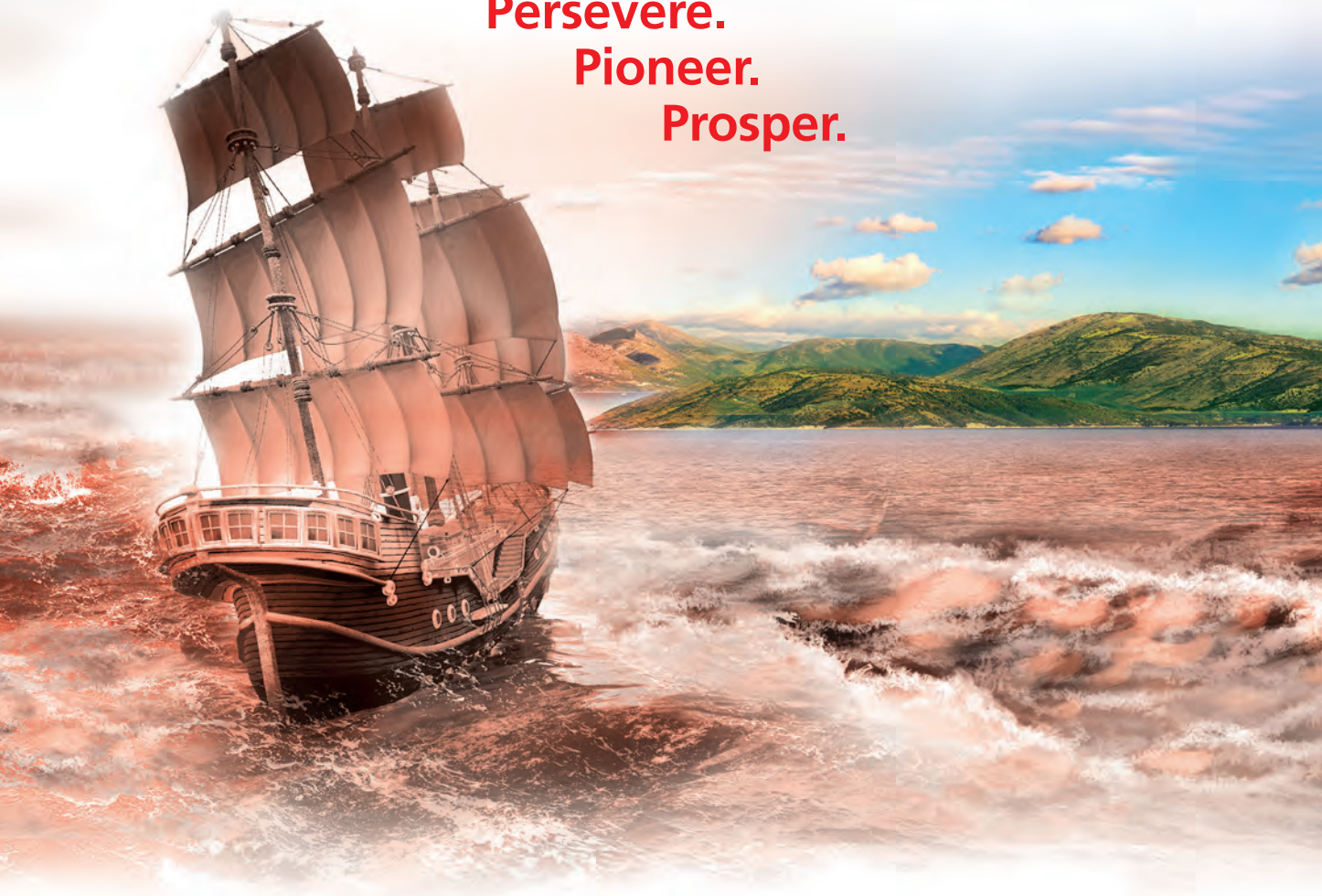


**Persevere.  
Pioneer.  
Prosper.**



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Read the report or download at [www.kotak.com](http://www.kotak.com)

## Corporate Information

#### REGISTERED OFFICE

**Kotak Mahindra Bank Limited**  
27BKC, C 27, G Block  
Bandra-Kurla Complex, Bandra (E)  
Mumbai - 400 051  
Tel.: +91 22 61660001  
Website: [www.kotak.com](http://www.kotak.com)

#### COMPANY SECRETARY

**Bina Chandarana**  
Joint President and Company Secretary

#### AUDITORS

**Walker Chandiok & Co. LLP**  
16<sup>th</sup> Floor, Tower II  
Indiabulls Finance Centre  
S B Marg, Prabhadevi (W)  
Mumbai - 400 013

#### REGISTRAR AND TRANSFER AGENT

**KFin Technologies Private Limited**  
(Previously Karvy Fintech Private Limited)  
Selenium Tower B, Plot 31-32  
Gachibowli, Financial District, Nanakramguda  
Hyderabad - 500 032

24/B, Raja Bahadur Compound,  
Ambalal Doshi Marg, Fort,  
Mumbai - 400 023



The financial year 2019-20 posed serious challenges to the world economy, including India. The impact of the economic slowdown of 2019 and the COVID-19 pandemic of 2020 will be felt for some time to come. And the financial services industry, which underpins all economic activity, has had to adapt quickly.

**Kotak as a Group has faced several crises before and has emerged stronger from each. This time too, it has retained its firm footing and is looking to strengthen itself in these uncertain times, while keeping an eye on opportunities ahead.**

## In this 'new normal', Kotak Mahindra Bank will:



**Persevere** through the raging storm. The Bank's strong capital position, stable deposit base and asset quality gives it the resilience to weather a crisis. Its focus on prudence, pragmatism and transparency, together with a diversified business model, will help it navigate the rough waters, protecting its own business interests and those of its stakeholders.



**Pioneer** new technologies, charting new routes for a new world. The world is changing, and so is Kotak. Its investments in digital banking and technology over the past few years have paid rich dividends, especially during the COVID-19 crisis. The Group will increase its focus on technology as it moves forward into a changing world.



**Prosper** with an eye on opportunities beyond the stormy horizon. Kotak has faced rough storms before and seen the opportunities that lay beyond the crises of the past three decades. The Group believes, once again, that opportunities to create value for its stakeholders will emerge from this crisis.

**Grounded in its prudent approach to banking and led with a clear north-star vision of being a world-class financial services conglomerate, Kotak is determined to Persevere. Pioneer. Prosper.**



# An Organisation with Entrepreneurial Spirit

The Kotak Group has been in business for 35 years, and Kotak Mahindra Bank for 17 years now. The financial services of the Bank have a wide reach across 1,600 branches in India. Kotak also has a presence in Singapore, London, the USA and the Middle East through its international arms. All Group entities constantly endeavour to seize new opportunities by differentiating across products, services and technologies. Globally, Kotak serves the multiple financial services needs – banking (consumer, commercial, corporate), credit and financing, equity broking, wealth and asset management, insurance (general and life), and investment banking – of individuals and corporations.

Kotak Bank has cemented its distinctive status through unique offerings and services, e.g. its **industry-leading differentiated interest rate strategy on savings accounts**; and **India's first**

## Kotak today



**₹ 4.4 trillion**

Institution (Consolidated Assets)



**₹ 2.7 trillion**

Wealth, Priority and Investment Advisory Relationship Value



**₹ 2.7 trillion**

Market Capitalisation (as on 3<sup>rd</sup> June, 2020)




**3,50,000 +**

Shareholder Base

**video-based KYC savings account** that serves the twin purpose of convenience and contactless opening of an 811 account in a highly digitised post-COVID 'new normal'.

**The Bank's reach is now extended beyond just its network, to a point where anyone in India can open a bank account from the safety and convenience of their houses.**



**Kotak 811 launches India's first zero-contact, video KYC savings account.**

#BankFromHome



Conditions apply. Providing Aadhaar is Voluntary.





**2,519**

ATMs



**1,600\***

Bank Branches

\* Does not include branches in DIFC, Dubai & GIFT city, Gujarat



**~15 million**

Debit Card Holders



**~ 2.3 million**

Credit Card Holders



**23 million+**

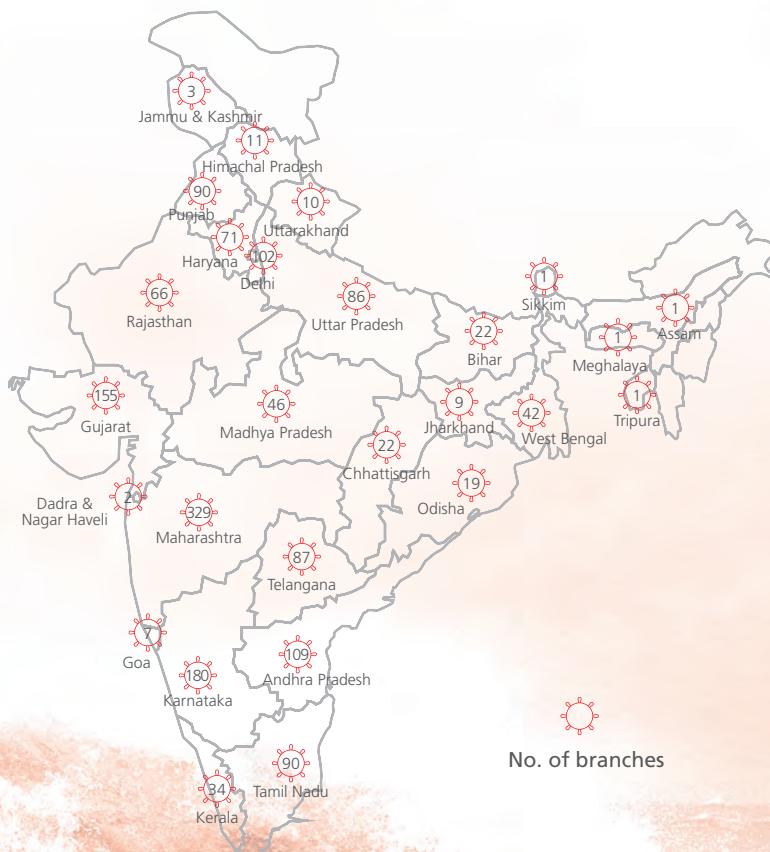
Bank Active Customer Base



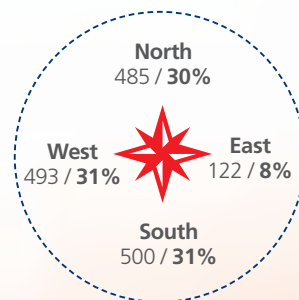
**>71,000**

Group Employees

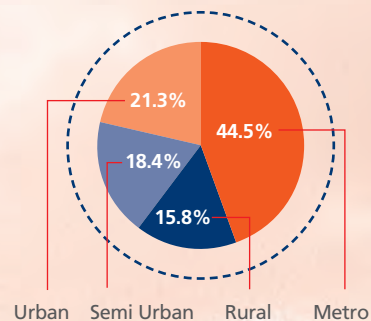
### Geographical Presence



### Distribution of Branches (No./%)



### Branch Classification

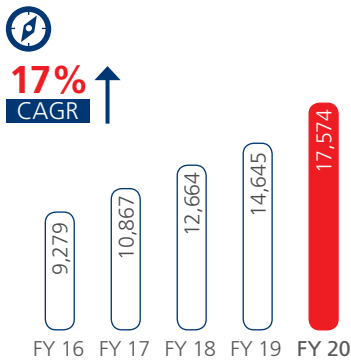


Map not to scale. For illustrative purposes only.

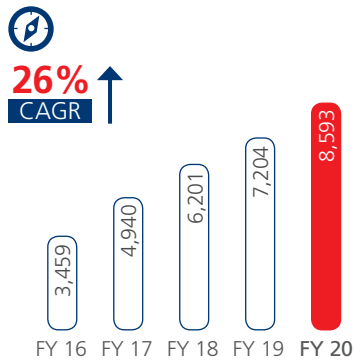
# Financial Highlights

All numbers on a consolidated basis except where stated

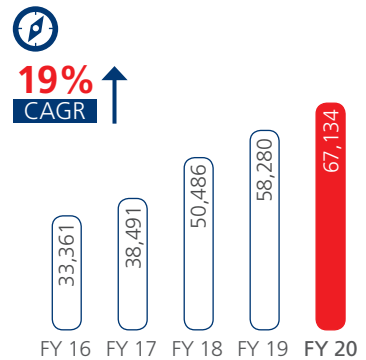
## Net Interest Income (₹ in crore)



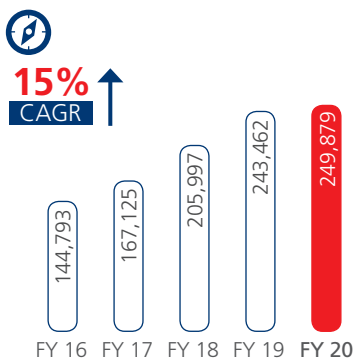
## Net Profit (₹ in crore)



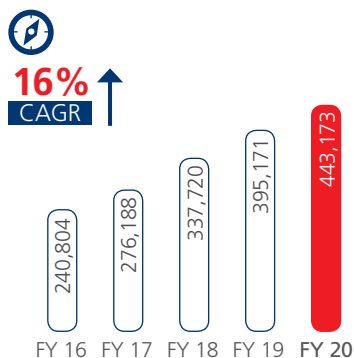
## Capital & Reserves and Surplus (₹ in crore)



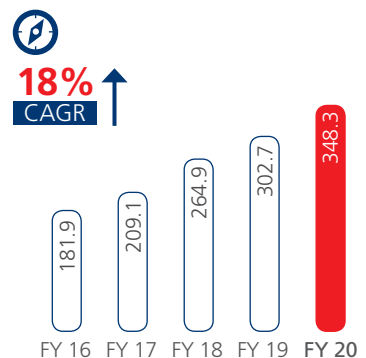
## Advances (₹ in crore)



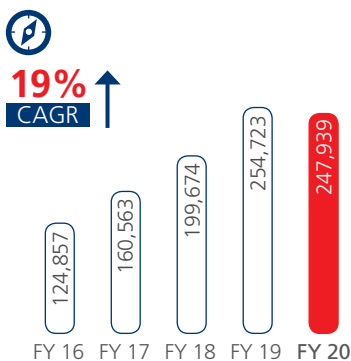
## Total Assets (₹ in crore)



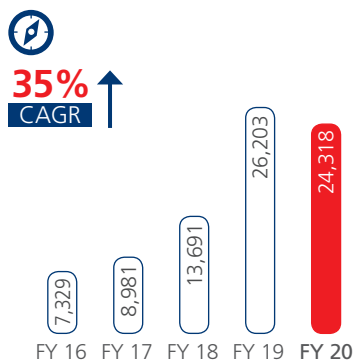
## Book Value Per Share (₹)



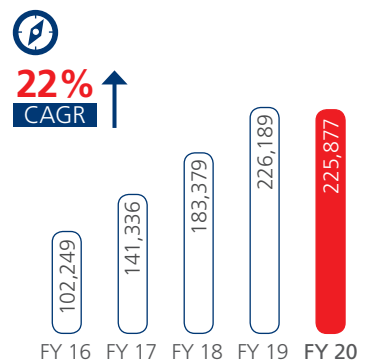
## Market Capitalisation (₹ in crore)



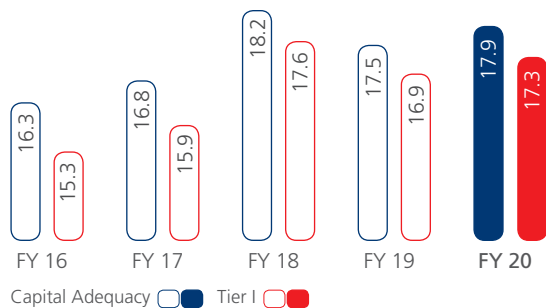
## Kotak Securities Average Daily Volume (₹ in crore)



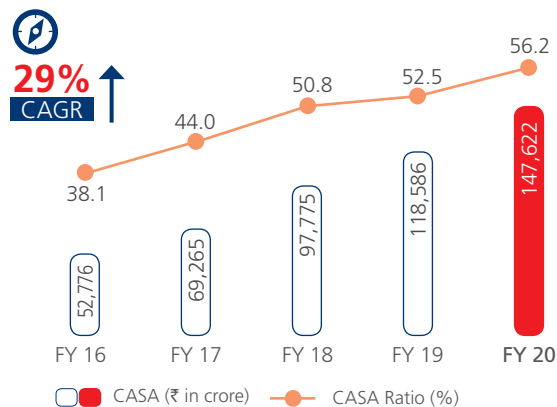
## Total Assets Under Management (₹ in crore)



