meeting of the Committee was held on 12th February, 2021. The Committee met for approximately two hours.

The details of the CSR activities of the Bank have been included in the Annexure to the Directors' Report.

Management Committee

The Bank has constituted a Management Committee which presently consists of four Members viz. Mr. Uday Kotak, Mr. Dipak Gupta, Mr. K.V.S Manian and Mr. Gaurang Shah, with any three Members forming quorum.

The Management Committee was constituted to bring operational flexibility in processing of credit proposals and also to discharge other responsibilities prescribed in different directives of the RBI, including periodical calendar of reviews.

During the year, one meeting of the Committee was held on 31st March, 2021. The Committee met for approximately fifteen minutes.

Risk Management Committee

During the year under review, the Committee was reconstituted as a Board Committee, with effect from 15th March, 2021 and presently consists of four Members viz. Mr. Prakash Apte (Chairman), Mr. Uday Kotak, Mr. Dipak Gupta and Mr. Gaurang Shah with any three Members, including the presence of one Independent Director, forming quorum. It may be noted that Mr. Paul Parambi, the Chief Risk Officer, ceased to be a Member of the Committee, with effect from 15th March, 2021. The terms of reference of the Committee are, as under:

- To identify, monitor and measure the risk profile of the Bank.
- Develop policies and procedures.
- Verify models that are used for preparing complex products.
- Review models as development takes place in the markets and also identify new risks.
- Monitor compliance of various risk parameters by operating departments.
- Design stress scenarios to measure the impact of unusual market conditions and monitor variance between actual volatility of portfolio value and that predicted by risk measures.
- To ensure that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudently diversified and to specifically include cyber security.

During the year, five meetings of the Committee were held on 26th June, 2020, 30th September, 2020, 14th August, 2020, 3rd March, 2021 and 25th March, 2021. The Committee meets approximately for an hour.

Group Risk Management Committee

During the year under review, the Committee was constituted on 30th November, 2020 and re-constituted as a Board Committee, with effect from 15th March, 2021. The Committee presently consists of five Members viz. Mr. Prakash Apte (Chairman), Mr. Uday Khanna, Mr. Uday Kotak, Mr. Dipak Gupta and Mr. Gaurang Shah with any three Members, including the presence of one Independent Director, forming the quorum. It may be noted that Mr. Paul Parambi, Chief Risk Officer, ceased to be a Member of the Committee, with effect from 15th March, 2021. The terms of reference of the Committee are primarily to look after:

- Issues relating to the Group from risk perspective.
- Group risk appetite.
- Analyse the material risks to which the Group, its businesses and subsidiaries would be exposed. It would discuss all risk strategies, both at an aggregated level and by type of risk and make recommendations to the Board in accordance with the Group's overall risk appetite.
- Identify potential intra-group conflicts of interest.
- Assess whether there were effective systems in place to facilitate exchange of information for effective risk oversight of the Group.
- Carry out periodic independent formal review of the Group structure and internal controls.
- Articulate the leverage of the Group and monitor the same.

During the year, one meeting of the Committee was held on 25th March, 2021. The Committee meets approximately for an hour.

Committee on Derivative Products

During the year under review, the Bank constituted the Committee on Derivative Products on 30th November, 2020. The Committee was re-constituted on 15th April, 2021, with the induction of Mr. Gaurang Shah as a Member and presently consists of three Members viz. Mr. Dipak Gupta (Chairman), Mr. K.V.S Manian and Mr. Gaurang Shah, with all three Members forming the quorum. The Committee has been constituted to examine the new product proposals, various parameters and their comprehensive evaluation, before being offered to its customers.

During the year, two meetings of the Committee were held on 16th December, 2020 and 23rd March, 2021. The Committee meets for approximately one hour.

ESOP Allotment Committee

The Committee was re-constituted on 15th April, 2021 with the induction of Mr. Gaurang Shah as a Member and currently consists of four Members, viz. Mr. Uday Kotak (Chairman), Mr. Dipak Gupta, Mr. C. Jayaram and Mr. Gaurang Shah, with any three Members forming the quorum. The Committee has been constituted to allot shares arising out of the options exercised in accordance with the terms and conditions of the various ESOP Schemes of the Bank.

During the year, eleven meetings of the Committee were held on 14th May, 2020, 6th July, 2020, 10th August, 2020, 8th September, 2020, 5th October, 2020, 13th November, 2020, 16th December, 2020, 30th December, 2020, 20th January, 2021, 26th February, 2021 and 30th March, 2021. The Committee meets for half an hour.

Review Committee for classification and declaration of borrowers as willful defaulters

During the year under review, the Committee was reconstituted, with effect from 15th March, 2021 with the induction of Mr. C. Jayaram and presently consists of three Members viz. Mr. Uday Kotak (Chairman), Mr. Prakash Apte and Mr. C. Jayaram, with all three Members forming the quorum. It may be noted that consequent upon the retirement of Prof. S. Mahendra Dev as an Independent Director, he ceased to be a Member of the Committee, with effect from 14th March, 2021. The Committee was constituted to hear the grievance of the borrowers who represent that they have been wrongly classified as willful defaulters.

During the year, two meetings of the Committee were held on 20th July, 2020 and 12th January, 2021. The Committee met for approximately half an hour.

Attendance at the Board Committee meetings held during FY 2020-21:

The details of the meetings attended by the Members of the respective Committees are, as under:

Name of Director	Name of the Board Committees												
	Audit Committee	Stakeholders Relationship Committee	Nomination and Remuneration Committee	Share Transfer and Other Matters Committee	Special Committee of the Board for monitoring and follow up of fruads	Customer Services Committee	Corporate Social Responsibility Committee	Management Committee	Risk Management Committee	Group Risk Management Committee	Committee on Derivative Products	ESOP Committee	Review committee for classification and declaration of borrowers as willful defaulters
Mr. Prakash Apte	9/9	-	7/7	-	5/5	-	0/0	-	5/5	1/1	-	-	2/2
Prof. S. Mahendra Dev	8/8	2/2	-	-	-	3/3	1/1	-	-	-	-	-	2/2
Ms. Farida Khambata	-	0/0	7/7	-	-	-	-	-	-	-	-	-	-
Mr. Uday Khanna	9/9	-	-	-	5/5	-	-	-	-	1/1	-	-	-
Mr. Uday Shankar	-	-	-	-	-	1/1	-	-	-	-	-	-	-
Dr. Ashok Gulati	1/1	-	-	-	-	-	-	-	-	-	-	-	-
Mr. C. Jayaram	1/1	2/2	7/7	-	5/5	-	1/1	-	-	-	-	11/11	0/0
Mr. Uday Kotak	-	2/2	-	1/1	5/5	4/4	-	1/1	5/5	1/1	-	11/11	2/2
Mr. Dipak Gupta	-	2/2	-	1/1	5/5	4/4	1/1	1/1	5/5	1/1	2/2	11/11	-
Mr. K.V.S. Manian	-	-	-	0/0	-	4/4	-	1/1	-	-	2/2	-	-
Mr. Gaurang Shah	-	-	-	1/1	-	-	-	1/1	5/5	1/1	0/0	0/0	-

Notes:

1. *The above table shows the number of meetings attended against the number of meetings held during tenure as member.*
2. *In view of the lock down in the country to combat COVID -19 pandemic and relaxation given by the Ministry of Corporate Affairs vide Notifications dated 19th March, 2020 and 24th March, 2020, as extended from time to time, all the meetings were held through Video Conferencing via the Zoom Video Conferencing facility.*
3. *Prof. S. Mahendra Dev (DIN: 06519869) ceased to be a Director of the Bank, with effect from 14th March, 2021, consequent upon completion of eight years on the Board of the Bank, in accordance with the provisions of Section 10A (2A)(i) of the Banking Regulation Act, 1949 .*
4. *Dr. Ashok Gulati (DIN: 07062601) was appointed as an Additional Director of the Bank and an Independent Director, for a term of five years, with effect from 6th March, 2021, subject to the approval of the Members of the Bank.*
5. *Risk Management Committee and Group Risk Management Committee were re-constituted as Board Committees effective 15th March, 2021.*
6. *All the recommendations made by the Committees of the Board mandatorily required to be constituted by the Bank under the Act, the SEBI Listing Regulations and various mandates issued by RBI, from time to time, were accepted by the Board.*

Code of Conduct:

The Bank has adopted the Codes of Conduct which are applicable to the Board of Directors and Senior Management Personnel, respectively.

The amendments to both the Codes of Conduct were reviewed and approved by the Board of Directors of the Bank and both the Codes of Conduct have been posted on the website of the Bank viz URL: https://www.kotak.com/en/investor-relations/governance/policies.html

All the Directors of the Board and Senior Management Personnel of the Bank have affirmed compliance with these respective Codes. A declaration signed by the Managing Director & CEO to this effect is given at the end of this Report.

Familiarisation programme for Independent Directors:

The Bank believes in familiarizing the Independent Directors with the nature of the industry in which the Bank operates, business model and other important matters relating to the Bank's business through induction programmes at the time of their appointment.

Further, the Directors of the Bank attended the following programs:

- Program on Artificial Intelligence and Machine Learning, session handled by a team from Amazon.
- Program for Non-Executive Directors on the Boards of Banks and Financial Institutions organised by the Centre for Advanced Financial Research and Learning.
- Cyber Security Awareness session by KPMG Assurance and Consulting Services LLP.

The complete details of the familiarization programs conducted for the Directors of the Bank are available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/governance/familiarisation-programme.html

Induction programme for new Directors:

Presentations are made to a new Director on various matters such as Organization Structure, Businesses of the Bank namely Consumer Finance, Corporate Finance, Human Resources, Compliance, Risk Management, Treasury, Information Technology and Cyber Security, etc of the Bank as also the subsidiary companies.

FEES PAID TO THE STATUTORY AUDITORS

The Statement of Profit and Loss Account of the Bank and its subsidiaries include the following fees paid / payable to their respective Statutory Auditors of the Bank and its subsidiaries:

(₹ in crore)

Entity Name	Auditor's Name	Statutory / Audit Fees	Other Matters	Total
Kotak Mahindra Bank Limited*	M/s. Walker Chandiok & Co LLP	2.14	0.34	2.48
Kotak Mahindra Bank Limited (Overseas Branch and Representative Office)	M/s. Grant Thornton UAE	0.12	0.02	0.14
Kotak Mahindra Capital Company Limited	M/s. Deloitte Haskins & Sells LLP	0.18	-	0.18
Kotak Investment Advisors Limited	M/s. Price Waterhouse LLP	0.26	-	0.26
Kotak Mahindra, Inc.	M/s. Citrin Cooperman & Company, LLP	0.23	-	0.23
Kotak Mahindra (International) Limited	M/s. Ernst & Young Mauritius	0.22	-	0.22
Kotak Securities Limited	M/s. Deloitte Haskins & Sells LLP	1.10	-	1.10
Kotak Mahindra Prime Limited	M/s. Price Waterhouse, Chartered Accountants LLP	0.85	0.79	1.64
Kotak Mahindra Asset Management Company Limited	M/s. Price Waterhouse, Chartered Accountants LLP	0.23	-	0.23
Kotak Mahindra Trustee Company Limited	M/s. V. C. Shah & Co	0.03	-	0.03
Kotak Mahindra Investments Limited	M/s. Price Waterhouse Chartered Accountants LLP	0.45	0.03	0.48
Kotak Mahindra Pension Fund Limited	M/s. Gokhale & Sathe	0.02	-	0.02
Kotak Infrastructure Debt Fund Limited	M/s. S. R. Batliboi & Associates LLP	0.08	0.01	0.09
Kotak Mahindra Trusteeship Services Limited	M/s. Deloitte Haskins & Sells LLP	0.04	-	0.04
Kotak Mahindra Life Insurance Company Limited	M/s. S.R. Batliboi & Associates LLP Haribhakti & Co. LLP	0.80	0.13	0.93
Kotak Mahindra (UK) Limited	M/s. Ernst and Young LLP	0.94	0.01	0.95
Kotak Mahindra Financial Services Limited	M/s. Ernst & Young Middle East	0.07	0.01	0.08
Kotak Mahindra General Insurance Company Limited	M/s. V.C.Shah & Co. MSKA & Associates	0.31	0.03	0.34
IVY Product Intermediaries Limited	M/s. V. C. Shah & Co	0.01	-	0.01
Kotak Mahindra Asset Management (Singapore) PTE. Limited	M/s. Ernst & Young LLP	0.34	-	0.34
BSS Microfinance Limited	M/s. Deloitte Haskins & Sells LLP	0.12	0.01	0.13
Total		**8.54**	**1.38**	**9.92**

* Excludes fees paid for audit of overseas branch which is done by non-network firm. Audit fee of ₹ 0.24 crore is subject to the approval of the Members, at the AGM. Audit fee does not include ₹ 0.72 crore paid towards QIP issuance, which has been adjusted against Securities Premium Account.

The Consolidated Statement of Profit and Loss Account includes fees paid to Statutory Auditors of the Bank and their network firms, as under:

₹ in crore

Entity	Name of the Firm	Total Fees
Kotak Mahindra Bank Limited	Walker Chandiok & Co LLP	2.48
	Total	**2.48**

An additional Audit fee of ₹ 0.24 crore is subject to the approval of the Members, at the AGM. Audit fees does not include ₹ 0.72 crore paid towards QIP issuance, which has been adjusted against Securities Premium Account.

SHAREHOLDER RELATED INFORMATION

General Meetings

During the last three years, the General Meetings of the Equity Shareholders held are, as detailed below:

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
Thirty Fifth Annual General Meeting	Tuesday, 18th August, 2020, 3.00 p.m. IST through Video Conferencing, deemed to be held at Registered office of the Bank at 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	i. Special Resolution for re-appointment of Mr. Prakash Apte as Part-time Chairman of the Bank for a period of three years from 1st January, 2021 to 31st December, 2023. ii. Special Resolution to issue Unsecured, Perpetual and/or Redeemable Non-Convertible Debentures/ Bonds for an amount up to ₹ 5000 crore.
Thirty Fourth Annual General Meeting	Monday, 22nd July, 2019, 10.00 a.m. at Walchand Hirachand Hall of the Indian Merchants Chamber, 4th Floor, Churchgate, Mumbai - 400 020	i. Special Resolution for re-appointment of Mr. Prakash Apte as an Independent Director of the Bank for a second term from 18th March, 2019 to 17th March, 2024. ii. Special Resolution for re-appointment of Ms. Farida Khambata as an Independent Director of the Bank for a second term from 7th September, 2019 to 6th September, 2022. iii. Special Resolution to issue Unsecured, Perpetual and/ or Redeemable Non-Convertible Debentures/ Bonds for an amount up to ₹ 5000 crore.
Thirty Third Annual General Meeting	Thursday, 19th July, 2018 at 4.00 p.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4th Floor Churchgate, Mumbai-400020	i. Special Resolution for appointment of Mr. Prakash Apte as Part-time Chairman of the Bank from 20th July, 2018 till 31st December, 2020. ii. Special Resolution to issue Unsecured, Perpetual and/ or Redeemable Non-Convertible Debentures/ Bonds for an amount up to ₹ 5000 crore. iii. Special Resolution for alteration of Article 11 of the Articles of Association of the Bank enabling issue of preference shares in accordance with and subject to the provisions of the Companies Act, 2013, Banking Regulation Act, 1949, guidelines issued by the Reserve Bank of India and applicable laws. iv. Special Resolution to raise funds by way of non-convertible preference shares for an amount not exceeding ₹ 500 crore, by way of private placement.

Pursuant to the provisions of Section 108 of the Companies Act, 2013 ("Act") read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time and the provisions of Regulation 44 of he Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Bank has been providing remote e-voting facility to its Members to enable them to cast their votes by electronic means on all resolutions.

Postal Ballot

The following Resolutions were passed through postal ballot during the last financial year:

1. The Board of Directors, at its meeting held on 22nd April, 2020, had approved the issuance of up to 6,50,00,000 (Six Crore and Fifty Lakh) Equity Shares, in one or more tranches, through a private placement, follow-on public offering ("FPO"), Qualified Institutions Placement ("QIP") or combination thereof. Further, in accordance with the General Circular No. 14/ 2020 dated 8th April, 2020 and the General Circular No. 17/ 2020 dated 13th April, 2020, in relation to "Clarification on passing of ordinary and special resolutions by companies under the Act and the rules made thereunder on account of the threat posed by COVID-19" issued by the Ministry of Corporate Affairs, Government of India (the "MCA Circulars"), the approval of the Members of the Bank for issuance of the above Equity Shares was obtained through postal ballot (only through the remote e-voting process).

   Further, in compliance with Regulation 44 of the SEBI Listing Regulations and pursuant to the provisions of Sections 108 and 110 of the Act read with the Rules and the MCA Circulars, the Bank had extended only the remote e-voting facility for its Members, to enable them to cast their votes electronically instead of submitting the postal ballot form.

   The Board had appointed Ms. Rupal D. Jhaveri, Practicing Company Secretary as the Scrutinizer and Ms. Sadhana Yadav, Practicing Company Secretary & Partner in RJSY & Associates, as an Alternate Scrutinizer to Ms. Rupal D. Jhaveri, as the Scrutinizer for conducting the meeting only through the electronic voting process, in a fair and transparent manner.

   Further, the Bank had engaged the services of KFin Technologies Private Limited ("KFin") for providing remote e-voting facilities to the Members, enabling them to cast their vote in a secure manner.

   The Notice of Postal Ballot dated 22nd April, 2020 along with Explanatory Statement and remote e-voting instructions were sent to all the Members in electronic form only on Thursday, 23rd April, 2020 for recording their assent or dissent through electronic means. The voting period commenced from Saturday, 25th April, 2020 (9:00 a.m. onwards) and ended on Sunday, 24th May, 2020 (5:00 p.m.). Voting rights of Members were reckoned in proportion to their shares of the paid-up Equity Share Capital of the Bank as on Friday, 17th April, 2020.

The Scrutinizer had submitted her report dated 25th May, 2020 on postal ballot (through remote e-voting process). The details of the voting pattern are, given below:

Category	Mode of Voting	No. of shares held (1)	No. of votes polled (2)	% of Votes Polled on outstanding shares (3)=[(2)/(1)]*100	No. of Votes – in favour (4)	No. of Votes – against (5)	% of Votes in favour on votes polled (6)=[(4)/(2)]*100	% of Votes against on votes polled (7)=[(5)/(2)]*100
Promoter and Promoter Group	E-Voting	572,464,964	568,061,468	-	-	-	-	-
	Less: Not considered pursuant to letters dated 29th January 2020 and 18th February 2020 of the Reserve Bank of India.	284,850,555	280,447,059					
	Votes Considered	287,614,409	287,614,409	100.0000	287,614,409	0	100.0000	0.0000
	Poll		0	0.0000	0	0	0.0000	0.0000
	Postal Ballot (if applicable)		0	0.0000	0	0	0.0000	0.0000
	Total		**287,614,409**	**100.0000**	**287,614,409**	**0**	**100.0000**	**0.0000**
Public- Institutions	E-Voting	998,655,550	925,516,239	92.6762	925,516,239	0	100.0000	0.0000
	Poll		0	0.0000	0	0	0.0000	0.0000
	Postal Ballot (if applicable)		0	0.0000	0	0	0.0000	0.0000
	Total		**925,516,239**	**92.6762**	**925,516,239**	**0**	**100.0000**	**0.0000**
Public- Non Institutions	E-Voting	341,917,824	160,743,241					
	Less : IEPF shares not considered for voting	3,171,393	0					
	Votes Considered	338,746,431	160,731,576	47.4489	160,712,423	19153	99.9881	0.0119
	Poll		0	0.0000	0	0	0.0000	0.0000
	Postal Ballot (if applicable)		0	0.0000	0	0	0.0000	0.0000
	Total		**160,731,576**	**47.4489**	**160,712,423**	**19,153**	**99.9881**	**0.0119**
	Total	**1,625,016,390**	**1,373,862,224**	**84.5445**	**1,373,843,071**	**19,153**	**99.9986**	**0.0014**

Accordingly, the Special Resolution, as set out in the Postal Ballot Notice dated 22nd April, 2020 was passed with Requisite Majority.

2. The Board of Directors of the Bank had, vide Resolution passed by circulation on 14th February, 2021, approved and recommended the following Resolutions for approval of the Members of the Bank:

   i. Approval for Material Related Party Transactions with Infina Finance Private Limited; and

   ii. Approval for Material Related Party Transactions with Mr. Uday Suresh Kotak

Further, in accordance with the General Circular No. 14/ 2020 dated 8th April, 2020, General Circular No. 17/ 2020 dated 13th April, 2020, General Circular dated 22/2020 dated 15th June, 2020 and General Circular No. 39/2020 dated 31st December, 2020, as amended from time to time, in relation to "Clarification on passing of ordinary and special resolutions by companies under the Act and the Rules made thereunder on account of the threat posed by COVID - 19" issued by the Ministry of Corporate Affairs, Government of India (the "MCA Circulars"), the approval of the Members of the Bank for aforementioned resolutions was obtained through postal ballot (only through the remote e-voting process).

Further, in compliance with Regulation 44 of the SEBI Listing Regulations and pursuant to the provisions of Sections 108 and 110 of the Act read with the Rules and the MCA Circulars, the Bank had extended only the remote e-voting facility for its Members, to enable them to cast their votes electronically instead of submitting the postal ballot form.

The Board had, vide resolution passed by circulation on 14th February, 2021, appointed Ms. Rupal D. Jhaveri, Practicing Company Secretary as the Scrutinizer and Ms. Sadhana Yadav, Practicing Company Secretary & Partner in RJSY & Associates, as an Alternate Scrutinizer to Ms. Rupal D. Jhaveri, as the Scrutinizer for conducting the meeting only through the electronic voting process, in a fair and transparent manner.

Further, the Bank had engaged the services of KFin Technologies Private Limited ("KFin") for providing remote e-voting facilities to the Members, enabling them to cast their vote in a secure manner.

The Notice of Postal Ballot dated 15th February, 2021 along with Explanatory Statement and remote e-voting instructions were sent to all the Members in electronic form only on Saturday, 20th February, 2021 for recording their assent or dissent through electronic means. The voting period commenced from Monday, 22nd February, 2021 (9:00 a.m. onwards) and ended on Tuesday, 23rd March, 2021 (5:00 p.m.). Voting rights of Members were reckoned in proportion to their shares of the paid-up Equity Share Capital of the Bank as on Friday, 12th February, 2021.

The Scrutinizer had submitted her report dated 24th March, 2021 on postal ballot (through remote e-voting process). Accordingly, both the Ordinary Resolutions, as set out in the Postal Ballot Notice dated 15th February, 2021, were passed with requisite majority. The details of the voting pattern are, given below:

Resolution No.	1
Resolution required: (Ordinary/ Special)	ORDINARY - Approval for Material Related Party Transactions with Infina Finance Private Limited
Whether promoter/ promoter group are interested in the agenda /resolution	Mr. Suresh Kotak, father of Mr. Uday Kotak, Managing Director & CEO, Promoter and a Key Managerial Personnel of the Bank is a Director on the Board of Infina Finance Private Limited ("Infina"). Accordingly, Mr. Uday Kotak and his relatives may be deemed to be concerned or interested in the Resolution contained at Item No. 1

Category	Mode of Voting	No. of shares held (1)	No. of votes polled (2)	% of Votes Polled on outstanding shares (3)= [(2)/(1)]* 100	No. of Votes – in favour (4)	No. of Votes – against (5)	% of Votes in favour on votes polled (6)=[(4)/(2)]*100	% of Votes against on votes polled (7)=[(5)/(2)]*100
Promoter and Promoter Group	E-Voting	515,593,264	1,052,868	0.2042	1,052,868	0	100.0000	0.0000
	Poll		0	0.0000	0	0	0.0000	0.0000
	Postal Ballot (if applicable)		0	0.0000	0	0	0.0000	0.0000
	Total		**1,052,868**	**0.2042**	**1,052,868**	**0**	**100.0000**	**0.0000**
Public- Institutions	E-Voting	1,142,403,975	1,076,370,151	94.2197	1,076,370,151	0	100.0000	0.0000
	Poll		0	0.0000	0	0	0.0000	0.0000
	Postal Ballot (if applicable)		0	0.0000	0	0	0.0000	0.0000
	Total		**1,076,370,151**	**94.2197**	**1,076,370,151**	**0**	**100.0000**	**0.0000**
Public- Non Institutions	E-Voting	322,992,097	142,670,294					
	Less : IEPF shares not considered for voting	3,264,006	0					
	Votes Considered	319,728,091	142,670,294	44.6224	142,661,263	9031	99.9937	0.0063
	Poll		0	0.0000	0	0	0.0000	0.0000
	Postal Ballot (if applicable)		0	0.0000	0	0	0.0000	0.0000
	Total		**142,670,294**	**44.6224**	**142,661,263**	**9,031**	**99.9937**	**0.0063**
	Total	**1,977,725,330**	**1,220,093,313**	**61.6917**	**1,220,084,282**	**9,031**	**99.9993**	**0.0007**

Resolution No.	2
Resolution required: (Ordinary/ Special)	ORDINARY - Approval for Material Related Party Transactions with Mr. Uday Suresh Kotak.
Whether promoter/ promoter group are interested in the agenda /resolution	Mr. Uday Kotak is the Managing Director & CEO, Promoter and a Key Managerial Personnel of the Bank. Accordingly, he and his relatives may be deemed to be concerned or interested in the Resolution contained at Item No. 2.

