

KOTAK MAHINDRA BANK LIMITED - IBU GIFT CITY BRANCH
SPECIAL PURPOSE BALANCE SHEET AS AT 31ST MARCH, 2023

(USD In million)

	Schedule	As at 31st March, 2023
CAPITAL AND LIABILITIES		
Capital	1	20.50
Reserves and Surplus	2	46.88
Deposits	3	167.92
Borrowings	4	566.00
Other Liabilities and Provisions	5	9.03
Total		810.33
ASSETS		
Cash and Balances with Reserve Bank of India	6	-
Balances with Banks and Money at Call and Short Notice	7	116.78
Investments	8	123.94
Advances	9	558.40
Fixed Assets	10	1.68
Other Assets	11	9.53
Total		810.33
Contingent Liabilities	12	489.93
Bills for Collection		-
Significant accounting policies	17	

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

As per our report of even date attached.

For and on behalf of the Kotak Mahindra Bank - IBU Gift City Branch

For KKC & Associates LLP

Chartered Accountants

(formerly Khimji Kunverji & Co LLP)

Firm Registration No. 105146W/W100621


Gautam Shah
 Partner

Membership No. 117348

Mumbai

29th April, 2023





Jaimin Bhatt
 President and
 Group Chief Financial Officer

KOTAK MAHINDRA BANK LIMITED - IBU GIFT CITY BRANCH
SPECIAL PURPOSE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2023

		(USD in million)	
		Year ended	
		31st March, 2023	
	Schedule		
I. INCOME			
Interest Earned	13		34.40
Other Income	14		1.68
Total			36.08
II. EXPENDITURE			
Interest Expended	15		23.53
Operating Expenses	16		1.78
Provisions and Contingencies			-
Total			25.31
III. PROFIT			
Net Profit for the year (I - II)			10.77
Add: Balance in Profit and Loss Account brought forward from previous year			36.11
Total			46.88
IV. APPROPRIATIONS			
Transfer to Statutory Reserve			-
Transfer to Capital Reserve			-
Transfer to Investment Fluctuation Reserve Account			-
Balance carried over to Balance Sheet			46.88
Total			46.88
Significant accounting policies	17		

The schedules referred to above form an integral part of this Profit and Loss Account.

As per our report of even date attached.

For and on behalf of the Kotak Mahindra Bank - IBU Gift City Branch

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Partner

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President and

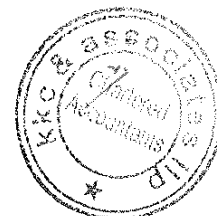
Group Chief Financial Officer

Mumbai

29th April, 2023

KOTAK MAHINDRA BANK LIMITED - IBU GIFT CITY BRANCH
SCHEDULES FORMING PART OF SPECIAL PURPOSE BALANCE SHEET AS AT 31st MARCH, 2023

	(USD in million)
	As at
	31st March, 2023
SCHEDULE 1 - CAPITAL	
Capital Infusion by Head office	20.50
Total	20.50
SCHEDULE 2 - RESERVES AND SURPLUS	
I. Statutory Reserve	
Opening Balance	-
Add: Transfer from Profit and Loss Account	-
Total	-
II. Capital Reserve	
Opening Balance	-
Add: Transfer from Profit and Loss Account	-
Total	-
III. General Reserve	
Opening Balance	-
Add: Amount transferred on Employee's Stock Options (Grants) Outstanding lapsed	-
Total	-
IV. Investment Reserve Account	
Opening Balance	-
Add: Transfer from/(to) Profit and Loss Account	-
Total	-
V. Securities Premium Account	
Opening Balance	-
Add: Received during the year	-
Less: Share Issue Expenses	-
Total	-
VI. Amalgamation Reserve	
Opening Balance	-
Add: Additions	-
Total	-
VII. Investment Allowance (Utilised) Reserve	
Opening Balance	-
Add: Transfer from Profit and Loss Account	-
Total	-
VIII. Investment Fluctuation Reserve	
Opening Balance	-
Add: Transfer from Profit and Loss Account	-
Total	-
IX. Foreign Currency Translation Reserve	
Opening Balance	-
Add: (Decrease) / Increase during the year	-
Total	-
X. Balance in the Profit and Loss Account	
Balance in the Profit and Loss Account	46.88
Total	46.88
Total (I to XI)	46.88