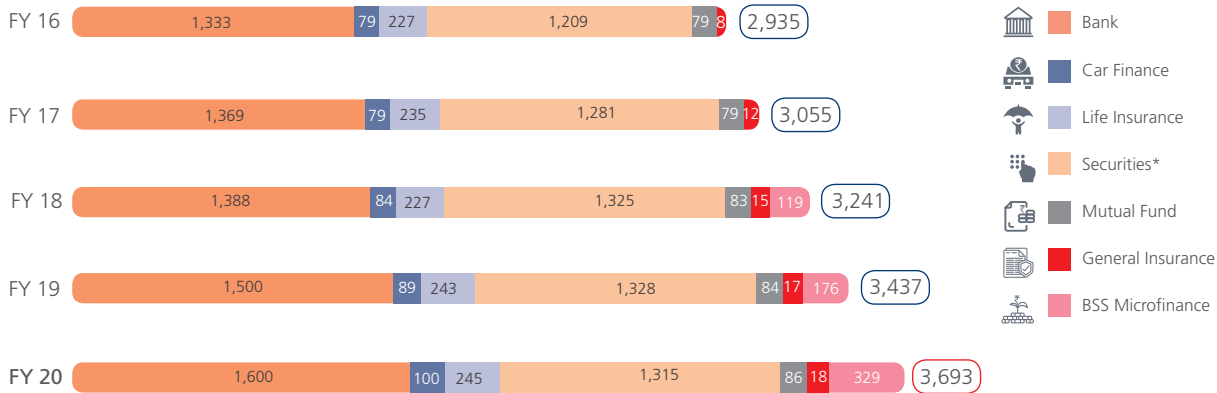
### Bank Capital Adequacy Ratio and Tier 1 Capital (%)



### Current Account and Savings Account (CASA) (bank standalone) (₹ in crore)



### Group Branch Network



\*branches, franchises and referral co-ordinators

# Business Overview

## **Consumer Bank** (Kotak Mahindra Bank Limited)

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

### Key Differentiators

- Focused on building a stable, retail deposit base. As on 31<sup>st</sup> March, 2020, CASA ratio stood at 56.2% of total deposits – among the highest in the industry. CASA and TDs below ₹ 5 crore constitute 86% of total deposits
- Grew its loan book prudently, with a focus on asset quality and risk adjusted returns. Expanded its footprint in Home Loans and Loans against Property (LAP) to cover over 150 cities and towns across India. Grew its market share in consumer finance by 124% on a YoY basis, and saw strong 26% YoY growth in credit card spends
- Continued to see strong growth and adoption of digital channels, payments and products. Introduced new channels like Keya chatbot and augmented existing channels with more features and services. For the 3<sup>rd</sup> year in a row, the Bank has exceeded the target on digital payments set by MeitY, Govt of India
- Launched its first international branch at the Dubai International Financial Centre (DIFC), Dubai, UAE

## **Corporate Bank** (Kotak Mahindra Bank Limited)

- Caters to the diverse needs of major Indian corporate bodies, financial institutions, public sector undertakings, multinational companies, small & medium enterprises and realty businesses
- Offers a comprehensive portfolio of products and services including working capital financing, medium term finance, export credit, transaction banking, custody services, debt capital markets, forex and treasury services

### Key Differentiators

- Robust risk management practices have ensured that credit costs have been well controlled and NPA ratios are among the lowest in the industry
- Integrated Corporate and Investment Banking approach to top conglomerates and corporates has helped deepen relationships and increase wallet share with these clients
- Awarded the 'Best Corporate & Investment Bank – India' by Asiamoney for the third time in the past four years
- Focus on Transaction Banking has ensured high cross-sell and a healthy mix of non-credit income in overall income
- Continuous product innovation has helped capture and scale up new revenue streams
- Significant investments in technology projects is underway to help in better client delivery and to improve digital focus

## **Custodial Services** (Kotak Mahindra Bank Limited)

- The Custody business continued to grow both in terms of AUC as well as new clients added during the year under review
- The Bank continues to be one of India's largest local custodians in spite of all the challenges faced by the listed markets in the past 6-12 months
- It on-boarded a number of marquee FPIs, AIFs and PMS clients during the year who started using its Custody, Clearing and Fund Accounting solutions
- The Bank also implemented a new Fund Accounting software during the year with minimal disruption to clients and expects this to be a good driver of new business as it goes forward

## **Commercial Bank** (Kotak Mahindra Bank Limited)

- Plays a significant role in meeting financial inclusion goals and financing deep into 'Bharat'

### Key Differentiators

- Dives deep into rural pockets of the economy to finance food and agro-processing segments, tractors, light commercial vehicles, construction equipment, and small & medium enterprises
- One of the largest dedicated and diversified agri sectoral lenders among private banks
- Offers a range of products to bridge the rural-urban divide and contribute to India's growth story



### **Wealth Management (Kotak Mahindra Bank Limited)**

- One of the oldest and most respected wealth managers in India, continuously striving to be the preferred partner for its client families for wealth creation and preservation

#### **Key Differentiators**

- Manages wealth for 50 per cent of India's top 100 families (Source: Forbes India Rich List 2019)
- Offers a comprehensive and holistic platform covering the entire gamut of financial services for its UHNI and HNI clients
- With over 20 years of experience of the Kotak Group in the wealth management industry, it has seen different market cycles and has maintained its leadership position due to its in-depth understanding of clients' requirements, asset classes and the risks associated with each
- Its unique model is based on the key pillars of open architecture, institutional support and non-conflicting approach towards client portfolios

### **Asset Recovery (Kotak Mahindra Bank Limited)**

- Looks at potential turnaround cases on the basis of genuine borrower profile and backed by commensurate cash flows and collaterals

#### **Key Differentiators**

- One of the few Indian banks providing vital financing required for getting stressed companies back to mainstream banking

### **Car Loans (Kotak Mahindra Prime Limited)**

- Offers finance in the form of 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

### **Lending NBFC (Kotak Mahindra Investments Limited)**

- Primarily in the lending business comprising lending against select securities, lending to the real estate sector and corporates, and structured financing. Also holds certain strategic investments
- The real estate division lends to various developers across the entire spectrum of asset classes from residential, commercial to retail
- The structured finance team offers one of the most trusted and dedicated platforms in the country with expertise in structuring complex transactions, thereby broadening the access to capital

#### **Key Differentiators**

- Well positioned to harness all opportunities in the current economic environment

### **Life Insurance (Kotak Mahindra Life Insurance Company Limited)**

- One of the most trusted brands in the life insurance industry with a 'Customer First' approach, ensuring superior experience throughout the customer journey

- Core purpose of the company is "To add value to the lives of people through financial instruments of protection and long-term savings"
- Brand promise of the company is "We believe sharing multiplies joy and divides sorrow. And people should never walk alone. *Hum hain... hamesha*"
- Balanced product mix (Traditional and ULIPs) and balanced distribution mix (Bancassurance, Agency, Direct and Digital Channels, and Group or Institutional Businesses)
- Creating value for all stakeholders through continuous improvement in efficiencies
- Significant development in digital capabilities and extensive digital adoption across the areas of sourcing, underwriting, customer servicing and engagement, and processes

#### **Key Differentiators**

- Among the best in the industry on business health parameters like persistency, conservation, surrender retention and among the lowest customer complaints
- Customer Relationship NPS score of +10 as on December 2019
- Employee engagement score of 73, among the best in the industry, accompanied by significant reduction in attrition trends, accompanied by significant reduction in attrition trends
- Consistently among the best fund performance

- Large number of distribution tie-ups across banks, corporate agents, brokers, small finance banks, payment banks and digital distributors
- Consistently among the largest recruiters of individual agents in the industry
- High vintage of senior management team – over 11 years

#### **General Insurance (Kotak Mahindra General Insurance Company Limited)**

- Offers a wide range of protection solutions covering private & commercial vehicles, health, home and commercial insurance. Well diversified portfolio with 57% motor and 43% non-motor insurance products
- High focus on digital tools and platforms for ease of doing business, from acquisition to policy issuance, servicing and claims settlement

#### **Key Differentiators**

- Among the youngest general insurers, with a 44% growth in business and 151% growth in number of policies sold for FY 2019-20
- Focused on quality of business with a Loss Ratio of 68.8%, among the best in the industry
- Customer-centricity at its core. Among the Top 3 general insurers in terms of least number of complaints to the Ombudsman and a healthy claim settlement ratio of 95%

#### **Mutual Fund (Kotak Asset Management Company Limited)**

- 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 Differentiators**

- One of the fastest growing AMC's in the country within the top 10 fund houses ranked by Quarterly Average Assets Under Management (QAAUM)
- Market share in QAAUM has grown to 6.89% in Q4FY20 from 6.13% in Q4FY19 and 5.04%, 3 years ago

#### **Stock Broking (Kotak Securities Limited)**

- A leading secondary market broking firm, offering services to retail and institutional investors

#### **Key Differentiators**

- An increase in the active client base from 4.37 lakh to 5.71 lakh, driven by healthy acquisition of clients and analytics
- Successfully scaled up the Commodity broking business during the year
- Free Intraday Trading (FIT) launched last year gained momentum and now contributes to more than 40% of Kotak Securities' Options trade volume in the retail segment
- With the help of its digital account opening mobile app, the year under review saw more than 67% of the accounts being opened digitally
- Trading volume through its mobile app – Kotak Stock Trader – saw a growth of more than 128%
- During the year, successfully set up a disaster recovery site in Chennai to ensure

seamless trading experience for customers in case of any contingency at the company's primary site in Mumbai

- Improved digital engagement with clients by launching the “next best action” engine. Client genomes are created with the help of analytics, with personalised campaigns on the basis of portfolio, trading patterns and predictive models. More than 100 automated trigger-based communications are sent to clients in real-time, on the basis of market events such as news, price movements, and research calls. In the last 2 quarters, the contribution to the firm's revenue has been greater than 1.5%.

#### **Investment Banking (Kotak Mahindra Capital Company Limited)**

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

#### **Key Differentiators**

- Advised on 13 domestic and cross-border transactions with a cumulative value of about USD 7.9 billion in FY 2019-20
- Raised over ₹ 584 billion across equity capital market products through 12 issuances – led the largest NBFC QIP in India for Bajaj Finance (₹ 85 billion); the then largest rights issue in India for Vodafone Idea Ltd. (₹ 250 billion); and the largest private sector IPO ever in India for SBI Cards & Payment Services Ltd. (₹ 103 billion) in FY 2019-20

### **Alternative Assets (Kotak Investment Advisors Limited)**

- Growing its business successfully 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
- Managing funds with flexible mandates to participate across credit lifecycles of companies and projects by providing unique solutions for financing gaps in the industry

#### **Key Differentiators**

- Among select alternative asset managers in India to be present across these six asset classes and managing a large number of active funds in these asset classes
- Among select real estate fund managers to have completed a full lifecycle of four real estate funds in India
- Strong partnerships with marquee investors across multiple strategies
- Strong advisory capability for private clients across Equities, Fixed Income and Alternatives with complete alignment of interest

### **Infrastructure Financing (Kotak Infrastructure Debt Fund Limited)**

- Caters to the development of India's infrastructure sector by providing long tenor funding to projects that have completed at least one year of operation

#### **Key Differentiators**

- Carefully treading adverse macro-environment, maintaining the existing book and nil delinquencies
- Continued to focus on core infrastructure sectors like Power and key social infrastructure sectors like Education and Healthcare

### **Microfinance (BSS Microfinance Limited)**

- Acts as a business correspondent to Kotak Mahindra Bank with over 300 branches in rural and semi-urban India
- Sources women-centric credit products to propagate financial inclusion and livelihood development

#### **Key Differentiators**

- Reaching out to bottom-of-the-pyramid households with a customer base of 6.54 lakh, up by 52% in FY 2019-20
- Majority of loans managed by BSS are to women engaged in agriculture and allied activities

### **International Business (Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Inc., Kotak Mahindra Financial Services Limited, Kotak Mahindra Asset Management (Singapore) Pte. Ltd.)**

- International subsidiaries with offices in New York, London, Dubai, Abu Dhabi, Mauritius, Singapore. Key businesses include:
- India-bound asset management, investment advisory and alternative assets

- India-bound institutional equities and prime broking
- Global bond trading and proprietary investments
- International wealth management for private clients

#### **Key Differentiators**

- Over 25 years of international presence with robust regulatory licensing and authorisations
- Strong domain knowledge with a deep understanding of global practices and investor preferences
- Wide network of large institutional clients, global distributors, and key partnerships from major geographies including Japan, Europe, the US, and the Middle East

### **Pension Fund (Kotak Mahindra Pension Fund Limited)**

- A subsidiary of Kotak Mahindra Asset Management Co. Ltd. (KMAMC), 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 Differentiators**

- Second-highest growth in AUM among private sector Pension Fund Managers of 19.6% YoY
- Total AUM in NPS fast approaching ₹ 1,000 crore (₹ 976 crore as on 31<sup>st</sup> March, 2020)

# Message from Uday Kotak

## Grandparents' days

My grandfather was born in 1906, my grandmother in 1912. During my childhood, mornings began on my grandfather's lap. He would wear a white cotton kurta, meticulously darned at a few spots. I used to ask him why he didn't just buy a new one! "Son, your generation is blessed, it has not seen the tough times we endured, that's what taught us the true value of money." He shared grim stories of his youth – the Great Depression, World War Two and India's partition.

I also recall observing my grandmother, washing her hands frequently, bathing more than once a day – a stickler for cleanliness. I did not understand then, but now, I relate to it! Those years were my learnings of a different world and my first lessons on risk management.

I was born in 1959. The past six decades have been less turbulent than the world my grandparents grew up in. However, in 2020, my grandfather's perspective looms ever larger. COVID-19 has introduced us to a new world – there are many challenges, but also much to be hopeful about. Over my lifetime, I have seen a drastic reduction in poverty, technological advancements and globalisation. Now, the virus is wreaking damage on the global economy.

## India's macro-economic outlook

The pandemic and lockdown have had substantial economic effects. Most economists estimate that



GDP growth will be negative. Compare this to the past, when even a 200 basis points drop in India's growth from 7% to 5% was considered a slowdown! The good news is that unlike the 2013 crisis, our external account seems to be under control.

Our Government has announced a set of reform oriented and supply side packages. The Reserve Bank has been proactive with its actions in the post COVID world. Considering the stimulus measures announced so far, India's consolidated Centre plus State fiscal deficit could reach 11-12% of GDP. In June 2020, Moody's downgraded India, bringing it on par with S&P and Fitch, but with a negative bias. I will not be too worried on how the rating agencies perceive the widening fiscal deficit – rather than being in denial, we must focus on the areas where we can improve. Here, investments in healthcare and education are the foundations for India's future.

One question that foxes everyone is why the capital markets are buoyant globally even as we see a slowdown across geographies. First, there has been a significant monetary expansion by central banks worldwide. Second, investors and analysts have already discounted earnings downside for FY 2021 and are looking at earnings of FY 2022 and FY 2023. Similarly, I believe Government and industry should not worry too much about the current fiscal year's slowdown and instead plan and work towards a medium-term growth strategy.

Having said that, there will be costs that cannot be borne by businesses or the Government, and these will be borne by the financial sector. The banking sector's loan book is about ₹ 100 lakh crore and the total capital of all banks in India is about ₹ 11 to 12 lakh crore. So, if 4-5% of loans turn bad due to COVID, the capital position of the banking sector will get impacted by ~40%. There will be some mark-to-market gains as bond yields have dropped. Still, the financial sector will need to be recapitalised.

### The new normal

India must grasp its opportunity in the new normal. Work from home (WFH) and maintaining social distance is now a way of life. But the shift from physical to digital, and urban to rural migration opens new vistas. Not only can India strive for manufacturing shifts from the world's factory, China, but we can also become the front and back office of the world.

In the short term, there will be uncertainty around job security and salary levels. Habits will change, as will demand patterns. Digital adoption will grow exponentially. Business models will undergo changes. Darwin's theory of biological evolution will come into play: *only the quickest to evolve and adapt will survive and prosper.*

### Our game plan

At Kotak, we have been doing our bit to support COVID-19 related causes by contributing to the PM CARES Fund and the Chief Minister's Relief Fund – COVID-19

in Maharashtra. We have also been supporting the rural and urban poor, tribal communities as well as doctors, nurses and policemen on COVID-19 duty by contributing food packets, masks, face shields, personal protective equipment, umbrellas and the like.