Category	Mode of Voting	No. of shares held (1)	No. of votes polled (2)	% of Votes Polled on outstanding shares (3)= [(2)/(1)]* 100	No. of Votes – in favour (4)	No. of Votes – against (5)	% of Votes in favour on votes polled (6)=[(4)/(2)]*100	% of Votes against on votes polled (7)=[(5)/(2)]*100
Promoter and Promoter Group	E-Voting	515,593,264	1,052,868	0.2042	1,052,868	0	100.0000	0.0000
	Poll		0	0.0000	0	0	0.0000	0.0000
	Postal Ballot (if applicable)		0	0.0000	0	0	0.0000	0.0000
	Total		**1,052,868**	**0.2042**	**1,052,868**	**0**	**100.0000**	**0.0000**
Public- Institutions	E-Voting	1,142,403,975	1,076,370,151	94.2197	1076370151	0	100.0000	0.0000
	Poll		0	0.0000	0	0	0.0000	0.0000
	Postal Ballot (if applicable)		0	0.0000	0	0	0.0000	0.0000
	Total		**1,076,370,151**	**94.2197**	**1,076,370,151**	**0**	**100.0000**	**0.0000**
Public- Non Institutions	E-Voting	322,992,097	142,670,287					
	Less : IEPF shares not considered for voting	3,264,006	0					
	Votes Considered	319,728,091	142,670,287	44.6224	142,662,140	8147	99.9943	0.0057
	Poll		0	0.0000	0	0	0.0000	0.0000
	Postal Ballot (if applicable)		0	0.0000	0	0	0.0000	0.0000
	Total		**142,670,287**	**44.6224**	**142,662,140**	**8,147**	**99.9943**	**0.0057**
	Total	**1,977,725,330**	**1,220,093,306**	**61.6917**	**1,220,085,159**	**8,147**	**99.9993**	**0.0007**

Note:
**Pursuant to the provisions of Regulation 23(4) of the SEBI Listing Regulations, 13,72,585 equity shares have not been considered under 'No. of votes polled (2)' for 'Public- Non Institutions'.*

Disclosures

- The Members of the Bank have granted their consent by way of Postal Ballot for entering into / carrying out / and / or continuing with material related party transactions with Infina Finance Private Limited (Mr. Suresh Kotak, father of Mr. Uday Kotak, Managing Director & CEO, Promoter and a Key Managerial Personnel of the Bank and Mr. Jaimin Bhatt, Group President & Group Chief Financial Officer and a Key Managerial Personnel of the Bank, who are Directors on the Board of Infina Finance Private Limited), and with Mr. Uday Kotak, Managing Director & CEO and Key Managerial Personnel of the Bank, with respect to Deposits, other banking transactions/arrangements/service, etc. which may exceed or have exceeded 10% of the annual consolidated turnover of the Bank, wherein Deposits would form a substantial portion of such transaction value. The said transactions were in the ordinary course of business for the Bank and at an arm's length basis. Other than the aforesaid transactions, the Bank has not entered into any material financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they were either directly or through their relatives interested as directors and/or partners. The Bank has not entered into any material financial or commercial transactions with its subsidiaries and other related parties as per AS-18 and SEBI Listing Regulations that may have potential conflict with the interest of the Bank at large. Further, there were no related party transactions which were not in the ordinary course of business or at an arm's length basis.
- During FY 2020-21, the Bank raised ₹ 74,425,000,000 through Qualified Institutions Placement ("QIP"). The Bank has utilized the funds raised through QIP for the purposes as stipulated in the Placement Document.
- During the last three years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and/or the Securities Exchange Board of India ("SEBI") and/or any other statutory authorities on matters relating to capital market.
- None of the Directors are related to any other Director.
- The Board has received declarations from the Independent Directors and in its opinion, the Independent Directors fulfil the conditions as specified in the SEBI Listing Regulations and are independent of the management.
- The Bank has adopted the Whistle Blower Policy pursuant to which employees, directors and vendors of the Bank can raise their concerns relating to the fraud, malpractice or any other untoward activity or event which is against the interest of the Bank or society as a whole. The website for reporting the above mentioned concerns is managed and hosted by an independent third party service provider who has proven expertise in this area, thereby ensuring absolute confidentiality. The Bank hereby affirms that no personnel has been denied access to the Audit Committee.
- The Bank's Policies on dealing with Related Party Transactions, determining 'material' subsidiaries and determination of materiality of events or information are available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/governance/policies.html. Further, the Audit Committee reviews the Related Party Transactions of the Bank on a quarterly basis.
- The Bank has obtained a certificate from Ms. Rupal D. Jhaveri, Company Secretary in practice confirming that that none of the Directors of the Bank have been debarred or disqualified from being appointed or continuing as directors of companies by SEBI/Ministry of Corporate Affairs or any such statutory authority.
- The relevant disclosures in relation to the number of complaints under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 have been mentioned in the Directors' Report of the Bank.

INVESTORS' INFORMATION

Date of Incorporation	:	21st November, 1985.
Registration No.	:	11-38137 TA
Corporate Identification No.	:	L65110MH1985PLC038137
Address for Correspondence		
Registered Office	:	27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400 051. Tel. No. (022) 61661615 Fax No. : (022) 67132403 Website: www.kotak.com
Contact (Nodal officer – IEPF)	:	Ms. Avan Doomasia (with effect from 1st December, 2020) Senior Executive Vice President & Company Secretary Email : investor.grievances@kotak.com
Registrar & Share Transfer Agent (For Equity and Non-Convertible Perpetual Non–Cumulative Preference Shares)	:	**KFin Technologies Private Limited** **(Earlier known as Karvy Fintech Private Limited)** (i) Selenium Tower B, Plot 31-32 Financial District, Nanakramguda Serilingampally Mandal, Hyderabad- 500 032, Telangana Email Id : einward.ris@kfintech.com Toll free number : 1- 800-309-4001 (ii) 24/B, Raja Bahadur Compound, Ambalal Doshi Marg, Fort, Mumbai-400 023. Tel No. : (022) 66235412 / 66235406 Fax No. : (022) 66235333 Website : www.kfintech.com https://ris.kfintech.com/

Registrar & Share Transfer Agent (For Debt Securities)		(i) Link Intime India Pvt. Ltd. C-101, 247 Park, L.B.S. Marg, Vikroli (West), Mumbai – 400083. Tel No. : (022) 49186000 Fax No. : (022) 49186060 Website : https://linkintime.co.in Email : mumbai@linkintime.co.in (ii) Bigshare Services Pvt. Ltd. 1st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri East, Mumbai 400059. Tel No. : (022) 62638200 Fax No. : (022) 62638299 Website : www.bigshareonline.com Email : info@bigshareonline.com
Debenture Trustees	:	IDBI Trusteeship Services Limited (Contact Person: Mr. Aditya Kapil, Vice President) Asian Building, Ground Floor, 17, R Kamani Marg, Ballard Estate, Mumbai – 400 001 Tel No.: (022) 40807001 Fax No.: (022) 66311776
Annual General Meeting, Date and Time	:	Wednesday, 25th August, 2021 at 11.00 a.m (Indian Standard Time)
Venue	:	Through Video Conferencing / Other Audio Visual Means. Venue of meeting shall be deemed to be the Registered Office of the Bank.
Financial Year	:	1st April, 2020 to 31st March, 2021

Financials Compliance Calendar

For each calendar quarter, the quarterly and annual standalone and consolidated financial results of the Bank are reviewed and taken on record/approved by the Board, within the statutory prescribed time period and then disclosed to the Stock Exchanges as required under Regulation 30 read with sub-para 4 of Para A of Part A of Schedule III of the the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). The said financial results alongwith the earnings update and investor presentation, are posted on the website of the Bank and are available for the current as well as last five financial years. Every quarter, the Managing Director & CEO and the Joint Managing Director along with the Senior Management officials participate on a call with the analysts / investors, the transcripts of which are posted on the website of the Bank. The Bank also has dedicated personnel to respond to queries from investors.

The meetings of the Board to, *inter alia*, review and approve the quarterly/half yearly unaudited/audited financial results of the Bank, are held in the month following the quarter and the annual financial results, in the end of April or early May. The Annual General Meeting to consider such annual accounts is held in the second quarter of the financial year.

Equity Shares

The Equity Shares of the Bank are listed on the BSE Limited and the National Stock Exchange of India Limited. The International Security Identification Number ("ISIN") in respect of the Equity Shares is INE237A01028 and the Market Scrip Codes are, as under:

Sr. No.	Name & Address of Stock Exchange(s)	Market Scrip Code
1.	The BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023	500247
2.	The National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Bandra-Kurla Complex, Bandra, Mumbai 400 051	KOTAKBANK

The annual fees for FY 2021-22 have been paid to the BSE Limited and the National Stock Exchange of India Limited, where the shares of the Bank are listed.

As required under Regulation 40(9) of the SEBI Listing Regulations, S. Anand SS Rao, Company Secretary in Practice, has examined the records relating to share transfer, on a half yearly basis and has issued a certificate confirming compliance with the said provisions. The Bank has, accordingly, submitted the same to the Stock Exchanges where its equity shares are listed.

Trading of shares to be in compulsorily dematerialized form: The equity shares of the Bank have been activated for dematerialisation with the National Securities Depository Limited, with effect from 4th August, 1998 and with the Central Depository Services (India) Limited, with effect from 26th February, 1999. Consequent upon the sub-division of the equity shares of the Bank, with effect from 15th September, 2010, the new ISIN is INE237A01028. Pursuant to the amendment to Regulation 40 of the SEBI Listing Regulations, transfer of shares held in physical form cannot be processed with effect from 1st April, 2019 and hence, the equity shares are to be compulsorily traded in electronic form by all investors. Investors holding shares in physical form are requested to dematerialize their existing holdings at the earliest.

Break-up of the shares held in physical and electronic mode as on 31st March, 2021:

Equity Shares:

Physical mode		Electronic mode	
Total Shares	% to Equity	Total Shares	% to Equity
51,74,523*	0.26	197,66,61,145	99.74

*Includes 2,13,900 equity shares allotted on exercise of options by employees, for which the credit was pending as on 31st March, 2021.

Preference Shares:

Physical mode		Electronic mode	
Total Shares	% to Equity	Total Shares	% to Equity
-	-	100,00,00,000	100.00

The Bank issued Non-Convertible Perpetual Non–Cumulative Preference Shares ("PNCPS") in 2018. The PNCPS were listed with the BSE Limited and the National Stock Exchange of India Limited, both with effect from 6th August, 2018 and the ISIN is INE237A04014. These PNCPS were issued and allotted in dematerialized form.

Debentures

As on 31st March, 2021, outstanding Unsecured, Redeemable Non- Convertible, Subordinated Debt Bonds ("Bonds") were ₹ 456 crore. These Bonds have been issued on a private placement basis and are listed on the BSE Limited and the National Stock Exchange of India Limited.

Investor Helpdesk

Investors are requested to write to the Registered Office address of the Bank or to KFin Technologies Private Limited ("KFin"), our Registrars & Share Transfer Agents, for addressing their correspondence or complaints or may address their correspondence or complaints to designated email address viz. investor.grievances@kotak.com or einward.ris@kfintech.com, in terms of Regulation 34(3) read with Schedule V of the SEBI Listing Regulations. For queries, etc. related to dividend payments, IEPF claims and all other investor related activities as also for lodgment of any documents or for any grievances / complaints, investors may contact or write to the Bank or KFin. The Company Secretarial Department regularly monitors and reviews the status of the investor correspondence and complaints received at the Registered Office and also by KFin, to ensure timely redressal of complaints.

As advised by the Securities and Exchange Board of India ("SEBI"), the Bank has a designated email id of it's Compliance Officer i.e. investor.grievances@kotak.com for the purpose of registering complaints by the investors. The same has also been displayed on the website of the Bank.

Transfer to the Investor Education and Protection Fund

Pursuant to Sections 124 and 125 of the Companies Act, 2013 and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, any dividend which remains unpaid or unclaimed for a period of seven years shall be transferred by the Bank to the Investor Education and Protection Fund ("IEPF") established by the Central Government. Further, all shares in respect of which the dividend has not been paid or claimed for seven consecutive years or more shall be transferred to the said Fund.

The table given below gives the dates of dividend declaration and the corresponding dates when unclaimed dividends are due to be transferred to the Fund:

Financial Year	Dividend-Type	Date of Declaration	Due Date of Transfer
2013-14	Final	16th July, 2014	14th August, 2021
2014-15	Final	29th June, 2015	28th July, 2022
2015-16	Final	22nd July, 2016	21st August, 2023
2016-17	Final	20th July, 2017	19th August, 2024
2017-18	Final	19th July, 2018	18th August, 2025
2018-19	Final	22nd July, 2019	21st August, 2026
2019-20	No dividend declared		

Note:
RBI had vide its circular No. DOR.BP.BC.No.64/21.02.067/2019-20 dated 17th April, 2020, directed all banks to not make any further dividend payouts from profits pertaining to the financial year ending 31st March, 2020, until further instructions. As a result of the same, no dividend was paid by the Bank on the Equity Shares for FY 2019 – 20.

Pursuant to the requirements of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("Rules") and the subsequent various circulars / notifications issued by MCA in this regard, the Bank has transferred a total of 35,42,360 equity shares to IEPF till date. The details of such equity shares transferred to IEPF are available on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/investor-information/investor-info.html.

Share Price Details

The Monthly high and low quotation of equity shares traded on the BSE Limited:

Month	High (₹)	Low (₹)	Close (₹)	S&P BSE 100	Bankex
April 2020	1,379.90	1,090.20	1,356.95	9,951.25	24,724.52
May 2020	1,306.40	1,110.00	1,223.70	9,697.90	22,135.67
June 2020	1,428.00	1,228.15	1,359.80	10,410.76	24,293.83
July 2020	1,424.70	1,267.00	1,367.45	11,158.96	24,599.48
August 2020	1,500.75	1,300.00	1,402.15	11,480.92	26,972.91
September 2020	1,441.00	1,231.20	1,268.15	11,391.75	24,354.70
October 2020	1,600.95	1,278.00	1,547.60	11,720.76	27,388.62
November 2020	1,947.70	1,535.25	1,901.65	13,050.61	33,884.04
December 2020	2,026.55	1,802.60	1,995.40	14,100.47	35,888.42
January 2021	2,007.35	1,700.45	1,713.45	13,797.78	34,662.51
February 2021	2,048.95	1,696.25	1,782.35	14,723.98	38,981.16
March 2021	1,998.75	1,743.00	1,754.00	14,863.54	37,547.91

The Monthly high and low quotation of Equity Shares traded on the National Stock Exchange of India Limited:

Month	High (₹)	Low (₹)	Close (₹)	NIFTY 50	Nifty Bank
April 2020	1,380.00	1,087.00	1,357.20	9,859.90	21,534.50
May 2020	1,305.90	1,110.00	1,224.00	9,580.30	19,297.25
June 2020	1,428.20	1,228.35	1,360.45	10,302.10	21,370.15
July 2020	1,424.70	1,267.00	1,365.75	11,073.45	21,640.05
August 2020	1,501.50	1,300.10	1,401.35	11,387.50	23,754.35
September 2020	1,442.00	1,230.60	1,268.20	11,247.55	21,451.80
October 2020	1,602.00	1,278.90	1,547.40	11,642.40	23,900.90
November 2020	1,948.40	1,534.80	1,907.10	12,968.95	29,609.05
December 2020	2,027.00	1,802.40	1,995.60	13,981.75	31,264.05
January 2021	2,007.95	1,701.00	1,712.95	13,634.60	30,565.50
February 2021	2,049.00	1,696.05	1,780.35	14,529.15	34,803.60
March 2021	1,999.35	1,742.60	1,753.00	14,690.70	33,303.90

Shareholding - Equity Shares

Category		As on 31st March, 2021		As on 31st March, 2020	
		No. of Equity Shares Held	Percentage Equity of Shares	No. of Equity Shares Held	Percentage of Equity Shares
A.	**Promoters Holding**				
	Promoters	515,585,264	26.02	572,464,964	29.92
	Sub-Total	**515,585,264**	**26.02**	**572,464,964**	**29.92**
B.	**Non-Promoters Holding**				
	Institutional Investors				
a	Mutual Funds & UTI	159,119,902	8.03	172,109,405	9
b	Banks, Financial Institutions, Insurance Companies (State / Central Govt. Institutions)	104,889,910	5.29	66,221,506	3.46
c	Foreign Institutional Investors	876,560,440	44.23	749,261,396	39.17
	Sub-Total	**1,140,570,252**	**57.55**	**987,592,307**	**51.62**
C.	**Others**				
a.	Private Corporate Bodies	39,098,010	1.97	58,851,478	3.08
b.	Indian Public including Directors & Relatives	198,182,338	10.00	196,393,411	10.27
c.	NRIs/ OCBs/Foreign Bodies DR	16,772,076	0.85	16,197,267	0.85
d.	Foreign Bank	32,813,072	1.66	32,800,000	1.71
e.	Foreign Bodies	25,966,992	1.31	25,966,992	1.36
f.	Foreign Nationals	1450	0.00	1509	0
g.	Qualified Institutional Buyer	0	0.00	10,676,177	0.56
h.	NBFCs	646,783	0.03	374,981	0.02
i.	Alternative Investment Fund	4,213,977	0.21	3,633,429	0.19
j.	Clearing Members	4,739,848	0.24	4,914,430	0.26
k.	IEPF Authority	3,245,606	0.16	3,171,393	0.17
	Sub-Total	**325,680,152**	**16.43**	**352,981,067**	**18.45**
	Grand Total	**1,981,835,668**	**100**	**1,913,038,338**	**100**

Note:
The increase in capital during the FY 2020-21 is due to allotment of (i) 6,50,00,000 equity shares pursuant to Qualified Institutional Placement and (ii) allotment of 37,97,330 equity shares of ₹ 5/- under various Employee Stock Option Plan Schemes of the Bank.

Shareholding – Preference Shares

Category		As on 31st March, 2021		As on 31st March, 2020	
		No. of Preference Shares Held	Percentage of Preference Shares	No. of Preference Shares Held	Percentage of Preference Shares
A.	Promoters Holding				
	Promoters	-	-	-	-
	Sub-Total	**-**	**-**	**-**	**-**
B	Non-Promoters Holding				
	Institutional Investors				
	a. Mutual Funds & UTI	-	-	-	-
	b. Banks, Financial Institutions, Insurance Companies	-	-	-	-
	c. (State / Central Govt. Institutions)	-	-	-	-
	Foreign Institutional Investors	-	-	-	-
	Sub-Total	**-**	**-**	**-**	**-**
C.	Others				
a	Private Corporate Bodies	737,735,000	73.77	757,735,000	75.77
b	Indian Public including Directors & Relatives	90,265,000	9.03	110,265,000	11.03
c	NRIs/ OCBs/Foreign Bodies DR	40,000,000	4.00	-	-
d	Foreign Bank	-	-	-	-
e	Foreign Bodies	-	-	-	-
f	Foreign Nationals	-	-	-	-
g	Qualified Institutional Buyer	132,000,000	13.20	132,000,000	13.20
h	NBFCs				
i	Alternative Investment Fund	-	-	-	-
j	Clearing Members	-	-	-	-
k	IEPF Authority	-	-	-	-
	Sub-Total	**1,000,000,000**	**100.00**	**1,000,000,000**	**100.00**
	Grand Total	**1,000,000,000**	**100.00**	**1,000,000,000**	**100.00**

Shareholding of Directors of the Bank

Name of the Director(s)	As on 31st March, 2021	
	No. of Equity Shares Held	Percentage of Equity Shares held
Mr. Prakash Apte	-	-
Ms. Farida Khambata	74,000	0.00
Mr. Uday Khanna	3000	-
Mr. Uday Shankar	491	-
Dr. Ashok Gulati	-	-
Mr. C. Jayaram	1,008,040	0.05
Mr. Uday Kotak*	510,927,100	25.78
Mr. Dipak Gupta	893,676	0.04
Mr. K.V.S. Manian**	208,156	0.01
Mr. Gaurang Shah	855,390	0.04

Notes :

** In addition, as on 31st March, 2021, Kotak Trustee Company Private Limited holds 2,34,356 equity shares of the Bank representing 0.012 % of the paid up equity capital of the Bank (0.008% of the total capital of the Bank). These shares are held by Kotak Trustee Company Private Limited as a trustee for USK Benefit Trust – II, of which, Mr. Uday Kotak is the sole beneficiary.*

Further, the reduction in the shareholding of Mr. Uday Kotak was in order to ensure compliance with the requirement stipulated by the Reserve Bank of India that the Promoters' shareholding in the Bank to be reduced to 26% of Paid-up Voting Equity Share Capital.

***In addition, as on 31st March, 2021, Manians Family Trust (trustee - Kotak Mahindra Trusteeship Services Limited) holds 3,65,000 equity shares of the Bank representing 0.02 % of the paid up Equity Capital of the Bank (0.01% of the Total Capital of the Bank). Mr. K.V.S. Manian is one of the primary beneficiaries of Manians Family Trust.*

Top 10 Equity Shareholders of Kotak Mahindra Bank Limited as on 31st March, 2021

Sr. No.	Name of the investor(s)	Total Equity Shares held
1.	Uday Suresh Kotak	51,09,27,100
2.	Canada Pension Plan Investment Board	12,63,10,661
3.	Europacific Growth Fund	9,89,22,478
4.	Life Insurance Corporation of India	7,44,30,165
5.	Oppenheimer Developing Markets Fund	6,71,95,690
6.	Capital World Growth And Income Fund	5,06,36,476
7.	SBI Mutual Fund	4,57,95,857
8.	New World Fund Inc	3,87,70,726
9.	Axis Mutual Fund	3,51,93,232
10.	Sumitomo Mitsui Banking Corporation	3,28,00,000

Top 10 Preference Shareholders of Kotak Mahindra Bank Limited as on 31st March, 2021

Sr. No.	Name of the investor	Total Preference Shares held
1.	Signet Chemical Corporation Private Limited	10,00,00,000
2.	Aditya Birla Finance Limited	7,00,00,000
3.	VICCO Products Bombay Private Limited	6,80,00,000
4.	ICICI Lombard General Insurance Company Limited	6,60,00,000
5.	Bajaj Allianz General Insurance Company Limited-Policyholder Fund	6,60,00,000
6.	Dimple Sanghi	4,00,00,000
7.	Kotta Enterprises Limited	3,61,81,482
8.	Prabhanjan Multi-Trade Private Limited	3,35,51,338
9.	Famy Care Private Limited	3,00,00,000
10.	Pidilite Industries Limited	3,00,00,000

Distribution Schedule as on 31st March, 2021

Sr. No.	Category	Equity Shares				Preference Shares			
		No. of Holders	% To Holders	No. of Shares	% To Equity	No. of Holders	% To Holders	No. of Shares	% To Preference
1.	1 - 100	3,46,114	77.74	73,85,313	0.37	2	3.39	200	0.00
2.	101 - 200	38,358	8.62	59,21,275	0.30	-	-	-	-
3.	201 - 300	15,355	3.45	38,63,070	0.19	-	-	-	-
4.	301 - 400	8,657	1.94	31,20,468	0.16	-	-	-	-
5.	401 - 500	5,622	1.26	26,13,823	0.13	-	-	-	-
6.	501 - 1000	11,616	2.61	86,27,563	0.44	-	-	-	-
7.	1001 - 2000	7,611	1.71	1,15,85,505	0.58	-	-	-	-
8.	2001 - 3000	2,846	0.64	71,84,051	0.36	-	-	-	-
9.	3001 - 4000	2,766	0.62	1,03,27,950	0.52	-	-	-	-
10.	4001 - 5000	1,226	0.28	57,26,375	0.29	-	-	-	-
11.	5001 - 10000	2,280	0.51	1,61,75,398	0.82	1	1.69	19,800	0.00
12.	10001 and above	2,763	0.62	189,93,04,877	95.84	56	94.92	99,99,80,000	100.00
	TOTAL:	**4,45,214**	**100**	**19,88,35,668**	**100**	**59.00**	**100**	**100,00,00,000**	**100**

CREDIT RATINGS

Details of Credit ratings obtained by the Bank for securities outstanding as on 31st March, 2021 are, as under:

Type of instrument	Outstanding amount	Credit Rating/Outlook
Lower Tier-II Bonds (Under Basel II)*	₹ 306 crore [Reduced from ₹ 516 crore]	CRISIL AAA/Stable (Reaffirmed)
Lower Tier-II Bonds (Under Basel II)	₹ 150 crore [Reduced from ₹ 185.80 crore]	CRISIL AAA/Stable (Reaffirmed)
Infrastructure Bonds	₹ 1800 crore	CRISIL AAA/Stable (Reaffirmed)
Fixed Deposits		FAAA/Stable (Reaffirmed)
Certificate of Deposits	₹ 17000 crore	CRISIL A1+ (Reaffirmed)
Non-Convertible Perpetual Non-Cumulative Preference Shares	₹ 500 crore	CRISIL AA+ (Stable) (Reaffirmed)

** Originally issued by erstwhile ING Vysya Bank Limited*

The S&P rating of the Bank for long-term instrument is BBB-/Stable and for short term instrument is A-3/Stable.

There has been no change in the Credit Ratings during the year.

PLANT LOCATIONS

Being in the banking business, the Bank does not have plants. However, the Bank has 1605 branches and 2598 ATMs as on 31st March, 2021. The locations of the branches are displayed on the Bank's website.

The Bank has complied with all the mandatory and most of the non mandatory requirements of the Code of Corporate Governance stipulated under the the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS:

1. The Board

   The office of Non-Executive Chairman of the Bank is maintained by the Bank at its expense and all the expenses incurred in performance of his duties are reimbursed by the Bank.

2. Shareholder Rights

   The quarterly results of the Bank are published in one English and one Marathi newspaper. Further, the quarterly results are also posted on the website of the Bank viz URL: https://www.kotak.com/en/investor-relations/financial-results.html and on the websites of the Stock Exchanges on which the securities of the Bank are listed. Along with the quarterly results, detailed earnings update and investor presentation are also given on the website of the Bank. Further, a quarterly investors'/ analysts' conference call is made to discuss the financial results and performance of the Bank and the Group, the transcripts of which are posted on the website of the Bank. The quarterly results are sent by email to those Members whose email Ids are registered with the Bank / Depository Participant(s) for communication purposes. In view of the foregoing, the half- yearly results of the Bank are not sent to the Members individually.

3. Audit qualifications

   During the period under review, there were no audit qualifications in the Bank's standalone and consolidated financial statements. The Bank continues to adopt best accounting practices and has complied with the Accounting Standards and there is no difference in the treatment.

4. Separate Posts of Chairman and Managing Director & CEO

   Mr. Prakash Apte, a Non-Executive Independent Director, is the Part-time Chairman and Mr. Uday Kotak is the Managing Director & CEO of the Bank.

5. Reporting of Internal Auditor

   The Head - Internal Audit reports to the Audit Committee of the Board.

OTHER DISCLOSURES

(A) The Management Discussion & Analysis Report

The Management Discussion & Analysis Report, giving an overview of the industry, the Bank's business and its financials is provided separately as a part of this Annual Report.

(B) Means of Communication

The Board of Directors of the Bank approves the unaudited financial results on a quarterly basis within the prescribed timeframe. The results are promptly forwarded to the Stock Exchanges and are published in one English and one Marathi (Regional Language) newspaper, within 48 hours of the conclusion of the Board Meeting. The results and earnings update are posted on the Bank's website viz. URL: https://www.kotak.com/en/investor-relations/financial-results.html as well as the press release are posted on the Bank's website viz. URL: https://www.kotak.com/en/about-us/media.html simultaneously. The website also displays all official news releases by the Bank from time to time as also the earnings update and investor presentations. Further, the financial results are sent by email to those Members whose email Ids are registered with the Bank / Depository Participant(s). The Bank also publishes its Balance Sheet and Statement of Profit and Loss Account together with the Auditors' Report in a newspaper as required in terms of Section 31 of the Banking Regulation Act, 1949 and Rule 15 of the Banking Regulation (Companies) Rules, 1949.

In accordance with the General Circular No. 02/2021 dated 13th January, 2021 issued by Ministry of Corporate Affairs ("MCA") and Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January, 2021 issued by the Securities and Exchange Board of India (SEBI) in view of the prevailing situation, owing to the difficulties involved in dispatching of financial statements for the year ended 31st March, 2021, the financial statements are being sent in electronic mode only to Members whose e-mail address is registered with the Bank or the Depository Participant(s). Those Members, whose email address is not registered with the Bank or with their respective Depository Participant(s), and who wish to receive financials for the year ended 31st March, 2021, can get their email address registered by following the steps as detailed in the Notice convening the Annual General Meeting.

The financial results and other information filed by the Bank from time to time are also available on the website of the Stock Exchanges i.e. the BSE Limited and the National Stock Exchange of India Limited. The said Stock Exchanges have introduced NSE Electronic Application Processing System (NEAPS) and BSE Listing centre. Various compliances as required / prescribed under the the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are filed through these systems.

For Kotak Mahindra Bank Limited

Prakash Apte
Chairman

Place : Pune
Date : 26th July, 2021

Uday Kotak
Managing Director & CEO

Place : Mumbai
Date : 26th July, 2021

DECLARATION

In accordance with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby confirm that, all the Directors and the Senior Management Personnel of the Bank have affirmed compliance to the Code of Conduct for the financial year ended 31st March, 2021.