KOTAK MAHINDRA BANK LIMITED - IBU GIFT CITY BRANCH
SCHEDULES FORMING PART OF SPECIAL PURPOSE BALANCE SHEET AS AT 31st MARCH, 2023

		(USD in million)
		As at
		31st March, 2023
SCHEDULE 3 - DEPOSITS		
I. Demand Deposits		
I. From Banks		-
ii. From Others		12.19
Total		12.19
II. Savings Bank Deposits		-
III. Term Deposits		
i. From Banks		-
ii. From Others		155.73
Total		155.73
Total Deposits (I to III)		167.92
B. (I) Deposits of branches in India		-
(ii) Deposits of branches outside India		167.92
Total (I and ii)		167.92
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India		-
(ii) Other Banks		-
(iii) Other Institutions and Agencies		-
Total Borrowings		-
II. Borrowings outside India		
(i) Banks & Other Institutions		566.00
Total		566.00
Total Borrowings (I and II)		566.00
Secured Borrowings other than CBLO and Repo Borrowings included in I above		-
Tier II Bonds included in I (iii) above		-
Tier II Bonds included in II above		-
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable		-
II. Interest Accrued		6.53
III. Provision for tax (net of advance tax and tax deducted at source)		-
IV. Standard Asset provision		-
V. Others (including provisions)		2.50
Total		9.03



KOTAK MAHINDRA BANK LIMITED - IBU GIFT CITY BRANCH
SCHEDULES FORMING PART OF SPECIAL PURPOSE BALANCE SHEET AS AT 31st MARCH, 2023

	(USD in million)
	As at
	31st March, 2023
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA	
I. Cash in hand (including foreign currency notes)	-
Total	-
II. Balances with RBI	
(a) In Current Account	-
(b) In Other Deposit Account	-
Total	-
Total (I+II)	-
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	
I. Balances with Banks	
(a) In Current Accounts	-
(b) In Other Deposit Accounts	-
Total	-
II. Money at Call and Short Notice	
(a) With Head office/Branches of Head office	-
(b) With Other Institutions	-
Total	-
Total (I and II)	-
II. Outside India	
(i) In Current Accounts	52.15
(ii) In other Deposit Accounts	-
(iii) Money at call and short notice	64.63
Total (i, ii and iii)	116.78
Total (I and II)	116.78
SCHEDULE 8 - INVESTMENTS	
I. In India	
(i) Government Securities	-
(ii) Other Approved Securities	-
(iii) Shares	-
(ii) Debentures and Bonds	-
(v) Subsidiaries and Joint Ventures	-
(vi) Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts, Pass Through Certificates(PTC)]	-
Total	-
II. Outside India	
(i) Government Securities	3.96
(ii) Subsidiaries and Joint Ventures	-
(iii) Other Investments	
(a) Shares	-
(b) Debentures and Bonds	119.98
Total	123.94
Total Investments (I and II)	123.94



KOTAK MAHINDRA BANK LIMITED - IBU GIFT CITY BRANCH
SCHEDULES FORMING PART OF SPECIAL PURPOSE BALANCE SHEET AS AT 31st MARCH, 2023

		(USD in million)
		As at
		31st March, 2023
SCHEDULE 9 - ADVANCES		
(i) Bills purchased and discounted		-
(ii) Cash Credits, Overdrafts and loans repayable on demand		-
(iii) Term Loans		558.40
Total		558.40
B.		
(i) Secured by tangible assets *		441.93
(ii) Covered by Bank / Government guarantees		-
(iii) Unsecured		116.47
Total		558.40
* including advances against book debts.		
C.I. Advances in India		
(i) Priority Sector		-
(ii) Public Sector		-
(iii) Banks		-
(iv) Others		-
Total		-
C.II. Advances outside India		
(i) Due from banks		-
(ii) Due from others		-
a) Bills purchased and discounted		-
b) Syndicated and term loans		558.40
c) Others		-
Total		558.40
Grand Total (C.I. and C.II.)		558.40