In terms of business, there are a few principles we need to follow:

- Our topmost priority is the safety of our people and their well-being
- Second, a relentless focus on our costs and productivity
- Third, on the lending side, we will divide the world into 'Before COVID' (BC) and 'After COVID' (AC)

In the AC world, we are looking at our lending business differently, through three filters. First, we develop a view on the sectors we are comfortable with. Second, we look at levels of fixed operating costs of individual companies (the higher the level, the more cautious we are). And third, we are mindful about how we deal with businesses or companies with high leverage. Nevertheless, with the State stepping in as a guarantor for MSMEs, we will certainly take this opportunity to play a role in helping kickstart the economy.

Finally, we see an opportunity to grow our customer franchise in non-credit risk areas of business – advisory, insurance, securities, wealth management and asset management. We also continue to see robust growth in the brand, the franchise and the positioning of our firm as a consolidated entity.



## Savings deposits crossed ₹ 1 lakh crore, growing by 21% on a year-on-year (YoY) basis



**56%**

CASA ratio



**₹ 74,000 crore**

Consolidated Net Worth\*



**20+%**

Tier-1 capital adequacy ratio\*

(\*As on 3<sup>rd</sup> June, 2020)

### **Persevere. Pioneer. Prosper.**

The financial sector is in the middle of a storm, and all the boats will have to navigate rough seas. Our annual report theme – ‘Persevere. Pioneer. Prosper’, describes our principal aim of reaching the other side, while remaining alert for opportunities that may arise.

Only the strongest boats will see through the storm. A fortress balance sheet is a must, and this was one of the objectives of the bank’s QIP issue of ₹ 7,400 crore in May 2020. I am happy to report that the QIP had an overwhelming response. The Bank’s Tier-1 capital adequacy ratio (CAR) which was about 17% as on 31<sup>st</sup> March, 2020 has gone up to over 20% post issue, and the bank’s consolidated net worth has gone up from about ₹ 67,000 crore as on

31<sup>st</sup> March, 2020 to over ₹ 74,000 crore. This additional capital will support the bank in dealing with contingencies or financing business opportunities (organic and / or inorganic).

However, even strong boats must remember the lesson of the Titanic – considered unsinkable when she was built. Before she hit the iceberg, she was moving at a great speed, leading to a tremendous collision which overwhelmed all her safety mechanisms. In that context, we have been conservative leading up to this crisis. Prioritizing Return of Capital over Return on Capital is our basic mantra as a leveraged business. Hopefully, that will stand us in good stead.

### **The year that was**

In the context of COVID-19, I am happy to report that Kotak ended the year on a strong note. Our strong and trusted deposit franchise is one of our most prized assets. As on 31<sup>st</sup> March, 2020, savings deposits crossed ₹ 1 lakh crore, growing by 21% on a year-on-year (YoY) basis. Our Current Account & Savings Account (CASA) ratio rose to over 56%, and CA, SA and term deposits (TD) below ₹ 5 crore constituted as much as 86% of the total deposits as on 31<sup>st</sup> March, 2020. In the financial year ended March 2020, about 44 lakh Kotak 811 accounts were opened. We ended the year with total advances just short of ₹ 2.2 lakh crore, about a 7% rise on a YoY basis.

### **Ahoy! Opportunities ahead**

Despite the COVID-19 situation, I still see reasons to stay positive. Economies are reopening, both in India and abroad, and scientists

around the world are working at record speed to try and find a vaccine. This will not be an easy year, but, as a nation, we have an opportunity to take advantage of the changes that are happening around us.

I would conclude by saying that as a group, we move forward with conservative optimism to build a sustainable and resilient firm. We would like to be fleet-footed, flexible and look at the world from a different lens than in the past. We are ready with both a microscope and binoculars, and are working closely with practitioners and policy makers to build a strong financial services industry.

The firm and I salute our colleagues who have been bravely executing their duties as essential service providers. I am proud of each one of them for rising above and beyond the call of duty to serve our customers, our communities and the firm. My colleagues and I sincerely wish for the safety and wellbeing of each of our stakeholders.

Just as my grandparents’ early days were tough, they were followed by an era of great optimism and economic progress worldwide. I hope that is true for us as well, in the current context. Perhaps this is why we say that hindsight is 2020!

With warm regards,



Mumbai  
30<sup>th</sup> June, 2020

# Board of Directors



 **Prakash Apte**  
Chairman



 **Uday Kotak**  
Managing Director & CEO



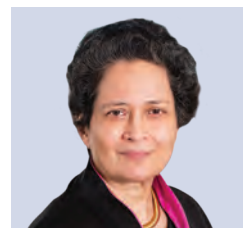
 **Dipak Gupta**  
Joint Managing Director



 **C Jayaram**



 **Prof. S Mahendra Dev**



 **Farida Khambata**



 **Uday Chander Khanna**



 **Uday Shankar**



 **K V S Manian**



 **Gaurang Shah**

# Persevere

## through the raging storm

**The sea will inevitably create storms, but ships were not meant to stay in the harbour. Going out there and boldly facing the challenges is essential for reaping rewards. Experienced crew persevere and navigate through all the storms in their path, drawing upon their determination and dexterity.**

Over three decades, the Kotak Group has successfully navigated many storms under the guidance of its leadership, most of whom have been with the Group for more than 20 years. The firm has not only persevered, but also prevailed over each storm, acting decisively and learning more every time. Guided by its principles of prudence, protection of capital, and setting long-term goals rather than short-term targets, Kotak Mahindra Group has become a ship capable of navigating the roughest of waters.





## Strong capital position and balance sheet

Kotak's strategy has always been centred around risk-adjusted returns and a sharp focus on return of capital. These factors have contributed to business stability and led to one of the most robust portfolios in the industry, with low Non-Performing Assets (NPAs) and a strong capital position.

### As of 31<sup>st</sup> March, 2020

**17.9%**

Capital Adequacy Ratio  
(Bank standalone)

**56.2%**

CASA as a % of total  
deposits – among the  
highest in the industry

**86%**

CASA + Retail TDs (below  
₹ 5 crore) as % of total  
deposits

**0.71%**

Net NPA (% of net  
advances)

**0.04%**

SMA2 (% of net  
advances)

**69%**

Provision coverage ratio  
(excluding standard  
and COVID-19  
provisions)

### Building business resilience

The Bank is taking proactive steps to strengthen itself and ensure a sustainable future. In the short term, it has tightened its lending norms and has cut operating costs. For the long-term, it is working to structurally change itself for the post-COVID world, targeting improvements in productivity, efficiency and execution.

### Strong and loyal customer franchise

At the heart of Kotak Mahindra Bank is its customer deposit business. It is proud to have built, over many years, a strong, stable and low-cost customer franchise.

Deposit businesses are all about trust. The Bank maintains the highest standards of ethics, compliance and corporate governance, which have won the trust of its customers. Additionally, its savings account rates, despite the RBI rate cuts during the year, are still higher than those of its banking peers.

During the year under review, the Bank is delighted to have recorded a 20% growth in deposits and 44 lakh new 811 accounts. Kotak Mahindra Bank will seek, in this crisis, to prioritise the security of customers' money and to honour their trust.

### Experienced leadership team

Kotak's senior leadership team comprises 56 members across the Group with an average tenure of 19 years. Several of them have worked with the Group for more than 25 years. They have steered the Group through crises such as the 1997 Asian financial crisis and the 2008 global financial meltdown, and they are well-placed to steer the firm safely again through the pandemic and its fallout.

### Diversified business model

In addition to its core banking business, the Kotak Group has built and grown its network of subsidiaries with presence across the financial services spectrum. Many of these subsidiaries are low-capital, low-risk, customer franchise businesses, contributing significantly to the Group's total profit.

### Acting swiftly to safeguard stakeholders

At the onset of the COVID-19 lockdown, Kotak's first priorities were its employees and customers. Bank branches operated at partial capacity with all safety protocols while most of the other staff worked from home. Safety norms will remain in place as the situation normalises. Its business continuity plan ensured that all operations remained functional for the benefit of customers. In the days since, the Bank has ensured uninterrupted services and support, backed by its digital infrastructure. As digital banking has started becoming the new normal, data protection has become need of the hour. Steps were also taken to safeguard customers, especially those new to digital, from online fraud.

# Pioneer

## charting new routes for a new world

**The best sailors are constantly learning, pushing their limits and mapping new routes around the world. They redefine old practices and create the new. They not only survive dangers, but also discover and develop skills for moving ahead faster and with more confidence.**

Kotak's journey so far has been driven by its indomitable spirit, ability to think creatively, and a strong conviction in its principles. From low-rate bill discounting to a unique instant car financing proposition, from a bold move to offer up to 6% interest on savings accounts to progressive investments in digital technologies, the Group is a pioneer in financial services.

### Reimagining workplace rules

The majority of the employees working from home, long thought to be improbable, has turned out to be a feasible and productive way of working. Investment in further digitisation and a remote working culture could lead to productivity gains and lower infrastructure and related costs. The Kotak Group is preparing for this by strengthening its technology infrastructure. It will also continue to build capabilities in terms of productivity measurement and management of remote teams.

### Reimagining financial services

The extended lockdown has established that financial services are no longer bound by physical barriers. Customer requests, transactions and queries can largely be processed remotely and with ease. Kotak believes that this behaviour, forced by social distancing, may become the norm as customers realise the convenience and comfort of digital banking.

### Kotak Mahindra Bank

The Bank continues to reimagine sales, services and processes with an increased focus on digital channels. For example, in May 2020, it became the first Indian bank to pioneer video-based KYC for new customers. Combined with Kotak's digital bank account, 811, a prospective customer can open an account and complete all KYC formalities on their smartphone in just under 10 minutes.

The benefits are self-evident. The Bank continued to acquire new customers even during the nationwide lockdown. Its digital channels let customers access banking services from the comfort of their homes. Between January and March 2020, 80% of new fixed deposits and 93% of recurring deposits were opened through digital channels. Thousands of customers access the Bank's voice and chatbots each day, while its call centres also effectively handled customer queries, with staff working from the safety of their homes.

### 10 lakh

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Monthly service requests addressed by the Keya chatbot in FY 2019-20

### 4 lakh

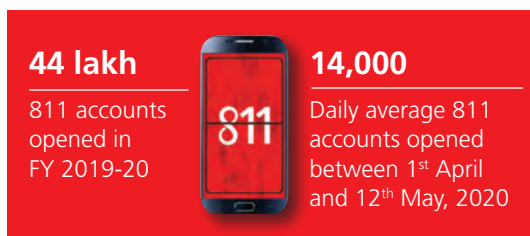
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Monthly requests addressed by the Keya chatbot for debit cards, cheque books and PIN tracking

### Digitally acquiring new customers

811 is the Bank's pioneering digital initiative, launched in 2017, allowing prospective customers to open a savings account anytime and from anywhere, and to transact digitally at no cost.

In FY 2019-20, when new regulations reaffirmed the use of e-KYC through Aadhaar and biometric authentication with the voluntary consent of customers, Kotak was quick to respond. The Bank re-launched 811 for new customers, including those walking into branches, and corporate salary customers whom Bank personnel meet at their workplaces. Significant steps were taken to improve the functionality of the Kotak Mahindra Bank mobile app and the overall customer experience. As a result, the Bank acquired 44 lakh 811 accounts in FY 2019-20, and continued to grow even during the lockdown.



In total, 70% of new accounts during the year have been opened via digital channels. The Bank is constantly looking to extend the scope of digital acquisition methods, while also reimagining processes to disburse new loans faster than ever before.

### Payment products and services

Kotak Mahindra Bank has always been a pioneer in payments, with person-to-person solutions like KayPay, or digital merchant payments products like Bill Payments, Recharge and KayMall. The Bank has built merchant solutions around QR acquiring, Payment Gateways and Point of Sale devices. It is also the leading Bank on the Bharat Bill Payment System to acquire Billers onto the platform.

During FY 2019-20, the Bank introduced new digital payment methods, including UPI 2.0, which allows customers to create one-time mandates and apply for IPOs via the new UPI product enhancement from NPCI. The Bank also launched

cardless cash withdrawal, allowing customers to use Net Banking or the Kotak mobile app to generate a code and withdraw cash cardlessly at its ATMs.

With its sustained progress on the payments front, Kotak Mahindra Bank has, for the third consecutive year, surpassed the Government's Digital Payments transaction targets, achieving ~107% of the target in FY 2019-20.

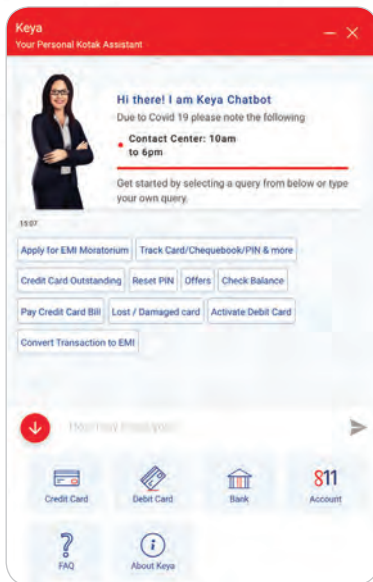
### Open Banking

Kotak Mahindra Bank made significant progress on its Open Banking platform, aimed at creating a collaborative ecosystem for enterprises, fintechs and app developers. During the year, the Bank added multiple new relationships in areas including lending, payment and cash management.

### Process automation

Robotic Process Automation continues to be an important productivity enhancement tool for the Bank, and its use is being evaluated for many of the Bank's routine tasks. The focus now is on upgrading to intelligent automation through technology driven by Optical Character Recognition, Artificial Intelligence and Machine Learning. The Bank is also working with evolving technologies like facial recognition, video banking, integrated workflows, cognitive OCR, and Application Programming Interface (API) marketplaces to scale along with fintech partners.





### Improving customer experience

- The Kotak mobile banking app is now more comprehensive, with new features like forex cards, premature withdrawal of fixed deposits, payday loans, FASTag, insurance, Ola, UPI 2.0, and image credit cards. It is the first Indian bank to integrate Apple's *Siri* and *Google Assistant* within the app to allow customers to fetch their account balance using voice commands
- The Bank has scaled up newer channels like the Keya Chatbot and WhatsApp Banking, increasing their impact on business. It enabled Keya on all digital channels and successfully handled 4 lakh requests per month for debit cards, cheque books and PIN tracking. It also extended WhatsApp Banking services, building more customer communication and service request journals
- Kotak Mahindra Bank was the first Bank to launch the new NPCI eMandate API method as part of the eNACH product, allowing associated consumers and corporate firms to seamlessly create and approve recurring payment collection requests

- It was among the first banks to directly integrate with Ola Cabs, allowing customers to book cabs, trains, flights and buses on KayMall
- It collaborated with large external digital platforms like Google Pay to develop a new channel to disburse instant pre-approved personal loans to existing customers
- It launched 'Kotak PayDay Loans' to offer instant short-term single instalment loans to salaried customers

### **Mutual Fund (Kotak Asset Management Company)**

This year, Kotak Mutual Fund launched Mr. SIP, a campaign to comprehensively inform its customers about SIPs. It was supported by an AI-based conversational bot that was featured on Google Assist, Amazon Echo, and the AMC website.

Kotak Mutual Fund also introduced a video-based monthly personal business report card and a distributor portal, named Business Hub. The portal allows distributors to monitor and grow their businesses with Kotak Mutual Fund, access co-branded creatives, train themselves, and initiate transactions for investors.

### **Stock Broking (Kotak Securities Limited)** **Digital account opening**

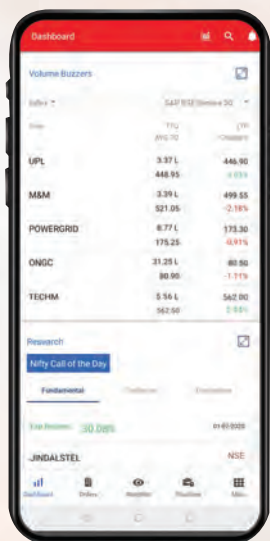
Kotak Securities implemented a digital account opening process that allows Relationship Managers to remotely open brokerage accounts on behalf of their clients. Customers are only required to upload their documents and specimen signature and go through an in-person verification process via video call and eSign. It has also improved its lead management system to track the sales team, manage leads better, improve engagement and increase closure rates.

### **Expanding digital product bouquet**

Kotak Securities introduced stock baskets by its research team, in partnership with smallcase, a fintech firm. This product allows clients to build their portfolios by investing in stock baskets and smallcases via a Systematic Investment Plan (SIP) order.

### Automation, business efficiency and customer experience

- The 'Call & Trade' service has been enhanced by redesigning its IVR and automatically recognising the client's registered contact number, making it much easier and quicker for customers to reach Kotak Securities and place an order
- The navigation experience of the Kotak Stock Trader mobile app has been improved by featuring the 'frequently used sections' upfront, and also improving the overall experience on the website



- The process of generating statements has been automated. Clients can now get their account/regulatory statements via email in minutes by placing an online request
- An auto-pay feature for Mutual Fund SIPs has been introduced

### Training and development initiatives

Kotak Securities launched the Be More App, an end-to-end, fully integrated learning solution with multiple features, to drive a continuous learning culture. It facilitates personalisation by allowing users to access courses at their own pace.