For Kotak Mahindra Bank Limited

Uday Kotak
Managing Director & CEO

Place : Mumbai
Date : 26th July, 2021

Independent Auditor's Certificate on Compliance with Corporate Governance Requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Members of Kotak Mahindra Bank Limited

1. This certificate is issued in accordance with the terms of our engagement letter dated 24th July, 2020.

2. We have examined the compliance of conditions of corporate governance by Kotak Mahindra Bank Limited ('the Bank') for the year ended on 31st March, 2021, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

Management's Responsibility

3. The compliance of conditions of corporate governance is the responsibility of the management. This responsibility includes the designing, implementing and maintaining operating effectiveness of internal control to ensure compliance with the conditions of corporate governance as stipulated in the Listing Regulations.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion as to whether the Bank has complied with the conditions of corporate governance as stated in paragraph 2 above. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Bank for ensuring the compliance with the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

5. We have examined the relevant records of the Bank in accordance with the applicable Generally Accepted Auditing Standards in India, the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India ('ICAI') and Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Services Engagements.

Opinion

7. Based on the procedures performed by us and to the best of our information and according to the explanations provided to us, in our opinion, the Bank has complied, in all material respects, with the conditions of corporate governance as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the year ended 31st March, 2021.

   We state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Restriction on use

8. This certificate is issued solely for the purpose of complying with the aforesaid Listing Regulations and should not be used, referred to or distributed for any other purpose or to any other party, without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose for which or to any other person to whom this certificate is shown or into whose hands it may come, without our prior consent in writing. We have no responsibility to update this Certificate for any events or circumstances occurring after the date of this Certificate.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Murad D. Daruwalla
Partner
Membership No.: 043334

Place : Mumbai
Date : 26th July, 2021
UDIN : 21043334AAAAEX3426

Independent Auditor's Report

To the Members of Kotak Mahindra Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of **Kotak Mahindra Bank Limited** ('the Bank'), which comprise the Balance Sheet as at 31 March 2021, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view, in conformity with the accounting principles generally accepted in India including the Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), of the state of affairs of the Bank as at 31 March 2021, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing 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 Standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the standalone 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 opinion.

Emphasis of Matter

4. We draw attention to Schedule 17 Note B of the accompanying standalone financial statements which describes the uncertainties associated due to the outbreak of Coronavirus (COVID-19). The impact of these uncertainties on the Bank's standalone financial statements is dependent on the future developments.

   Our opinion is not modified in respect of this matter.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

6. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. **Identification and provisioning of non-performing assets ('NPAs') including implementation of RBI COVID-19 Relief Measures**

   As at 31 March 2021, the Bank reported total advances (net of provisions) of ₹ 2,23,689 crores, gross NPAs of ₹ 7,426 crores and provision for non-performing assets of ₹ 4,720 crores. The provision coverage ratio after considering technical write-off as at 31 March 2021 is 70.23%. (Refer Schedule 17 Note C(2) for the accounting policy, Schedule 9, Schedule 18A Note 9 and Note 11)

Key audit matter	How our audit addressed the key audit matter
The Reserve Bank of India's ('RBI') guidelines on Income Recognition and Asset Classification prescribes the prudential norms for identification and classification of NPAs ('IRAC norms') and the minimum provision required for such assets. The Bank is 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 provision for identified NPAs is estimated based on ageing and classification of NPAs, value of security, recovery estimates and other qualitative factors and is also subject to the minimum provisioning norms specified by RBI.	Our audit procedures included but were not limited to the following: • Understood the process and controls and tested the design and operating effectiveness of key controls, including IT based controls, focusing on the following: - Approval of new lending facilities in accordance with the Bank's credit policies and the performance of annual loan assessments; - Controls over the monitoring of credit quality which amongst other things includes the monitoring of overdue reports, drawing power limit, pending security creation; - Identification and classification of NPAs in accordance with RBI IRAC norms and certain qualitative aspects; and - Assessment of adequacy of NPA provisions.
Due to the ongoing COVID-19 pandemic, the Bank has implemented 'COVID-19 Regulatory Package-Asset Classification and Provisioning' ('Regulatory Package') issued by the RBI on 17 April 2020 and 23 May 2020 and 'Resolution Framework for COVID-19 related Stress' and 'MSME sector - Restructuring of advances' ('Resolution Framework') issued by RBI on 6 August 2020 (Collectively 'RBI COVID-19 Relief Measures), which has been duly considered by the Bank in identification and measurement of provision for advances. Since the identification of NPAs and provisioning for such advances requires considerable level of estimation and given its significance to the overall audit, we have identified this as a key audit matter.	• To test the identification of loans with default events and other qualitative factors, selected a sample of performing loans and independently assessed as to whether there was a need to classify such loans as NPAs. • On test check basis, verified the accounts classified by the Bank as Special Mention Accounts ('SMA') in RBI's Central Repository of Information on Large Credits ('CRILC'). • Held discussion with the management of the Bank on sectors wherein there has been stress and the steps taken by the Bank to mitigate such sectorial risks. • With respect to provisions recognised towards NPAs, we reperformed the provision calculations on sample basis taking into consideration the value of security, where applicable, RBI IRAC norms and NPA policy of the Bank, and compared our outcome to that prepared by the management and tested relevant assumptions and judgements which were used by the management. • Obtained an understanding of implementation of the Regulatory Package and with respect to borrowers to whom moratorium was granted, on a sample basis, we tested that such moratorium was granted in accordance with the board approved policy. • We ensured that the Bank's board approved policy is in line with the Resolution Framework. On a sample basis tested that restructuring was carried out in accordance with the Resolution Framework and re-computed the provision made in accordance with the Resolution Framework. • With respect to provision made by the Bank on account of the impact of Covid-19 pandemic, we broadly reviewed the underlying assumptions and estimates used by the management for such provision. • We read the RBI Annual Financial Inspection report for the financial year ended 31 March 2020 and other communication with regulators. • We assessed the appropriateness and adequacy of disclosures against the relevant accounting standards and RBI requirements relating to NPAs including the additional disclosures required in accordance with the Regulatory Package and Resolution Framework.

2. **Information Technology ("IT") Systems and controls impacting financial reporting**

Key audit matter	How our audit addressed the key audit matter
The IT environment of the Bank is complex and involves a large number of independent and interdependent IT systems used in the operations of the Bank for processing and recording a large volume of transactions at numerous locations. As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Bank. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data as required, completely, accurately and consistently for reliable financial reporting. The accuracy and reliability of the financial reporting process depends on the IT systems and the related control environment, including: • IT general controls over user access management and change management across applications, networks, database, and operating systems. • IT application controls. Due to the pervasive nature, complexity and importance of the impact of the IT systems and related control environment on the Bank's financial reporting process, we have identified testing of such IT systems and related control environment as a key audit matter.	In assessing the integrity of the IT systems, we involved our IT specialist to obtain an understanding of the IT infrastructure and IT systems relevant to the Bank's financial reporting process for evaluation and testing of relevant IT general controls and IT application controls. Tested the controls over user access management for applications, operating systems, networks, and databases, which are relied upon for financial reporting. We also assessed the operating effectiveness of controls over granting, removal and periodical review of access rights. We further tested segregation of duties, including preventive controls to ensure that access to change applications, the operating system or databases in the production environment were granted only to authorized personnel. Other areas that were assessed under the IT control environment, included password policies, business continuity and controls around change management. We also evaluated the design and tested the operating effectiveness of key automated controls within various business processes. This included testing the integrity of system interfaces, the completeness and accuracy of data feeds, system reconciliation controls and automated calculations, as applicable. Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

Information other than the Standalone Financial Statements and Auditor's Report thereon

7. The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report including the Pillar 3 Disclosure under the New Capital Adequacy Framework (Basel III disclosures), but does not include the standalone financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

   Our opinion on the standalone 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 standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   When we read 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 Standalone Financial Statements

8. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

9. In preparing the standalone financial statements, management is responsible for assessing the Bank's ability 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 Bank or to cease operations, or has no realistic alternative but to do so.

10. Those Board of Directors are also responsible for overseeing the Banks's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the standalone 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 Standards on Auditing 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 standalone financial statements.

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

    - Identify and assess the risks of material misstatement of the standalone 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 with reference to standalone financial statements 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 Bank's ability 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 standalone 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 Bank to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

13. We communicate with those charged with governance 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.

14. 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.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period 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.

Report on Other Legal and Regulatory Requirements

16. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 and section 133 of the Act read with rule 7 of the Companies (Rules), 2014 (as amended).

17. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

    a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

    b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

    c) we have visited 119 branches to examine the books of account and other records maintained at the branch for the purpose of our audit. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out at centrally as all the necessary records and data required for the purposes of our audit are available therein.

18. With respect to the matter to be included in the auditor's report under section 197(16) of the Act, we report that since the Bank is a banking company, as defined under the Banking Regulation Act, 1949; the reporting under section 197(16) in relation to whether the remuneration paid by the Bank is in accordance with the provisions of section 197 of the Act and whether any excess remuneration has been paid in accordance with the aforesaid section is not applicable.

19. Further, as required by section 143 (3) of the Act, based on our audit, we report, to the extent applicable, that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

    b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

    c) the standalone financial statements dealt with by this report are in agreement with the books of account;

    d) in our opinion, the aforesaid standalone financial statements comply with Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), to the extent they are not inconsistent with the accounting policies prescribed by RBI;

    e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of section 164(2) of the Act;

    f) we have also audited the internal financial controls with reference to the standalone financial statements of the Bank as on 31 March 2021 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date and our report dated 03 May 2021 as per Annexure I expressed unmodified opinion; and

    g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

       i. the Bank, as detailed in Schedule 12.I, Schedule 17C – Note 13 and Schedule 18B Note 15(1) to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2021;

ii. the Bank, as detailed in Schedule 12.II, Schedule 17C – Note 11, Schedule 17C – Note 13 and Schedule 18B – Note 11 and Note 15 to the standalone financial statements, has made provision as at 31 March 2021, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts; and

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank during the year ended 31 March 2021.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Murad D. Daruwalla
Partner
Membership No.: 043334
UDIN: 21043334AAAABY3244

Place : Mumbai
Date : 03 May 2021

Annexure I to the Independent Auditor's Report of even date to the members of Kotak Mahindra Bank Limited on the standalone financial statements for the year ended 31 March 2021

Independent Auditor's Report on the internal financial controls with reference to the standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of **Kotak Mahindra Bank Limited** ('the Bank) as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to the standalone financial statements of the Bank as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on 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 the Bank's business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to the Standalone Financial Statements

3. Our responsibility is to express an opinion on the Bank's internal financial controls with reference to the standalone financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to the standalone financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. 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 with reference to the standalone financial statements were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to the standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to the standalone financial statements includes obtaining an understanding of such internal financial controls, 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.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to the standalone financial statements.

Meaning of Internal Financial Controls with Reference to the Standalone Financial Statements

6. A Bank's internal financial controls with reference to the standalone financial statements 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 controls with reference to the standalone financial statements include 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 Bank; (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 with Reference to the Standalone Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to the standalone financial statements, 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 with reference to the standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to the standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to the standalone financial statements and such controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to the standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Murad D. Daruwalla
Partner
Membership No.: 043334
UDIN: 21043334AAAABY3244

Place : Mumbai
Date : 03 May 2021

Balance Sheet

as at 31st March, 2021

(₹ in thousands)

	Schedule	As at 31st March, 2021	As at 31st March, 2020
CAPITAL AND LIABILITIES			
Capital	1	14,909,178	14,565,192
Employee's Stock Options (Grants) Outstanding		21,588	28,654
Reserves and Surplus	2	622,360,530	475,587,843
Deposits	3	2,801,000,452	2,628,205,199
Borrowings	4	236,506,455	379,933,112
Other Liabilities and Provisions	5	160,088,035	104,196,838
Total		**3,834,886,238**	**3,602,516,838**
ASSETS			
Cash and Balances with Reserve Bank of India	6	124,936,069	95,050,501
Balances with Banks and Money at Call and Short Notice	7	271,329,249	437,872,490
Investments	8	1,050,991,877	750,515,457
Advances	9	2,236,886,221	2,197,481,867
Fixed Assets	10	15,352,697	16,231,305
Other Assets	11	135,390,125	105,365,218
Total		**3,834,886,238**	**3,602,516,838**
Contingent Liabilities	12	1,931,069,876	1,872,773,593
Bills for Collection		412,727,990	395,189,768
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

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

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.

For and on behalf of the Board of Directors

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Murad D. Daruwalla
Partner
Membership No. 043334

Mumbai
3rd May, 2021

Prakash Apte
Chairman

Uday Kotak
Managing Director and
Chief Executive Officer

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
Group President and
Group Chief Financial Officer

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Profit and Loss Account

for the year ended 31st March, 2021

(₹ in thousands)

		Schedule	Year ended 31st March, 2021	Year ended 31st March, 2020
I.	**INCOME**			
	Interest Earned	13	268,402,677	269,296,142
	Other Income	14	54,591,891	53,721,077
	Total		**322,994,568**	**323,017,219**
II.	**EXPENDITURE**			
	Interest Expended	15	115,006,207	134,299,488
	Operating Expenses	16	85,841,380	88,509,360
	Provisions and Contingencies (Refer Note 11 - Schedule 18 B)		52,498,615	40,736,553
	Total		**253,346,202**	**263,545,401**
III.	**PROFIT**			
	Net Profit for the year (I - II)		**69,648,366**	**59,471,818**
	Add: Balance in Profit and Loss Account brought forward from previous year		205,118,088	169,192,870
	Total		**274,766,454**	**228,664,688**
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		17,412,100	14,868,000
	Transfer to Capital Reserve		145,000	1,148,400
	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		1,100,000	800,000
	Transfer to Investment Reserve Account (Refer Note 34 - Schedule 18 A)		-	(310,622)
	Transfer to Investment Fluctuation Reserve Account		8,206,596	4,831,336
	Transfer to Fraud Provision		-	(13,971)
	Dividend		405,000	1,932,583
	Corporate Dividend Tax		-	290,874
	Balance carried over to Balance Sheet		247,497,758	205,118,088
	Total		**274,766,454**	**228,664,688**
V.	**EARNINGS PER SHARE (Face Value of ₹ 5/-)**			
	Basic		35.17	30.88
	Diluted		35.14	30.84
	(Refer Note 1 - Schedule 18 B)			
Significant accounting policies and notes to accounts forming part of financial statements		17 & 18		

The schedules referred to above form an integral part of this Profit and Loss Account.

The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.

For and on behalf of the Board of Directors

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Murad D. Daruwalla
Partner
Membership No. 043334

Mumbai
3rd May, 2021

Prakash Apte
Chairman

Uday Kotak
Managing Director and
Chief Executive Officer

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
Group President and
Group Chief Financial Officer

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Cash Flow Statement

for the year ended 31st March, 2021

(₹ in thousands)

	Year Ended 31st March, 2021	Year Ended 31st March, 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	**69,648,366**	**59,471,818**
Add: Provision for tax	23,381,462	18,574,926
Net Profit before taxes	**93,029,828**	**78,046,744**
Adjustments for :-		
Employee Stock Options Expense	17,385	27,502
Depreciation on Bank's Property	3,667,718	3,719,494
Loss on sale of investments in associates	99,054	84,262
Diminution / (write back) in the value of Investments	4,082,733	901,233
Dividend from Subsidiaries / Joint Ventures	(156,221)	(518,025)
Amortization of Premium on HTM Investments	3,930,477	3,066,456
Provision for Non Performing Assets, Standard Assets and Other Provisions	25,034,420	21,260,394
Profit on sale of Fixed Assets	(302,666)	(276,255)
	129,402,728	**106,311,805**
Adjustments for :-		
(Increase) / Decrease in Investments (other than Subsidiaries, Joint Ventures, Associates and Other HTM Investments)	(293,254,872)	29,263,442
(Increase) in Advances	(57,583,038)	(154,589,301)
(Increase) in Other Assets	(28,010,178)	(14,402,739)
Increase in Deposits	172,795,253	369,401,569
Increase / (Decrease) in Other Liabilities and Provisions	46,994,691	(14,380,962)
	(159,058,144)	**215,292,009**
Direct Taxes Paid	(23,327,620)	(20,009,496)
NET CASH FLOW (USED IN) / FROM OPERATING ACTIVITIES (A)	**(52,983,036)**	**301,594,318**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,939,204)	(3,467,018)
Sale of Fixed Assets	425,796	348,381
Proceeds from sale of Investment in Associates	19,818	16,747
Investments in Subsidiaries / Joint Ventures	(250,000)	(850,001)
(Increase) in Investments in HTM securities	(15,103,629)	(71,106,746)
Dividend from Subsidiaries / Joint Ventures	156,221	518,025
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(17,690,998)**	**(74,540,612)**

Cash Flow Statement

for the year ended 31st March, 2021

(₹ in thousands)

	Year Ended 31st March, 2021	Year Ended 31st March, 2020
CASH FLOW FROM FINANCING ACTIVITIES		
(Decrease) in Subordinated Debt	-	-
(Decrease) in Refinance	(14,503,100)	(11,636,200)
(Decrease) / Increase in Borrowings [other than Refinance and Sub-ordinated debt]	(128,923,557)	69,086,398
Money received on exercise of Stock Options / Issue of Equity Shares	78,437,487	3,606,107
Issue of Perpetual Non Cumulative Preference Shares	-	-
Share Issue Expenses	(464,794)	(3,700)
Dividend paid including Corporate Dividend Tax	(405,000)	(2,223,457)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	**(65,858,964)**	**58,829,148**
(Decrease) / Increase in Foreign Currency Translation Reserve (D)	**(124,675)**	**284,733**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**(136,657,673)**	**286,167,587**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	**532,922,991**	**246,755,404**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	**396,265,318**	**532,922,991**
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	31,732	65,032
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	2,488,716	1,685,373
Money at Call and Short Notice in India (as per Sch 7 I (ii))	153,000,000	403,000,000
Cash in hand (including foreign currency notes) (As per Sch 6 I.)	14,551,667	17,216,140
Balance with RBI in Current Account (As per Sch 6 II.)	110,384,402	77,834,361
Balance with Banks Outside India:		
(i) In Current Account (As per Sch 7 II (i))	13,089,251	6,261,010
(ii) In other Deposit Accounts (As per Sch 7 II (ii))	102,719,550	26,861,075
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**396,265,318**	**532,922,991**

As per our report of even date attached.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Murad D. Daruwalla
Partner
Membership No. 043334

Mumbai
3rd May, 2021

For and on behalf of the Board of Directors

Prakash Apte
Chairman

Uday Kotak
Managing Director and
Chief Executive Officer

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
Group President and
Group Chief Financial Officer

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Schedules

Forming part of Balance Sheet as at 31st March, 2021

SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31st March, 2021	As at 31st March, 2020
Authorised Capital		
2,800,000,000 Equity Shares of ₹ 5/- each (31st March, 2020: 2,800,000,000 Equity Shares of ₹ 5/- each)	14,000,000	14,000,000
1,000,000,000 (31st March, 2020: 1,000,000,000) Perpetual Non Cumulative Preference Shares of ₹ 5/- each	5,000,000	5,000,000
	19,000,000	**19,000,000**
Issued, Subscribed and Paid-up Capital		
1,981,835,668 (31st March, 2020: 1,913,038,338) Equity Shares of ₹ 5/- each fully paid-up	9,909,178	9,565,192
1,000,000,000 (31st March, 2020: 1,000,000,000) Perpetual Non Cumulative Preference Shares of ₹ 5/- each fully paid-up	5,000,000	5,000,000
Total	**14,909,178**	**14,565,192**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	**Statutory Reserve**		
	Opening Balance	82,125,783	67,257,783
	Add: Transfer from Profit and Loss Account	17,412,100	14,868,000
	Total	**99,537,883**	**82,125,783**
II.	**Capital Reserve**		
	Opening Balance	3,282,286	2,133,886
	Add: Transfer from Profit and Loss Account	145,000	1,148,400
	Total	**3,427,286**	**3,282,286**
III.	**General Reserve**		
	Opening Balance	6,404,249	6,404,249
	Add: Transfer from Profit and Loss Account	-	-
	Total	**6,404,249**	**6,404,249**
IV.	**Investment Reserve Account**		
	Opening Balance	-	310,622
	Add: Transfer from/(to) Profit and Loss Account (Refer Note 34 - Schedule 18 A)	-	(310,622)
	Total	**-**	**-**
V.	**Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	5,742,000	4,942,000
	Add: Transfer from Profit and Loss Account	1,100,000	800,000
	Total	**6,842,000**	**5,742,000**
VI.	**Securities Premium Account**		
	Opening Balance	165,776,393	162,175,642
	Add: Received during the year	78,118,790	3,604,451
	Less: Share Issue Expenses	464,794	3,700
	Total	**243,430,389**	**165,776,393**
VII.	**Amalgamation Reserve**		
	Opening Balance	1,224,046	1,224,046
	Add: Additions	-	-
	Total	**1,224,046**	**1,224,046**
VIII.	**Investment Allowance (Utilised) Reserve**		
	Opening Balance	500	500
	Add: Transfer from Profit and Loss Account	-	-
	Total	**500**	**500**
IX.	**Investment Fluctuation Reserve**		
	Opening Balance	5,540,254	708,918
	Add: Transfer from Profit and Loss Account	8,206,596	4,831,336
	Total	**13,746,850**	**5,540,254**
X.	**Foreign Currency Translation Reserve**		
	Opening Balance	374,244	89,511
	Add: (Decrease) / Increase during the year	(124,675)	284,733
	Total	**249,569**	**374,244**
XI.	**Balance in the Profit and Loss Account**		
	Balance in the Profit and Loss Account	247,497,758	205,118,088
	Total	**247,497,758**	**205,118,088**
	Total (I to XI)	**622,360,530**	**475,587,843**

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

			As at 31st March, 2021	As at 31st March, 2020
A.	**I.**	**Demand Deposits**		
		i. From Banks	3,560,326	1,995,282
		ii. From Others	517,309,480	428,131,843
		Total	**520,869,806**	**430,127,125**
	II.	**Savings Bank Deposits**	1,172,257,389	1,046,085,934
	III.	**Term Deposits**		
		i. From Banks	2,697,369	14,293,589
		ii. From Others	1,105,175,888	1,137,698,551
		Total	**1,107,873,257**	**1,151,992,140**
		Total Deposits (I to III)	**2,801,000,452**	**2,628,205,199**
B.	**i.**	Deposits of branches in India	2,798,729,570	2,626,098,822
	ii.	Deposits of branches outside India	2,270,882	2,106,377
		Total (i and ii)	**2,801,000,452**	**2,628,205,199**

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	**Borrowings in India**		
	(i) Reserve Bank of India	-	3,870,000
	(ii) Other Banks	89,259,697	204,229,540
	(iii) Other Institutions and Agencies (Refer Note 13 - Schedule 18 B)	90,519,100	105,022,200
	Total	**179,778,797**	**313,121,740**
II.	**Borrowings outside India**		
	Banks & Other Institutions (Refer Note 13 - Schedule 18 B)	56,727,658	66,811,372
	Total	**56,727,658**	**66,811,372**
	Total Borrowings (I and II)	**236,506,455**	**379,933,112**
	Secured Borrowings other than CBLO and Repo Borrowings included in I above	-	-
	Tier II Bonds included in I (iii) above	4,560,000	4,560,000
	Tier II Bonds included in II above	-	-

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	Bills Payable	23,965,426	10,134,781
II.	Interest Accrued	9,812,235	10,436,933
III.	Provision for tax (net of advance tax and tax deducted at source)	2,709,519	667,910
IV.	Standard Asset provision (Refer Note 20 - Schedule 18 A)	10,051,303	9,470,324
V.	Others (including provisions) (Refer Note 20 - Schedule 18 A)	113,549,552	73,486,890
	Total	**160,088,035**	**104,196,838**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	Cash in hand (including foreign currency notes)	14,551,667	17,216,140
II.	Balances with RBI in Current Account	110,384,402	77,834,361
	Total	**124,936,069**	**95,050,501**

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

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	**In India**		
	(i) Balances with Banks		
	(a) In Current Accounts	2,488,716	1,685,373
	(b) In Other Deposit Accounts	31,732	65,032
	Total	**2,520,448**	**1,750,405**
	(ii) Money at Call and Short Notice		
	(a) With Banks	-	-
	(b) With Other Agencies	153,000,000	403,000,000
	Total	**153,000,000**	**403,000,000**
	Total (i and ii)	**155,520,448**	**404,750,405**
II.	**Outside India**		
	(i) In Current Accounts	13,089,251	6,261,010
	(ii) In other Deposit Accounts	102,719,550	26,861,075
	Total	**115,808,801**	**33,122,085**
	Total (I and II)	**271,329,249**	**437,872,490**

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	**In India**		
	(i) Government Securities	850,379,436	615,301,199
	(ii) Other Approved Securities	-	-
	(iii) Shares	12,994,692	11,555,352
	(iv) Debentures and Bonds	113,315,790	53,925,605
	(v) Subsidiaries and Joint Ventures	26,164,237	25,931,223
	(vi) Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts,Pass Through Certificates (PTC)]	37,500,436	39,798,779
	Total	**1,040,354,591**	**746,512,158**

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
II.	**Outside India**		
	(i) Government Securities	3,069,277	3,755,167
	(ii) Shares	12,460	16,523
	(iii) Subsidiaries and Joint Ventures	231,609	231,609
	(iv) Debentures and Bonds	7,323,940	-
	Total	**10,637,286**	**4,003,299**
	Total Investments (I and II)	**1,050,991,877**	**750,515,457**

SCHEDULE 9 - ADVANCES

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
A.	(i) Bills purchased and discounted #	85,500,483	77,781,325
	(ii) Cash Credits, Overdrafts and loans repayable on demand	550,041,661	582,358,809
	(iii) Term Loans	1,601,344,077	1,537,341,733
	Total	**2,236,886,221**	**2,197,481,867**
	# Bills purchased and discounted is net of Bills Rediscounted ₹ Nil (Previous Year ₹ Nil)		
B.	(i) Secured by tangible assets *	1,623,079,074	1,635,631,253
	(ii) Covered by Bank / Government guarantees	121,577,208	15,146,253
	(iii) Unsecured	492,229,939	546,704,361
	Total	**2,236,886,221**	**2,197,481,867**
	** including advances against book debts*		
C.I.	**Advances in India**		
	(i) Priority Sector	903,648,990	733,388,522
	(ii) Public Sector	3,184,858	25,027,953
	(iii) Banks	6,597	37
	(iv) Others	1,297,100,063	1,395,777,345
C.II.	**Advances outside India**		
	(i) Due from banks	-	-
	(ii) Due from others		
	a) Bills purchased and discounted	-	-
	b) Syndicated and term loans	32,945,713	43,288,010
	c) Others	-	-
	Total	**2,236,886,221**	**2,197,481,867**

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
A.	**Premises (Including Land)**		
	Gross Block		
	At cost on 31st March of the preceding year	10,705,259	10,742,163
	Additions during the year	-	11,804
	Less: Deductions during the year	120,408	48,708
	Total	**10,584,851**	**10,705,259**
	Depreciation		
	As at 31st March of the preceding year	1,881,769	1,730,504
	Add: Charge for the year	175,042	176,653
	Less: Deductions during the year	31,210	25,388
	Depreciation to date	**2,025,601**	**1,881,769**
	Net Block	**8,559,250**	**8,823,490**

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
B.	**Other Fixed Assets (including furniture and fixtures)**		
	Gross Block		
	At cost on 31st March of the preceding year	24,517,070	24,082,551
	Additions during the year	2,912,240	3,495,620
	Less: Deductions during the year	1,693,505	3,061,101
	Total	**25,735,805**	**24,517,070**
	Depreciation		
	As at 31st March of the preceding year	17,266,239	16,735,693
	Add: Charge for the year	3,492,676	3,542,841
	Less: Deductions during the year	1,659,573	3,012,295
	Depreciation to date	**19,099,342**	**17,266,239**
	Net Block (Refer Note 6 - Schedule 18 B)	**6,636,463**	**7,250,831**
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	-	-
	Less: Deductions 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	-	-
	Less: Deductions during the year	-	-
	Depreciation to date	**1,383,601**	**1,383,601**
	Net Block	**156,984**	**156,984**
	Total (A) +(B)+(C)	**15,352,697**	**16,231,305**