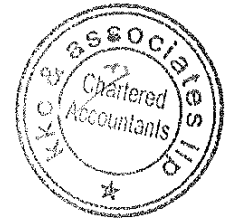
KOTAK MAHINDRA BANK LIMITED - IBU GIFT CITY BRANCH
SCHEDULES FORMING PART OF SPECIAL PURPOSE BALANCE SHEET AS AT 31st MARCH, 2023

	(USD in million)
	As at
	31st March, 2023
SCHEDULE 10 - FIXED ASSETS	
A. Premises (Including Land)	
Gross Block	
At cost on 31st March of the preceding year	1.81
Additions during the year	-
Less: Deductions during the year	-
Total	1.81
Depreciation	
As at 31st March of the preceding year	0.12
Add: Charge for the year	0.03
Less: Deductions during the year	-
Depreciation to date	0.15
Net Block	1.66
B. Other Fixed Assets (including furniture and fixtures)	
Gross Block	
At cost on 31st March of the preceding year	0.21
Additions during the year	-
Less: Deductions during the year	-
Total	0.21
Depreciation	
As at 31st March of the preceding year	0.15
Add: Charge for the year	0.04
Less: Deductions during the year	-
Depreciation to date	0.19
Net Block	0.02
Total (A) +(B)	1.68



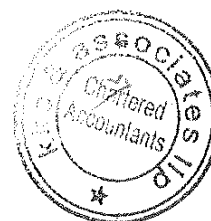
KOTAK MAHINDRA BANK LIMITED - IBU GIFT CITY BRANCH
SCHEDULES FORMING PART OF SPECIAL PURPOSE BALANCE SHEET AS AT 31st MARCH, 2023

		(USD in million)
		As at
		31st March, 2023
SCHEDULE 11 - OTHER ASSETS		
I.	Interest accrued	6.04
II.	Advance tax (net of provision for tax)	-
III.	Stationery and Stamps	-
IV.	Cheques in course of collection	-
V.	Others	3.49
	Total	9.53
SCHEDULE 12 - CONTINGENT LIABILITIES		
I.	Claims not acknowledged as debts	-
II	Liability on account of outstanding Forward Exchange Contracts	81.16
III.	Guarantees on behalf of Constituents	-
	i) In India	-
	ii) Outside India	-
IV.	Acceptances, Endorsements and other obligations	-
V.	Other Items for which the Bank is contingently liable :	
	a. Liability in respect of interest rate and currency swaps and forward rate agreements	408.77
	b. Liability in respect of Options Contracts	-
	c. Capital commitments not provided	-
	d. Unclaimed Customer balances transferred to RBI DEAF Scheme	-
	Total	489.93



KOTAK MAHINDRA BANK LIMITED - IBU GIFT CITY BRANCH
SCHEDULES FORMING PART OF SPECIAL PURPOSE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2023

	(USD in million)
	Year ended 31st March, 2023
SCHEDULE 13 - INTEREST EARNED	
I. Interest / discount on Advances / Bills	25.26
II. Income on Investments	6.51
III. Interest on balances with RBI and inter-bank funds	0.62
IV. Others	2.01
Total	34.40
SCHEDULE 14 - OTHER INCOME	
I. Commission, exchange and brokerage	0.22
II. Profit / (Loss) on sale of Investments (net)	(4.32)
III. Profit / (Loss) on revaluation of Investments (net)	1.68
III. Profit / (Loss) on sale of building and other assets (net)	-
IV. Profit on exchange transactions (net) (including derivatives)	4.10
V. Income earned by way of dividend, etc. from Subsidiaries / Associates and / or Joint Venture in / outside India	-
VI. Profit on recoveries of non-performing assets acquired	-
VI. Miscellaneous Income	-
Total	1.68
SCHEDULE 15 - INTEREST EXPENDED	
I. Interest on Deposits	2.76
II. Interest on RBI/ Inter-Bank Borrowings	20.77
III. Others	-
Total	23.53
SCHEDULE 16 - OPERATING EXPENSES	
I. Payments to and provision for employees	0.35
II. Rent, taxes and lighting	0.04
III. Printing and Stationery	-
IV. Advertisement, Publicity and Promotion	-
V. Depreciation on Branch's property	0.07
VI. Directors' fees, allowances and expenses	-
VII. Auditors' fees and expenses	0.01
VIII. Law Charges	0.03
IX. Postage, telephone etc.	-
X. Repairs and maintenance	0.03
XI. Membership and Subscription	0.16
XII. Travel and Conveyance	0.01
XIII. Professional Charges	0.13
XIV. Other Expenditure	0.95
Total	1.78