### Kotak General Insurance (KGI)

#### Health insurance on 811

Kotak General Insurance launched two micro-journeys for its Personal Accident and Hospital Daily Cash products, allowing the Bank's 811 customers to buy new policies with minimal clicks and zero documentation.

#### Digital sourcing and issuance for frontline

Kotak General Insurance launched web- and mobile-based paperless policy issuance platforms to enable countrywide front-end teams to source and issue policies digitally, making policy issuance faster and more scalable.

### Kotak Life Insurance (KLI)

#### Revamping customer portal

Kotak Life Insurance revamped its customer portal to enhance the customer experience on mobile phones and aid self-service. The new portal, in its second full month, March 2020, saw 60,000+ unique customers conduct 28,000+ unique payments for a total premium amount of ₹ 105 crore.

#### CRM (Customer Relationship Management) for sales teams

Kotak Life Insurance introduced an extensive lead and activity management system for the sales team to increase sales productivity and effectiveness. It has in-built nudges that aid in following 'ideal' schedules to achieve sales goals.

#### Other key initiatives in FY 2019-20

A number of digitisation initiatives for customers, distributors and employees have been launched. Some examples include WhatsApp servicing and a better self-service portal for customers; a sales incentive engine for distributors; tools to allow distributors the flexibility to work from anywhere; and a mobile learning management system for employees and partners.

# Prosper

## from opportunities beyond the stormy horizon

**The calm waters after a storm often reveal new land and wealth. The best navigators use their compass, expertise and knowledge to remain on course and sail faster towards these new opportunities. Their courage leads them to a richer future.**

Kotak has always believed that challenges and changes result in opportunities for the organisation. Its approach, attitude and ability to take the right decisions at the right time help it to convert each challenge into a growth opportunity.

The Asian financial crisis, the global financial crisis of 2008 and the taper tantrum that followed have all jolted the financial services industry, but they have also shown Kotak new ways to build shareholder prosperity and value. These crises have proven to us that there are always opportunities beyond a storm.

## How Kotak emerged stronger from past crises

### 1997 Asian non-banking financial companies' crisis:

Of more than 4,000 NBFCs that entered the crisis, less than 100 survived.

Kotak, at that time an NBFC, focused on strong capital reserves and prudent risk management. Once safe, it applied to the RBI for a banking licence, and began a new phase of growth in 2003.

### 2008 global financial meltdown and its aftermath:

Following the global financial crisis caused by the 2008 collapse of Lehman Brothers in the United States, the RBI in 2011 deregulated savings account interest rates in India.

Kotak, having protected itself through the crisis, saw an opportunity to grow, and took the bold move of offering a rate up to 6% to its savings account customers. The Bank backed this decision with 9 years of conviction, during which its savings deposits have grown from ₹ 3,330 crore as on 31<sup>st</sup> March, 2011 to over ₹1 lakh crore as on 31<sup>st</sup> March, 2020.

## ➤ Growing franchise in non-credit risk areas

While Kotak takes a cautious approach on lending, its other franchise businesses – the brokerage, mutual fund, investment bank, wealth management and insurance – continue to thrive. These are relatively low-risk businesses, have provided the Group with a stable, growing source of revenue, and are well-positioned to continue delivering through the crisis and beyond.

## ➤ An eye on the future

Kotak has undertaken several initiatives to succeed in the future. It continues to have a relentless focus on risk-adjusted returns - core to its business philosophy - and its standalone Net Interest Margin (NIM) increased from 4.31% in FY 2018-19 to 4.62% this year. In the month of May 2020, it concluded a capital raising process, issuing 65 million new shares to institutional investors, and raising over ₹ 7,400 crore. The increased capital will further strengthen its position, while also allowing it to confidently explore growth opportunities as they come.

Finally, it continues to put in place several efficiency improvements and cost reduction measures to improve business metrics. All of these measures, and many more, should hold Kotak steady through the storm and into the future, delivering shareholder value for years to come.

# ESG Practices

## Growth. Sustainability. Prosperity.

Kotak Mahindra Bank's responsible business culture continues to create a positive impact on society while ensuring customer satisfaction and fulfilling its responsibilities towards internal and external stakeholders.

A robust Business Continuity Plan (BCP) is the bedrock of sustainability for any business enterprise. The COVID-19 pandemic has unleashed nature's fury at its worst, putting lives and livelihoods at risk globally. With the onset of the COVID-19 pandemic in India and the ensuing lockdown, Kotak has initiated a series of responsive actions to ensure business continuity and safeguard the lives of its employees and customers, and also rolled out CSR initiatives to offer relief to communities most affected by the pandemic.

As an essential services provider, it has ensured uninterrupted services to customers, with branches operating with limited staff and all safety protocols in place, while the remaining staff worked from home (WFH). Customers have been given the option to avail a loan moratorium. As banking increasingly moves to the digital space, data protection becomes critical. Trust is the central theme in building customer confidence, which in turn contributes to the sustainability of a bank's business. A robust risk management and governance practice is imperative for building a trustworthy bank

and it is these key principles that are driving Kotak's data governance strategy.

The banking sector must now adapt to the new normal in the aftermath of COVID-19 and Kotak's emphasis on digital-first initiatives takes on even more meaning. For the banking sector, a major challenge is reducing usage of paper. In FY 2019-20, Kotak undertook several initiatives on the digital front that not only enhanced customer experience, business efficiency, business collaborations and cybersecurity, but also helped in minimising environmental impact through resource conservation.

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### The banking sector must now adapt to the new normal in the aftermath of COVID-19 and Kotak's emphasis on digital-first initiatives takes on even more meaning.

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The Bank continues to reimagine sales, service and processes with an increased focus on digital channels. About 70% of new accounts in FY 2019-20 were opened via digital channels. Its pioneering Video KYC facility opens a full-fledged Kotak 811 savings account – a first in Indian banking. This is in line with Kotak's digital-first strategy and is a start-to-end fully integrated,





zero-contact, completely digital and paperless account opening + Full KYC journey.

The firm is conscious of the interdependencies between its economic activities and the ecosystem it operates in. Its Environmental Social Governance (ESG) philosophy goes beyond a set of policies and practices; and is an integral element of the Kotak culture. The robust ESG framework guides its efforts to conduct business in an ethical, responsible and transparent manner.

Kotak's Corporate Social Responsibility (CSR) Programmes are largely long-term, implemented in focused geographies, are sustainable and scalable, and aligned with the United Nation's Sustainable Development Goals (SDGs) and India's development priorities. The firm continues to expand its CSR footprint in focused geographies, while also increasing CSR expenditure.

To support the Government's effort in combating COVID-19, Kotak has contributed ₹ 25 crore to the PM CARES Fund and ₹ 10 crore to the Chief Minister's Relief Fund – COVID-19 in Maharashtra. In addition, it has been continuously supporting constituencies including the urban and rural poor, tribal communities, doctors, nurses and policemen on COVID-19 duty via various means such as contributing food packets, masks, face shields, sanitisers, Personal Protective Equipment (PPE) Kits, and the like.

In FY 2019-20, Kotak's CSR Expenditure at ₹ 85.20 crore was 133% higher than the spend of ₹ 36.55 crore in FY 2018-19, which in turn was 38.45% higher than ₹ 26.40 crore spent on this in FY 2017-18.

On the green infrastructure front, Kotak has added two LEED-certified buildings in FY 2019-20, to take its total green building count to nine. It monitors and discloses the Bank's greenhouse gas emissions and energy, water and other natural resource consumption. Further, it has taken up initiatives such as installation of LED lights, optimised electricity usage, and controlled running of air conditioners and timely replacement of existing hardware with energy efficient hardware to enhance energy efficiency. It is actively adding renewable energy alternatives. In FY 2019-20, one of its large offices

started using power from wind energy and there are plans to expand its renewable energy usage further. Its data centres have also been optimised for constant power use effectiveness (PUE), resulting in reduced power and cooling water requirement.

Kotak has a well-defined Social and Environmental Management System Plan (SEMSP). This SEMSP provides guidance for evaluating social and environmental risks of eligible borrowers. All wholesale term loan proposals are evaluated for SEMSP.

### FY 2019-20 Highlights



CSR Expenditure  
**₹ 85.20 crore**



Beneficiaries of CSR Programme  
on Education  
**14,000+** students



Beneficiaries of CSR Programme on  
Livelihood  
**Approx. 8,700** (trained)  
**5,100** (placed for employment)



Beneficiaries of CSR Programme on  
Healthcare  
**1.7 lakh+** patients



Energy Saving in Large Offices  
More than **900 Mwh**



Reduction of Plastic Waste  
**4,500 kg\***



Trees Saved by using Recycled Paper  
**744 trees\*\***

\*Stopped usage of 500ml one-time use plastic water bottles.  
100 plastic water bottles (500ml) = 1kg plastic waste

\*\*1 tonne of paper requires cutting of 24 trees. 31 tonnes of recycled paper was put to use

# Awards and Recognition

Uday Kotak conferred with the Lifetime Achievement Award at Businessworld's Magna Awards 2019

Uday Kotak recognised as the 'Best CEO in Banking Sector' at Business Today's Best CEO Awards 2019

## 11<sup>th</sup> India CFO Awards



Jaimin Bhatt felicitated with the 'CFO Award for Sustained Excellence Over A Decade' for his contribution and commitment to the sustainability and growth of the Kotak Group at the 11<sup>th</sup> India CFO Awards by IMA India

## 13<sup>th</sup> ICAI Awards 2020



Shanti Ekambaram receives the 'CA Business Leader - Large Corporates BFSI Award' at the 13<sup>th</sup> ICAI Awards 2020

## 9<sup>th</sup> Annual CFO100 2019 Awards



Himanshu Vasa receives the award in the category 'Cost Control & Management'



Chetan Desai receives the award in the category 'Corporate Tax Management'

## FE Best Bank Awards



On behalf of Kotak Mahindra Bank, Virat Diwanji receives the award in the category 'Best Savings Bank Product' at FE Best Bank Awards



Gobind Jain receives the award in the 'Risk Management' category



Deepak Goel receives award in the 'Technology' category

## GC Powerlist India Teams 2019



On behalf of Kotak Mahindra Bank, Bhargesh Ojha & Sanjay Bhatt receive the citation for being included in the 'GC Powerlist India Teams 2019' published by The Legal 500

**BFSI Gamechanger Award**

Deepak Sharma receives the 'BFSI Gamechanger Award' in recognition of his exemplary leadership in the BFSI sector at Elets BFSI Gamechanger Summit 2019

**BankTech Awards 2020**

On behalf of Kotak Mahindra Bank, Manish Shah receives the award for Keya (AI-powered Voicebot and Chatbot) in the category AI/Machine Learning at the BankTech Awards 2020

**Asian Banker Transaction  
Banking Awards 2019**

On behalf of Kotak Mahindra Bank, Shekhar Bhandari receives the award under categories – 'Best Cash Management Bank in India' & 'Best Productivity, Efficiency and Automation Initiative, Application or Programme – Smart Collect' at the Asian Banker Transaction Banking Awards 2019

**India Banking  
Summit & Awards 2019**

On behalf of Kotak Mahindra Bank, Sharatee Ghosh, Vishal Mudaliar & Infantia James receive the award in categories – 'Best Product Innovator of the Year' for WhatsApp Banking and 'Best Customer Service Provider of the Year' at the India Banking Summit & Awards 2019

**DX Summit & Awards**

On behalf of Kotak Mahindra Bank, Haresh Hiranandani receives the award for Kotak's Project Velocity in the category 'Best Practice in Digital Transformation 2019' at the DX Summit & Awards

**India FinTech Awards (IFTA) 2019**

On behalf of Kotak Mahindra Bank, Manish Shah receives the 'Most Innovative Bank of the Year' award at the India FinTech Awards (IFTA) 2019

**Business Today – Money Today Financial Services  
Awards 2020**

- Nilesh Shah and Team receive the Business Today – Money Today Financial Service Awards 2019 on behalf of Kotak Mutual Fund for:-
  - Best Fund House – Overall
  - Best Fund House – Debt

**Maddys 2019**

Kotak 811 #IndiaInvited Campaign wins 'Silver' under the Integrated Campaign category at Maddys 2019

### CIO100 Award



IDG India's CIO brand recognises Kotak Mahindra Asset Mgt. Co. Ltd. as the recipient of 2019 'CIO100 Award' and felicitates Ananth Subramanian

### VCCircle Awards 2020



Snigdha Jain and Eshwar Karra receive the 'Fund Raiser of the Year - Private Equity' Award at VCCircle Awards 2020 on behalf of Kotak Investment Advisors Limited

### Business Today – Money Today Financial Services Awards 2020



Deepak Agrawal wins 'Best Fund Manager' at the Business Today – Money Today Financial Services Awards 2020

### Express Computer BFSI Digital Innovation Award 2019



Neelam Bhohe receives the award on behalf of Kotak Mahindra Bank at the Express Computer BFSI Digital Innovation Award 2019 for 'Enterprise Mobility'

### Atal Pension Yojna (APY) felicitation programme



Nishant Shelar is presented with 2 awards on behalf of Kotak Mahindra Bank in 2019 by Pension Fund Regulatory and Development Authority during Atal Pension Yojna (APY) felicitation programme for 'Pledge to Persist (P2P)' for achieving 93% persistency in APY

### LACP Awards 2019



Kotak Mahindra Bank bags a Bronze at the League of American Communications Professionals (LACP) 2019 Spotlight Awards for its 'Annual Report 2018-19 titled - Courage of Conviction. Constasy of Change.'

### Kotak Mahindra Bank Ltd.

- ▶ Uday Kotak ranked #2 under the 'Best CEOs' at FinanceAsia Best Managed Companies Poll 2020 (India)
- ▶ Fortune India names Shanti Ekambaram as one of India's Most Powerful Business Women in 2019
- ▶ Business Today names Shanti Ekambaram as one of the 'Most Powerful Women in Business' 2019
- ▶ Laqshya Pitch CMO Awards 2020 honours Karthi Marshan with the 'CMO Transformation Award' for his demonstrated ability to lead company-wide brand transformation beyond the marketing department
- ▶ Karthi Marshan recognised amongst the 'Super 30 – CMO Honor Roll' 2019 by IAMA & iProspect

## Awards and Recognition

- ▶ Shekhar Bhandari conferred with 'Transaction Banker of the Year - Asia Pacific 2019' at the Asian Banker Transaction Banking Awards
- ▶ Sanjay Gupta conferred with the 'BFSI Leadership Award' at 4<sup>th</sup> Elets BFSI Leadership Summit 2020 in recognition of his exemplary leadership in the banking domain
- ▶ KRC Murty conferred with 'Excellence in Operations Award' at IDC Insights Awards 2019
- ▶ Kotak Mahindra Bank ranked #4 at the FinanceAsia Best Managed Companies Poll 2020 (India)
- ▶ Kotak Mahindra Bank wins the 'Best Corporate & Investment Bank' at Asiamoney Best Bank Awards 2020 (India)
- ▶ Keya bags an award at the 8<sup>th</sup> edition of Finnoviti Awards 2020
- ▶ Kotak 811 #Indialnited Campaign wins 'Gold' at the DMAI International Echo Awards 2019
- ▶ Kotak Mahindra Bank wins the 'Best Bank' (Domestic) Award at The Asset Country Awards 2019
- ▶ Kotak Mahindra Bank recognised amongst the 30 key Asian financial institutions shaping Asia's financial system by Asiamoney 30
- ▶ Kotak Mahindra Bank recognised as 'Best Domestic Bank' at the Asiamoney Best Bank Awards 2019 (India)
- ▶ Infosys Finacle Client Innovation Awards 2019 recognises Kotak Mahindra Bank for:
  - API-led innovations for Open Banking
- Process Innovation for CMS Payment Robotics Process Automation
- Product Innovation for Dynamic Discounting Supply Chain
- ▶ Kotak Mahindra Bank is the Runner-Up at the IMAI 9<sup>th</sup> India Digital Awards for 'Best Digital API – Open Banking'
- ▶ Kotak Mahindra Bank wins multiple awards at The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2019, namely:-
  - Best Solution Awards:
    - Best Payments and Collections (Solution provider for Aditya Birla Finance)
    - Best Payments and Collections (Solution provider for Bajaj Finance Limited)
    - Best Payments and Collections (Solution provider for Mahanagar Gas Limited)
    - Best Supply Chain (Solution provider for Bajaj Electricals)
    - Best Payments and Collections (Solution provider for Akshaya Patra Foundation)
  - Best House Awards:
    - Best in Treasury and Working Capital-LLCs
    - Best Service Provider-Cash Management
    - Best Service Provider-E-Solutions Partner
- ▶ Kotak Mahindra Bank bags multiple awards at the DMA Asia Awards, namely:-
  - Client of the Year Award
- Gold award for:
  - Kotak 811 #Indialnited in the 'Best Integrated Campaign' category
  - Kotak 811 #BenchOfUnity in the 'Best Integrated Campaign (social media)' category
  - Kotak 811 #Indialnited in the 'Financial Services' category
- Silver Award for:
  - Kotak 811 #Indialnited Augmented Reality on ground in the 'Best Use of Experiential' category
- Bronze Award:
  - Kotak 811 #Indialnited Augmented Reality on Ground in the 'Best Emerging Technologies' category
  - Kotak 811 #Indialnited in the 'Best Creative Storytelling' category
- ▶ Kotak 811 #Indialnited bags the Bronze award under the 'Best Integrated Campaign' category at ET Shark Awards
- ▶ Kotak Mahindra Bank wins Gold for #BenchOfUnity campaign in the category 'Use of Consumer Insights' and Bronze for Kotak 811 #Indialnited campaign for 'Best Use of Integrated Marketing Campaign' at the Indian Marketing Awards 2019
- ▶ Outdoor Advertising Awards 2019 recognises Kotak Bank for the 'Ranveer Singh debit card campaign' under the financial services category
- ▶ Kotak Mahindra Bank wins at UiPath Automation Excellence Awards for 'Finance and Accounting Processes'