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	Interest accrued	32,831,520	28,224,047
II.	Advance tax (net of provision for tax)	-	-
III.	Stationery and Stamps	19,254	31,136
IV.	Cheques in course of collection	8,018	13,431
V.	Non banking assets acquired in satisfaction of claims	-	-
VI.	Others (Refer Note 4 - Schedule 18 B)*	102,531,333	77,096,604
	Total	**135,390,125**	**105,365,218**

** Includes Deferred Tax Asset ₹ 516.12 crore (Previous year ₹ 317.34 crore)*

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

		As at 31st March, 2021	As at 31st March, 2020
I.	Claims not acknowledged as debts	13,562,251	13,909,844
II.	Liability on account of outstanding Forward Exchange Contracts	1,014,375,427	975,299,604
III.	Guarantees on behalf of Constituents		
	i) In India	227,839,413	239,242,871
	ii) Outside India	-	-
IV.	Acceptances, Endorsements and other obligations	158,797,456	166,071,440
V.	Other Items for which the Bank is contingently liable :		
	a. Liability in respect of interest rate and currency swaps and forward rate agreements	464,529,888	433,439,331
	b. Liability in respect of Options Contracts	48,246,084	41,547,975
	c. Capital commitments not provided	1,114,474	1,000,093
	d. Unclaimed Customer balances transferred to RBI DEAF Scheme	2,604,883	2,262,435
	Total	**1,931,069,876**	**1,872,773,593**

Schedules

Forming part of Profit and Loss Account for the year ended 31st March, 2021

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

		Year ended 31st March, 2021	Year ended 31st March, 2020
I.	Interest / discount on Advances / Bills (Refer Note 43 - Schedule 18 A)	185,890,762	209,992,372
II.	Income on Investments	68,334,051	52,572,531
III.	Interest on balances with RBI and other inter-bank funds	11,747,359	3,812,382
IV.	Others	2,430,505	2,918,857
	Total	**268,402,677**	**269,296,142**

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

		Year ended 31st March, 2021	Year ended 31st March, 2020
I.	Commission, exchange and brokerage	33,840,806	37,792,510
II.	Profit / (Loss) on sale of Investments (net)	2,725,295	4,831,336
III.	Profit / (Loss) on sale of building and other assets (net)	302,666	276,255
IV.	Profit on exchange transactions (net) (including derivatives)	12,334,100	6,759,153
V.	Income earned by way of dividend, etc. from Subsidiaries / Associates and / or Joint Venture in / outside India	1,271,795	1,414,320
VI.	Profit on recoveries of non-performing assets acquired	1,720,909	1,484,725
VII.	Miscellaneous Income	2,396,320	1,162,778
	Total	**54,591,891**	**53,721,077**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

		Year ended 31st March, 2021	Year ended 31st March, 2020
I.	Interest on Deposits	101,138,966	120,609,423
II.	Interest on RBI / Inter-Bank Borrowings	8,041,603	5,411,493
III.	Others (Refer Note 13(c) - Schedule 18 B)	5,825,638	8,278,572
	Total	**115,006,207**	**134,299,488**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

		Year ended 31st March, 2021	Year ended 31st March, 2020
I.	Payments to and provision for employees (Refer Note 10 - Schedule 18 B)	37,653,969	39,111,165
II.	Rent, taxes and lighting (Refer Note 3 - Schedule 18 B)	6,873,897	6,778,875
III.	Printing and Stationery	573,301	835,027
IV.	Advertisement, Publicity and Promotion	1,046,432	1,212,178
V.	Depreciation on Bank's property	3,667,718	3,719,494
VI.	Directors' fees, allowances and expenses	20,465	18,220
VII.	Auditors' fees and expenses (Refer Note 14 - Schedule 18 B)	26,216	23,646
VIII.	Law Charges	463,238	517,393
IX.	Postage, telephone etc.	1,743,286	1,740,121
X.	Repairs and maintenance	5,088,565	4,442,253
XI.	Insurance	3,236,912	2,333,507
XII.	Travel and Conveyance	522,449	980,165
XIII.	Professional Charges	7,963,658	9,164,051
XIV.	Brokerage	1,934,079	2,921,287
XV.	Stamping Expenses	48,950	127,106
XVI.	Other Expenditure (Refer Note 12 - Schedule 18 B)	15,550,027	15,221,751
		86,413,162	**89,146,239**
Less: Reimbursement of Costs from Group Companies		571,782	636,879
	Total	**85,841,380**	**88,509,360**

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

A BACKGROUND

In February 2003, Kotak Mahindra Finance Limited was given a license to carry out banking business by the Reserve Bank of India ("RBI"). It was the first Non Banking Finance Company (NBFC) in India to be converted into a Bank. Kotak Mahindra Bank Limited ("Kotak Mahindra Bank", "Kotak" or "the Bank") provides a full suite of banking services to its customers encompassing Retail Banking, Treasury and Corporate Banking in India and also has a representative office in Dubai. The Bank set up and commenced operations in May 2016, at its International Financial Services Center Banking Unit (IBU) in Gujarat International Finance Tec (GIFT) City, Gujarat. The Bank has commenced operations in October 2019 at its first overseas branch at the Dubai International Financial Centre (DIFC), Dubai, UAE.

B BASIS OF PREPARATION

The financial statements have been prepared in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of Kotak Mahindra Bank used in the preparation of these financial statements is the accrual method of accounting and historical cost convention except derivatives and it conforms with Generally Accepted Accounting Principles in India ("Indian GAAP"), the Accounting Standards specified under section 133 and the relevant provision of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the 2013 act") and the Companies (Accounting Standards) Amendment Rules 2016 as amended from time to time in so far as they apply to banks and the guidelines issued by RBI.

The COVID-19 pandemic, besides the widespread public health implications, has had an extraordinary impact on macroeconomic conditions in India and around the world. During the previous year, people and economies around the world, witnessed serious turbulence caused by the first wave of the pandemic, the consequent lockdowns, the gradual easing of restrictions and the emergence of new variants of the virus. Although the government has started vaccination drive, COVID-19 cases have significantly increased in recent months due to second wave as compared to earlier levels in India. Various state governments have again announced strict measures including lockdowns to contain this spread. As COVID vaccines are administered to more and more people, businesses in sectors impacted by pandemic may pick up. However, the continuing and evolving nature of the virus has created uncertainty regarding estimated time required for businesses and lives to get back to normal.

The Bank continues to closely monitor the situation and in response to this health crisis has implemented protocols and processes to execute its business continuity plans and help protect its employees and support its clients. The pandemic has impacted lending business, distribution of third party products, fee income from services or usage of debit/ credit cards, collection efficiency etc. and has resulted in increase in customer defaults and consequently increase in provisions. The Bank, however, has not experienced any significant disruptions in the past one year and has considered the impact on carrying value of assets based on the external or internal information available up to the date of approval of standalone financial statements. The future direct and indirect impact of COVID-19 on Bank business, results of operations, financial position and cash flows remains uncertain. The standalone financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Use of estimates

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

C SIGNIFICANT ACCOUNTING POLICIES

1 Investments

Classification:

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

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

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

Basis of classification:

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

Acquisition Cost:

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

Disposal of investments:

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

Short Sale:

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is categorised under HFT category and netted off from Investments in the Balance Sheet. The short position is marked to market and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Gain or loss on settlement of the short position is recognised in the Profit and Loss Account.

Valuation:

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

a) **Investments classified as HTM –** These are carried at their acquisition cost. Any premium on acquisition of debt instruments / government securities is amortised over the balance maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided.

b) **Investments classified as HFT or AFS –** Investments in these categories are marked to market and the net depreciation, if any, within each group is recognised in the Profit and Loss Account. Net appreciation, if any, is ignored. Further, provision other than temporary diminution is made at individual security level. Except in cases where provision other than temporary diminution is made, the book value of the individual securities is not changed as a result of periodic valuations.

c) The market or fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the market price of the scrip as available from the trades or quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared on Fixed Income Money Market and Derivatives Association of India ('FIMMDA') website by Financial Benchmark India Private Limited (FBIL) 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) Investments in subsidiaries / joint ventures (as defined by RBI) are categorised as HTM and assessed for impairment to determine other than temporary diminution, if any, in accordance with RBI guidelines.

g) Market value of investments where current quotations are not available are determined as per the norms prescribed by the RBI as under:

- In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity for Government Securities as published by FIMMDA / FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit rating along with residual maturity issued by FIMMDA / FBIL is adopted for this purpose;
- In case of bonds and debentures (including Pass Through Certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received;
- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company;
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines. Such investments are required to be transferred to AFS thereafter;
- Security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Asset Reconstruction Company or Securitisation Company or estimated recovery whichever is lower.

h) Non-performing investments are identified and depreciation / provision are made thereon based on RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognized in the Profit & Loss Account until received.

i) Repurchase and reverse repurchase transactions - Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are accounted as collateralised borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo is recognised as interest income or interest expense over the period of the transaction.

2 Advances

Classification:

Advances are classified as performing and non-performing advances ('NPAs') based on RBI guidelines and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances and claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan and provisions in lieu of diminution in the fair value of restructured assets. Also, NPAs are classified into sub-standard, doubtful and loss assets as required by RBI guidelines. Interest on NPAs remaining uncollected is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

Amounts paid for acquiring non-performing assets from other banks and NBFCs are considered as advances. Actual collections received on such non-performing assets are compared with the cash flows estimated while purchasing the asset to ascertain overdues. If these overdues are in excess of 90 days, then these assets are classified into sub-standard, doubtful or loss as required by the RBI guidelines on purchase of non-performing assets.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Provisioning:

Provision for NPAs comprising sub-standard, doubtful and loss assets is made in accordance with RBI guidelines. In addition, the Bank considers accelerated specific provisioning that is based on past experience, evaluation of security and other related factors. Specific loan loss provision in respect of non-performing advances are charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognised in the Profit and Loss Account.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020, 17th April, 2020 and 23rd May 2020 and clarification issued by RBI through Indian Bankers Association dated 6th May, 2020, the Bank has granted moratorium on the payment of instalments and / or interest, as applicable, falling due between 1st March, 2020 and 31st August, 2020 to eligible borrowers classified as Standard, even if overdue, as on 29th February, 2020. In accordance with RBI guidelines, the moratorium period, wherever granted, is excluded by the Bank from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. The Bank holds provisions as at 31st March, 2021 against the potential impact of customers impacted by COVID-19 pandemic which is higher than the regulatory requirements. In accordance with the said guidelines, such accounts where moratorium has been granted will not be considered as restructured.

Further in accordance with Resolution Framework for COVID-19 and Restructuring of Micro, Small and Medium Enterprises (MSME) sector advances both announced by RBI on 6th August, 2020, the Bank has implemented one-time restructuring for certain eligible borrowers and such borrowers are classified as Standard in accordance with the above framework.

In accordance with RBI guidelines the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold at levels stipulated by RBI from time to time - farm credit to agricultural activities, 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 at 5%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%. Additional 2% standard asset provision is done for overseas stepdown subsidiaries of Indian corporates. Standard provision is also made at higher than the prescribed rates in respect of advances to stressed sectors as per the framework approved by the Board of Directors. In case of Frauds, the Bank makes provision for amounts it is liable for in accordance with the guidelines issued by RBI. A general provision at 10% on the entire amount outstanding from borrowers who had an overdue on February 29, 2020 and to whom moratorium was given is also made.

In respect of borrowers restructured under the Resolution Framework for COVID-19, a general provision, which is higher of the provisions held as per the extant IRAC norms immediately before implementation of restructuring or 10% of the renegotiated debt exposure, has been made. Further, for borrowers restructured under the Restructuring of Micro, Small and Medium Enterprises (MSME) sector advances Bank has maintain additional provision of 5% over and above the provision already held.

Further to provisions required as per the asset classification status, provisions are held for individual country exposure (except for home country) as per the RBI guidelines. Exposure is classified in the seven risk categories as mentioned in the Export Credit Guarantee Corporation of India Limited ('ECGC') guidelines and provisioning is done for that country if the net funded exposure is one percent or more of the Bank's total assets based on the rates laid down by the RBI.

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines.

3 Loss on Sale of Advances to Asset Reconstruction Company

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

4 Securitisation

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

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

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

5 Fixed assets (Property, Plant & Equipment and Intangible) and depreciation / amortisation

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

Depreciation / Amortisation - Depreciation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets at rates which are 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	Estimated Useful life in years
Premises	58
Leasehold Land	Over the lease period
Improvement to leasehold premises	Over the period of lease subject to a maximum of 6 years.
Office equipments (High capacity chillers, Transformers, UPS, DG set, Fire Suppression, HVAC, PAC & Elevators)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
Motor Vehicles	4
ATMs	5
Software (including development) expenditure	3

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

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

6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at Call and Short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

7 Bullion

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

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

8 Revenue recognition

Interest income is recognised on accrual basis.

Interest income in respect of retail advances is accounted for by using the internal rate of return method to provide a constant periodic rate of return on the outstanding on the contract.

Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.

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

Service charges, fees and commission income are recognised when due except for guarantee commission and letter of credit which is recognised over the period of the guarantee / letter of credit. Syndication / arranger fee is recognised as income as per the terms of engagement.

Upon an asset becoming NPA the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realization other than on running accounts where it is recognised when due.

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

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

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

Fees received on sale of Priority Sector Lending Certificates is considered as Miscellaneous Income, while fees paid for purchase is recognized as expense under other expenses in accordance with the guidelines issued by the RBI.

9 Employee benefits

Defined Contribution Plan

Provident Fund

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

Superannuation Fund

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

New Pension Scheme

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

DIFC Employee Workplace Savings Scheme (DEWS)

The Bank's branch in Dubai International Financial Centre (DIFC) contributes up to 8.33% of eligible branch employees' salary per annum to the DIFC Employee Workplace Savings Scheme (DEWS). The Bank recognises such contributions as an expense in the year when an employee renders the related service. The Bank has no further obligation.

Defined Benefit Plan

Gratuity

The Bank provides for Gratuity, covering employees in accordance with the Payment of Gratuity Act, 1972, service regulations and service awards as the case may be. The Bank's liability is actuarially determined (using Projected Unit Credit Method) at the Balance Sheet date. The Bank makes contribution to Gratuity Funds administered by trustees and managed by Life Insurance Companies.

Pension Scheme

In respect of pension payable to certain erstwhile ING Vysya Bank Limited ("eIVBL") employees under Indian Banks' Association ("IBA") structure, the Bank contributes 10% of basic salary to a pension fund and the difference between the contribution and the amount actuarially determined by an independent actuary is trued up based on actuarial valuation conducted as at the Balance Sheet date. The Pension Fund is administered by the Board of Trustees and managed by Life Insurance Company. The present value of the Bank's defined pension 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 in which they are incurred.

Compensated Absences – Other Long-Term Employee Benefits

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

Other Employee Benefits

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

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

Employee share based payments

Equity-settled scheme:

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

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

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

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

In respect of options granted to employees of subsidiaries, the Bank recovers the related compensation cost from the respective subsidiaries.

Cash-settled scheme:

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

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

10 Foreign currency transactions

Foreign currency monetary assets and monetary liabilities are translated as at the Balance Sheet date at rates notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant gain or loss is accounted in the Profit and Loss Account.

Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transactions except in respect of representative office (which are integral in nature) expenses, which are translated at monthly average exchange rates.

Outstanding forward (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 profit or loss on the forward contracts are discounted using discount rate and the resulting profits or losses are recognised in the Profit and Loss Account as per the regulations stipulated by the RBI.

Foreign exchange swaps "linked" to foreign currency deposits and placements are translated at the prevailing spot rate at the time of swap. The premium or discount on the swap arising out of the difference in the exchange rate of the swap date and the maturity date of the underlying forward contract is amortised over the period of the swap and the same is recognised in the Profit and Loss Account.

Contingent liabilities on account of 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.

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

11 Derivative transactions

Notional amounts of derivative transactions comprising of forwards, swaps, futures and options are disclosed as off Balance Sheet exposures. The Bank recognises all derivative contracts (other than those designated as hedges) at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet or reporting date. Derivatives are classified as assets when the fair value is positive (positive marked to market) or as liabilities when the fair value is negative (negative marked to market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

Outstanding derivative transactions designated as "Hedges" are accounted in accordance with hedging instrument on an accrual basis over the life of the underlying instrument. Option premium paid or received is recognised in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

12 Lease accounting

Leases where 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. 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.

13 Accounting for provisions, contingent liabilities and contingent assets

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

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

14 Impairment

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

15 Taxes on income

The Income Tax expense comprises current tax and deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent period.

Deferred tax assets on account of timing differences are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of carry forward losses and unabsorbed depreciation, under tax laws, 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 are reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain.

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

16 Accounting for Dividend

As per AS 4 (Revised), with effect from April 2016, the Bank is not required to provide for dividend proposed / declared after the Balance Sheet date. The same shall be appropriated from next year amount available for appropriation.

17 Earnings per share

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

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

18 Share issue expenses

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

19 Credit cards reward points

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

20 Segment reporting

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

Segment	Principal activity
Treasury, BMU and Corporate Centre	Money market, forex market, derivatives, investments and primary dealership of government securities and Balance Sheet Management Unit (BMU) responsible for Asset Liability Management and Corporate Centre which primarily comprises of support functions.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included under retail banking.
Retail Banking	Includes: I Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework". II Branch Banking Retail borrowings covering savings, current, term deposit accounts and Branch Banking network / services including distribution of financial products. III Credit Cards Receivables / loans relating to credit card business.
Other Banking business	Any other business not classified above.

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

Segment revenues consist of earnings from external customers and inter-segment revenues based on a transfer pricing mechanism. Segment expenses consist of interest expenses including allocated operating expenses and provisions.

Segment results are net of segment revenues and segment expenses.

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

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

SCHEDULE 18 – NOTES TO ACCOUNTS

A. DISCLOSURES AS LAID DOWN BY RBI CIRCULARS:

1. Capital Adequacy Ratio:

The Bank's Capital Adequacy Ratios as per Basel III guidelines are as follows:

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	21.21%	17.08%
(ii) Tier I Capital (%)	21.38%	17.27%
(iii) Tier II Capital (%)	0.88%	0.62%
(iv) Total CRAR %	22.26%	17.89%
(v) Percentage of the shareholding of the Government of India	-	-
(vi) Amount raised by issue of Equity Shares #	7,799.80	362.22
(vii) Amount of Additional Tier I capital raised of which		
PNCPS	-	-
PDI	-	-
(viii) Amount of Tier II Capital raised of which		
Debt capital instruments	-	-
Preference share capital instruments	-	-

 # The Bank on 31st May, 2020, concluded a Qualified Institutions Placement (QIP) of 65,000,000 equity shares at a price of ₹1,145 per equity share aggregating ₹ 7,442.50 crore. Accordingly, the Share Capital increased by ₹32.50 crore and share premium increased by ₹7,410.00 crore, net of share issue expenses of ₹46.28 crore. Further, the Bank has allotted during the year 3,797,330 (previous year 4,283,511) equity shares consequent to exercise of ESOPs vested. Accordingly, the share capital further increased by ₹1.90 crore (previous year ₹2.14 crore) and share premium increased by ₹401.88 crore (previous year ₹360.45 crore), net of share issue expenses of ₹0.20 crore (previous year ₹0.37 crore).

2. Investments held under the 3 categories viz. "Held for Trading (HFT)", "Available for Sale (AFS)" and "Held to Maturity (HTM)" are as under:

In India:

(₹ in crore)

Particulars	As at 31st March, 2021				As at 31st March, 2020			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities *	655.97	50,656.62	33,725.36	85,037.95	2,810.53	26,111.55	32,608.04	61,530.12
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	1,299.47	-	1,299.47	-	1,155.54	-	1,155.54
Debentures and Bonds	777.31	10,554.27	-	11,331.58	974.17	4,418.39	-	5,392.56
Subsidiaries, Associates and Joint Ventures	-	-	2,616.42	2,616.42	-	-	2,593.12	2,593.12
Units, Certificate of Deposits, CP, SRs, PTCs etc.	-	3,750.04	-	3,750.04	-	3,979.88	-	3,979.88
Total	**1,433.28**	**66,260.40**	**36,341.78**	**104,035.46**	**3,784.70**	**35,665.36**	**35,201.16**	**74,651.22**

** Includes securities with face Value of ₹ 10,024.63 crore (previous year ₹ 20,800.70 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for LAF.*

Outside India:

(₹ in crore)

Particulars	As at 31st March, 2021				As at 31st March, 2020			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities	-	306.93	-	306.93	-	375.52	-	375.52
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	1.25	-	1.25	-	1.65	-	1.65
Debentures and Bonds	-	732.39	-	732.39				
Subsidiaries, Associates and Joint Ventures	-	-	23.16	23.16	-	-	23.16	23.16
Units, Certificate of Deposits, CP, SRs, PTCs etc.	-	-	-	-	-	-	-	-
Total	**-**	**1,040.57**	**23.16**	**1,063.73**	**-**	**377.17**	**23.16**	**400.33**

3. The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on 31st March, 2021 and 31st March, 2020 are given below:

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
1. Value of Investments		
i. Gross value of Investments		
a. In India	105,043.34	75,253.50
b. Outside India	1,066.41	400.33
ii. Provision for Depreciation		
a. In India	(1,007.88)	(602.28)
b. Outside India	(2.68)	-
iii. Net value of Investments		
a. In India	104,035.46	74,651.22
b. Outside India	1,063.73	400.33
2. Movement of provisions held towards depreciation on investments		
i. Opening balance	602.28	512.16
ii. Add: Provisions made during the year	461.36	122.73
iii. Less: Write-back of provisions during the year	53.08	32.61
iv. Closing balance	**1,010.56**	**602.28**

4. Details of Repo / Reverse Repo (excluding LAF and MSF transactions for the year) deals (in face value terms):

Year ended 31st March, 2021:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2021
Securities sold under repos				
i. Government securities	-	35,413.55	24,282.35	8,835.30
ii. Corporate debt securities	-	200.00	5.21	-
Securities purchased under reverse repos				
i. Government securities	-	2,200.00	213.01	-
ii. Corporate debt securities	-	100.00	0.82	-

Year ended 31st March, 2020:

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2020
Securities sold under repos				
i. Government securities	-	20,086.60	5,752.04	20,086.60
ii. Corporate debt securities	-	100.00	2.73	-
Securities purchased under reverse repos				
i. Government securities	-	12,659.87	891.26	-
ii. Corporate debt securities	-	-	-	-

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March, 2021:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	1,014.94	255.00	-	-	-
2	FIs	2,131.06	724.24	-	-	446.24
3	Banks	1,396.16	809.99	-	620.74	582.11
4	Private Corporates	10,636.58	8,302.24	14.29	907.22	2,155.94
5	Subsidiaries, Associates and Joint Ventures	2,649.70	1,295.08	-	2,649.70	2,649.70
6	Others	2,548.16	2,199.43	773.41	295.48	2,548.16
7	Provision held towards depreciation	(622.29)	-	-	-	-
	Total	**19,754.31**	**13,585.98**	**787.70**	**4,473.14**	**8,382.15**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

Issuer composition of Non-SLR investments as at 31st March, 2020:

(₹ in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	455.31	412.64	-	-	348.62
2	FIs	347.80	40.90	-	-	199.92
3	Banks	910.63	752.75	-	652.75	200.00
4	Private Corporates	6,434.22	4,864.74	58.83	753.69	2,160.21
5	Subsidiaries, Associates and Joint ventures	2,636.59	1,282.87	-	2,636.59	2,636.59
6	Others	2,963.64	2,938.01	1,352.90	109.37	2,963.64
7	Provision held towards depreciation	(602.28)	-	-	-	-
	Total	**13,145.91**	**10,291.91**	**1,411.73**	**4,152.40**	**8,508.98**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

(ii) Non-performing Non-SLR investments:

(₹ in crore)

Particulars	Year ended 31st March, 2021	Year ended 31st March, 2020
Opening balance	274.37	296.92
Additions during the year	838.37	-
Reductions during the year	(450.25)	(22.55)
Closing balance	662.49	274.37
Total provisions held	**238.42**	**271.50**

6. During the year ended 31st March, 2021 and year ended 31st March, 2020, the value of sale / transfer of securities to / from HTM category (excluding one-time transfer of securities and sales to RBI under Open Market Operation auctions/Switch) was within 5% of the book value of instruments in HTM category at the beginning of the year.

7. Derivatives:

A. Forward Rate Agreements/ Interest Rate Swaps:

(₹ in crore)

Particulars	As at	
	31st March, 2021	31st March, 2020
The notional principal of swap agreements	39,777.32	39,788.46
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	376.22	304.25
Collateral required by the Bank upon entering into swaps	NA	NA
Concentration of credit risk arising from the swaps	58.08% (Banks)	60.57% (Banks)
The fair value of the swap book	(42.21)	(290.17)

B. Exchange Traded Interest Rate Derivatives:

(₹ in crore)

Particulars	As at	
	31st March, 2021	31st March, 2020
Notional principal amount of exchange traded interest rate derivatives undertaken during the year	-	-
Notional principal amount of exchange traded interest rate derivatives outstanding	-	-
Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" *	NA	NA
Mark to market value of exchange traded interest rate derivatives outstanding and not "highly effective" *	NA	NA

** Being trading positions*

Disclosures on risk exposures in derivatives:

Qualitative disclosures:

a) Structure and organization for management of risk in derivatives trading:

The Board of Directors, the Asset Liability Management Committee (ALCO), the Risk Management Committee (RMC), Board Committee for Derivatives, the Senior Management Committee for Derivatives (SMC) and the Market Risk Management Department are entrusted with the management of risks in derivatives.

The philosophy and framework for the derivative business is laid out in the Board approved Investment and Derivative policies. The ALCO of the Bank is empowered to set the limit-framework for derivatives. It also reviews the market risk exposures of derivatives against the limits. The Risk Management Committee reviews all risks on a consolidated basis.

The Board Committee for Derivatives and the Senior Management Committee for Derivatives (SMC) oversee the client derivatives business. These committees are responsible for reviewing and approving the derivative products that can be offered to clients (within the regulatory framework provided by the RBI). The Board approved 'Customer Suitability and Appropriateness Policy for Derivatives' lays down the risk management & governance framework for offering derivatives to clients.

The Bank has Back-Office and Risk Management - independent of the dealing function. The Market Risk Management & Counterparty Risk Management Departments are responsible for assessment, monitoring, measurement & reporting of Market & Counterparty risks in derivatives.

b) Scope and nature of risk measurement, risk reporting and risk monitoring systems:

All significant risks of the derivative portfolio are monitored, measured & reported to the senior management. The Market Risk Management Department, on a daily basis, measures & reports risk-metrics like Value-at-Risk (VaR), PV01, Option Greeks like Delta, Gamma, Vega, Theta, Rho etc. Counterparty Risk exposure of the derivatives portfolio is also reported daily. The Market Risk Management Department independently reports profitability on a daily basis. Rate reasonability tests are performed on the Derivative portfolio to ensure that all trades are entered into at market rates. Stress testing is performed to measure the impact of extreme market shifts on the Bank's portfolio (including derivatives). Suitability and Appropriateness assessment is performed before offering derivatives to clients. The Bank continuously invests in technology to enhance the Risk Management architecture.

c) Policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:

The Board Approved 'Hedging Policy' details the hedging strategies, hedging processes, accounting treatment, documentation requirements and effectiveness testing for hedges.