KOTAK MAHINDRA BANK LIMITED – IBU GIFT CITY BRANCH
Schedules forming part of the Special Purpose Balance Sheet and Profit and Loss Account
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 Consumer Banking, Commercial Banking, Treasury and Corporate Banking in India. 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 Branch’). The functional currency of the Branch is US Dollars (“USD”)

B BASIS OF PREPARATION

The Bank's Management is required to submit Audited Financial Information of the GIFT City Branch to the International Financial Services Centre Authority (“IFSCA”) and accordingly this financial information comprising of the Balance Sheet as at 31 March 2023, Profit and Loss Account for the year ended 31 March 2023 and other explanatory information (the “ Special Purpose Financial Information”).

The Special Purpose Financial Information have been prepared in accordance with the reporting policies of the Bank, conforms to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Regulator of the Bank (“the Regulator”) from time to time and the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2021 (the “Regulatory guidelines”), which include the accrual method of accounting and historical cost convention unless stated otherwise. The form and contents of the Special Purpose Financial Information has been determined by the Management of the Bank. This being Special Purpose Financial Information, it is not accompanied with all explanatory notes as required by a full set of Financial Statements. The Special Purpose Financial Information is prepared for the first time and hence does not contain any comparative financial information.

Use of estimates

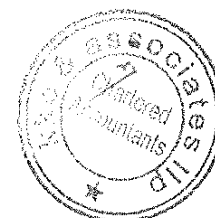
The preparation of the Special Purpose Financial Information requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the Special Purpose Financial Information 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 Regulatory 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 Regulatory 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.



KOTAK MAHINDRA BANK LIMITED – IBU GIFT CITY BRANCH
Schedules forming part of the Special Purpose Balance Sheet and Profit and Loss Account
Schedule 17 – Significant Accounting Policies

Under each of these categories, investments are further classified under six groups (hereinafter called “group/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 Branch 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 Regulatory guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified as AFS securities as on that date. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above two categories are classified under AFS category.

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.

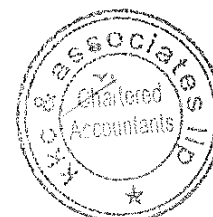
Short Sale:

The Branch undertakes short sale transactions in securities in accordance with Regulatory 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 Regulatory 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.



KOTAK MAHINDRA BANK LIMITED – IBU GIFT CITY BRANCH
Schedules forming part of the Special Purpose Balance Sheet and Profit and Loss Account
Schedule 17 – Significant Accounting Policies

- 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/unquoted 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 trading platform and published by custodian, 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 the Regulator) are categorised as HTM and assessed for impairment to determine other than temporary diminution, if any, in accordance with Regulatory guidelines.
- g) 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 the Regulatory guidelines and are stated net of bills rediscounted, inter-bank participation with risk, specific provisions, interest in suspense for non-performing advances and claims received from Export Credit Guarantee Corporation, claims received under the emergency credit line guarantee scheme (ECLGS) received from National Credit Guarantee Trustee Company Ltd., 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 Regulatory 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 asset(s) from other banks and NBFCs are considered as advances. Actual collections received on such non-performing asset(s) are compared with the cash flow(s) estimated while purchasing the asset to ascertain overdue(s). If such overdue(s) is/are in excess of 90 days, then this/these asset(s) are classified into sub-standard, doubtful or loss as required by the Regulatory guidelines on purchase of non-performing asset(s).