### Kotak Wealth Management

- ▶ Kotak Wealth Management Ranked #1 in Asian Private Banker's 2018 and 2019 India Onshore AUM league table
- ▶ Kotak Wealth Management wins 'Best Private Bank in India' at Private Wealth Management/ The Banker Global Private Banking Awards
- ▶ Kotak Wealth Management emerges Runner-Up for the 'Best Family Office' category at the 29<sup>th</sup> Private Banker International Global Wealth Awards 2019
- ▶ Kotak Wealth Management is the Runner-Up at The Asset Triple A Private Banking, Wealth Management, Investment and ETF Awards 2019 for 'Best Private Bank'
- ▶ Global Finance 2020 Private Bank Awards recognises Kotak Wealth Management as 'Best Private Bank for New Customer Segments'

### Kotak Mahindra Life Insurance Company Ltd.

- ▶ G Murlidhar honoured with 'Insurance CEO of the Year – Life Category' by FICCI Insurance Industry Awards 2019

### Kotak Securities Ltd.

- ▶ FinanceAsia awards Kotak Securities with 'Best Broker' at their 2019 Country Awards
- ▶ Kotak Securities bags Gold at ACEF 2019 for Email marketing & successful use of technology; Silver at ACEF 2019 for Data driven marketing & successful use of technology

### Kotak Mahindra Asset Management Company Ltd.

- ▶ Pankaj Tibrewal wins 'Best Engagement by an Institutional Investor' at IR Magazine Awards India 2019
- ▶ Thomson Reuters Lipper India 2019 Fund Awards recognises Kotak Mutual Fund for:-
  - Kotak Equity Arbitrage Fund - Regular Plan - Growth Option (5 Years)
  - Kotak Equity Arbitrage Fund - Regular Plan - Growth Option (10 Years)

### Kotak Mahindra General Insurance Company Ltd.

- ▶ #DriveLikeALady social media campaign bags 'Silver' at Indian Digital Media Awards 2019
- ▶ The Economic Times - Brand Equity Shark Awards 2019 presents Kotak General Insurance with Silver for the 'Best Consumer Insight Campaign'
- ▶ DMA Asia Echo Awards 2019 accolades Kotak General Insurance's #DriveLikeALady campaign with multiple awards, namely:-
  - Silver Award for:
    - Financial services
    - Best customer engagement
  - Bronze Award for:
    - Best use of social media
    - Best innovative product development
    - Customer services

### Kotak Institutional Equities

- ▶ Asiamoney Brokers Poll honours Kotak Institutional Equities:-
  - Ranked first in India in 2019
  - Best for overall research (India)

### Kotak Mahindra Capital Company Ltd.

- ▶ Kotak Mahindra Capital Company wins in the category 'Best India Deal' for 'Embassy Office REITs US\$690 million at the FinanceAsia Achievement Awards 2019
- ▶ Kotak Mahindra Capital Company wins 'Best Securities House in India' at Asiamoney's 2019 Best Securities Houses in Asia Awards
- ▶ Kotak Mahindra Capital Company bags multiple awards at The Asset Triple A Country Awards 2019 (India), namely:-
  - Best Equity Advisor
  - Best M&A Advisor
  - Best IPO, India for Embassy Office Parks REIT US\$688 million IPO
  - Best QIP, India, for Godrej Properties US\$302 million QIP
  - Best rights issue, India, for Vodafone Idea's US\$3.6 billion rights issue

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# Consolidated Financial Highlights 2019-2020

(₹ in crore)

<b>FINANCIAL HIGHLIGHTS</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Advances	144,793	167,125	205,997	243,462	249,879
Investments*	55,304	49,974	68,741	76,858	81,334
Total Assets	240,804	276,188	337,720	395,171	443,173
Net Profit	3,459	4,940	6,201	7,204	8,593
<b>KEY FINANCIAL INDICATORS</b>					
Net Interest Margin (NIM) <sup>^</sup>	4.4%	4.5%	4.3%	4.2%	4.6%
Return on Average Assets (RoAA)	1.6%	2.0%	2.0%	2.0%	2.1%
Book Value Per Share (₹)	182	209	265	303	348
Earnings Per Share (EPS) Face Value ₹ 5 per share	18.9	26.9	32.7	37.6	44.7
Return on Equity (RoE)	11.0%	13.8%	13.5%	13.3%	13.7%
Capital Adequacy Ratio	17.0%	17.2%	18.4%	17.9%	19.8%
Gross NPA (₹ crore)	3,017	3,804	4,071	4,789	5,488
Net NPA (₹ crore)	1,353	1,814	1,769	1,696	1,745
Gross NPA Ratio	2.1%	2.2%	2.0%	1.9%	2.2%
Net NPA Ratio	0.9%	1.1%	0.9%	0.7%	0.7%

\* Excludes Policyholders' investments

<sup>^</sup> For FY 2018, FY 2019 and FY 2020, excluding dividend and interest on income tax refunds. Adjusted for reclassification of prepayment interest and account foreclosure charges from interest income to other income.

<b>MARKET RELATED RATIOS</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Market Price (₹)	681	872	1048	1,335	1,296
Market Capitalisation (₹ crore)	124,857	160,563	199,674	254,723	247,939
Price to Book Ratio	3.7	4.2	4.0	4.4	3.7
Price to Earnings Ratio	36.1	32.5	32.1	35.5	29.0



# Standalone Financial Highlights 2019-2020

(₹ in crore)

FINANCIAL HIGHLIGHTS	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Deposits	138,643	157,426	192,643	225,880	262,821
Advances	118,665	136,082	169,718	205,695	219,748
Investments	51,260	45,074	64,562	71,189	75,052
Total Assets	192,260	214,590	264,933	312,172	360,252
Net Interest Income	6,863	8,079	9,472	11,206	13,500
Fee Income	1,801	2,168	2,825	3,444	3,779
Other Non Interest Income	848	1,356	1,288	1,213	1,593
Operating profit	4,041	5,985	7,158	8,348	10,021
Provisions and Contingencies	917	837	940	962	2,216
Tax Provision	1,034	1,737	2,134	2,520	1,858
Net Profit	2,090	3,411	4,084	4,865	5,947
<b>KEY FINANCIAL INDICATORS</b>					
Net Interest Margins	4.3%	4.5%	4.3%	4.3%	4.6%
Cost to Income Ratio	58%	48%	47%	47%	47%
Return on Average Assets	1.2%	1.7%	1.7%	1.7%	1.9%
Fee / NII Plus other Income	18.9%	18.7%	20.8%	21.7%	20.0%
NII / NII Plus other Income	72.2%	69.6%	69.7%	70.6%	71.5%
Capital Adequacy Ratio	16.3%	16.8%	18.2%	17.5%	17.9%
Tier I	15.3%	15.9%	17.6%	16.9%	17.3%
Gross NPA Ratio	2.4%	2.6%	2.2%	2.1%	2.3%
Net NPA Ratio	1.1%	1.3%	1.0%	0.8%	0.7%

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

# Consolidation at a Glance

(₹ in crore)

	2019-2020		2018-2019		March 31, 2020	March 31, 2019
	Profit before Tax	Profit after Tax	Profit before Tax	Profit after Tax	Capital & Reserves and Surplus*	Capital & Reserves and Surplus*
Kotak Mahindra Bank Limited	7,804.67	5,947.18	7,385.79	4,865.33	49,015.30	42,898.38
<b>Subsidiaries</b>						
Kotak Mahindra Prime Limited	923.36	673.12	905.07	599.35	6,088.39	5,415.52
Kotak Securities Limited	738.36	550.01	680.39	451.86	4,528.77	3,978.76
Kotak Mahindra Capital Company Limited	107.62	79.08	92.93	63.12	622.01	571.93
Kotak Mahindra Life Insurance Company Limited	839.14	608.18	590.80	507.24	3,353.54	2,745.36
Kotak Mahindra General Insurance Company Limited	(28.12)	(28.12)	(34.90)	(34.90)	164.71	107.83
Kotak Mahindra Investments Limited	368.49	270.13	315.56	206.99	1,859.64	1,589.51
Kotak Mahindra Asset Management Company Limited	394.11	291.84	337.12	218.06	708.52	445.41
Kotak Mahindra Trustee Company Limited	60.24	44.99	50.53	36.48	177.92	137.45
Kotak Mahindra (International) Limited	25.51	23.81	63.60	59.59	706.33	623.03
Kotak Mahindra (UK) Limited	63.64	50.83	48.34	38.81	353.67	273.90
Kotak Mahindra, Inc.	(2.27)	(2.31)	(2.38)	(2.44)	5.24	7.05
Kotak Investment Advisors Limited	12.35	9.67	17.10	17.41	364.81	355.14
Kotak Mahindra Trusteeship Services Limited	3.43	2.54	3.31	2.39	20.90	18.35
Kotak Infrastructure Debt Fund Limited	33.99	33.99	25.65	25.65	383.82	349.90
Kotak Mahindra Pension Fund Limited	0.07	0.06	0.07	0.07	25.42	25.36
Kotak Mahindra Financial Services Limited	(1.06)	(1.06)	0.12	0.12	8.07	8.41
Kotak Mahindra Asset Management (Singapore) Pte. Limited	52.98	47.58	60.59	52.16	156.25	96.38
IVY Product Intermediaries Limited	0.37	0.26	0.33	0.24	5.85	5.59
BSS Microfinance Limited	78.88	59.26	79.22	55.68	223.44	164.18
<b>Total</b>	<b>11,475.76</b>	<b>8,661.04</b>	<b>10,619.24</b>	<b>7,163.21</b>	<b>68,772.60</b>	<b>59,817.44</b>
Add: Associates		(13.72)		84.43	941.59	942.35
Less: Dividend, Inter company and other adjustment		53.96		43.51	2,580.07	2,480.06
<b>Consolidated Profit After Tax / Capital &amp; Reserves and Surplus*</b>		<b>8,593.36</b>		<b>7,204.13</b>	<b>67,134.12</b>	<b>58,279.73</b>
Consolidated Earnings per Share (₹)		44.68		37.57		
Consolidated Book Value per Share (₹)					348.32	302.71

\* Capital &amp; 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, which comprise the Consolidated Balance Sheet as at 31 March 2020, 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 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 2020, 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 18 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 Note Schedule 17 Note 2(A), Schedule 17 Note 2(H)(v) and Schedule 17 Note 7 of the accompanying consolidated financial statements which describes the uncertainties due to the outbreak of novel coronavirus (COVID-19). In view of these uncertainties, the impact on the consolidated financial statement is significantly dependent on 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, 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 COVID-19 RBI Regulatory Package in relation to the Bank**

As at 31 March 2020, the Bank reported total advances (net of provisions) of ₹ 219,748.19 Crores, gross NPAs of ₹ 5,026.89 Crores, and provision for non-performing assets of ₹ 3,469.00 Crores. The provision coverage ratio as at 31 March 2020 is 76.30%. (Refer Schedule 17 Note 2(H) for the accounting policy and Schedule 9 and Schedule 17 Note 7).

Key audit matter	How our audit addressed the key audit matter
<p>The Reserve Bank of India's ("RBI") guidelines on Income Recognition and Asset Classification ("IRAC norms") prescribe the prudential norms for identification and classification of NPAs 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.</p> <p>The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors.</p> <p>The provisioning for identified NPAs is estimated based on ageing and classification of NPAs, recovery estimates, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI.</p> <p>Due to the ongoing pandemic, during our audit we have also identified implementation of the "COVID-19 Regulatory Package-Asset Classification and Provisioning" ('Regulatory Package') issued by the RBI on 17 April 2020 as a matter of significance in measurement of provision for advances. Since the Bank is permitted to grant a moratorium of three months to borrowers from payment of installments and interest falling due from 1 March 2020 to 31 May 2020, as per RBI's announcement on 27 March 2020 separate asset classification and provisioning norms have been also prescribed by the RBI in the Regulatory package for such borrowers availing the moratorium benefit.</p> <p>Since the identification of NPAs and provisioning for such advances requires considerable level of estimation and given its significance to the overall audit including possible observations by RBI which could result in disclosures in the financial statements and regulatory changes due to COVID-19 we have identified this as a key audit matter.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Understood the process and controls and tested the design and operating effectiveness of key controls, including IT based controls, focusing on the following: <ul style="list-style-type: none"> <li>- Approval of new lending facilities against the Bank's credit policies and the performance of annual loan assessments.</li> <li>- Controls over the monitoring of credit quality which amongst other things included, the monitoring of overdue reports, drawing power limit, pending security creation</li> <li>- Identification and classification of NPAs in line with RBI IRAC norms and certain qualitative aspects; and</li> <li>- Assessment of adequacy of NPA provisions.</li> </ul> </li> <li>• 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.</li> <li>• Verified the accounts classified by the Bank as Special Mention Accounts ("SMA") in RBI's Central Repository of Information on Large Credits ('CRILC') and performed discussion with the management</li> <li>• 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</li> <li>• With respect to provisions recognised towards NPAs, on sample basis, we re-performed the provision calculations 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 challenged various assumptions and judgements which were used by the management.</li> <li>• Obtained an understanding of implementation of the Regulatory Package and with respect to borrowers to whom a moratorium was granted, on a sample basis, we tested that such moratorium was granted in accordance with the board approved policy. We re-performed the calculations for the additional general provisions made in accordance with the "Regulatory Package".</li> </ul>

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>We read the RBI Annual Financial Inspection report for the financial year ended 31 March 2019 and other communication with regulators.</li> <li>We assessed the appropriateness and adequacy of disclosures against the relevant accounting standards and RBI requirements relating to NPAs including the additional disclosures required to be made in accordance with the Regulatory Package.</li> </ul>

### 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
<p>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.</p> <p>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.</p> <p>The accuracy and reliability of the financial reporting process depends on the IT systems and the related control environment, including:</p> <ul style="list-style-type: none"> <li>IT general controls over user access management and change management across applications, networks, database, and operating systems.</li> <li>IT application controls.</li> </ul> <p>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 for the current year audit.</p>	<p>In assessing the integrity of the IT systems, we involved our IT experts 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.</p> <p>Access rights were tested over 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.</p> <p>We have also evaluated changes in IT process (including usage of technology) for access to IT assets and infrastructure in work from home scenario due to COVID-19 pandemic.</p> <p>Other areas that were assessed under the IT control environment, included password policies, security configurations, business continuity, and controls around change management.</p> <p>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.</p> <p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures.</p>

7. The auditors, Deloitte Haskins & Sells LLP, Chartered Accountants, of Kotak Securities Limited, vide their audit report dated 29 April 2020, have expressed an unmodified opinion on the financial statements. Based on consideration of their report, we have determined the matters described below to be the key audit matters to be communicated in our report:

### Information technology systems relating to Kotak Securities Limited

Key audit matter	How the matter was addressed in our audit
<p>Key Information technology (IT) systems used in financial reporting process</p> <p>The Company's operational and financial processes are dependent on IT systems due to large volume of transactions that are processed daily.</p>	<p>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.</p>

Key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• We tested key automated business cycle controls, related interfaces and logics for system generated reports relevant to the audit for evaluating completeness and accuracy;</li> <li>• We also tested the controls over network segmentation, restriction of remote access to the entity's network, controls over firewall configurations and mechanisms implemented.</li> </ul>

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 29 April 2020 and Group Audit Instructions, have expressed an unmodified opinion on the financial statements. Based on consideration of information submitted by them, we have determined the matters described below to be the key audit matters to be communicated in our report:

**Information technology systems relating to Kotak Mahindra Life Insurance Company Limited**

Key audit matter	How the matter was addressed in our audit
<p>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.</p>	<p>Our procedures in relation to the IT systems and controls included:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• tailoring our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.</li> <li>• 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.</li> <li>• testing the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized and also developed and implemented properly.</li> </ul>

**Valuation of investments relating to Kotak Mahindra Life Insurance Company Limited**

Key audit matter	How the matter was addressed in our audit
<p>The Company's investment portfolio represents substantial portion of the Company's total assets as at 31 March 2020 which are valued in accordance with accounting policy framed as per the extent of the regulatory guidelines.</p> <p><b>Investment in Non-linked and shareholders' portfolio:</b></p> <p>All debt securities are valued at amortized 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.</p> <p><b>Investment in unit linked portfolio:</b></p> <p>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.</p> <p>Due to COVID-19 pandemic and subsequent lock-down announced by the Government, the Company's management has been required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of Investments. These estimates and associated assumptions, especially for determining the fair value of the Company investments, are based on historical experience and various other factors including the possible effects that may result from the pandemic. These estimates and associated assumptions are believed to be reasonable under the current circumstances. The Company has used internal and external sources of information including credit reports, economic forecasts and consensus estimates from market sources on the expected future performance of the underlying companies in developing the estimates and assumptions to assess the fair value of the investments as at 31 March 2020.</p> <p>The valuation of these investments was considered to be one of the areas which required significant auditor attention and was one of the matters of most significance in the standalone financial statements due to the materiality of total value of investments to the financial statements.</p>	<p>Our procedures for this area included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• 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 authorization and data input controls;</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ul>

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

9. The Holding Company's Board of Directors are 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**

10. 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 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 subsidiaries included in the Group and its associate 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.
11. In preparing the consolidated financial statements, the respective Board of Directors of the subsidiaries 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.
12. Those respective Board of Directors are also responsible for overseeing the financial reporting process of the subsidiaries included in the Group and of its associates.