Hedges are monitored for effectiveness periodically, in accordance with the Board Approved Policy.

d) Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation:

Derivative transactions are segregated into trading or hedge transactions. Trading transactions outstanding as at the Balance Sheet dates are marked to market and the resulting profits or losses, are recorded in the Profit and Loss Account.

Derivative transactions designated as "Hedges" are accounted in accordance with hedging instruments on an accrual basis over the life of the underlying instrument.

Option premium paid / received is accounted for in the Profit and Loss Account on expiry of the option.

Pursuant to the RBI guidelines, any receivables as well positive Mark to Market (MTM) in respect of future receivable under derivative contracts comprising of crystallised receivables which remain overdue for more than 90 days are reversed through the Profit and Loss Account. Limits for Derivative exposures to Corporates are approved by the Credit Committee and for Banks by the ALCO. These exposures are renewable annually and are duly supported by ISDA agreements. MTM breaches are monitored daily and are cash collateralised wherever necessary.

Quantitative Disclosures:

31st March, 2021:

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	0.00	0.00
	b) For trading	112,937.82	39,777.32
2	**Marked to Market Positions ****		
	a) Asset (+)	1,011.95	341.85
	b) Liability (-)	928.45	384.05
3	**Credit Exposure**	3,999.01	524.08
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	0.00	0.00
	b) On trading derivatives	47.31	348.37
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	0.00	0.00
	b) On trading derivatives	47.31	399.75
6	**Minimum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	0.00	0.00
	b) On trading derivatives	9.83	207.17

Currency interest rate swaps have been included under currency derivatives.

 # Excludes PV01 on options.

*** MTM has been considered at product level.*

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2021 are set out below:

(₹ in crore)

Nature	No.	Notional Principal*	Benchmark	Terms
Trading	63	2,324.12	LIBOR	Receive Fixed Vs. Pay Floating
Trading	153	9,284.71	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	146.22	LIBOR	Receive Floating Vs. Pay Floating
Trading	262	9,710.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	78	3,995.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	78	2,235.16	MIBOR	Receive Fixed Vs. Pay Floating
Trading	429	12,082.11	MIBOR	Receive Floating Vs. Pay Fixed
Total	**1,064**	**39,777.32**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2021 are set out below:

(₹ in crore)

Nature	No.	Notional Principal*	Benchmark	Terms
Trading	1	1.67	EURIBOR	Receive Fixed Vs. Pay Floating
Trading	4	177.28	EURIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Trading	8	58.47	FIXED	Pay Fixed
Trading	6	236.32	FIXED	Receive Fixed
Trading	53	2,129.57	FIXED	Receive Fixed Vs. Pay Fixed
Trading	21	2,018.20	LIBOR	Receive Fixed Vs. Pay Floating
Trading	3	1,944.84	LIBOR	Receive Floating Vs. Pay Fixed
Trading	3	109.32	LIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Total	**99**	**6,675.67**		

**Above notional principal does not include trades done with GIFT-City branch since it gets zeroed at bank level however, only count of trades done is specified.*

The overnight Net open position as at 31st March, 2021 is ₹ 325.15 crore (previous year ₹ 240.04 crore).

31st March, 2020:

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	-	-
	b) For trading	105,240.23	39,788.46
2	**Marked to Market Positions ****		
	a) Asset (+)	1,769.56	285.10
	b) Liability (-)	1,661.61	575.27
3	**Credit Exposure**	4,535.49	657.71
4	**Likely impact of one percentage change in interest rate (100*PV01) #**		
	a) On hedging derivatives	-	-
	b) On trading derivatives	10.29	208.81
5	**Maximum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	0.61	-
	b) On trading derivatives	45.62	218.83
6	**Minimum of 100*PV01 observed during the year #**		
	a) On hedging derivatives	-	-
	b) On trading derivatives	-	106.42

Currency interest rate swaps have been included under currency derivatives.

 # Excludes PV01 on options.

*** MTM has been considered at product level.*

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2020 are set out below:

(₹ in crore)

Nature	No.*	Notional Principal	Benchmark	Terms
Trading	70	3,127.11	LIBOR	Receive Fixed Vs. Pay Floating
Trading	161	9,936.97	LIBOR	Receive Floating Vs. Pay Fixed
Trading	268	9,500.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	63	3,045.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	76	3,152.09	MIBOR	Receive Fixed Vs. Pay Floating
Trading	338	11,027.29	MIBOR	Receive Floating Vs. Pay Fixed
Total	**976**	**39,788.46**		

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2020 are set out below:

(₹ in crore)

Nature	No.*	Notional Principal	Benchmark	Terms
Trading	1	2.41	EURIBOR	Receive Fixed Vs. Pay Floating
Trading	4	214.31	EURIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Trading	5	68.64	FIXED	Pay Fixed
Trading	4	237.10	FIXED	Receive Fixed
Trading	44	1559.00	FIXED	Receive Fixed Vs. Pay Fixed
Trading	7	890.82	LIBOR	Receive Fixed Vs. Pay Floating
Trading	1	378.44	LIBOR	Receive Floating Vs. Pay Fixed
Trading	3	204.75	LIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Total	**69**	**3,555.47**		

**Above notional principal does not include trades done with GIFT-City branch since it gets zeroed at bank level however, only count of trades done is specified.*

8. Credit default swaps:

The Bank has not entered into any Credit Default Swap transactions.

9. Movements in Non Performing Advances (Funded):

(₹ in crore)

Particulars	Year Ended 31st March, 2021	Year Ended 31st March, 2020
i. Net NPAs to Net Advances %	1.21%	0.71%
ii. Movement of Gross NPAs		
Gross NPAs as on 1st April (opening balance)	5,026.89	4,467.94
Additions (Fresh NPAs) during the year	5,488.32	3,394.97
Sub-total (A)	**10,515.21**	**7,862.91**
Less:		
(i) Upgradations	1,307.10	1,003.69
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,154.56	895.84
(iii) Technical / Prudential Write-offs	235.38	601.66
(iv) Write-offs other than those under (iii) above	392.66	334.83
Sub-total (B)	**3,089.70**	**2,836.02**
Gross NPAs as on 31st March (closing balance) (A-B)	**7,425.51**	**5,026.89**
iii. Movement of Net NPAs		
a. Opening balance	1,557.89	1,544.37
b. Additions during the year	2,685.01	1,286.55
c. Reductions during the year	(1,537.73)	(1,273.03)
d. Closing balance	**2,705.17**	**1,557.89**
iv. Movement of provisions for NPAs (excluding provisions on standard assets)		
a. Opening balance	3,469.00	2,923.57
b. Provisions made during the year	2,803.31	2,108.42
c. Write-off / write-back of excess provisions	(1,551.97)	(1,562.99)
d. Closing balance	**4,720.34**	**3,469.00**

10. Movement of Technical Write-offs and Recoveries:

(₹ in crore)

Particulars	Year Ended 31st March, 2021	Year Ended 31st March, 2020
Opening balance of Technical / Prudential written-off accounts as at 1st April	1,547.25	1,033.59
Add: Technical / Prudential write-offs during the year	235.38	601.66
Sub-Total (A)	1,782.63	1,635.25
Less: Recoveries / Reductions made from previously Technical / Prudential written-off accounts during the year (B)	122.28	88.00
Closing Balance as at 31st March (A-B)	**1,660.35**	**1,547.25**

11. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off is 70.23% as at 31st March, 2021 (previous year 76.30%).

12. Concentration of NPAs:

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Total Exposure to top four NPA accounts	633.58	633.58

Above represents Gross NPA and NPI

13. RBI vide its circular dated 1st April 2019, has directed banks shall make suitable disclosures, wherever either (a) the additional provisioning requirements assessed by RBI exceed 10 percent of the published net profits before provision and contingency for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15 percent of the published incremental Gross NPAs for the reference period, or both. There has been no divergence observed by RBI for the financial year 2019-20 (previous year Nil) in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.

14. Sector-wise Advances

(₹ in crore)

Sl. No	Sector	As at 31st March, 2021			As at 31st March, 2020		
		Outstanding Total Advances*	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector	Outstanding Total Advances*	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector
A	**Priority Sector**						
1	Agricultural and Allied Activities	27,506.96	1,348.45	4.90%	23,611.32	731.93	3.10%
2	Advances to Industries Sector eligible as Priority sector lending	33,418.11	424.24	1.27%	18,376.79	245.13	1.33%
3	Services	29,171.15	692.27	2.37%	30,923.42	732.25	2.37%
4	Personal Loans and others	1,377.87	29.40	2.13%	1,511.39	195.13	12.91%
	Sub-Total (A)	**91,474.09**	**2,494.36**	**2.73%**	**74,422.92**	**1,904.44**	**2.56%**
B	**Non Priority Sector**						
1	Agricultural and Allied Activities	1,222.16	41.15	3.37%	1,258.25	31.43	2.50%
2	Industry	46,999.73	1,534.03	3.26%	61,183.07	1,587.27	2.59%
3	Services	44,461.56	1,426.09	3.21%	44,187.19	649.47	1.47%
4	Personal loans and others	44,267.75	1,929.88	4.36%	42,171.27	854.28	2.03%
	Sub-Total (B)	**136,951.20**	**4,931.15**	**3.60%**	**148,799.78**	**3,122.45**	**2.10%**
	Total (A+B)	**228,425.29**	**7,425.51**	**3.25%**	**223,222.70**	**5,026.89**	**2.25%**

** Represents Gross Advances*

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

15. Priority sector lending certificates

The amount of PSLCs (category wise) Purchased and Sold during the year:

As at 31st March, 2021:

(₹ in crore)

S. No	Type of PSLCs	Purchased	Sold
1	PSLC – Agriculture	250.00	-
2	PSLC - SF / MF	11,050.00	1,200.00
3	PSLC - Micro Enterprises	8,630.75	7,700.00
4	PSLC – General	-	15,678.50
	Total	**19,930.75**	**24,578.50**

As at 31st March, 2020:

(₹ in crore)

S. No	Type of PSLCs	Purchased	Sold
1	PSLC – Agriculture	1,945.00	500.00
2	PSLC - SF / MF	6,251.00	-
3	PSLC - Micro Enterprises	2,980.00	-
4	PSLC – General	4,500.00	11,257.00
	Total	**15,676.00**	**11,757.00**

16. Details of Loan Assets subjected to Restructuring:

As at 31st March, 2021

(₹ in crore)

I. No	Type of Restructuring		Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
	Asset Classification		Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total
	Details																	
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	1	1	4	6	-	-	-	-	20	2,743	5,872	8,635	21	2,744	5,876	8,641
		Amt. Outstanding	13.22	40.22	149.29	202.73	-	-	-	-	71.48	76.31	239.14	386.93	84.70	116.53	388.43	589.66
		Provision thereon	1.67	15.06	147.90	164.63	-	-	-	-	3.21	31.43	224.96	259.60	4.88	46.49	372.86	424.23
	Movement in the Accounts	No. of borrowers	-	-	-	-	-	-	-	-	(15)	(1,302)	(786)	(2,103)	(15)	(1302)	(786)	(2,103)
		Amt. Outstanding	-	-	(0.27)	(0.27)	-	-	-	-	(35.63)	(11.49)	(83.74)	(130.86)	(35.63)	(11.49)	(84.01)	(131.13)
		Provision thereon	-	-	1.11	1.11	-	-	-	-	0.13	(3.07)	(45.21)	(48.15)	0.13	(3.07)	(44.10)	(47.04)
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	4,724	13,270	3,555	21,549	4,724	13,270	3,555	21,549
		Amt. Outstanding	-	-	-	-	-	-	-	-	404.49	244.49	185.96	834.94	404.49	244.49	185.96	834.94
		Provision thereon	-	-	-	-	-	-	-	-	10.36	112.41	100.79	223.56	10.36	112.41	100.79	223.56
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	1	3	(4)	0.00	1	3	(4)	0.00
		Amt. Outstanding	-	-	-	-	-	-	-	-	0.18	0.08	(0.26)	0.00	0.18	0.08	(0.26)	0.00
		Provision thereon	-	-	-	-	-	-	-	-	0.05	0.04	(0.09)	0.00	0.05	0.04	(0.09)	0.00
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	(1)	-	-	(1)	-	-	-	-	(1)	-	-	(1)	(2)	-	-	(2)
5	Downgradations of restructured accounts during the FY	Amt. Outstanding	(13.22)	(40.22)	40.22	0	-	-	-	-	(28.22)	-	-	(28.22)	(41.44)	-	-	(41.44)
		Provision thereon	(1.67)	(15.06)	15.06	0	-	-	-	-	-	-	-	-	(1.67)	-	-	(1.67)
		No. of borrowers	-	(1)	1	0	-	-	-	-	(3)	(1,995)	1,998	0.00	(3)	(1,996)	1,999	0
6	Write-offs of restructured accounts during the FY	Amt. Outstanding	-	-	40.22	0	-	-	-	-	(16.44)	(53.86)	70.30	0.00	(16.44)	(94.08)	110.52	0
		Provision thereon	-	(15.06)	15.06	0	-	-	-	-	(0.85)	(26.47)	27.32	0.00	(0.85)	(41.53)	42.38	0
		No. of borrowers	-	-	(3)	(3)	-	-	-	-	0	(735)	(805)	(1,540)	0	(735)	(808)	(1,543)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	Amt. Outstanding	-	-	(121.44)	(121.44)	-	-	-	-	0	(2.67)	(3.60)	(6.27)	0	(2.67)	(125.04)	(127.71)
		Provision thereon	-	-	(121.44)	(121.44)	-	-	-	-	0	(2.67)	(3.60)	(6.27)	0	(2.67)	(125.04)	(127.71)
		No. of borrowers	0	0	2	2	-	-	-	-	4,726	11,984	9,830	26,540	4,726	11,984	9,832	26,542
		Amt. Outstanding	0	0	67.80	67.80	-	-	-	-	395.86	252.86	407.80	1,056.52	395.86	252.86	475.60	1,124.32
		Provision thereon	0	0	42.63	42.63	-	-	-	-	12.90	111.67	304.17	428.74	12.90	111.67	346.80	471.37

** Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)*

As at 31st March, 2020

(₹ in crore)

I. No	Type of Restructuring / Asset Classification / Details		Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
			Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total	Standard	Sub standard	Doubtful	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers	1	1	6	8	-	-	-	-	16	1,876	5,768	7,660	17	1,877	5,774	7,668
		Amt. Outstanding	29.67	27.75	182.20	239.62	-	-	-	-	23.85	28.55	320.79	373.19	53.52	56.30	502.99	612.81
		Provision thereon	9.06	13.87	156.57	179.50	-	-	-	-	4.14	10.95	235.24	250.33	13.20	24.82	391.81	429.83
	Movement in the Accounts	No. of borrowers	-		(1)	(1)	-	-	-	-	(2)	(1,415)	(1,123)	(2,540)	(2)	(1,415)	(1,124)	(2,541)
		Amt. Outstanding	(3.25)	13.83	(11.21)	(0.63)	-	-	-	-	(7.41)	(32.29)	(56.57)	(96.27)	(10.66)	(18.46)	(67.78)	(96.90)
		Provision thereon	(8.55)	9.28	20.66	21.39	-	-	-	-	(10.09)	(7.36)	3.42	(14.03)	(18.64)	1.92	24.08	7.36
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	8	3,901	1,324	5,233	8	3,901	1,324	5,233
		Amt. Outstanding	-	-	-	-	-	-	-	-	37.30	87.49	49.29	174.08	37.30	87.49	49.29	174.08
		Provision thereon	-	-	-	-	-	-	-	-	1.59	35.03	42.68	79.30	1.59	35.03	42.68	79.30
3	Upgradations to restructured standard category during the FY	No. of borrowers	1		(1)	-	-	-	-	-	4	(3)	(1)	-	5	(3)	(2)	-
		Amt. Outstanding	13.19		(13.19)	-	-	-	-	-	34.77	(0.97)	(33.80)	-	47.96	(0.97)	(46.99)	-
		Provision thereon	6.94		(6.94)	-	-	-	-	-	8.61	(0.16)	(8.45)	-	15.55	(0.16)	(15.39)	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	(1)	-	-	(1)	(1)	-	-	(1)
		Amt. Outstanding	-	-	-	-	-	-	-	-	(8.29)	-	-	(8.29)	(8.29)	-	-	(8.29)
		Provision thereon	-	-	-	-	-	-	-	-	(0.22)	-	-	(0.22)	(0.22)	-	-	(0.22)
5	Downgradations of restructured accounts during the FY	No. of borrowers	(1)	-	1	-	-	-	-	-	(5)	(1,182)	1,187	-	(6)	(1,182)	1,188	-
		Amt. Outstanding	(26.39)	(1.36)	27.75	-	-	-	-	-	(8.74)	(5.22)	13.96	-	(35.13)	(6.58)	41.71	-
		Provision thereon	(5.78)	(8.09)	13.87	-	-	-	-	-	(0.82)	(5.78)	6.60	-	(6.60)	(13.87)	20.47	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	(1)	(1)	-	-	-	-	-	(434)	(1,283)	(1,717)	-	(434)	(1,284)	(1,718)
		Amt. Outstanding	-	-	(36.26)	(36.26)	-	-	-	-	-	(1.25)	(54.53)	(55.78)	-	(1.25)	(90.79)	(92.04)
		Provision thereon	-	-	(36.26)	(36.26)	-	-	-	-	-	(1.25)	(54.53)	(55.78)	-	(1.25)	(90.79)	(92.04)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	1	1	4	6	-	-	-	-	20	2,743	5,872	8,635	21	2,744	5,876	8,641
		Amt. Outstanding	13.22	40.22	149.29	202.73	-	-	-	-	71.48	76.31	239.14	386.93	84.70	116.53	388.43	589.66
		Provision thereon	1.67	15.06	147.90	164.63	-	-	-	-	3.21	31.43	224.96	259.60	4.88	46.49	372.86	424.23

** Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)*

Disclosure on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period):

As at 31st March, 2021

(₹ in crore)

No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
	Nil	Nil	NA	NA	Nil	Nil

As at 31st March, 2020

(₹ in crore)

No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
	Nil	Nil	NA	NA	Nil	Nil

Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

As at 31st March, 2021

(₹ in crore)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	19.65	8.92	10.73	7.22
Classified as NPA	70.04	27.58	42.46	70.04

As at 31st March, 2020

(₹ in crore)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	23.95	13.22	10.73	8.36
Classified as NPA	70.04	27.58	42.46	65.78

Disclosure on the scheme for MSME sector – restructuring of advances

As at 31st March, 2021: (₹ in crore)

No. of accounts restructured	Amount
443*	313.45

As at 31st March, 2020: (₹ in crore)

No. of accounts restructured	Amount
12*	43.38

** Disclosure given is at borrower level*

Disclosure on Resolution of stressed assets:

In terms of RBI circular dated 7th June 2019, the Bank has implemented resolution plans for two borrowers during the FY 2020-21. Resolution Plans were implemented within timelines prescribed by regulator and thus no provision for delay in implementation is required to be made.

17. Overseas Assets, NPAs and Revenue:

(₹ in crore)

Particulars	As at	
	31st March, 2021	31st March, 2020
Total Assets	4,755.84	4,947.62
Total NPAs	Nil	Nil
Total Revenue	128.72	194.84

18. A. Details of financial assets (including written off accounts) sold to Securitisation / Reconstruction Company for Asset Reconstruction (SC/RC):

(₹ in crore)

	Particulars	Year Ended	
		31st March, 2021	31st March, 2020
(a)	No. of accounts	Nil	Nil
(b)	Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(c)	Aggregate consideration	Nil	Nil
(d)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(e)	Aggregate gain / (loss) over net book value	Nil	Nil
(f)	Excess provision reversed to Profit and Loss Account in case of sale of NPAs	Nil	Nil

B. Net Book Value of Investments in Security Receipts ("SRs"):

(₹ in crore)

	Particulars	As at	
		31st March, 2021	31st March, 2020
(i)	Backed by NPAs sold by the bank as underlying	52.88	66.10
(ii)	Backed by NPAs sold by other banks / financial institutions / nonbanking financial companies as underlying	704.19	746.50
Total		**757.07**	**812.60**

C. Disclosure of Investment in Security Receipts:

31st March, 2021:

(₹ in crore)

	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	-	264.37	-
	Provision held against (i)	-	(211.49)	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	705.00	53.54	97.41
	Provision held against (ii)	(54.35)	- *	(97.41)
Total (i) + (ii)		**650.65**	**106.42**	**0.00**

**Since there is overall appreciation, the same is not included in the provision.*

31st March, 2020:

(₹ in crore)

	Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	-	264.37	-
	Provision held against (i)	-	(198.27)	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	695.00	51.50	97.43
	Provision held against (ii)	- *	- *	(97.43)
Total (i) + (ii)		**695.00**	**117.60**	**0.00**

**Since there is overall appreciation, the same is not included in the provision.*

D. Details of non-performing financial assets purchased:

(₹ in crore)

	Particulars	Year Ended	
		31st March, 2021	31st March, 2020
(a)	Number of accounts purchased during the year*	5	27
(b)	Aggregate outstanding in the Banks books**	189.55	255.28

** Retail assets portfolio purchased by the Bank has been considered as single portfolio.*

***Represents outstanding balance of total non-performing financial assets purchased by the Bank at the Balance Sheet date.*

None of the non-performing financial assets purchased have been restructured during the year (previous year Nil).

E. Details of non-performing financial assets sold (including written off accounts), excluding those sold to SC/RC:

	Particulars	Year Ended	
		31st March, 2021	31st March, 2020
(a)	No. of accounts sold	Nil	Nil
(b)	Aggregate value (net of provisions)	Nil	Nil
(c)	Aggregate consideration received	Nil	Nil

19. There are no unsecured advances for which intangible security such as charge over the rights, licenses, authority, etc. are accepted as collateral by the Bank.

20. (a) Provisions on Standard Assets (including unhedged foreign currency exposure)

(₹ in crore)

Particulars	As at	
	31st March, 2021	31st March, 2020
Provisions towards Standard Assets	1,005.13	947.03

(b) General Provision for COVID-19 Deferment cases:

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27th March, 2020, 17th April, 2020 and 23rd May 2020 and clarification issued by RBI through Indian Bankers Association, dated 6th May 2020, the Bank granted moratorium on the payment of installments and / or interest, as applicable, falling due between 1st March, 2020 and 31st August 2020 to eligible borrowers classified as Standard, even if overdue, as on 29th February, 2020. The moratorium period, wherever granted, is excluded by the Bank from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. The Bank holds provisions as at 31st March, 2021 against the potential impact of customers impacted by COVID-19 pandemic, which is higher than the regulatory requirements.

The disclosure requirements as required by RBI circular dated 17th April, 2020 for the year ended 31st March 2021 is given below:

(₹ in crore)

Particulars	31st March, 2021	31st March, 2020
Advances outstanding in SMA/overdue categories, where the moratorium/deferment was extended as per COVID-19 regulatory package, as at 29th February,2020		
- Account Level	9,559.00	6,565.74
- Customer Level	14,010.79	12,923.91
Advances outstanding where asset classification benefits is extended in respect of such accounts#	115.21	660.65
Provisions made as per para 5 of the COVID-19 Regulatory Package	751.08	650.00
Provisions adjusted against slippages in terms of paragraph 6	122.08	NA
Residual provisions#	1,279.00	650.00

 # As at 31st March, 2021 & 31st March, 2020 respectively in respect of such accounts.

21. Business ratios / information:

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
Interest income as a percentage of working funds	7.13%	8.45%
Non Interest income as a percentage of working funds	1.45%	1.69%
Operating profit as a percentage of working funds	3.24%	3.14%
Return on assets (average)	1.85%	1.87%
Business (deposit plus advance) per employee (₹ in crore)	9.70	9.36
Profit per employee (₹ in crore)	0.14	0.13

Definitions:

(A) Working funds is the monthly average of total assets of the Bank as reported to RBI under Section 27 of the Banking Regulation Act, 1949 and those of IBU.

(B) Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).

(C) Business is monthly average of net advances and deposits as reported to the RBI under section 27 of the Banking Regulation Act, 1949. Interbank deposits are excluded for the purposes of computation of this ratio.

(D) Productivity ratios are based on average number of employees.

22. Maturity pattern of certain items of assets and liabilities:

31st March, 2021:

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 12 months	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Advances	270.65	2,667.03	3,021.88	5,538.64	24,171.35	14,799.99	28,253.33	89,436.50	28,305.20	27,224.05	223,688.62
Investments*	41,461.98	3,661.55	1,816.05	1,859.60	5,785.24	6,608.83	5,925.54	30,089.62	2,082.47	5,267.00	104,557.88
Deposits	18,571.00	18,236.84	8,101.29	6,229.17	22,060.08	35,443.88	27,415.88	142,668.87	1,069.92	303.12	280,100.05
Borrowings	402.88	9,353.91	460.18	335.86	2,904.93	1,981.91	3,667.72	4,210.48	182.78	150.00	23,650.65
Foreign Currency Assets	1,646.71	5,338.25	290.68	2,492.47	5,496.15	2,754.81	1,939.91	1,725.90	1,030.71	282.10	22,997.69
Foreign Currency Liabilities	912.51	570.44	226.75	261.98	1,670.54	1,213.06	1,334.64	3,512.04	192.84	18.59	9,913.39

** Listed equity investments in AFS have been considered at 50% (₹ 541.31 crore) haircut as per RBI directions.*

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

31st March, 2020:

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & upto 12 months	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Advances#	239.50	901.34	996.85	2,089.30	22,950.96	20,681.87	29,001.85	92,662.92	22,311.66	27,911.94	219,748.19
Investments*	20,663.06	1,837.79	1,018.13	1,920.78	5,453.67	6,332.80	6,237.57	25,478.13	745.09	4,894.63	74,581.65
Deposits	5,544.76	7,930.78	4,775.55	6,183.38	24,927.97	35,602.92	33,031.20	143,565.52	994.72	263.72	262,820.52
Borrowings	280.97	20,451.98	82.30	325.67	1,951.75	2,143.84	3,627.76	8,449.39	529.66	149.99	37,993.31
Foreign Currency Assets	1,013.11	2,784.71	321.53	360.04	3,628.00	2,745.87	2,520.06	2,008.69	779.65	311.27	16,472.93
Foreign Currency Liabilities	718.91	427.61	154.60	597.17	1,943.50	1,569.95	755.95	6,146.47	625.78	0.08	12,940.02

 # In view of the COVID-19 pandemic, the Reserve Bank of India on 27th March 2020, announced measures to support the economy and the financial system. The measures permit banks to offer a three-month moratorium on all term loans outstanding as on 1st March, 2020, interest deferment on working capital facilities. As a prudent measure, in view of the potential relief to borrowers, for ALM purposes, the contractual inflows on borrower accounts have been suitably adjusted for the moratorium.

** Listed equity investments in AFS have been considered at 50% (₹ 469.90 crore) haircut as per RBI directions.*

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

23. Exposures:

(a) Exposure to Real Estate Sector*:

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
a) Direct exposure	39,803.06	34,317.98
i. Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Includes Individual housing loans eligible for inclusion in priority sector advances as at 31st March, 2021 ₹ 113.33 crore and as at 31st March, 2020 ₹ 83.27 crore)	23,006.67	17,899.64
ii. Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure also includes non-fund based (NFB) limits	16,796.39	16,418.34
iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures-	-	-
- Residential,	-	-
- Commercial Real Estate	-	-
b) Indirect Exposure	6,495.18	5,000.77
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	6,495.18	5,000.77
Total Exposure to Real Estate Sector	**46,298.24**	**39,318.75**

** On limit basis or outstanding basis whichever is higher*

(b) Exposure to Capital Market*:

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
i. Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;#	1,298.39	1,167.81
ii. Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	432.17	314.98
iii. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv. Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	846.72	3,110.79
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	3,214.37	2,247.70
vi. Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii. Bridge loans to companies against expected equity flows / issues;	-	-
viii. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix. Financing to stockbrokers for margin trading;	-	-
x. All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	0.03	0.03
xi. Others (Financial Guarantees)	26.13	34.86
Total Exposure to Capital Market*	**5,817.81**	**6,876.17**

 # The above amount excludes shares/convertible bonds aggregating to ₹ 124.22 crore (Previous year ₹ 135.18 crore) acquired due to conversion of debt to equity under restructuring process. As per para 20 of DBR.No.BP.BC.101/21.04.048/2017-18 dated 12th February, 2018, the above amount is exempt from regulatory ceilings/ restriction on capital market exposure.