KOTAK MAHINDRA BANK LIMITED – IBU GIFT CITY BRANCH
Schedules forming part of the Special Purpose Balance Sheet and Profit and Loss Account
Schedule 17 – Significant Accounting Policies

Provisioning:

Provision for NPAs comprising sub-standard, doubtful and loss assets is made in accordance with regulatory guidelines. In addition, the Branch 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 Branch in case of NPAs written off are recognised in the Profit and Loss Account.

The Branch considers a restructured account as one where the Branch, for economic or legal reasons relating to the borrower’s financial difficulty, grants to the borrower concessions that the Branch 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 Branch only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

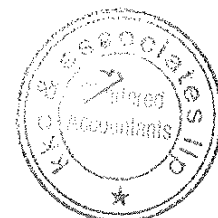
In accordance with Regulatory guidelines, the Bank has provided general provision on standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, and gold and unhedged foreign currency exposure of the borrowers at levels stipulated by Regulators from time to time.

3 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 Branch, net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per Regulatory 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 the Regulatory guidelines 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



KOTAK MAHINDRA BANK LIMITED – IBU GIFT CITY BRANCH
Schedules forming part of the Special Purpose Balance Sheet and Profit and Loss Account
Schedule 17 – Significant Accounting Policies

Asset Type	Estimated Useful life in years
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.

4 Cash and cash equivalents

Cash and cash equivalents include cash in hand 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).

5 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.

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.

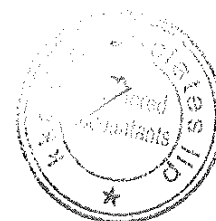
Upon an asset becoming NPA the income accrued gets reversed, and is recognised only on realisation, as per Regulatory guidelines.

Penal interest is recognised as income on realisation other than on running accounts where it is recognised when due.

Dividend income is accounted on an accrual basis when the Branch'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 regulator. 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 Regulatory guidelines and clarifications.



KOTAK MAHINDRA BANK LIMITED – IBU GIFT CITY BRANCH
Schedules forming part of the Special Purpose Balance Sheet and Profit and Loss Account
Schedule 17 – Significant Accounting Policies

6 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 of the Branch when the employee of the Branch renders the related service. The Branch has no further obligations.

Superannuation Fund

The Branch 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 Branch recognises such contributions as an expense in the year when an employee renders the related service. The Branch has no further obligations.

New Pension Scheme

The Branch 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 Branch recognises such contributions as an expense in the year when an employee renders the related service.

Defined Benefit Plan

Gratuity

The Branch 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 Branch's liability is actuarially determined (using Projected Unit Credit Method) at the Balance Sheet date. The Branch makes contribution to Gratuity Funds administered by trustees and managed by Life Insurance Companies.

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



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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 SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. 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.

Regulators, vide its clarification dated 30th August, 2021 on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff, advised Banks that the fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments granted after the accounting period ending 31st March, 2021.

In accordance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 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 for all options granted on or before 31st March, 2021. 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 Bank has changed its accounting policy from intrinsic value method to fair value method for all share-linked instruments granted after 31st March, 2021 in accordance with the Regulatory guidelines. The fair value of the option is estimated on the date of grant using Black-Scholes model and 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/ fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.



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7 Derivative transactions

Notional amounts of derivative transactions comprising of swaps, futures and options are disclosed as off Balance Sheet exposures. The Branch 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.

8 Accounting for provisions, contingent liabilities and contingent assets

The Branch 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 Branch 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.

9 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.



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10 Taxes on income

As per exemptions available in the Income Tax Act, 1961, Income earned in the GIFT City Branch is exempt for the year ended 31st March 2023 and hence there are no income tax expenses.

As per our report of even date attached.
For **KKC & Associates LLP**
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firm Registration No: 105146W/W100621

For and on behalf of the **Kotak Mahindra Bank -**
IBU Gift City Branch



Gautam Shah
Partner
Membership No. 117348

Place: Mumbai
Date: 29 April 2023



Jaimin Bhatt
President and Group Chief Financial Officer