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

13. Our objectives are to obtain reasonable assurance about whether the 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 financial statements.
14. 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 Group and its associates (covered under the Act) have adequate internal financial controls system in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group 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 statement 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.
15. 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.
  16. 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.
  17. 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

18. We did not audit the financial statements of 19 subsidiaries, whose financial statements reflect total assets of ₹ 88,303.09 crores and net assets of ₹ 19,757.30 crores as at 31 March 2020, total revenues of ₹ 18,740.35 crores and net cash inflows amounting to ₹ 5,490.93 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 loss of ₹ 14.24 crores for the year ended 31 March 2020, 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.

The consolidated financial statements also includes the Group's share of net profit after tax of ₹ 0.52 crore for the year ended 31 March 2020, in respect of 2 associates, based on their financial statements/financial information, which have not been audited. These financial statements / financial information have been furnished to us by the Holding Company's 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, are based solely on such unaudited financial statements/ financial information. In our opinion, and according to the information and explanations given to us by the management, these financial statements / financial information is not material to the Group.

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. The other auditors appointed by the Holding Company's management in India have audited these conversion adjustments made by the Holding Company's management. Our opinion, 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 other auditors appointed by the Holding Company's management in India.

19. The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by the predecessor auditor, who have expressed an unmodified opinion on those consolidated financial statements vide their audit report dated 30 April 2019.
20. The Joint auditors of Kotak Mahindra Life Insurance Company Limited, ('KLIFE'), in forming their opinion as stated in the 'Other matter' paragraph of their report dated 29 April 2020, on valuation of liabilities for life policies in force and for policies in respect of which the premium has been discontinued but liability exists as at 31 March 2020, have relied on 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. They 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.

21. The Joint auditors of Kotak Mahindra General Insurance Company Limited, ('KMGICL'), in forming their opinion as stated in the 'Other matter' paragraph of their report dated 22 April 2020, on valuation of liabilities Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims, have relied on the KMGICL's Appointed Actuary (the 'Appointed Actuary of KMGICL'). The estimate of IBNR claims and IBNER claims, included under Claims Outstanding as on 31 March 2020 has been duly certified by the Appointed Actuary of KMGICL, and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the IRDAI and the Institute of Actuaries of India. They have relied upon the Appointed Actuary of KMGICL's certificate in this regard for forming their opinion on the financial statements of the Company.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the management.

### **Report on Other Legal and Regulatory Requirements**

22. The provisions of section 197 read with Schedule V of the Act are not applicable to the Bank for the year ended 31 March 2020. However, the remuneration to whole-time directors of the Bank during the year ended 31 March 2020 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949.

Based on the consideration of reports of the statutory auditors of two subsidiaries, Kotak Mahindra Life Insurance Company Limited and Kotak Mahindra General Insurance Company Limited, the remuneration paid to their directors during the year ended 31 March 2020 was in accordance with the provision of section 197 of the Act, read with section 34A of the Insurance Act, 1938 and based on the consideration of reports of the statutory auditors of four subsidiaries, Kotak Securities Limited, Kotak Mahindra Trusteeship Services Limited, Kotak Mahindra Capital Company Limited and Kotak Mahindra Trustee Company Limited, the remuneration paid to their directors during the year ended 31 March 2020 was in accordance with the provision of section 197 of the Act.

Further, for the two associates not audited during the year as described in paragraph 18 of our report, and for eight 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 during the year ended 31 March 2020, 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.

23. 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 Flows 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 2020 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 over financial reporting of the Holding Company, and its subsidiary companies and associate companies covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure I'; 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 9 to the consolidated financial statements;
  - ii. provision has been made in the consolidated financial statements as at 31 March 2020, 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 Refer Schedule 12.II, Schedule 17 - Note 2(G), Schedule 17 - Note 2(W) and Schedule 17 - Note 7 and Note 9 to the consolidated financial statements;
  - 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 during the year ended 31 March 2020; and
  - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

**Sudhir N. Pillai**

Partner

Membership No.: 105782

**UDIN No: 20105782AAAADN3576**

Place: Mumbai

Date: 13 May 2020

## **Annexure I 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 2020**

### **Independent Auditor's Report on the Internal Financial Controls under Clause (a) 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 Bank' or '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 2020, we have audited the internal financial controls over financial reporting ('IFCoFR') 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. 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**

3. Our responsibility is to express an opinion on the IFCoFR 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 Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, 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 IFCoFR 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 IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, 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 consolidated 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 IFCoFR of the Holding Company, its subsidiary companies and its associate companies as aforesaid.

#### **Meaning of Internal Financial Controls over Financial Reporting**

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR 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 consolidated 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 consolidated financial statements.

#### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR 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 reporting by the other auditors 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 over financial reporting and such controls were operating effectively

as at 31 March 2020, 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 Matter

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 29 April 2020 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 2020. 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 22 April 2020 have reported, "The actuarial valuation of liabilities in respect of Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims is the responsibility of the KMGICL's Appointed Actuary ('the Appointed Actuary of KMGICL'). The estimate of claims Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER), included under Claims Outstanding as at March 31, 2020 has been duly certified by the KMGICL's Appointed Actuary, and in his opinion, the assumptions for such valuation in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India (IRDAI) and the Institute of Actuaries of India in concurrence with the IRDAI. We have relied upon the Appointed Actuary's of KMGICL's certificate in this regard for forming our opinion on the financial statements of KMGICL". 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 IFCoFR in so far as it relates to 14 subsidiary companies, which are companies covered under the Act, whose financial statements reflect total assets of ₹ 86,621.83 crores and net assets of ₹ 18,527.74 crores as at 31 March 2020, total revenues of ₹18,398.92 crores and net cash inflows amounting to ₹ 5,425.64 crores for the year ended on that date, as considered in the consolidated financial statements.
12. The consolidated financial statements also include the Group's share of net loss of ₹ 14.24 crores for the year ended 31 March 2020, in respect of 2 associate companies, which are companies covered under the Act, whose IFCoFR have not been audited by us.
13. We did not audit the IFCoFR insofar as it relates to 1 associate, which is a company covered under the Act, in respect of which, the Group's share of net profit of ₹ 0.44 crores for the year ended 31 March 2020 has been considered in the consolidated financial statements. The IFCoFR of this associate company, which is a 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 a company covered under the Act, is solely based on the corresponding IFCoFR reports 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 statements / financial information is not material to the Group. Our report on adequacy and operating effectiveness of the IFCoFR of the Group does not include the IFCoFR 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 IFCoFR report certified by the management.
14. The IFCoFR 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 IFCoFR 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.

For **Walker Chandio & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

**Sudhir N. Pillai**

Partner

Membership No.: 105782

**UDIN No: 20105782AAAADN3576**

Place: Mumbai

Date: 13 May 2020

# Consolidated Balance Sheet

as at 31<sup>st</sup> March, 2020

(₹ in thousands)

	Schedule	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	14,565,192	14,543,774
Employees' Stock Options (Grants) Outstanding		28,654	20,728
Reserves and Surplus	2	656,776,002	568,253,545
Deposits	3	2,604,002,077	2,248,242,606
Borrowings	4	655,767,168	664,389,383
Policyholders' Funds		315,088,169	274,178,120
Other Liabilities and Provisions	5	185,499,855	182,084,325
<b>Total</b>		<b>4,431,727,117</b>	<b>3,951,712,481</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	95,132,346	109,109,235
Balances with Banks and Money at Call and Short Notice	7	545,666,137	203,535,378
Investments	8	1,111,969,130	1,034,870,206
Advances	9	2,498,789,578	2,434,619,939
Fixed Assets	10	18,609,626	18,837,090
Other Assets	11	153,422,770	142,603,103
Goodwill on Consolidation		8,137,530	8,137,530
<b>Total</b>		<b>4,431,727,117</b>	<b>3,951,712,481</b>
Contingent Liabilities	12	1,901,590,851	2,178,471,521
Bills for Collection		395,189,768	318,522,336
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 **Walker Chandio & Co LLP**  
Chartered Accountants  
Firm Registration No. 001076N/N500013

**Sudhir N. Pillai**  
Partner  
Membership No. 105782

Mumbai  
13<sup>th</sup> May, 2020

For and on behalf of the Board of Directors

**Prakash Apte**  
Chairman  
  
**Dipak Gupta**  
Joint Managing Director

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

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

**Uday Khanna**  
Director

**Bina Chandarana**  
Joint President and  
Company Secretary

# Consolidated Profit and Loss Account

for the year ended 31<sup>st</sup> March, 2020

(₹ in thousands)

	Schedule	For the year ended 31 <sup>st</sup> March, 2020	For the year ended 31 <sup>st</sup> March, 2019
<b>I. INCOME</b>			
Interest Earned	13	334,741,610	298,312,238
Other Income	14	168,915,750	161,478,892
<b>Total</b>		<b>503,657,360</b>	<b>459,791,130</b>
<b>II. EXPENDITURE</b>			
Interest Expended	15	159,006,795	151,866,056
Operating Expenses	16	204,851,517	191,714,249
Provisions and Contingencies (Refer Note 7 - Schedule 17)		53,728,199	45,013,854
<b>Total</b>		<b>417,586,511</b>	<b>388,594,159</b>
<b>III. PROFIT</b>			
<b>Net Profit for the year</b>		86,070,849	71,196,971
Add: Share in profit / (loss) of Associates		(137,239)	844,334
<b>Consolidated Profit for the year attributable to the Group</b>		<b>85,933,610</b>	<b>72,041,305</b>
Add : Balance in Profit and Loss Account brought forward from previous year		304,070,411	249,311,308
<b>Total</b>		<b>390,004,021</b>	<b>321,352,613</b>
<b>IV. APPROPRIATIONS</b>			
Transfer to Statutory Reserve		14,868,000	12,163,400
Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		1,958,227	1,665,283
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		800,000	400,000
Transfer to Debenture Redemption Reserve		34,000	-
Transfer to Capital Reserve		1,148,400	69,900
Transfer to General Reserve		-	17,500
Transfer to / (from) Fraud Provision		(13,971)	13,971
Transfer to / (from) Investment Reserve Account		(310,622)	310,622
Transfer to Investment Fluctuation Reserve Account		4,831,336	708,918
Dividend		1,932,583	1,602,824
Corporate Dividend Tax		397,567	329,784
Balance carried over to Balance Sheet		364,358,501	304,070,411
<b>Total</b>		<b>390,004,021</b>	<b>321,352,613</b>
<b>V. EARNINGS PER SHARE [REFER NOTE 10 - SCHEDULE 17]</b>			
Basic (₹)		44.73	37.61
Diluted (₹)		44.68	37.57
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 **Walker Chandiok & Co LLP**

Chartered Accountants

Firm Registration No. 001076N/N500013

**Sudhir N. Pillai**

Partner

Membership No. 105782

Mumbai

13<sup>th</sup> May, 2020

For and on behalf of the Board of Directors

**Prakash Apte**

Chairman

**Dipak Gupta**

Joint Managing Director

**Jaimin Bhatt**

Group President and

Group Chief Financial Officer

**Uday Kotak**

Managing Director and

Chief Executive Officer

**Uday Khanna**

Director

**Bina Chandarana**

Joint President and

Company Secretary

# Consolidated Cash Flow Statement

for the year ended 31<sup>st</sup> March, 2020

(₹ in thousands)

	For the year ended 31 <sup>st</sup> March, 2020	For the year ended 31 <sup>st</sup> March, 2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit after tax	86,070,849	71,196,971
Add: Provision for tax	28,147,161	34,560,191
<b>Net Profit before taxes</b>	<b>114,218,010</b>	<b>105,757,162</b>
<b>Adjustments for:-</b>		
Employee Stock Options Expense	27,688	17,961
Depreciation on Group's property	4,648,883	4,584,215
Amortisation of Premium on Investments	3,141,827	2,767,131
Diminution / (write back) in the value of Investments	1,809,321	(221,386)
(Profit) / Loss on revaluation of Investments (net)	22,050,283	(3,362,543)
Profit on sale of Investments (net)	(15,477,482)	(8,757,588)
Provision for Non Performing Assets, Standard Assets and Other Provisions	23,771,717	10,675,049
Profit on sale of Fixed assets	(294,242)	(216,146)
	<b>153,896,005</b>	<b>111,243,855</b>
<b>Adjustments for :-</b>		
(Increase) / Decrease in Investments - Available for Sale, Held for Trading and Stock-in-Trade	39,101,737	(85,977,086)
(Increase) in Advances	(79,832,985)	(383,870,477)
(Increase) in Other Assets	(9,828,238)	(5,375,139)
Increase in Deposits	355,759,471	335,884,612
Increase in Policyholders' Funds	40,910,049	49,924,759
Increase / (Decrease) in Other Liabilities and Provisions	(5,154,941)	30,707,914
<b>Sub-total</b>	<b>340,955,093</b>	<b>(58,705,417)</b>
<b>Direct Taxes Paid (net of refunds)</b>	<b>(28,662,809)</b>	<b>(34,314,608)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>466,188,289</b>	<b>18,223,830</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	(4,526,218)	(5,249,629)
Proceeds from sale of Fixed assets	399,331	339,338
Proceeds from Sale of Shares in Associates	142,615	-
Purchase consideration paid on acquisition of Subsidiary	-	(206,924)
(Increase) in Other Investments	(128,004,464)	(28,708,380)
<b>NET CASH FLOW (USED IN) INVESTING ACTIVITIES (B)</b>	<b>(131,988,736)</b>	<b>(33,825,595)</b>



# Consolidated Cash Flow Statement

for the year ended 31<sup>st</sup> March, 2020

(₹ in thousands)