** On limit basis or outstanding basis whichever is higher*

(c) Risk category wise country exposure:

As per extant RBI guidelines, the country exposure of the Bank is categorized into various risk categories listed in following table. Since the country exposure (net) of the Bank in respect of any country does not exceed 1% of the total funded assets, no provision is required to be maintained on country exposure as on 31st March, 2021 (Nil provision for the year ended 31st March, 2020).

(₹ in crore)

Risk Category	Exposure (net) as at 31st March, 2021	Provision held as at 31st March, 2021	Exposure (net) as at 31st March, 2020	Provision held as at 31st March, 2020
Insignificant	8,991.83	-	5,153.52	-
Low	332.54	-	422.31	-
Moderate	9.14	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**9,333.51**	**-**	**5,575.83**	**-**

24. Concentration of deposits:

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Total deposits of twenty largest depositors	27,551.70	26,021.91
Percentage of deposits of twenty largest depositors to total deposits of the Bank	9.84%	9.90%

25. Concentration of advances*:

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Total advances to twenty largest borrowers	33,748.40	30,031.31
Percentage of advances to twenty largest borrowers to total advances of the bank	8.31%	7.69%

**Advances represents credit exposure including derivatives furnished in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated 1st July, 2015.*
The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

26. Concentration of exposures:**

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Total exposure to twenty largest borrowers/customers	39,935.94	31,648.19
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	9.36%	7.82%

*** Exposures represents credit, derivatives and investment exposure as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC. 12/13.03.00/2015-16 dated 1st July, 2015.*

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

27. Disclosure on Resolution Framework for COVID-19 related stress:

In accordance with Resolution Framework for COVID-19 announced by RBI on 6th August, 2020, the Bank has implemented one-time restructuring for certain eligible borrowers and such borrowers are classified as Standard in accordance with the above framework.

The disclosure requirements as required by RBI circular dated 6th August, 2020 for the year ended 31st March 2021 is given below:

₹ in crore except number of accounts

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), Aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	6,482	82.38	-	-	9.01
Corporate persons*	8	12.67	-	-	1.27
Of which, MSMEs	-	-	-	-	-
Others	16	26.45	-	-	2.64
Total	**6,506**	**121.50**	**-**	**-**	**12.92**

**As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016*

28. During the year ended 31st March, 2021 and year ended 31st March, 2020 the Bank has not exceeded the prudential exposure limits as laid down by RBI guidelines for the Single Borrower Limit (SBL) / Group Borrower Limit (GBL).

29. Provision made for taxes during the year:

(₹ in crore)

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
Current tax	2,536.93	1,996.67
Deferred tax	(198.78)	(139.18)
Total	**2,338.15**	**1,857.49**

30. During the year, the Reserve Bank of India has levied a penalty of ₹ Nil (previous year ₹ 20,040,000/-) on the Bank.

31. There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) (previous year ₹ Nil).

32. Bancassurance Business:

(₹ in crore)

Sr. No.	Nature of Income	Year Ended	
		31st March, 2021	31st March, 2020
1.	For selling life insurance policies	250.13	204.81
2.	For selling non life insurance policies	15.78	13.20
3.	For selling mutual fund products	151.68	130.09
4.	Others	-	-

This Income has been reflected under Commission, exchange and brokerage under Other Income.

33. Floating Provisions:

(₹ in crore)

Particulars		Year Ended	
		31st March, 2021	31st March, 2020
(a)	Opening balance in the floating provisions account	Nil	Nil
(b)	The quantum of floating provisions made in the accounting year	Nil	Nil
(c)	Amount of draw down made during the accounting year	Nil	Nil
(d)	Closing Balance in floating provisions account	Nil	Nil

34. Draw Down from Reserves:

In accordance with the RBI requirement on creation and utilisation of Investment reserve in respect of HFT and AFS investments, no amount has been utilised during the year (previous year ₹ 31.06 crore utilised).

35. a) Status of Shareholder Complaints:

Sr. No.	Particulars	Year ended	
		31st March, 2021	31st March, 2020
(a)	No. of complaints pending at the beginning of the year	3	4
(b)	No. of complaints received during the year	35	29
(c)	No. of complaints redressed during the year	32	30
(d)	No. of complaints pending at the end of the year	6#	3*

 # The Pending investor grievances have been resolved as on 30th April, 2021.

** The Pending investor grievances were resolved on 2nd May 2020.*

b) Summary information on complaints received by the bank from customers and from the Offices of the Banking Ombudsman (OBOs):

Sr. No	Particulars	31st March, 2021	31st March, 2020
	Complaints received by the bank from its customers		
1.	Number of complaints pending at beginning of the year	4,323	8,508
2.	Number of complaints received during the year	297,272	417,114
3.	Number of complaints disposed during the year	292,133	421,299
	3.1 Of which, number of complaints rejected by the bank	66,141	92,990
4.	Number of complaints pending at the end of the year	9,462	4,323
	Maintainable complaints received by the bank from OBOs		
5.	Number of maintainable complaints received by the bank from OBOs	8,893	4,814
	5.1. Of 5, number of complaints resolved in favour of the bank by BOs	4,743	1,610
	5.2 Of 5, number of complaints resolved through conciliation/mediation/advisories issued by BOs	839	556
	5.3 Of 5, number of complaints resolved after passing of Awards by BOs against the bank	2	1
6.	Number of Awards unimplemented within the stipulated time (other than those appealed)	1	Nil

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme.

Top five grounds of complaints received by the bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
31st March, 2021					
ATM/Debit Cards	993	78,431	-37%	3,476	1,216
Internet Banking /Mobile Banking/ E-Banking	917	53,071	-47%	3,855	851
Levy of charges without prior notice/ excessive charges/ foreclosure charges	169	33,679	235%	163	9
Account opening/difficulty in operation of accounts	176	24,862	-2%	292	14
Credit Cards	1,087	18,983	-40%	644	53
Others	981	88,246	-29%	1,032	250
Total	**4,323**	**297,272**	**-29%**	**9,462**	**2,393**
31st March, 2020					
ATM/Debit Cards	3,056	125,268	2%	993	455
Internet Banking /Mobile Banking/ E-Banking	2,149	100,606	20%	917	328
Credit Cards	2,303	31,904	104%	1,087	291
Account opening/difficulty in operation of accounts	154	25,264	-40%	176	20
Cheques/drafts/bills	91	21,708	-36%	33	4
Others	755	112,364	3%	1,117	103
Total	**8,508**	**417,114**	**2%**	**4,323**	**1,201**

Note: The master list for identifying the grounds of complaints is provided in Appendix 1 as prescribed in Master Circular on Strengthening of Grievance Redress Mechanism in Bank (CEPD.CO.PRD.Cir.No.01/13.01.013/2020-21; dtd 27th January, 2021.)

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

36. There are no outstanding letter of awareness / letter of comfort (previous year Nil).

37. Disclosures on Remuneration

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

The Nomination & Remuneration committee comprises of independent directors of the Bank. Key mandate of the Nomination & Remuneration committee is to oversee the overall design and operation of the compensation policy of the Bank and work in coordination with the Risk Management Committee to achieve alignment between risks and remuneration.

The Nomination and Remuneration Committee (NRC) will be, inter alia, reviewing and tracking the implementation of the Compensation Policy of the Bank. The NRC will comprise atleast 3 Non-executive Directors, out of which not less than one-half should be independent directors and should include at least one member from the Bank's Risk Management Committee of the Board. (RMC).

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

Objective of Banks' Compensation Policy is:

- To maintain fair, consistent and equitable compensation practices in alignment with Bank's core values and strategic business goals;
- To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking;
- To have mechanisms in place for effective supervisory oversight and Board engagement in compensation
- To ensure that the Compensation practices are within the regulatory framework stipulated from time to time by RBI.

The remuneration process is aligned to the Bank's Compensation Policy objectives.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, a significant portion of senior and middle management compensation is variable. Further reasonable portion variable compensation is non- cash and deferred, over a period of 3 years or longer.

In case the employee is retiring within next 2 years, cash to non-cash ratio may change in favor of more cash (including deferred cash) and the vesting schedule may be shorter.

In addition, remuneration process provides for 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ company

d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

Individual performances are assessed in line with business/ individual delivery of the Key Result Areas (KRAs), top priorities of business, budgets etc. KRAs of Line roles are linked to financials, people, service and process (Quality) and compliance parameters and KRAs of non-Line Roles have linkage to functional deliveries needed to achieve the top business priorities.

Further remuneration process is also linked to market salaries / job levels, business budgets and achievement of individual KRAs.

e) A discussion of the banks' policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

A discussion on Policy on Deferral of Remuneration revised effective 1 April 2020

Employees have been broadly classified into following categories:

- Category I – Comprising MD & CEO and Whole Time Directors (WTDs).
- Category II – Material Risk Takers (MRTs). These include employees whose actions may have material impact on the risk exposures of the bank and who satisfy both - qualitative and quantitative criteria, as given below:
  - o Qualitative Criteria: Employees in the grade M10 and above
  - o Quantitative Criteria: Fixed Cost to Company (FCTC) is ₹ 1 Crore p.a. and above.

  This excludes employees under Category III.
- Category III – Risk control and compliance employees – comprising staff in grade M9 and above in the following Control functions;
  - o Risk & Policy function
  - o Financial Control including group consolidation;
  - o Compliance;
  - o Internal Audit;
  - o Back-office Operations
  - o Vigilance
  - o Legal
  - o Secretarial
- Category IV: Other employees - This includes all employees, not explicitly covered in the first three categories.

Following principles are applied for deferral / vesting of variable remuneration in accordance with RBI guidelines and Bank's compensation policy:

Category I & II

- At least 50% of fixed pay, should be variable for arriving at the total compensation for the year
- The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay
- The total variable payout shall be limited to a maximum of 300% of the fixed pay.
- In case variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay; and in case variable pay is above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.
- Regardless of the quantum of pay, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus should also be deferred.
- However, in cases where the cash component of variable pay is under ₹ 25 lakh for a year, deferral requirements would not be necessary.
- The deferral period should be a minimum of three years. This would be applicable to both, the cash and non-cash components of the variable pay.

The compensation will be approved by the Nomination and Remuneration committee and RBI.

Category III

- The total variable payout shall be limited to a maximum of 300% of the fixed pay.
- However, in cases where the cash component of variable pay is under ₹ 25 lakh for a year, deferral requirements would not be necessary.
- The deferral period should be a minimum of three years. This would be applicable to both, the cash and non-cash components of the variable pay.

Approval authority: MD & CEO or as delegated by MD & CEO, will approve the variable pay.

For adjusting deferred remuneration before & after vesting:

Malus: Payment of all or part of amount of deferred variable pay can be prevented.

Clawback: Previously paid or already vested deferred variable pay can also be recovered under this clause.

Malus and clawback may be applied for following circumstances:

- Fraud, misfeasance, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information pertaining to the bank or any of its affiliates;
- Willful misinterpretation / misreporting of financial performance of the bank;
- Material failure in risk management controls or material losses due to negligent risk-taking which are attributable to the employee, whether directly or indirectly;
- Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or an act of a felonious or criminal nature;
- Non-disclosure of material conflict of interest by the employee or any misuse of official powers;
- An act of willful, reckless or grossly negligent conduct which is detrimental to the interest or reputation of the bank or any of its affiliates, monetarily or otherwise;
- Material breach of Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply malus or / and clawback provisions;

Besides the above there can be other circumstances when malus may be applied. In deciding the application of malus / clawback to any part or all of variable pay or incentives (whether paid, vested or unvested), the NRC will follow due process and adhere to the principles of natural justice and proportionality.

f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:

Depending on the nature of the business/function/ role, the risk involved, the time horizon for review, various forms of Variable Pay may be applicable.

The components of such variable pay will include:

- Cash (Cash and Short term deferred cash) – this may be paid at intervals ranging from Monthly, Quarterly, half-yearly and annual. The Monthly/ Quarterly / Half Yearly VP will be under the role and preapproved business specific incentive schemes. This may be payable within one year of grant.
- Long Term Incentive Pay (LTIP): This shall be granted to employees, in the form of Employee Stock Options (ESOPs) and / or Stock Appreciation Rights (SARs) and / or Deferred Cash. This shall be granted on a discretionary and reasonable basis, to motivate employees, create shareholder value by aligning interest of employees with the long-term interests of the Bank. LTIP may also be granted from time to time with the objective of retaining employees.
  - ESOPs/ SARs will be linked to Kotak Mahindra Bank Stock price and will vest over a period of time.
  - Black Scholes Model will generally be applied for arriving at the value of the units to be granted. However, Bank may choose any other model with the approval of NRC within the regulatory framework.
  - ESOPs / SARs will be approved by the NRC. The quantum of ESOPs / SARs will be reasonable and the formulation of the ESOP series, the coverage, the vesting period and their pricing schedule, etc. will also be decided by the NRC as per SEBI guidelines.
  - Deferred Cash may paid over a period of 3 to 5 years.

B. Quantitative Disclosures:

a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.

During year ended 31st March, 2021, 7 meetings (previous year 4 meetings) of Nomination and Remuneration committee was held. Non-Executive Director of the Nomination and Remuneration committee is paid a sitting fee of ₹ 40,000 per meeting.

b) Number of employees having received a variable remuneration award during the financial year.

As per FY21 policy for the year ended 31st March, 2021 ("FY2021 policy"):

Quantitative disclosure restricted to CEO & three Whole Time Directors as Category I employees and Sixty One Category II employees as Material Risk Takers. For employees who have moved to a group company or retired or separated as well as new joiner awards up to the date in the Bank are included.

As per FY20 policy for the year ended 31st March, 2020 ("FY2020 policy"):

Quantitative disclosure restricted to CEO, three Whole Time Directors and six members of group management council as risk takers. It included award received by the Whole Time Directors appointed on 1st November 2019 and for the full year. For a Group Management Council member who have moved to a group company or retired awards up to the date in the Bank are included.

All quantitative disclosures are as per FY2021 policy which is applicable from 1st April, 2020. All previous year disclosures are as per FY2020 policy which was applicable until 31st March, 2020.

c) Number of employees and total amount of sign-on/joining bonus made during the financial year.

	Year ended 31st March, 2021	Year ended 31st March, 2020
No of employees	1	Not Applicable
Cash (Cr)	0.33	Nil
ESOPs (equity shares)	15,970	Nil
SARs (rights)	9,160	Nil

d) Details of severance pay, in addition to accrued benefits, if any.

Year ended 31st March, 2021	Year ended 31st March, 2020
Nil	Nil

e) Total amount of outstanding deferred remuneration, split into cash, types of share-linked instruments and other forms.

	As at 31st March, 2021	As at 31st March, 2020
Cash (Deferred)	₹ 11.99 crore	₹ 0.50 crore
Outstanding SARs	362,967 rights	107,701 rights
Outstanding ESOPs*	1,458,079 equity shares	958,861 equity shares

** Outstanding ESOPs include those granted in previous financial years also.*

f) Total amount of deferred remuneration paid out in the financial year.

	Year ended 31st March, 2021	Year ended 31st March, 2020
Cash (Deferred)	₹ 0.50 crore	Nil
Payment towards SARs	₹ 32.87 crore	₹ 10.49 crore#

 # Payments include amounts paid to two Whole Time Directors in respect of SARs granted prior to becoming Whole Time Directors on 1st November 2019

g) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.

Fixed Pay

	Year ended 31st March, 2021	Year ended 31st March, 2020
Total fixed salary	₹ 86.32 crore	₹ 24.78 crore

Variable Pay

	Year ended 31st March, 2021	Year ended 31st March, 2020
Deferred Variable Pay$		
Cash (Deferred)	₹ 11.99 crore	₹ 0.50 crore
SARs	171,480 rights	51,970 rights
ESOPs	460,930 equity shares	498,040 equity shares
Non Deferred variable pay$	₹ 19.32 crore	₹ 5.45 crore$$

$ Details relating to variable pay pertains to remuneration awards for the financial year 2019-20 (previous year 2018-19) awarded in FY2021 (previous year FY2020). Remuneration award for the year ended 31st March, 2021 are yet to be reviewed and approved by the Nomination and Remuneration Committee.

$$ Includes ₹1.70 crore of non deferred variable pay for financial year 2018-19 which was pending for Reserve Bank of India approval. This approval has since been received and amounts paid in financial year 2020-21.

h) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.

Nil (previous year Nil)

i) Total amount of reductions during the financial year due to ex- post explicit adjustments.

Nil (previous year Nil)

j) Total amount of reductions during the financial year due to ex- post implicit adjustments.

Nil (previous year Nil)

k) Number of MRT identified

61 (previous year Not Applicable)

l) Number of cases where malus has been exercised.

Nil (previous year Nil)

m) Number of cases where clawback has been exercised.

Nil (previous year Nil)

n) Number of cases where both malus and clawback have been exercised

Nil (previous year Nil)

o) The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.

Mean pay for the Bank as a whole for all employees who were in employment for the whole of FY2019-20 and FY2020-21 was ₹ 0.09 crore.

Ratio of pay of each WTD to the mean pay for the bank as a whole

Director	Ratio
Mr Uday Kotak	16.94X
Mr Dipak Gupta	42.91X
Mr K.V.S. Manian	44.46X
Mr Gaurang Shah	44.38X

Notes:

1. *Pay includes Fixed pay + variable pay paid during the year + perquisite value as calculated under the Income Tax Act, 1961. Remuneration does not include value of Stock Options.*
2. *Stock Appreciation Rights are awarded as variable pay. These are settled in cash and are linked to the average market price/closing market price of the Bank's stock on specified dates. Cash paid out during the year is included for the purposes of remuneration.*
3. *Pay of Mr Uday Kotak and Mr Dipak Gupta includes variable pay for the year ended 31st March, 2019, and 31st March, 2020, which was paid to them in FY20-21 on receipt of approval from the Reserve Bank of India.*

38. Intra – Group Exposures

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
(a) Total amount of intra-group exposures	6,639.83	4,773.12
(b) Total amount of top-20 intra-group exposures	6,639.73	4,773.08
(c) Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.54%	1.18%
(d) Details of breach of limits on intra-group exposures and regulatory action thereon, if any.	NA	NA

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

39. Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	Year Ended 31st March, 2021	Year Ended 31st March, 2020
Opening balance of amounts transferred to DEAF	226.25	184.67
Add: Amounts transferred to DEAF during the year	35.27	43.20
Less: Amounts reimbursed by DEAF towards claim	1.03	1.62
Closing balance of amounts transferred to DEAF	260.49	226.25

40. Unhedged Foreign Currency Exposure of borrowers:

The Bank recognises the importance of the risk of adverse fluctuation of foreign exchange rates on the profitability and financial position of borrowers who are exposed to currency risk. Currency induced credit risk refers to the risk of inability of borrowers to service their debt obligations due to adverse movement in the exchange rates and corresponding increase / decrease in their book values of trade payables, loan payables, trade receivables, etc. thereby exposing the Bank to risk of default by the borrower. In this regard, the Bank had put in place requisite policies & processes for monitoring and mitigation of currency induced credit risk of borrowers. These include the following:

a) Currency risk of borrowers on account of un-hedged foreign currency exposures ("UFCE") is duly considered and analysed in credit appraisal notes.

b) Periodic monitoring of un-hedged foreign currency exposures of borrowers.

c) Risk classification of borrowers having un-hedged foreign currency exposures, into Low / Medium / High, as per internal norms, based on likely loss / EBID ratio. Likely loss means the potential loss which can be caused over a one year horizon by adverse movement of exchange rates.

d) Incremental provisioning (over and above provision applicable for standard assets) is made in Bank's Profit and Loss Account, on borrower counter parties having UFCE, depending on the likely loss / EBID ratio, in line with stipulations by RBI. Incremental capital is maintained in respect of borrower counter parties in the highest risk category, in line with stipulations by RBI. These requirements are given below:

Likely Loss / EBID ratio	Incremental Provisioning Requirement (computed on the total credit exposures reckoned for standard asset provisioning)	Incremental Capital Requirement
Up to 15%	Nil	Nil
More than 15% to 30%	20 bps	Nil
More than 30% to 50%	40 bps	Nil
More than 50% to 75%	60 bps	Nil
More than 75% (Most risky)	80 bps	25% increase in the risk weight

e) In case of borrowers exposed to currency risk where declarations for foreign currency payables / receivables (UFCE declarations) are not submitted, provision for currency induced credit risk is made as per RBI stipulated rates mentioned below:

- 10 bps in cases where limits with banking system are less than ₹ 25 crore;
- 80 bps in cases where limits with banking system are ₹ 25 crore or more.

f) Further, where annual certification from statutory auditors of UFCE data is not submitted, such borrowers are treated as UFCE declaration not submitted cases and provision is computed as per point (e) above.

g) Borrowers where the credit exposure is backed by other bank Letter of Credit, Bank guarantee or Standby Letter of Credit or Fixed Deposits are exempted from the above requirements. Exposures on other Banks and Public Financial Institutions like SIDBI, EXIM Bank, NABARD, NHB are also exempted from the above requirements.

h) Management of foreign exchange risk is considered as a parameter for internal risk rating of borrowers.

Provision held for currency induced credit risk as at 31st March, 2021 is ₹ 54.48 crore. (Previous year ₹ 51.34 crore). Incremental Risk weighted Assets value considered for the purpose of CRAR calculation in respect of currency induced credit risk as at 31st March, 2021 is ₹ 2,113.26 crore (Previous year ₹ 1,759.85 crore)

41. a) Liquidity Coverage Ratio

(₹ in crore)

Particulars	Average Q3 2020-2021 Total Unweighted Value (average)	Average Q3 2020-2021 Total Weighted Value (average)	Average Q2 2020-2021 Total Unweighted Value (average)	Average Q2 2020-2021 Total Weighted Value (average)	Average Q1 2020-2021 Total Unweighted Value (average)	Average Q1 2020-2021 Total Weighted Value (average)
High Quality Liquid Assets		**101,577**		**100,930**		**94,527**
1 Total High Quality Liquid Assets (HQLA)						
Cash Outflows						
2 Retail deposits and deposits from small business customers, of which:	58,071	2,904	47,475	2,374	46,629	2,331
(i) Stable deposits	118,441	11,844	125,718	12,572	119,257	11,926
(ii) Less stable deposits						
3 Unsecured wholesale funding, of which	-	-	-	-	-	-
(i) Operational deposits (all counterparties)	72,885	41,141	74,037	41,227	80,743	44,230
(ii) Non-operational deposits (all counterparties)	1,765	1,765	1,041	1,041	1,098	1,098
(iii) Unsecured debt	-	-	-	-	-	-
4 Secured wholesale funding		12,013	10,762	10,762	9,618	9,618
5 Additional requirements, of which						
(i) Outflows related to derivative exposures and other collateral requirements	12,013	-	2,122	-	1,979	-
(ii) Outflows related to loss of funding on debt products	-	-	206	-	192	-
(iii) Credit and liquidity facilities	1,977	196	2,843	2,843	2,520	2,520
6 Other contractual funding obligations	3,526	3,526	5,003	5,003	110,879	4,926
7 Other contingent funding obligations	112,242	4,919	112,591	**76,028**		**76,841**
8 **Total Cash Outflows**		**78,308**				
Cash Inflows						
9 Secured lending (e.g. reverse repos)	35,033	0	30,496	0	41,549	4
10 Inflows from fully performing exposures	28,729	23,309	21,347	18,879	17,249	15,693
11 Other cash inflows	1,827	913	1,789	894	1,947	974
12 **Total Cash Inflows**		**24,222**		**19,773**		**16,671**
		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**
13 TOTAL HQLA		101,577		100,930		94,527
14 Total Net Cash Outflows		54,086		56,255		60,170
15 Liquidity Coverage Ratio (%)		187.81%		179.42%		157.10%

Particulars	Average Q4 2020-2021 Total Unweighted Value (average)	Average Q4 2020-2021 Total Weighted Value (average)
High Quality Liquid Assets		**97,950**
1 Total High Quality Liquid Assets (HQLA)		
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:	58,695	2,935
(i) Stable deposits	118,116	11,812
(ii) Less stable deposits		
3 Unsecured wholesale funding, of which	-	-
(i) Operational deposits (all counterparties)	84,775	48,527
(ii) Non-operational deposits (all counterparties)	948	948
(iii) Unsecured debt		-
4 Secured wholesale funding		
5 Additional requirements, of which		
(i) Outflows related to derivative exposures and other collateral requirements	15,260	15,260
(ii) Outflows related to loss of funding on debt products	-	-
(iii) Credit and liquidity facilities	1,848	189
6 Other contractual funding obligations	4,967	4,967
7 Other contingent funding obligations	112,850	4,921
8 **Total Cash Outflows**		**89,559**
Cash Inflows		
9 Secured lending (e.g. reverse repos)	27,893	0
10 Inflows from fully performing exposures	37,836	32,084
11 Other cash inflows	1,914	957
12 **Total Cash Inflows**		**33,041**
		Total Adjusted Value
13 TOTAL HQLA		97,950
14 Total Net Cash Outflows		56,518
15 Liquidity Coverage Ratio (%)		173.31%

(₹ in crore)

Particulars	Average Q4 2019-2020		Average Q3 2019-2020		Average Q2 2019-2020		Average Q1 2019-2020	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)	**-**	**64,351**	**-**	**60,943**	**-**	**55,433**	**-**	**56,988**
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	35,045	1,752	19,845	992	18,921	946	18,396	920
(ii) Less stable deposits	117,872	11,787	128,262	12,826	119,549	11,955	113,380	11,338
3 Unsecured wholesale funding, of which								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	75,733	42,388	71,829	40,818	73,280	37,002	75,530	37,983
(iii) Unsecured debt	1,269	1,269	1,789	1,789	2,461	2,510	2,869	2,946
4 Secured wholesale funding	-	-	-	-	-	1	-	1
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	11,828	11,828	9,909	9,909	9,390	9,390	10,911	10,911
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	1,620	154	1,298	126	1,157	108	2,723	333
6 Other contractual funding obligations	3,507	3,507	3,472	3,472	3,441	3,441	3,510	3,510
7 Other contingent funding obligations	107,697	4,706	104,526	4,583	110,508	4,834	100,294	4,259
8 **Total Cash Outflows**	-	**77,391**	-	**74,515**	-	**70,187**	-	**72,201**
Cash Inflows								
9 Secured lending (e.g. reverse repos)	12,415	-	6,723	-	2,055	-	5,401	-
10 Inflows from fully performing exposures	28,280	21,618	25,675	19,475	28,350	21,573	31,002	24,234
11 Other cash inflows	1,569	785	1,733	867	1,475	737	1,531	766
12 **Total Cash Inflows**	**42,264**	**22,403**	**34,131**	**20,342**	**31,880**	**22,310**	**37,934**	**25,000**
		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13 TOTAL HQLA		64,351		60,943		55,433		56,988
14 Total Net Cash Outflows		54,988		54,173		47,877		47,201
15 Liquidity Coverage Ratio (%)		117.03%		112.49%		115.78%		120.73%

b) Qualitative disclosure around LCR

The Reserve Bank of India has prescribed monitoring of sufficiency of Bank's liquid assets using Basel III – Liquidity Coverage Ratio (LCR). The LCR is aimed at measuring and promoting short-term resilience of Banks to potential liquidity disruptions by ensuring maintenance of sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

The ratio comprises of high quality liquid assets (HQLAs) as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises of primarily cash, excess CRR, SLR securities in excess of minimum SLR requirement and a portion of mandatory SLR as permitted by RBI (under MSF and FALLCR) and Level 2 HQLA which comprises of investments in highly rated non-financial corporate bonds and listed equity investments considered at prescribed haircuts. Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

The Bank has implemented the LCR framework and has consistently maintained LCR well above the regulatory threshold. The average LCR for the quarter ended 31st March, 2021 was 173.31% which is above the regulatory requirement of 90%. For the quarter ended 31st March, 2021 average Level 1 HQLA stood at 94.85% (92,903 crore.) of the total HQLA.

Apart from LCR, Bank uses various stock liquidity indicators to measure and monitor the liquidity risk in terms of funding stability, concentration risk, dependence on market borrowings, liquidity transformation, etc. The Bank maintains a diversified source of funding in terms of depositors, lenders and various funding instruments. This is evident through low depositor and lender concentration with top 20 depositors contributing 9.84% of Bank's total deposits and top 10 lenders contributing 3.23% of Bank's total liabilities.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management supported by Balance Sheet Management Unit (BMU), Risk Management Department (RMD), Finance and ALCO Support Group. BMU is the central repository of funds within the Bank and is vested with the responsibility of managing liquidity risk within the risk appetite of the Bank. Bank has incorporated Basel III Liquidity Standards - LCR and NSFR as part of its risk appetite statement for liquidity risk.

42. Frauds

The Bank has reported 894 (Previous year 643 cases) fraud cases involving fraud amount of one lakh and above during the financial year ended 31st March 2021 amounting to ₹ 656.44 crore (Previous year ₹ 579.60 crore). The Bank has recovered / expensed off / provided the entire amount where necessary.

Details of fraud provisioning made in more than one financial year:

(₹ in crore)

Number of fraud reported	Amount involve in Fraud	Provision made during the year	Quantum of unamortised provision debited from 'other reserve'
Nil	Nil	Nil	Nil

43. RBI circular dated 7th April, 2021 required banks to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. 1st March, 2020 to 31st August, 2020 in conformity to the Honourable Supreme Court of India judgement on 23rd March 2021. Pursuant to the said order and as per the RBI circular, the methodology for calculation of the amount of such 'interest on interest' was finalised by the Indian Banks Association (IBA). The Bank is in the process of implementing this methodology and pending finalization has created a liability towards estimated interest relief of ₹ 110 crore and has reduced the same from interest income.

44. Dividend

The Board of Directors of the Bank have proposed a dividend of ₹ 0.90 per equity share having face value ₹ 5 for the year ended 31st March, 2021 (previous year Nil). The Bank is obliged to pay dividend to those shareholders whose names are appearing in the register of members as on the book closure date. The dividend will be paid after the approval of shareholders at the Annual General Meeting.

B. OTHER DISCLOSURES:

1. Earnings per Equity Share:

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
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	1,969,046,454	1,910,200,383
Effect of potential equity shares for stock options outstanding	1,391,770	2,095,276
Weighted average number of equity shares used in computation of diluted earnings per share	1,970,438,224	1,912,295,659
Following is the reconciliation between basic and diluted earnings per share		
Nominal value per share	5.00	5.00
Basic earnings per share	35.17	30.88
Effect of potential equity shares for stock options	0.03	0.04
Diluted earnings per share	35.14	30.84
Profit for the year after tax (₹ in crore)	6,964.84	5,947.18
Less : Preference dividend including tax (₹ in crore)	40.50	48.82
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	6,924.34	5,898.36

2. Segment Reporting:

The Summary of the operating segments of the Bank for the year ended 31st March, 2021 are as given below:

(₹ in crore)

Sr. No.	Particulars	31st March, 2021	31st March, 2020
1.	**Segment Revenue**		
	a. Treasury, BMU and Corporate Centre	9,478.61	6,693.60
	b. Corporate / Wholesale Banking	13,016.78	13,918.46
	c. Retail Banking	13,815.72	15,057.84
	d. Other Banking business	-	-
	Sub-total	**36,311.11**	**35,669.90**
	Less : Inter-segmental revenue	4,011.64	3,368.18
	Total	**32,299.47**	**32,301.72**
2.	**Segment Results**		
	a. Treasury, BMU and Corporate Centre	3,026.72	1,867.26
	b. Corporate / Wholesale Banking	5,698.86	4,384.22
	c. Retail Banking	577.41	1,553.19
	d. Other Banking business	-	-
	Sub-total	**9,302.99**	**7,804.67**
	Total Profit Before Tax	**9,302.99**	**7,804.67**
	Provision for Tax	**2,338.15**	**1,857.49**
	Total Profit After Tax	**6,964.84**	**5,947.18**
3.	**Segment Assets**		
	a. Treasury, BMU and Corporate Centre	145,793.98	133,563.77
	b. Corporate / Wholesale Banking	162,450.23	153,443.88
	c. Retail Banking	240,506.83	216,234.38
	d. Other Banking business	-	-
	Sub-total	**548,751.04**	**503,242.03**
	Less : Inter-segmental Assets	165,778.54	143,307.69
	Total	**382,972.50**	**359,934.34**
	Add : Unallocated Assets	516.12	317.34
	Total Assets as per Balance Sheet	**383,488.62**	**360,251.68**
4.	**Segment Liabilities**		
	a. Treasury, BMU and Corporate Centre	113,306.32	115,719.99
	b. Corporate / Wholesale Banking	145,580.04	137,983.86
	c. Retail Banking	226,380.72	200,770.56
	d. Other Banking business	-	-
	Sub-total	**485,267.08**	**454,474.41**
	Less : Inter-segmental Liabilities	165,778.54	143,307.69
	Total	**319,488.54**	**311,166.72**
	Add : Unallocated liabilities	273.11	69.66
	Add : Share Capital & Reserves & surplus	63,726.97	49,015.30
	Total Liabilities as per Balance Sheet	**383,488.62**	**360,251.68**
5.	**Capital Expenditure**		
	a. Treasury, BMU and Corporate Centre	52.04	79.55
	b. Corporate / Wholesale Banking	22.07	29.11
	c. Retail Banking	217.11	242.08
	d. Other Banking business	-	-
	Total	**291.22**	**350.74**
6.	**Depreciation / Amortisation**		
	a. Treasury, BMU and Corporate Centre	85.42	98.76
	b. Corporate / Wholesale Banking	27.40	27.04
	c. Retail Banking	253.95	246.15
	d. Other Banking business	-	-
	Total	**366.77**	**371.95**

Segmental Information is provided as per the MIS available for internal reporting purposes, which includes certain estimates and assumptions.

3. Lease Disclosures:

a. The Bank has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 562.07 crore (previous year ₹ 542.13 crore). The sub-lease income recognised in the Profit and Loss Account is ₹ 7.45 crore (previous year ₹ 7.84 crore).

b. The future minimum lease payments under non-cancellable operating lease – not later than one year is ₹ 495.16 crore (previous year ₹ 462.31 crore), later than one year but not later than five years is ₹ 1,486.50 crore (previous year ₹ 1,416.55 crore) and later than five years ₹ 892.30 crore (previous year ₹ 933.53 crore).

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

4. Deferred Taxes:

"Others" in Other Assets (Schedule 11 (VI)) includes deferred tax asset (net) of ₹ 516.12 crore (previous year ₹ 317.34 crore). The components of the same are as follows:

(₹ in crore)

Particulars of Asset/ (Liability)	Year Ended	
	31st March, 2021	31st March, 2020
Provision for NPA and General provisions	533.36	326.71
Expenditure allowed on payment basis	117.06	102.33
Depreciation	29.18	24.10
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(163.48)	(135.80)
Net Deferred Tax Asset	**516.12**	**317.34**

5. Credit card reward points:

The following table sets forth, for the periods indicated, movement in actuarially determined provision for credit card account reward points:

(₹ in crore)

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
Opening provision for reward points	17.97	14.93
Provision for reward points made during the year	35.19	31.35
Utilisation/write-back of provision for reward points	(33.38)	(28.31)
Closing provision for reward points*	19.78	17.97

** This amount will be utilized towards redemption of the credit card accounts reward points.*

6. Fixed Assets as per Schedule 10 B include intangible assets relating to purchased software and system development expenditure which are as follows:

(₹ in crore)

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
Gross Block		
At cost on 31st March of the preceding year	546.87	508.89
Additions during the year	75.90	77.35
Deductions during the year	32.40	39.37
Total	**590.37**	**546.87**
Depreciation / Amortisation		
As at 31st March of the preceding year	407.28	349.59
Charge for the year	99.47	97.06
Deductions during the year	32.00	39.37
Depreciation to date	**474.75**	**407.28**
Net Block	**115.62**	**139.59**

Capital commitments for purchase of software and system development expenditure are ₹ 53.95 crore (Previous year ₹ 43.93 crore).
Note: Deductions include reclassification

7. Related Party Disclosures:

As per Accounting Standard -18, Related Party Disclosure, the Bank's related parties are disclosed below:

A. Parties where control exists:

Nature of relationship	Related Party
Subsidiary Companies	Kotak Mahindra Prime Limited
	Kotak Securities Limited
	Kotak Mahindra Capital Company Limited
	Kotak Mahindra Life Insurance Company Limited (formerly known as Kotak Mahindra Old Mutual Life Insurance Limited)
	Kotak Mahindra Investments Limited
	Kotak Mahindra Asset Management Company Limited
	Kotak Mahindra Trustee Company Limited
	Kotak Mahindra (International) Limited
	Kotak Mahindra (UK) Limited
	Kotak Mahindra Inc.
	Kotak Investment Advisors Limited
	Kotak Mahindra Trusteeship Services Limited
	Kotak Infrastructure Debt Fund Limited
	Kotak Mahindra Pension Fund Limited
	Kotak Mahindra Financial Services Limited
	Kotak Mahindra Asset Management (Singapore) Pte. Limited
	Kotak Mahindra General Insurance Company Limited
	IVY Product Intermediaries Limited
	BSS Microfinance Limited

B. Other Related Parties:

Nature of Relationship	Related Party
Individual having significant influence over the enterprise	Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 26.02% of the equity share capital and 17.29% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31st March, 2021.
Associates / Others	ECA Trading Services Limited (formerly known as ACE Derivatives & Commodity Exchange Limited)
	Infina Finance Private Limited
	Matrix Business Services India Private Limited (upto 26th April, 2019)
	Phoenix ARC Private Limited
	Kotak Education Foundation (upto 27th December, 2019)
	ING Vysya Foundation
Key Management Personnel (KMP)	Mr. Uday S. Kotak Managing Director and CEO
	Mr. Dipak Gupta Joint Managing Director
	Mr. KVS Manian Whole-time Director (w.e.f. 1st November, 2019)
	Mr. Gaurang Shah Whole-time Director (w.e.f. 1st November, 2019)
Enterprises over which KMP / relatives of KMP have control / significant influence	Aero Agencies Limited
	Kotak and Company Private Limited
	Komaf Financial Services Private Limited
	Asian Machinery & Equipment Private Limited
	Insurekot Sports Private Limited
	Kotak Trustee Company Private Limited
	Cumulus Trading Company Private Limited
	Palko Properties Private Limited
	Kotak Chemicals Limited
	Kotak Ginning & Pressing Industries Private Limited (upto 28th December, 2020)
	Kotak Commodities Services Private Limited
	Harisiddha Trading and Finance Private Limited
	Puma Properties Private Limited
	Business Standard Private Limited
	Business Standard Online Private Limited
	Allied Auto Accessories Private Limited
	Uday S Kotak HUF
	Suresh A Kotak HUF
	USK Benefit Trust II
	Kotak Family Foundation
	Helena Realty Private Limited
	Doreen Realty Private Limited
	Renato Realty Private Limited
	Pine Tree Estates Private Limited
	Meluha Developers Private Limited
	Quantyco Realty Private Limited
	Xanadu Properties Private Limited
	Laburnum Adarsh Trust (w.e.f. 28th August, 2019)
	True North Enterprises (w.e.f. 1st November, 2019)
	Manian Family Trust (w.e.f. 1st November, 2019)
	Brij Disa Arnav Trust (w.e.f 30th March, 2020)
	Brij Disa Parthav Trust (w.e.f 30th March, 2020)
	Brij Disa Foundation (w.e.f 6th January, 2021)
Relatives of KMP	Ms. Pallavi Kotak
	Mr. Suresh Kotak
	Ms. Indira Kotak
	Mr. Jay Kotak
	Mr. Dhawal Kotak
	Ms. Aarti Chandaria
	Ms. Anita Gupta
	Ms. Urmila Gupta
	Mr. Arnav Gupta
	Mr. Parthav Gupta
	Mr. Prabhat Gupta
	Ms. Jyoti Banga
	Ms. Seetha Krishnan (w.e.f. 01st November, 2019)
	Ms. Lalitha Mohan (w.e.f. 01st November, 2019)
	Ms. Shruti Manian (w.e.f. 01st November, 2019)
	Mr. Shashank Manian (w.e.f. 01st November, 2019)
	Ms. Asha Shah (w.e.f. 01st November, 2019)
	Ms. Divya Shah (w.e.f. 01st November, 2019)
	Ms. Manasi Shah (w.e.f. 01st November, 2019)
	Ms. Mahima Shah (w.e.f. 01st November, 2019)
	Mr. Chetan Shah (w.e.f. 01st November, 2019)
	Ms. Chetna Shah (w.e.f. 01st November, 2019)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Liabilities						
Deposits	1,228.63	89.57	3,501.12	81.91	208.60	5,109.83
	(2,420.31)	(179.94)	(566.84)	(74.39)	(154.45)	(3,395.93)
Borrowings	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)
Interest Payable	1.07	0.21	0.55	0.56	0.02	2.41
	(2.97)	(0.21)	(0.11)	(0.22)	(0.46)	(3.97)
Other Liabilities	131.71	-	-	#	-	131.71
	(26.64)	(-)	(-)	(0.01)	(-)	(26.65)
Assets						
Advances	828.57	-	5.07	2.88	4.86	841.38
	(0.07)	(-)	(7.14)	(3.27)	(5.67)	(16.15)
Investments-Gross	4,030.91	11.89	-	#	-	4,042.80
	(3,042.60)	(23.77)	(-)	(#)	(-)	(3,066.37)
Diminution on Investments	-	10.12	-	#	-	10.12
	(-)	(20.30)	(-)	(#)	(-)	(20.30)
Commission Receivable	50.72	-	-	-	-	50.72
	(48.66)	(-)	(-)	(-)	(-)	(48.66)
Others	118.77	0.01	0.03	0.01	0.02	118.84
	(117.42)	(0.01)	(0.04)	(0.02)	(0.02)	(117.51)
Non Funded Commitments						
Bank Guarantees	11.55	-	-	1.00	-	12.55
	(3.35)	(-)	(-)	(1.00)	(-)	(4.35)
Swaps/Forward contracts	550.00	-	-	-	1.88	551.88
	(-)	(-)	(-)	(-)	(1.88)	(1.88)
Expenses						
Salaries/fees (Include ESOP)	-	-	15.90	-	0.29	16.19
	(-)	(-)	(12.56)	(-)	(0.11)	(12.67)
Interest Paid	28.54	2.57	154.38	5.10	8.05	198.64
	(32.52)	(11.32)	(35.37)	(6.97)	(11.58)	(97.76)
Others	200.54	-	-	0.46	-	201.00
	(192.49)	(16.09)	(-)	(3.95)	(-)	(212.53)
Income						
Dividend	15.62	-	-	-	-	15.62
	(51.80)	(-)	(-)	(-)	(-)	(51.80)
Interest Received	76.13	-	0.46	0.25	0.44	77.28
	(37.40)	(-)	(0.26)	(0.12)	(0.22)	(38.00)
Others	565.01	0.10	#	0.02	#	565.13
	(406.99)	(0.11)	(#)	(0.01)	(#)	(407.11)
Other Transactions						
Sale of Investment	251.66	-	-	-	-	251.66
	(731.75)	(-)	(-)	(-)	(-)	(731.75)
Purchase of Investment	1,424.11	-	-	-	-	1,424.11
	(898.46)	(-)	(-)	(-)	(-)	(898.46)
Loan Disbursed During the Year	3,375.00	-	-	-	-	3,375.00
	(230.38)	(-)	(-)	(-)	(-)	(230.38)
Loan Repaid During the Year	2,525.00	-	-	-	-	2,525.00
	(230.38)	(-)	(-)	(-)	(-)	(230.38)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Dividend paid	-	-	-	-	-	-
	(-)	(-)	(45.45)	(0.06)	(0.30)	(45.81)
Reimbursement to companies	21.20	-	-	-	-	21.20
	(23.83)	(-)	(-)	(-)	(-)	(23.83)
Reimbursement from companies	100.45	#	-	-	-	100.45
	(117.84)	(0.06)	(-)	(-)	(-)	(117.90)
Purchase of Fixed assets	0.13	-	-	-	-	0.13
	(1.98)	(-)	(-)	(-)	(-)	(1.98)
Sale of Fixed assets	0.64	-	-	-	-	0.64
	(0.57)	(-)	(-)	(-)	(-)	(0.57)
Swaps/Forward contracts	3,382.71	-	-	-	-	3,382.71
	(7,546.95)	(-)	(-)	(-)	(-)	(7,546.95)
Guarantees/Lines of credit	76.20	-	-	-	-	76.20
	(3.00)	(-)	(-)	(-)	(-)	(3.00)
Assignment on Loan (Sell Down)	-	-	-	-	-	-
	(77.05)	(-)	(-)	(-)	(-)	(77.05)
QIP Issuance Expense adjusted against Share Premium	9.00	-	-	-	-	9.00
	(-)	(-)	(-)	(-)	(-)	(-)
I. Liabilities:						
Other liabilities						
Other Payable						
Kotak Mahindra Prime Limited	0.68	-	-	-	-	0.68
	(0.61)	(-)	(-)	(-)	(-)	(0.61)
BSS Microfinance Pvt Ltd	17.75	-	-	-	-	17.75
	(24.42)	(-)	(-)	(-)	(-)	(24.42)
Kotak Securities Limited	100.87	-	-	-	-	100.87
	(1.16)	(-)	(-)	(-)	(-)	(1.16)
Kotak Mahindra Capital Company Limited	12.20	-	-	-	-	12.20
	(0.00)	(-)	(-)	(-)	(-)	(0.00)
Others	0.21	-	-	#	-	0.21
	(0.44)	(-)	(-)	(0.01)	(-)	(0.45)
II. Assets:						
Investments						
Kotak Mahindra Life Insurance Company Limited	1,557.20	-	-	-	-	1,557.20
	(1,557.20)	(-)	(-)	(-)	(-)	(1,557.20)
Kotak Mahindra Prime Limited	994.88	-	-	-	-	994.88
	(31.57)	(-)	(-)	(-)	(-)	(31.57)
BSS Microfinance Private Limited	138.56	-	-	-	-	138.56
	(138.56)	(-)	(-)	(-)	(-)	(138.56)
Kotak Mahindra Investments Limited	338.03	-	-	-	-	338.03
	(338.03)	(-)	(-)	(-)	(-)	(338.03)
Kotak Mahindra General Insurance Limited	330.00	-	-	-	-	330.00
	(305.00)	(-)	(-)	(-)	(-)	(305.00)
Kotak Infrastructure Debt Fund Limited	492.19	-	-	-	-	492.19
	(492.19)	(-)	(-)	(-)	(-)	(492.19)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Others	180.05	-	-	#	-	180.05
	(180.05)	(-)	(-)	(#)	(-)	(180.05)
ECA Trading Services Limited	-	11.89	-	-	-	11.89
	(-)	(23.77)	(-)	(-)	(-)	(23.77)
Diminution on investments						
ECA Trading Services Limited	-	10.12	-	-	-	10.12
	(-)	(20.30)	(-)	(-)	(-)	(20.30)
Business Standard Private Ltd	-	-	-	#	-	#
	(-)	(-)	(-)	(#)	(-)	(#)
Commission Receivable						
Kotak Mahindra Life Insurance Company Limited	49.89	-	-	-	-	49.89
	(47.82)	(-)	(-)	(-)	(-)	(47.82)
Kotak Mahindra General Insurance Limited	0.83	-	-	-	-	0.83
	(0.84)	(-)	(-)	(-)	(-)	(0.84)
Others Receivable						
Kotak Mahindra Prime Limited	44.79	-	-	-	-	44.79
	(6.13)	(-)	(-)	(-)	(-)	(6.13)
Kotak Securities Limited	11.72	-	-	-	-	11.72
	(37.96)	(-)	(-)	(-)	(-)	(37.96)
Kotak Investment Advisors Ltd	0.79	-	-	-	-	0.79
	(0.92)	(-)	(-)	(-)	(-)	(0.92)
Kotak Mahindra Life Insurance Company Limited	6.73	-	-	-	-	6.73
	(11.89)	(-)	(-)	(-)	(-)	(11.89)
Kotak Infrastructure Debt Fund Limited	10.05	-	-	-	-	10.05
	(13.60)	(-)	(-)	(-)	(-)	(13.60)
BSS Microfinance Limited	33.32	-	-	-	-	33.32
	(31.12)	(-)	(-)	(-)	(-)	(31.12)
Kotak Mahindra Asset Management Company Limited	4.23	-	-	-	-	4.23
	(7.23)	(-)	(-)	(-)	(-)	(7.23)
Kotak Mahindra General Insurance Limited	4.61	-	-	-	-	4.61
	(5.23)	(-)	(-)	(-)	(-)	(5.23)
Others	2.53	0.01	0.03	0.01	0.02	2.60
	(3.34)	(0.01)	(0.04)	(0.02)	(0.02)	(3.43)
Non Funded Commitments						
Bank Guarantees						
Kotak Investment Advisors Limited	11.10	-	-	-	-	11.10
	(1.00)	(-)	(-)	(-)	(-)	(1.00)
Kotak Securities Limited	-	-	-	-	-	-
	(2.00)	(-)	(-)	(-)	(-)	(2.00)
Aero Agencies Limited	-	-	-	1.00	-	1.00
	(-)	(-)	(-)	(1.00)	(-)	(1.00)
Others	0.45	-	-	-	-	0.45
	(0.35)	(-)	(-)	(-)	(-)	(0.35)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Swaps/Forward contracts						
Kotak Mahindra Prime Limited	550.00	-	-	-	-	550.00
	(-)	(-)	(-)	(-)	(-)	(-)
Others	-	-	-	-	1.88	1.88
	(-)	(-)	(-)	(-)	(1.88)	(1.88)
III. Expenses:						
Salaries/fees (Include ESOP)						
Mr. Uday Kotak	-	-	1.55	-	-	1.55
	(-)	(-)	(2.97)	(-)	(-)	(2.97)
Mr. Gaurang Shah	-	-	4.29	-	-	4.29
	(-)	(-)	(1.98)	(-)	(-)	(1.98)
Mr. KVS Manian	-	-	4.29	-	-	4.29
	(-)	(-)	(1.92)	(-)	(-)	(1.92)
Mr. Dipak Gupta	-	-	5.76	-	-	5.76
	(-)	(-)	(5.69)	(-)	(-)	(5.69)
Mr. Jay Kotak	-	-	-	-	0.29	0.29
	(-)	(-)	(-)	(-)	(0.11)	(0.11)
Other Expenses						
Brokerage						
Kotak Securities Limited	0.80	-	-	-	-	0.80
	(0.54)	(-)	(-)	(-)	(-)	(0.54)
Premium						
Kotak Mahindra Life Insurance Company Limited	5.06	-	-	-	-	5.06
	(4.79)	(-)	(-)	(-)	(-)	(4.79)
Kotak Mahindra General Insurance Limited	3.86	-	-	-	-	3.86
	(2.29)	(-)	(-)	(-)	(-)	(2.29)
Other Expenses:						
Kotak Mahindra Prime Limited	#	-	-	-	-	0.00
	(2.04)	(-)	(-)	(-)	(-)	(2.04)
Kotak Infrastructure Debt Fund	-	-	-	-	-	-
	(0.24)	(-)	(-)	(-)	(-)	(0.24)
Aero Agencies Limited	-	-	-	0.24	-	0.24
	(-)	(-)	(-)	(3.78)	(-)	(3.78)
Business Standard Private Limited	-	-	-	0.21	-	0.21
	(-)	(-)	(-)	(0.17)	(-)	(0.17)
BSS Microfinance Limited	190.78	-	-	-	-	190.78
	(180.14)	(-)	(-)	(-)	(-)	(180.14)
Kotak Mahindra Financial Services Limited	-	-	-	-	-	-
	(2.42)	(-)	(-)	(-)	(-)	(2.42)
Kotak Mahindra (UK) Limited	0.04	-	-	-	-	0.04
	(0.03)	(-)	(-)	(-)	(-)	(0.03)
Kotak Education Foundation	-	-	-	-	-	-
	(-)	(16.04)	(-)	(-)	(-)	(16.04)
Others	#	-	-	-	-	#
	(#)	(0.04)	(-)	(-)	(-)	(0.04)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
IV. Income:						
Dividend						
Kotak Mahindra Capital Company Limited	15.46	-	-	-	-	15.46
	(24.05)	(-)	(-)	(-)	(-)	(24.05)
Kotak Mahindra Trustee Company Limited	-	-	-	-	-	-
	(3.75)	(-)	(-)	(-)	(-)	(3.75)
Kotak Infrastructure Debt Fund Limited	0.05	-	-	-	-	0.05
	(0.05)	(-)	(-)	(-)	(-)	(0.05)
Kotak Mahindra Asset Management Company Limited	-	-	-	-	-	-
	(23.84)	(-)	(-)	(-)	(-)	(23.84)
Kotak Mahindra Prime Limited	0.11	-	-	-	-	0.11
	(0.11)	(-)	(-)	(-)	(-)	(0.11)
Other Income						
Kotak Mahindra Life Insurance Company Limited	278.24	-	-	-	-	278.24
	(221.80)	(-)	(-)	(-)	(-)	(221.80)
Kotak Mahindra General Insurance Company Limited	18.86	-	-	-	-	18.86
	(16.42)	(-)	(-)	(-)	(-)	(16.42)
Kotak Securities Limited	177.84	-	-	-	-	177.84
	(108.76)	(-)	(-)	(-)	(-)	(108.76)
Kotak Mahindra Capital Company Limited	9.31	-	-	-	-	9.31
	(9.72)	(-)	(-)	(-)	(-)	(9.72)
Kotak Mahindra Asset Management Company Limited	21.46	-	-	-	-	21.46
	(19.49)	(-)	(-)	(-)	(-)	(19.49)
Kotak Mahindra Prime Limited	38.17	-	-	-	-	38.17
	(10.85)	(-)	(-)	(-)	(-)	(10.85)
Kotak Investment Advisors Limited	9.90	-	-	-	-	9.90
	(10.56)	(-)	(-)	(-)	(-)	(10.56)
Others	11.23	0.10	#	0.02	#	11.35
	(9.38)	(0.11)	(#)	(0.01)	(#)	(9.50)
V. Other Transactions:						
Sale of Investment						
Kotak Mahindra Life Insurance Company Limited	-	-	-	-	-	-
	(25.15)	(-)	(-)	(-)	(-)	(25.15)
Kotak Mahindra Prime Limited	205.00	-	-	-	-	205.00
	(10.00)	(-)	(-)	(-)	(-)	(10.00)
Kotak Mahindra (UK) Limited	40.67	-	-	-	-	40.67
	(620.87)	(-)	(-)	(-)	(-)	(620.87)
Kotak Securities Limited	5.99	-	-	-	-	5.99
	(75.73)	(-)	(-)	(-)	(-)	(75.73)
Purchase of Investments						
Kotak Mahindra Prime Limited	995.09	-	-	-	-	995.09
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra General Insurance Limited	25.00	-	-	-	-	25.00
	(85.00)	(-)	(-)	(-)	(-)	(85.00)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Mahindra (UK) Limited	404.03	-	-	-	-	404.03
	(788.02)	(-)	(-)	(-)	(-)	(788.02)
Kotak Securities Limited	-	-	-	-	-	-
	(25.44)	(-)	(-)	(-)	(-)	(25.44)
Loan Disbursed During the Year						
Kotak Mahindra Prime Limited	2,520.00	-	-	-	-	2,520.00
	(66.29)	(-)	(-)	(-)	(-)	(66.29)
Kotak Securities Limited	-	-	-	-	-	-
	(164.09)	(-)	(-)	(-)	(-)	(164.09)
Kotak Mahindra Investments Limited	855.00	-	-	-	-	855.00
	(-)	(-)	(-)	(-)	(-)	(-)
Loan Repaid During the Year						
Kotak Mahindra Investments Limited	555.00	-	-	-	-	555.00
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Securities Limited	-	-	-	-	-	-
	(164.09)	(-)	(-)	(-)	(-)	(164.09)
Kotak Mahindra Prime Limited	1,970.00	-	-	-	-	1,970.00
	(66.29)	(-)	(-)	(-)	(-)	(66.29)
Dividend Paid						
Mr. Uday Kotak	-	-	-	-	-	-
	(-)	(-)	(45.35)	(-)	(-)	(45.35)
Mr. Dipak Gupta	-	-	-	-	-	-
	(-)	(-)	(0.09)	(-)	(-)	(0.09)
Ms. Pallavi Kotak	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(0.09)	(0.09)
Ms. Indira Kotak	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(0.18)	(0.18)
Others	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(0.03)	(0.09)
Reimbursements to companies						
Kotak Mahindra Capital Company Limited	0.05	-	-	-	-	0.05
	(1.10)	(-)	(-)	(-)	(-)	(1.10)
Kotak Mahindra Prime Limited	5.52	-	-	-	-	5.52
	(6.01)	(-)	(-)	(-)	(-)	(6.01)
Kotak Securities Limited	9.56	-	-	-	-	9.56
	(12.77)	(-)	(-)	(-)	(-)	(12.77)
Kotak Mahindra Life Insurance Company Limited	0.45	-	-	-	-	0.45
	(0.25)	(-)	(-)	(-)	(-)	(0.25)
Kotak Investment Advisors Limited	4.87	-	-	-	-	4.87
	(2.88)	(-)	(-)	(-)	(-)	(2.88)
Others	0.75	-	-	-	-	0.75
	(0.82)	(-)	(-)	(-)	(-)	(0.82)
Reimbursements from companies						
Kotak Mahindra Capital Company Ltd	6.58	-	-	-	-	6.58
	(8.15)	(-)	(-)	(-)	(-)	(8.15)
Kotak Mahindra Prime Limited	19.74	-	-	-	-	19.74
	(22.23)	(-)	(-)	(-)	(-)	(22.23)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Mahindra Life Insurance Company Limited	16.42	-	-	-	-	16.42
	(20.13)	(-)	(-)	(-)	(-)	(20.13)
Kotak Securities Limited	20.24	-	-	-	-	20.24
	(23.94)	(-)	(-)	(-)	(-)	(23.94)
Kotak Mahindra Investments Limited	12.14	-	-	-	-	12.14
	(13.40)	(-)	(-)	(-)	(-)	(13.40)
Kotak Mahindra Asset Management Company Limited	7.23	-	-	-	-	7.23
	(8.34)	(-)	(-)	(-)	(-)	(8.34)
Kotak Investment Advisors Limited	6.95	-	-	-	-	6.95
	(7.33)	(-)	(-)	(-)	(-)	(7.33)
Others	11.15	-	-	-	-	11.15
	(14.32)	(0.06)	(-)	(-)	(-)	(14.38)
Purchase of Fixed Assets						
Kotak Mahindra Prime Limited	0.05	-	-	-	-	0.05
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Mahindra Financial Services Limited	-	-	-	-	-	-
	(1.56)	(-)	(-)	(-)	(-)	(1.56)
Kotak Mahindra Investments Limited	0.08	-	-	-	-	0.08
	(0.01)	(-)	(-)	(-)	(-)	(0.01)
Kotak Mahindra Life Insurance Company Limited	-	-	-	-	-	-
	(0.08)	(-)	(-)	(-)	(-)	(0.08)
Kotak Mahindra Asset Management Company Limited	-	-	-	-	-	-
	(0.16)	(-)	(-)	(-)	(-)	(0.16)
Kotak Investment Advisors Limited	-	-	-	-	-	-
	(0.17)	(-)	(-)	(-)	(-)	(0.17)
Sale of Fixed Assets						
Kotak Mahindra Capital Company Ltd	-	-	-	-	-	-
	(0.01)	(-)	(-)	(-)	(-)	(0.01)
Kotak Investment Advisors Ltd	0.42	-	-	-	-	0.42
	(0.27)	(-)	(-)	(-)	(-)	(0.27)
Kotak Infrastructure Debt Fund	-	-	-	-	-	-
	(0.01)	(-)	(-)	(-)	(-)	(0.01)
Kotak Mahindra Investments Limited	0.05	-	-	-	-	0.05
	(0.16)	(-)	(-)	(-)	(-)	(0.16)
Kotak Mahindra Prime Limited	0.17	-	-	-	-	0.17
	(#)	(-)	(-)	(-)	(-)	(#)
Kotak Securities Limited	-	-	-	-	-	-
	(0.12)	(-)	(-)	(-)	(-)	(0.12)
Swaps/Forwards/Options Contracts						
Kotak Mahindra International Ltd	2,832.71	-	-	-	-	2,832.71
	(7,546.95)	(-)	(-)	(-)	(-)	(7,546.95)
Kotak Mahindra Prime Limited	550.00	-	-	-	-	550.00
	(-)	(-)	(-)	(-)	(-)	(-)
Guarantees/Lines of Credits						
Kotak Investment Advisors Limited	76.10	-	-	-	-	76.10
	(1.00)	(-)	(-)	(-)	(-)	(1.00)

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Mahindra Pension Fund Limited	0.10	-	-	-	-	0.10
	(-)	(-)	(-)	(-)	(-)	(-)
Kotak Securities Limited	-	-	-	-	-	-
	(2.00)	(-)	(-)	(-)	(-)	(2.00)
Assignment on Loan (Sell Down)						
Kotak Infrastructure Debt Fund	-	-	-	-	-	-
	(77.05)	(-)	(-)	(-)	(-)	(77.05)
QIP Expense - debited to Share Premium A/c						
Kotak Mahindra Capital Company Ltd	9.00	-	-	-	-	9.00
	(-)	(-)	(-)	(-)	(-)	(-)

Note:

1. *Figures in brackets represent previous year's figures.*
2. *The above does not include any transactions in relation to listed securities done on recognised stock exchange during the year. However above includes transactions done on NDS with known related parties.*
3. *# in the above table denotes amounts less than ₹ 50,000*
4. *Remuneration paid to KMPs is pursuant to approval from RBI*

Maximum Balance outstanding during the year

(₹ in crore)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of Key Management Personnel
Liabilities					
Deposits	5,191.13	360.60	7,506.70	271.90	234.36
	(9,963.12)	(3,906.75)	(648.04)	(282.34)	(184.84)
Borrowings	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
Other Liabilities	138.62	0.57	0.71	1.88	0.40
	(41.59)	(0.33)	(6.47)	(2.47)	(0.92)
Assets					
Advances	1,639.56	-	7.14	3.27	5.78
	(400.94)	(#)	(7.21)	(3.42)	(6.29)
Investments-Gross	4,030.91	23.77	-	#	-
	(3,152.74)	(33.88)	(-)	(#)	(-)
Commission Receivable	50.72	-	-	-	-
	(48.66)	(-)	(-)	(-)	(-)
Other Assets	180.57	0.02	0.04	0.02	0.02
	(165.50)	(0.03)	(0.04)	(0.02)	(0.03)
Non Funded Commitments					
Bank Guarantees	68.55	-	-	1.00	-
	(12.35)	(0.05)	(-)	(1.00)	(-)
Swaps/Forwards	1,277.37	-	-	-	1.88
	(5,409.51)	(-)	(-)	(-)	(1.88)

Note:

1. *Figures in brackets represent previous year's figures.*
2. *# in the above table denotes amounts less than ₹50,000*

8. Employee Share Based Payments:

At the General Meetings, the shareholders of the Bank had unanimously passed Special Resolutions on 28th July, 2000, 26th July, 2004, 26th July, 2005, 5th July, 2007, 21st August, 2007 and 29th June, 2015, to grant options to the eligible employees of the Bank and its 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 157,606,163 options as at 31st March, 2021 (Previous year 155,907,323).

In aggregate 6,159,212 options are outstanding as at 31st March, 2021 (Previous year 8,587,012) 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, 2021, 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	17,292,509
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	0.03 – 0.55 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, 2021		Year ended 31st March, 2020	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	-	-	329,686	660.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	1,124	665.00
Exercised during the year	-	-	323,742	659.90
Expired during the year	-	-	4,820	665.00
Outstanding at the end of the year	-	-	-	-
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)		-		-
Weighted average fair value of options granted		-		-

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

	Year ended 31st March, 2021		Year ended 31st March, 2020	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	8,278,402	1,236.30	8,721,262	1,046.44
Granted during the year	1,698,840	1,307.48	3,381,530	1,452.50
Forfeited during the year	259,074	1,300.95	524,887	1,193.96
Exercised during the year	3,488,720	1,116.54	3,273,139	962.31
Expired during the year	70,236	1,193.09	26,364	1,021.70
Outstanding at the end of the year	6,159,212	1,321.54	8,278,402	1,236.30
Out of the above exercisable at the end of the year	9,60,009	1,145.12	734,570	896.90
Weighted average remaining contractual life (in years)		1.36		1.51
Weighted average fair value of options granted during the year		378.71		352.79

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

	Year ended 31st March, 2021		Year ended 31st March, 2020	
	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
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	150,802	416.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)		-		-

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

	Year ended 31st March, 2021		Year ended 31st March, 2020	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	-	-	339,792	302.90
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	339,792	302.90
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Out of the above exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)		-		-

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

	Year ended 31st March, 2021		Year ended 31st March, 2020	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	308,610	379.72	504,646	384.87
Forfeited during the year	-	-	-	-
Exercised during the year	308,610	379.72	196,036	392.98
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	308,610	379.72
Out of the above exercisable at the end of the year	-	-	308,610	379.72
Weighted average remaining contractual life (in years)		-		0.08

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,638.05 (Previous year ₹ 1,543.92).

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

31st March, 2021

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
601-700	1,000	0.25	700.00
801-900	23,528	1.00	900.00
901-1000	540,181	0.82	967.69
1001-1100	63,674	1.28	1,057.99
1201-1300	1,977,359	0.79	1,269.91
1301-1400	1,440,640	2.04	1,341.00
1401-1500	2,112,830	1.57	1,460.00

31st March, 2020

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
301-400	306,730	0.08	379.50
401-500	1,880	-	416.00
601-700	28,428	0.97	700.00
701-800	528,510	0.56	773.80
801-900	41,174	1.51	900.00
901-1000	1,812,138	0.77	955.00
1001-1100	91,220	1.51	1,058.93
1201-1300	2,603,162	1.60	1,270.68
1401-1500	3,173,770	2.02	1,460.00

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. The SARs granted and outstanding prior to approval of this scheme 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 1.07 to 4.11 years.

Detail of activity under SARs is summarised below:

	Year Ended 31st March, 2021	Year Ended 31st March, 2020
Outstanding at the beginning of the year	783,160	1,004,948
Granted during the year	353,370	309,946
Additions/(Reduction) due to transfer of employees	(24,752)	(18,573)
Settled during the year	397,233	487,737
Forfeited during the year	(16,930)	(25,424)
Outstanding at the end of the year	697,615	783,160

Fair value of Employee stock options

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

Year ended 31st March,	2021		2020	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	1,000-1,341	0-1,460	1,050-1,460	0-1,460
Weighted Average Share Price ₹	1,375.80	1,372.05	1,462.72	1,292.43
Expected Volatility	27.95%-43.21%	21.40%-43.26%	21.10%-31.00%	26.44%-113.47%
Historical Volatility	27.95%-43.21%	21.40%-43.26%	21.10%-31.00%	26.44%-113.47%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.25-3.87		1.02-3.87	
- As at 31st March		0.06-3.46		0.06-3.37
Risk-free interest rate	3.61%-5.22%	3.32%-5.51%	5.63%-7.03%	4.16%-5.59%
Expected dividend rate	0.05%-0.07%	0.04%	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 not differ from historical volatility. 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,	2021	2020
Total Employee compensation cost pertaining to share-based payment plans	67.13	59.98
Compensation cost pertaining to equity-settled employee share-based payment plan included above	1.74	2.75
Liability for employee stock options outstanding as at year end	14.92	5.71
Deferred Compensation Cost	12.76	2.84
Closing balance of liability for cash-settled options	63.13	61.38
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	77.90	49.14

9. Advances securitised by the Bank :

(₹ in crore)

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
Book value of advances securitized	-	-
Number of accounts	-	-
Sale consideration received for the accounts securitized	-	-
Gain on securitisation amortised during the year	-	-
Credit enhancement, liquidity support provided	-	-
Provision on securitised assets	-	-
Nature of post securitisation support	-	-

10. Employee Benefits

i. The Bank has recognised the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds:

(₹ in crore)

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
Provident Fund	142.86	135.22
Superannuation Fund	1.48	1.56
New Pension Fund	5.33	5.09
DIFC Employee Workplace Savings Scheme (DEWS)	0.61	0.12

ii. Gratuity

The gratuity plan provides a lumpsum payment to vested domestic employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank subject to a maximum of ₹ 0.20 crore. There is no ceiling on gratuity payable to directors and certain categories of employees subject to service regulations and service awards.

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

(₹ in crore)

Particulars	As at	
	31st March, 2021	31st March, 2020
Change in benefit obligations		
Liability at the beginning of the year	455.85	400.06
Current Service cost	57.68	44.45
Interest cost	29.82	27.71
Actuarial Losses / (Gain)	20.66	54.69
Past Service Cost	-	-
Liability assumed on acquisition / (Settled on divestiture)	(0.88)	(0.07)
Benefits paid	(65.65)	(70.99)
Liability at the end of the year	497.48	455.85
Change in plan assets		
Fair value of plan assets at the beginning of the year	412.45	401.99
Expected return on plan assets	30.97	30.16
Actuarial Gain / (Losses)	60.28	(36.90)
Benefits paid	(65.65)	(70.99)
Employer contributions	108.60	88.19
Fair value of plan assets at the end of the year	546.65	412.45

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan assets	As at	
	31st March, 2021	31st March, 2020
Fair value of plan assets at the end of the year	546.65	412.45
Liability at the end of the year	497.48	455.85
Net Asset / (Liability) included in "Others" under "Other Assets" / "Other Liabilities"	49.17	(43.40)
Expense recognised for the year		
Current Service cost	57.68	44.45
Interest cost	29.82	27.71
Expected return on plan assets	(30.97)	(30.16)
Actuarial (Gain) / Loss	(39.62)	91.59
Past Service Cost	-	-
Net gratuity expense recognised in Schedule 16.I	16.91	133.59
Actual return on plan assets	91.25	(6.74)

(₹ in crore)

Reconciliation of the Liability recognised in the Balance Sheet	As at	
	31st March, 2021	31st March, 2020
Net Liability / (Asset) at the beginning of the year	43.40	(1.93)
Expense recognized	16.91	133.59
Liability assumed on acquisition / (Settled on divestiture)	(0.88)	(0.07)
Employer contributions	(108.60)	(88.19)
Net Liability / (asset)	(49.17)	43.40

Investment details of plan assets

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

	31st March, 2021 %	31st March, 2020 %
LIC managed funds #	7.89%	2.43%
Government securities	35.58%	31.89%
Bonds, debentures and other fixed income instruments	7.95%	30.97%
Money market instruments	3.49%	8.01%
Equity shares	45.09%	26.69%
Total	**100.00%**	**100.00%**

 # In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

Actuarial assumptions used	
Discount rate	6.20% - 6.37% p.a. (Previous Year 6.40% - 6.59% p.a.)
Salary escalation rate	5.50% (IBA) and 7.00% (others) p.a. (Previous Year 5.50% (IBA) and 0% until year 1 inclusive, then 7.00% (others) p.a.)
Expected return on plan assets	6.50% - 7.00% p.a. (Previous Year 7.00% - 8.00% p.a.)

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Experience adjustments

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

(₹ in crore)

Gratuity	Year ended 31st March				
	2021	2020	2019	2018	2017
Defined benefit obligation	497.48	455.85	400.06	373.13	280.66
Plan assets	546.65	412.45	401.99	289.56	296.23
Surplus / (Deficit)	49.17	(43.40)	1.93	(83.57)	15.57
Experience adjustments on plan liabilities	12.62	41.19	20.46	10.20	3.15
Experience adjustments on plan assets	60.28	(36.81)	9.63	(0.83)	11.38

The Bank expects to contribute ₹ 38.56 crore to gratuity fund in financial year 2021-2022.

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

iii. Pension

Pension liability relates to employees of eIVBL.

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

(₹ in crore)

Particulars	As at 31st March, 2021 Funded	As at 31st March, 2020 Funded
Change in benefit obligations		
Liability at the beginning of the year	1,600.48	1,156.33
Transfer of liabilities funded during the year	-	-
Current Service cost	58.49	42.26
Interest cost	98.39	69.32
Actuarial (gain) / loss on obligations	349.45	541.37
Past Service cost	-	-
Benefits paid	(214.87)	(208.80)
Liability at the end of the year	1,891.94	1,600.48
Change in plan assets		
Fair value of plan assets at the beginning of the year	1,514.35	1,159.16
Expected return on plan assets	130.32	106.94
Actuarial Gain / (loss)	(1.52)	(12.10)
Benefits paid	(214.87)	(208.80)
Employer contributions	444.21	469.15
Fair value of plan assets as at the end of the year	1,872.49	1,514.35

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan Assets	As at 31st March, 2021 Funded	As at 31st March, 2020 Funded
Fair value of plan assets as at the end of the year	1,872.49	1,514.35
Liability at the end of the year	1,891.94	1,600.48
Net Asset / (Liability) included in "Others" under "Other Assets" / "Other Liabilities"	(19.45)	(86.13)
Expenses recognised for the year		
Current service cost	58.49	42.26
Interest cost	98.39	69.32
Expected return on plan assets	(130.32)	(106.94)
Actuarial (gain) / loss	350.97	553.47
Effect of the limit in Para 59(b)	-	-
Net pension expense recognized in Schedule 16.I	377.53	558.11
Actual return on plan assets	128.80	94.83

(₹ in crore)

Particulars **Reconciliation of the Liability recognised in the Balance Sheet**	As at 31st March, 2021 Funded	As at 31st March, 2020 Funded
Net (Asset) / Liability at the beginning of the year	86.13	(2.83)
Expense recognized	377.53	558.11
Employer contributions	(444.21)	(469.15)
Effect of the limit in Para 59(b)	-	-
Net (Asset) / Liability is included in "Others" under "Other Assets" / "Other Liabilities"	19.45	86.13

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

Particulars	As at 31st March, 2021	As at 31st March, 2020
Discount rate	6.37% p.a.	6.59% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	6.50% p.a.	8.00% p.a.
Inflation	10.00% p.a.	8.00% p.a.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors like settlement with employee unions.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Experience adjustments

Amounts for the current year are as follows:

(₹ in crore)

Particulars	Year ended 31st March, 2021	2020	2019	2018	2017
Defined benefit obligation	1,891.94	1,600.48	1,156.33	1,057.85	950.14
Plan assets	1,872.49	1,514.35	1,159.16	1,063.69	924.91
Surplus / (deficit)	(19.45)	(86.13)	2.83	5.84	(25.23)
Experience adjustments on plan liabilities	199.72	440.57	102.64	208.24	178.79
Experience adjustments on plan assets	(1.52)	(7.85)	(6.46)	(0.72)	(7.02)

The Bank expects to contribute ₹234.65 crore to pension fund in financial year 2021-2022.

iv. Compensated absences

The actuarially determined liability for compensated absences of accumulated leaves of the employees of the Bank is given below:

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Total actuarial liability	236.42	209.42
Assumptions:		
Discount rate	6.20% - 6.37% - 1.72% (DIFC) p.a.	6.40% - 6.59% - 0.74% (DIFC) p.a.
Salary escalation rate	5.50% (IBA), 7.00% (others) and 3% (DIFC) p.a.	5.50% (IBA) and 0% until year 1 inclusive, then 7.00% (others), 0% in yr 1 and 3% thereafter (DIFC) p.a.

v. Long Service Award

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

(₹ in crore)

Particulars	As at 31st March, 2021	As at 31st March, 2020
Total actuarial liability	13.44	10.77
Assumptions:		
Discount rate	6.20% p.a.	6.37% - 6.59% p.a.

11. Provisions and Contingencies

Breakup of "Provisions and Contingencies" (including write-offs; net of write-backs) shown under the head Expenditure in Profit and Loss Account:

(₹ in crore)

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
Provisions for Depreciation on Investments	408.27	90.12
Provision towards NPA	1,817.87	1,405.55
Provision towards Unhedged Foreign Currency Exposure	3.14	(5.07)
Provision towards Standard Assets	54.96	70.32
General Provision – Covid-19 Deferment Cases	629.00	650.00
Provision for Taxes	2,338.15	1,857.49
Other Provision and Contingencies	(1.52)	5.24
Total Provisions and Contingencies	**5,249.87**	**4,073.65**

12. Corporate Social Responsibility (CSR)

The Bank has adopted a strong CSR policy, charting out its plan to invest in society and its own future. The Bank is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years.

Disclosures in relation to corporate social responsibility expenditure:

(₹ in crore)

Details of CSR Expenditure	31st March, 2021	31st March, 2020
Contribution to Kotak Education Foundation	21.00	18.20
Contribution to Other Initiatives	58.40**	67.00
Accrual towards unspent obligations in relation to:		
Ongoing project	63.59*	NA
Other than ongoing project	Nil	NA
Total	**142.99**	**85.20**
Amount required to be spent as per Section 135 of the Act	142.27	124.23
Amount spent during the year on		
(i) Construction / acquisition of any asset	22.63#	NA
(ii) On purposes other than (i) above	56.77**	85.20

** Includes ₹ 9 crore contributed to Kotak Education Foundation for one ongoing project.*

*** Includes Administrative expenses incurred of ₹ 2.47 crore.*

 # For funding assets to be held in the books of the implementing partner organisation

Details of ongoing CSR projects under Section 135(6) of the Act:

(₹ in crore)

Balance as at 1st April, 2020		Amount required to be spent during the year	Amount spent during the year		Balance as at 31st March, 2021	
With the Company	In Separate CSR Unspent account		From the Company's Bank account	From Separate CSR Unspent account	With Company	In Separate CSR Unspent account
Nil	Nil	97.87	34.28	Nil	Nil	63.59

Details of CSR expenditure under Section 135(5) of the Act in respect of other than ongoing projects:

(₹ in crore)

Balance unspent as at 1st April, 2020	Amount deposited in Specified Fund of Schedule VII of the Act within 6 months	Amount required to be spent during the year	Amount spent during the year	Balance unspent as at 31st March, 2021
NA	NA	41.93*	42.65*	NA

** It doesn't include administrative expenses of ₹2.47 crore.*

Details of excess CSR expenditure under Section 135(5) of the Act:

(₹ in crore)

Balance excess spent as at 1st April, 2020	Amount required to be spent during the year	Amount spent during the year	Balance excess spent as at 31st March, 2021
Nil	142.27	142.99*	0.72

** includes unspent liability*

13. Tier II Bonds

a) Lower Tier II Bonds outstanding as at 31st March, 2021 ₹ 456.00 crore (previous year ₹ 456.00 crore).

During the current year and previous year, the Bank had not issued any lower Tier II bonds. In accordance with the RBI requirements lower Tier II bonds of ₹ 394.80 crore (previous year ₹ 303.60 crore) are not considered as Tier II capital for the purposes of capital adequacy computation under Basel III guidelines.

b) Upper Tier II Bonds outstanding as at 31st March, 2021 and as at 31st March, 2020 is ₹ Nil.

c) Interest Expended-Others (Schedule 15(III)) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 44.20 crore (previous year ₹ 44.32 crore).

14. Details of payments of audit fees

(₹ in crore)

Particulars	Year Ended	
	31st March, 2021	31st March, 2020
Statutory Audit fees	2.26*	2.05
Other Matters	0.36**	0.31#
Total	**2.62**	**2.36**

** ₹ 0.24 crore is subject to shareholder's approval at AGM*

 # ₹ 0.13 crore pertains to erstwhile auditors.

*** Above amount does not include ₹ 0.72 crore pertaining to QIP issue expenses, adjusted against Share Premium Account.*

15. Description of Contingent Liabilities:

Sr.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, sales tax, property tax demands and legal cases filed against the Bank. The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Bank at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Bank.
2.	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange contracts with inter Bank participants and with its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees on behalf of constituents	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	These includes: • Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. • Bills re-discounted by the Bank and cash collateral provided by the Bank on assets which have been securitised. • Underwriting commitments in respect of Debt Syndication.
5.	Other items for which the Bank is contingently liable	These include: • Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures and options contracts. The Bank enters into these transactions with inter Bank participants and its customers. Currency Swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts. • Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments. • Amount Transferred to RBI under the Depositor Education and Awareness Fund ('DEAF').

** Also refer Schedule 12 – Contingent Liability*

16. With regard to a Supreme Court (SC) judgement on PF there are various interpretative issues including applicability. Based on a legal opinion, Bank has implemented effective March 2019.

17. The Bank has received few intimations from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and there is no outstanding against those suppliers as on 31st March, 2021, hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/payable as required under the said Act have not been given.

18. 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 **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Murad D. Daruwalla
Partner
Membership No. 043334

Mumbai
3rd May, 2021

For and on behalf of the Board of Directors

Prakash Apte
Chairman

Uday Kotak
Managing Director and
Chief Executive Officer

Dipak Gupta
Joint Managing Director

Uday Khanna
Director

Jaimin Bhatt
Group President and
Group Chief Financial Officer

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Notes

Corporate Information

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27BKC, C 27, G Block,
Bandra Kurla Complex, Bandra (E),
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Tel.: +91 22 61660001
Website: www.kotak.com

Company Secretary

Avan Doomasia
Senior Executive Vice President and
Company Secretary

Auditors

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S B Marg, Prabhadevi (W),
Mumbai - 400 013
Maharashtra, India

Registrar and Transfer Agent

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(Previously Karvy Fintech Private Limited)
Selenium Tower B, Plot 31 & 32,
Financial District, Nanakramguda,
Serilingampally Mandal,
Hyderabad – 500 032, Telangana

24/B, Raja Bahadur Compound,
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Mumbai - 400 023

Kotak Mahindra Bank Limited
27BKC, C 27, G Block, Bandra Kurla Complex,
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