	For the year ended 31 <sup>st</sup> March, 2020	For the year ended 31 <sup>st</sup> March, 2019
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid including corporate dividend tax	(2,330,150)	(1,932,608)
Money received on issue of Equity Shares / exercise of stock options	3,606,107	2,235,908
Share issue expenses	(3,700)	(7,013)
Money received on issue of Perpetual Non-Cumulative Preference Shares	-	5,000,000
Increase / (Decrease) in borrowings	(8,622,215)	78,349,648
<b>NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)</b>	<b>(7,349,958)</b>	<b>83,645,935</b>
<b>INCREASE IN FOREIGN CURRENCY TRANSLATION RESERVE (D)</b>	<b>1,304,275</b>	<b>594,120</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>	<b>328,153,870</b>	<b>68,638,290</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	312,644,613	244,006,323
<b>(Refer Note below)</b>		
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	640,798,483	312,644,613
<b>(Refer Note below)</b>		
<b>Note:</b>		
Balance with banks in India in Other Deposit Accounts (As per Schedule 7 I (i) (b))	66,211,387	52,509,250
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	4,685,818	3,236,037
Money at call and short notice in India with Banks (As per Schedule 7 I (ii) (a))	31,458,390	48,751,995
Money at call and short notice in India with Other Agencies (As per Schedule 7 I (ii) (b))	403,000,000	43,000,000
Cash in hand (As per Schedule 6 I)	17,297,985	12,545,048
Balance with RBI in Current Account (As per Schedule 6 II)	77,834,361	96,564,187
Balance with banks Outside India:		
(i) In Current Account (As per Schedule 7 II (i))	7,573,611	7,864,430
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	32,736,931	48,173,666
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>640,798,483</b>	<b>312,644,613</b>

As per our report of even date attached  
For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm Registration No. 001076N/N500013

**Sudhir N. Pillai**  
Partner  
Membership No. 105782

Mumbai  
13<sup>th</sup> May, 2020

For and on behalf of the Board of Directors

**Prakash Apte**  
Chairman

**Dipak Gupta**  
Joint Managing Director

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

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

**Uday Khanna**  
Director

**Bina Chandarana**  
Joint President and  
Company Secretary

# Schedules

Forming part of Consolidated Balance Sheet as at 31<sup>st</sup> March, 2020

## SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>Authorised Capital</b>		
2,800,000,000 Equity Shares of ₹ 5/- each (31 <sup>st</sup> March, 2019: 2,800,000,000 Equity Shares of ₹ 5/- each)	14,000,000	14,000,000
1,000,000,000 Perpetual Non Cumulative Preference Shares of ₹ 5/- each (31 <sup>st</sup> March, 2019: 1,000,000,000)	5,000,000	5,000,000
	<b>19,000,000</b>	<b>19,000,000</b>
<b>Issued, Subscribed and Paid-up Capital</b>		
1,913,038,338 Equity Shares of ₹ 5/- each (31 <sup>st</sup> March, 2019: 1,908,754,827 Equity Shares of ₹ 5/- each) fully paid-up	9,565,192	9,543,774
1,000,000,000 Perpetual Non Cumulative Preference Shares of ₹ 5/- each (31 <sup>st</sup> March, 2019: 1,000,000,000) fully paid-up	5,000,000	5,000,000
<b>Total</b>	<b>14,565,192</b>	<b>14,543,774</b>

## SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>I. Statutory Reserve</b>		
Opening Balance	67,257,783	55,094,383
Add: Transfer from Profit and Loss Account	14,868,000	12,163,400
<b>Total</b>	<b>82,125,783</b>	<b>67,257,783</b>
<b>II. Capital Reserve</b>		
Opening Balance	2,133,886	2,063,986
Add: Transfer from Profit and Loss Account	1,148,400	69,900
<b>Total</b>	<b>3,282,286</b>	<b>2,133,886</b>
<b>III. General Reserve</b>		
Opening Balance	6,540,937	6,523,437
Add: Transfer from Profit and Loss Account	-	17,500
<b>Total</b>	<b>6,540,937</b>	<b>6,540,937</b>
<b>IV. Securities Premium Account</b>		
Opening Balance	165,401,030	163,168,753
Add: Received during the year	3,604,451	2,239,290
Less: Utilised for Share Issue Expenses	3,700	7,013
<b>Total</b>	<b>169,001,781</b>	<b>165,401,030</b>

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>V. Special Reserve under Section 45IC of the RBI Act, 1934</b>		
Opening Balance	12,111,710	10,446,427
Add: Transfer from Profit and Loss Account	1,958,227	1,665,283
<b>Total</b>	<b>14,069,937</b>	<b>12,111,710</b>
<b>VI. Capital Reserve on Consolidation</b>		
Opening Balance	1,475,671	1,475,671
<b>Total</b>	<b>1,475,671</b>	<b>1,475,671</b>
<b>VII. Foreign Currency Translation Reserve</b>		
(Refer Note 2(G)(viii) and (xii)- Schedule 17)		
Opening Balance	1,974,231	1,380,111
Increase during the year	1,304,275	594,120
<b>Total</b>	<b>3,278,506</b>	<b>1,974,231</b>
<b>VIII. Investment Reserve Account</b>		
Opening Balance	310,622	-
Add: Transfer from Profit and Loss Account	(310,622)	310,622
<b>Total</b>	<b>-</b>	<b>310,622</b>
<b>IX. Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961</b>		
Opening Balance	4,942,000	4,542,000
Add: Transfer from Profit and Loss Account	800,000	400,000
<b>Total</b>	<b>5,742,000</b>	<b>4,942,000</b>
<b>X Investment Fluctuation Reserve</b>		
Opening Balance	708,918	-
Add: Transfer from Profit and Loss Account	4,831,336	708,918
<b>Total</b>	<b>5,540,254</b>	<b>708,918</b>
<b>XI. Capital Redemption Reserve</b>		
Opening Balance	101,800	101,800
<b>Total</b>	<b>101,800</b>	<b>101,800</b>
<b>XII. Amalgamation Reserve</b>		
Opening Balance	1,224,046	1,224,046
<b>Total</b>	<b>1,224,046</b>	<b>1,224,046</b>
<b>XIII. Investment Allowance (Utilised) Reserve</b>		
Opening Balance	500	500
<b>Total</b>	<b>500</b>	<b>500</b>
<b>XIV. Debenture Redemption Reserve</b>		
Opening Balance	-	-
Add: Transfer from Profit and Loss Account	34,000	-
<b>Total</b>	<b>34,000</b>	<b>-</b>
<b>XV. Balance in the Profit and Loss Account</b>	364,358,501	304,070,411
<b>Total (I to XV)</b>	<b>656,776,002</b>	<b>568,253,545</b>

**SCHEDULE 3 - DEPOSITS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>A. I. Demand Deposits</b>		
i. From Banks	1,995,282	3,685,256
ii. From Others	419,489,116	379,107,522
<b>Total</b>	<b>421,484,398</b>	<b>382,792,778</b>
<b>II. Savings Bank Deposits</b>	1,046,085,934	796,847,139
<b>III. Term Deposits</b>		
i. From Banks	14,293,589	630,768
ii. From Others	1,122,138,156	1,067,971,921
<b>Total</b>	<b>1,136,431,745</b>	<b>1,068,602,689</b>
<b>Total Deposits (I to III)</b>	<b>2,604,002,077</b>	<b>2,248,242,606</b>
<b>B. I. Deposits of Branches in India</b>	2,601,895,700	2,246,639,481
<b>II. Deposits of Branches Outside India</b>	2,106,377	1,603,125
<b>Total Deposits (I + II)</b>	<b>2,604,002,077</b>	<b>2,248,242,606</b>

**SCHEDULE 4 - BORROWINGS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>I. Borrowings in India</b>		
(i) Reserve Bank of India	3,870,000	16,290,000
(ii) Other Banks	312,963,756	190,147,507
(iii) Other Institutions and Agencies (Refer Note 12 - Schedule 17)	270,299,274	341,953,934
<b>Total</b>	<b>587,133,030</b>	<b>548,391,441</b>
<b>II. Borrowings outside India</b>		
Banks and Other Institutions	68,634,138	115,997,942
<b>Total</b>	<b>68,634,138</b>	<b>115,997,942</b>
<b>Total Borrowings (I + II)</b>	<b>655,767,168</b>	<b>664,389,383</b>
<b>Secured Borrowings included in I &amp; II above</b>	<b>188,174,786</b>	<b>232,136,194</b>

**SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
I. Bills Payable	10,134,781	18,481,653
II. Interest Accrued	16,880,596	18,066,072
III. Provision for tax (net of advance tax and tax deducted at source)	2,289,670	1,211,813
IV. Standard Asset provision	10,734,626	10,363,819
V. Others (including provisions) (Refer Note 3, 6 and 21 - Schedule 17)	145,460,182	133,960,968
<b>Total</b>	<b>185,499,855</b>	<b>182,084,325</b>

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

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
I. Cash in hand (including foreign currency notes)	17,297,985	12,545,048
II. Balances with RBI in Current Account	77,834,361	96,564,187
<b>Total</b>	<b>95,132,346</b>	<b>109,109,235</b>

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

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>I. In India</b>		
<b>(i) Balances with Banks [Refer Note 4 - Schedule 17]</b>		
(a) In Current Accounts	4,685,818	3,236,037
(b) In Other Deposit Accounts	66,211,387	52,509,250
<b>Total</b>	<b>70,897,205</b>	<b>55,745,287</b>
<b>(ii) Money at Call and Short Notice</b>		
(a) With Banks	31,458,390	48,751,995
(b) With Other Agencies	403,000,000	43,000,000
<b>Total</b>	<b>434,458,390</b>	<b>91,751,995</b>
<b>Total (i + ii)</b>	<b>505,355,595</b>	<b>147,497,282</b>
<b>II. Outside India</b>		
(i) In Current Accounts	7,573,611	7,864,430
(ii) In Other Deposit Accounts	32,736,931	48,173,666
<b>Total (i + ii)</b>	<b>40,310,542</b>	<b>56,038,096</b>
<b>Total (I + II)</b>	<b>545,666,137</b>	<b>203,535,378</b>

**SCHEDULE 8 - INVESTMENTS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>I. Investments in India in [Refer Note 5 - Schedule 17]</b>		
i. Government Securities	784,432,833	692,202,262
ii. Other approved Securities	-	-
iii. Shares	78,361,628	105,774,422
iv. Debentures and Bonds	170,956,734	155,953,680
v. Associates*	10,661,364	10,921,720
vi. Others [Units, Certificate of Deposits, Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC), Alternate Asset and Other similar funds]	62,979,129	66,970,143
<b>Total</b>	<b>1,107,391,688</b>	<b>1,031,822,227</b>

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>II. Investments Outside India in</b>		
i. Government Securities	3,755,167	1,705,969
ii. Shares	16,534	16,523
iii. Debentures and Bonds	1,383	693,882
iv. Others [Venture, Private Equity and other similar funds]	804,358	631,605
<b>Total</b>	<b>4,577,442</b>	<b>3,047,979</b>
<b>Total Investments (I + II)</b>	<b>1,111,969,130</b>	<b>1,034,870,206</b>
<b>* Investment in Associates</b>		
Equity Investment in Associates	1,247,777	1,490,269
Add: Goodwill on acquisition of Associates	4,962	20,856
Less: Provision for diminution	3,906	7,813
Less: Capital reserve on Consolidation (Share of pre-acquisition profits)	3,375	5,098
<b>Cost of Investment in Associates</b>	<b>1,245,458</b>	<b>1,498,214</b>
Add: Post-acquisition profit / (loss) and Reserve of Associates (Equity method)	9,415,906	9,423,506
<b>Total</b>	<b>10,661,364</b>	<b>10,921,720</b>

**SCHEDULE 9 - ADVANCES**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>A.</b>		
(i) Bills purchased and discounted <sup>#</sup>	77,781,325	91,420,925
(ii) Cash Credits, Overdrafts and Loans repayable on demand	586,908,005	593,575,229
(iii) Term Loans	1,834,100,248	1,749,623,785
<b>Total</b>	<b>2,498,789,578</b>	<b>2,434,619,939</b>
<i># Bills purchased and discounted is net of bills rediscounted Nil (previous year ₹ 491.21 crore)</i>		
<b>B.</b>		
(i) Secured by tangible assets*	1,907,348,766	1,881,549,435
(ii) Covered by Bank / Government guarantees	15,146,253	20,844,952
(iii) Unsecured	576,294,559	532,225,552
<b>Total</b>	<b>2,498,789,578</b>	<b>2,434,619,939</b>
<i>* including advances secured against book debts</i>		
<b>C. I Advances in India</b>		
(i) Priority Sector	733,388,522	722,728,549
(ii) Public Sector	25,027,953	11,687,525
(iii) Banks	37	66
(iv) Others	1,697,085,056	1,658,779,560
<b>II Advances outside India</b>		
(i) Due from banks	-	-
(ii) Due from others		
a) Bills purchased and discounted	-	-
b) Syndicated and term loans	43,288,010	41,423,367
c) Others	-	872
<b>Total</b>	<b>2,498,789,578</b>	<b>2,434,619,939</b>

**SCHEDULE 10 - FIXED ASSETS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>A. Premises (Including Land)</b>		
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	11,666,777	11,596,466
Additions during the year	11,803	135,794
Deductions during the year	48,707	65,483
<b>Total</b>	<b>11,629,873</b>	<b>11,666,777</b>
<b>Depreciation</b>		
As at 31 <sup>st</sup> March of the preceding year	1,898,314	1,725,715
Add: Charge for the year	192,552	193,488
Deductions during the year	25,388	20,889
<b>Depreciation to date</b>	<b>2,065,478</b>	<b>1,898,314</b>
<b>Net Block</b>	<b>9,564,395</b>	<b>9,768,463</b>
<b>B. Other Fixed Assets (including furniture and fixtures)</b>		
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	30,756,211	31,199,439
Additions during the year (including on acquisition)	4,514,705	5,910,413
Deductions during the year	3,443,426	6,353,641
<b>Total</b>	<b>31,827,490</b>	<b>30,756,211</b>
<b>Depreciation</b>		
As at 31 <sup>st</sup> March of the preceding year	21,844,568	23,728,884
Add: Charge for the year	4,456,331	4,390,727
Deductions during the year	3,361,656	6,275,043
<b>Depreciation to date</b>	<b>22,939,243</b>	<b>21,844,568</b>
<b>Net Block (Refer Note 22 - Schedule 17)</b>	<b>8,888,247</b>	<b>8,911,643</b>
<b>C. Leased Fixed Assets</b>		
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	1,540,585	1,540,585
Additions during the year	-	-
<b>Total</b>	<b>1,540,585</b>	<b>1,540,585</b>
<b>Depreciation</b>		
As at 31 <sup>st</sup> March of the preceding year	1,383,601	1,383,601
Add: Charge for the year	-	-
<b>Depreciation to date</b>	<b>1,383,601</b>	<b>1,383,601</b>
<b>Net Block</b>	<b>156,984</b>	<b>156,984</b>
<b>Total (A) + (B) + (C)</b>	<b>18,609,626</b>	<b>18,837,090</b>

**SCHEDULE 11 - OTHER ASSETS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
I. Interest accrued	38,867,775	32,619,296
II. Advance tax (net of provision for tax)	400,974	248,773
III. Stationery and stamps	33,500	17,632
IV. Cheques in course of collection	13,431	-
V. Non Banking assets acquired in satisfaction of claims	-	-
VI. Others (Refer Note 3 and 21 - Schedule 17)	114,107,090	109,717,402
<b>Total</b>	<b>153,422,770</b>	<b>142,603,103</b>

**SCHEDULE 12 - CONTINGENT LIABILITIES**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
I. Claims not acknowledged as debts	16,946,551	19,567,389
II. Liability on account of outstanding forward exchange contracts	975,904,924	1,200,719,737
III. Guarantees on behalf of constituents		
i) In India	241,207,375	267,992,053
ii) Outside India	107,636	102,414
IV. Acceptances, Endorsements and Other Obligations	166,071,440	167,730,488
V. Other items for which the Group is contingently liable:		
Liability in respect of interest rate, currency swaps and forward rate agreements	438,038,079	405,612,228
Liability in respect of other derivative contracts	41,730,300	96,620,268
Capital commitments not provided	19,322,111	18,280,212
Unclaimed customer balances*	2,262,435	1,846,732
<b>Total</b>	<b>1,901,590,851</b>	<b>2,178,471,521</b>

\* includes amount transferred to RBI DEAF Scheme



# Schedules

Forming part of Consolidated Profit and Loss Account for the year ended 31<sup>st</sup> March, 2020

## SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

	For the year ended 31 <sup>st</sup> March, 2020	For the year ended 31 <sup>st</sup> March, 2019
I. Interest / discount on advances / bills	248,771,053	221,627,347
II. Income from investments	73,273,089	64,438,098
III. Interest on balances with RBI and other inter-bank funds	8,276,449	7,351,727
IV. Others	4,421,019	4,895,066
<b>Total</b>	<b>334,741,610</b>	<b>298,312,238</b>

## SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

	For the year ended 31 <sup>st</sup> March, 2020	For the year ended 31 <sup>st</sup> March, 2019
I. Commission, exchange and brokerage	58,738,209	54,980,658
II. Profit on sale of Investments (net)	15,477,482	8,757,588
III. Profit / (Loss) on revaluation of investments of Insurance business	(22,050,283)	3,362,543
IV. Profit on sale of building and other assets (net)	294,242	216,146
V. Profit on exchange on transactions (net) (including derivatives)	6,954,813	7,639,891
VI. Premium on Insurance business	105,660,337	83,091,916
VII. Profit on recoveries of non-performing assets acquired	1,487,580	1,796,826
VIII. Miscellaneous Income	2,353,370	1,633,324
<b>Total</b>	<b>168,915,750</b>	<b>161,478,892</b>

## SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

	For the year ended 31 <sup>st</sup> March, 2020	For the year ended 31 <sup>st</sup> March, 2019
I. Interest on Deposits	120,285,321	109,636,733
II. Interest on RBI / Inter-Bank Borrowings	12,619,109	17,659,445
III. Others (Refer Note 13 - Schedule 17)	26,102,365	24,569,878
<b>Total</b>	<b>159,006,795</b>	<b>151,866,056</b>

**SCHEDULE 16 - OPERATING EXPENSES**

(₹ in thousands)

	For the year ended 31 <sup>st</sup> March, 2020	For the year ended 31 <sup>st</sup> March, 2019
I. Payments to and provision for employees (Refer Note 3 and 11 - Schedule 17)	57,559,662	48,509,041
II. Rent, taxes and lighting (Refer Note 16 - Schedule 17)	7,685,789	7,113,274
III. Printing and Stationery	1,155,955	1,275,941
IV. Advertisement, Publicity and Promotion	3,834,907	3,401,404
V. Depreciation on Group's property	4,648,883	4,584,215
VI. Directors' fees, allowances and expenses	45,950	42,140
VII. Auditors' fees and expenses*		
Statutory Audit fees	87,166	87,138
Other Matters	13,901	12,272
VIII. Law Charges	584,232	564,128
IX. Postage, telephones etc.	2,315,135	2,245,227
X. Repairs and maintenance	5,810,209	5,111,666
XI. Insurance	2,338,461	2,016,222
XII. Travel and Conveyance	1,649,133	1,719,652
XIII. Professional Charges	9,126,469	8,639,624
XIV. Brokerage	7,702,307	8,287,478
XV. Stamping Expenses	1,554,798	1,411,715
XVI. Policyholders' Reserves	41,880,957	50,817,337
XVII. Insurance Business Expenses (claims and benefits paid)	37,700,852	30,692,111
XVIII. Other Expenditure	19,156,751	15,183,664
<b>Total</b>	<b>204,851,517</b>	<b>191,714,249</b>

\* The audit fees is aggregate of statutory audit fees of Kotak Mahindra Bank Limited and its subsidiaries. Of the above ₹ 2.05 crore (previous year ₹ 2.65 crore) have been paid to the statutory auditors of the Bank.

**SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. GENERAL:****OVERVIEW**

Kotak Mahindra Bank Limited ('the Bank' or 'KMBL'), together with its subsidiaries (collectively, 'the Group'), is a diversified financial services group providing a wide range of banking and financial services including Retail Banking, Treasury and Corporate Banking, Investment Banking, Stock Broking, Vehicle Finance, Advisory services, Asset Management, Life Insurance and General Insurance. The Bank set up and commenced operations in May 2016, at its International Financial Services Center Banking Unit (IBU) in Gujarat International Finance Tec (GIFT) City, Gujarat. The Bank has commenced operations in October 2019 at its first overseas branch at the Dubai International Financial Centre (DIFC), Dubai, U.A.E.

**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. 31<sup>st</sup> March, 2020.

- a. The list of subsidiaries is as under:

<b>Name of the Subsidiary</b>	<b>Country of Origin</b>	<b>% Shareholding of Group (31<sup>st</sup> March, 2020)</b>	<b>% Shareholding of Group (31<sup>st</sup> March, 2019)</b>
Kotak Mahindra Prime Limited	India	100.00	100.00
Kotak Securities Limited	India	100.00	100.00
Kotak Mahindra Capital Company Limited	India	100.00	100.00
Kotak Mahindra Life Insurance Company Limited	India	100.00	100.00
Kotak Mahindra Investments Limited	India	100.00	100.00
Kotak Mahindra Asset Management Company Limited	India	100.00	100.00
Kotak Mahindra Trustee Company Limited	India	100.00	100.00
Kotak Mahindra (International) Limited	Mauritius	100.00	100.00
Kotak Mahindra (UK) Limited	UK	100.00	100.00
Kotak Mahindra, Inc.	USA	100.00	100.00
Kotak Investment Advisors Limited	India	100.00	100.00
Kotak Mahindra Trusteeship Services Limited	India	100.00	100.00
Kotak Infrastructure Debt Fund Limited	India	100.00	100.00
Kotak Mahindra Pension Fund Limited	India	100.00	100.00
Kotak Mahindra Financial Services Limited	U.A.E	100.00	100.00
Kotak Mahindra Asset Management (Singapore) PTE. Limited	Singapore	100.00	100.00
Kotak Mahindra General Insurance Company Limited	India	100.00	100.00
IVY Product Intermediaries Limited	India	100.00	100.00
BSS Microfinance Limited	India	100.00	100.00

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

Name of the Associate	Country of Origin	% Shareholding of Group (31 <sup>st</sup> March, 2020)	% Shareholding of Group (31 <sup>st</sup> March, 2019)
Infina Finance Private Limited	India	49.99	49.99
Phoenix ARC Private Limited	India	49.90	49.90
ECA Trading Services Limited (formerly known as ACE Derivatives & Commodity Exchange Limited) (Unaudited) <sup>5</sup>	India	20.00	40.00
Matrix Business Services India Private Limited (Unaudited) <sup>#</sup>	India	-	19.77

<sup>5</sup> The Group has reduced its stake in ECA Trading Services Limited (formerly known as ACE Derivatives & Commodity Exchange Limited), an Associate company by 20% on 18<sup>th</sup> March 2020.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES:

### A. ACCOUNTING METHODOLOGY

The Financial Statements have been prepared on historical cost basis of accounting. The Group adopts the accrual method of accounting and historical cost convention except derivatives. The Group has prepared these financial statements to comply in all material respects with the Accounting Standards notified under Section 133 and the relevant 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.

### COVID - 19

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. On 11<sup>th</sup> March, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 has taken its toll on not just human life, but business and financial markets too, the extent of which is currently unascertainable. Various governments, civil society and many organisations, including the Bank, have introduced a variety of measures to contain the spread of the virus to protect lives and livelihood. On 24<sup>th</sup> March, 2020, the Indian government announced a strict 21-day lockdown which was further extended by 19 days and again by 14 days across the country to contain the spread of virus. There is a high level of uncertainty about the duration of the lockdown and the time required for life and business to get normal. The extent to which COVID-19 pandemic will impact the Group's operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Group.

### 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.

### C. REVENUE RECOGNITION

#### a. Banking / Investing:

- i. Interest income is recognised on accrual basis.
- ii. Interest income in respect of retail advances (except for a subsidiary, Kotak Mahindra Prime Limited (KMPL)) is accounted for by using the internal rate of return method on the outstanding on the contract.
- iii. Interest income on investments in Pass-Through-Certificates (PTCs) and loans bought out through the direct assignment route is recognised at their effective interest rate.
- iv. KMPL accounts for auto finance income (including service charges and incentives) by using the internal rate of return method to provide a constant periodic rate of return after adjustment of brokerage expenses on the net investment outstanding on the contract. The volume-based incentives and brokerage are accounted as and when the said volumes are achieved. Income also includes gains made on termination of contracts.
- v. Service charges, fees and commission income are recognised when due except as indicated in para iv above. The guarantee commission and letter of credit commission is recognised over the period of the guarantee and letter of credit respectively. Syndication / arranger fee is recognised as income as per the terms of engagement.

- vi. Interest income on discounted instruments is recognised over the tenure of the instruments so as to provide a constant periodic rate of return.
  - vii. Upon an asset becoming non-performing assets (NPAs) the income accrued gets reversed, and is recognised only on realisation, as per RBI guidelines. Penal interest is recognised as income on realisation other than on running accounts where it is recognised when due.
  - viii. Gain on account of securitisation of assets is amortised over the life of the securities issued in accordance with the guidelines issued by the RBI. Loss on account of securitisation of assets is recognised immediately in Profit and Loss account.
  - ix. Gain on account of assignment of assets on bilateral basis is recognised based on the difference between the book value of the assigned assets and sale consideration received.
  - x. Dividend income is accounted on an accrual basis when the right to receive the dividend is established.
  - xi. In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.
  - xii. Fees received on sale of Priority Sector Lending Certificates is considered as Miscellaneous Income, while fees paid for purchase is recognised as expense under other expenses in accordance with the guidelines issued by the RBI.
- b. Investment Banking:**
- i. Issue management fees and placement fees, underwriting commission and financial advisory fees are accounted on completion of milestones specified in the contract.
- c. Life Insurance:**
- i. Premium is recognised as income when it is due from policyholders except on unit linked policies, where the premium is recognised when associated units are created.
  - ii. In accordance with the terms of insurance policies, uncollected premium on lapsed policies is not recognised as income until revived.
  - iii. Top Up / Lump sum contributions are accounted as a part of the single premium.
  - iv. Income from 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 and for installment policies it is recognised on installment due dates. Premium earnings are recognised over the period of the policy or period of risk. Any revisions in premium amount are recognised in the year in which they occur and over the remaining period of the policy. Any subsequent cancellations of policies are recognised in the same period in which they occur.
  - iii. Commission on reinsurance ceded is recognised as income on ceding of reinsurance premium. Profit commission under reinsurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by the reinsurer.
  - iv. Proportional Reinsurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Non-proportional reinsurance cost is accounted as per terms of the reinsurance arrangements. Any revisions in reinsurance premium ceded are recognised in the period in which it occur. On cancellation of policies, related reinsurance premium ceded are recognised in the same period in which it occur. Reinsurance inward acceptances are accounted for on the basis of returns, to the extent received, from the insurers.
  - v. In respect of policies booked where risk inception date is subsequent to the Balance Sheet date, the premium collected is presented in Balance Sheet as premium received in advance.
  - vi. Premium deficiency is recognised when sum of expected claim cost, related expenses and maintenance cost (related to claims handling) exceed related reserve for unexpired risk. It is recognised on an annual basis and at segment level for the insurance company viz., Fire, Marine and Miscellaneous. Premium Deficiency Reserve is estimated and certified by the Appointed Actuary.

**e. Broking:**

- i. Placement and other fee based income are accounted for on the basis of the progress of the assignment.
- ii. Brokerage Income (net of indirect tax):
  - On primary market subscription / mobilisation is accounted on receipt of intimation of allotment.
  - On secondary market transaction is recognised upon completion of brokerage services to customers.
- iii. Depository Fees (net of indirect taxes), is recognised on accrual basis and as per terms agreed with the customers. Other charges recovered from secondary broking customers are recognised upon completion of services.
- iv. Portfolio management fees are accounted on accrual basis as follows:
  - In case of fees based on fixed percentage of the corpus / fixed amount, income is accrued over the period of the agreement.
  - In case of fees based on the returns of the portfolio, income is accounted on the termination of the portfolio agreement / on each anniversary as per the agreement, whichever is earlier.
  - In case of upfront non-refundable fee, income is accounted in the year of receipt.
- v. Funds received from investors in Portfolio Management Services (PMS) and corresponding investments made on their behalf are not forming part of these financial statements.
- vi. Securities lending or borrowing fees are recognised on pro-rata basis over the tenure of the contract.

**f. Asset Management and Advisory Services:**

- i. Investment management fees are recognised (net of indirect tax) on an accrual basis after deducting actual and estimated expenses from total expense accruals in scheme books (adjusted for exclusions as required by the Securities and Exchange Board of India (SEBI) guidelines), such that the total expenses, including management fees do not exceed the rates prescribed within the provision of - the 'SEBI (Mutual Fund) Regulations, 1996' on an annual basis.
- ii. Management 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. 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.
- iii. Portfolio advisory service fees are recognised (net of indirect tax) on accrual basis in accordance with the terms of agreement.
- iv. Income on account of distribution from venture capital funds/ Alternate investment fund is recognised on the receipt of the distribution letter or when right to receive is established.

**D. FIXED ASSETS (PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE 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 losses arising from the retirement or disposal of a Property, Plant and Equipment and Intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Profit on sale of premises of the Bank, 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 (Previous Year: five subsidiaries) make contributions to a Gratuity Fund administered by trustees and managed by life insurance companies. In other subsidiaries gratuity obligation is wholly unfunded. The contribution made to the trusts is recognised as planned assets.

#### Pension:

In respect of pension payable to certain employees of erstwhile ING Vysya Bank Limited (eIVBL) employees under Indian Banks' Association (IBA) structure, the Bank contributes 10% of basic salary to a pension fund and the 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 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.

**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. Profit / 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 / PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;
  - In case of bonds and debentures (including PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by the RBI. Interest on such securities is not recognised in the Profit and Loss Account until received;
  - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per investee company;
  - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF made after 23<sup>rd</sup> 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 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.
- 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 “Held To Maturity” for the purpose of valuation and are accordingly recorded at historical cost (excluding interest paid, if any). Debt securities including Government securities are stated at net amortised cost. Money market instruments are valued at historical cost subject to accretion of discount. The premium or discount, if any, on purchase of debt securities is amortised or accreted over the period to maturity on an internal rate of return basis.
- e. Listed equity shares as at the Balance Sheet dates are stated at fair value being the quoted closing price on National Stock Exchange Limited (NSE). If an equity share is not listed or traded on NSE, the share price of Bombay Stock Exchange Limited (BSE) is used. Unlisted shares or shares awaiting listing are stated at historical cost subject to provision for diminution, if any. In case of Infrastructure Investment Trusts (InvIT), where market quote is not available for the last 30 days, the Units shall be valued as per the latest NAV (not more than 6 months old) of the Units published by the trust. All redeemable 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 have been valued at an applicable market yield rates provided by CRISIL.

- 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 profit or loss on sale of investments includes the accumulated changes in the fair value change account.

- h. Real estate investment property represents building held for investment purpose to earn rental income or for capital appreciation and is not occupied. Such Investment property is initially valued at cost including any direct attributable cost. Investment in the real estate investment property is valued at historical cost plus revaluation, if any. Revaluation of the investment property is done at least once in three years. Any change in the carrying amount of the investment property is accounted to Revaluation Reserve forming part of “Reserves and Surplus”. Impairment loss, if any, exceeding revaluation reserve is recognised as expense in the Profit and Loss Account

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

- 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 the 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 Credit Rating Information Service of India Limited (CRISIL). Debt Securities other than Government Securities are valued on the basis of CRISIL Bond valuer. The discount on purchase of treasury bills, certificate of deposit, commercial papers and CBLO/ Triparty Repo is accreted over the period to maturity on an internal rate of return basis. Listed equity shares and Exchange Traded Funds (ETF) are valued at fair value, being the last quoted closing price on the NSE (In case of securities not listed on NSE, the last quoted closing price on the BSE is used). Equity shares awaiting listing are stated at historical cost subject to provision for diminution, if any, in the value of such investments. Such diminution is determined separately for each individual investment. Unrealised gains and losses are recognised in the Profit and Loss Account.
- 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 'Held To Maturity' and stated at historical cost adjusted for amortisation of premium or accretion of discount determined on constant yield to maturity basis over the holding / maturity period.
- c. Mutual fund units are stated at their 'Net Asset Value' as at the Balance Sheet date. Any unrealised gain / loss is accounted for under fair value change account and is included in the carrying value of investment. 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. 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 International Financial Services Center Banking Unit (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.

**Interest rate / Currency swaps:**

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

**Currency options:**

- xiv. The outstanding option trades, in the nature of hedge, at the Balance Sheet date are disclosed at the contract amount as off Balance Sheet exposure. The premium paid is amortised over the life of the contract.

**Equity index / equity futures, equity index / equity options, embedded derivatives / other derivatives:**

- xv. Outstanding derivative contracts, including embedded derivatives, are measured at fair value as at each Balance Sheet date. Fair value of derivatives is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, a valuation technique is used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.
- xvi. Initial Margin - Derivative Instrument representing the initial margin paid and / or additional margin paid over and above the initial margin, for entering into contracts for equity index / stock futures and equity index / stock options / other derivatives, which are released on final settlement / squaring-up of the underlying contracts, are disclosed under Other Assets. "Deposit for Mark to Market Margin - Derivative Instrument" representing the deposit paid in respect of mark to market margin is disclosed under Other Assets.
- xvii. On final settlement or squaring up of contracts for equity index / stock futures / other derivatives, the realised profit or loss after adjusting the unrealised loss already accounted, if any, is recognised in the Profit and Loss Account and shown as Profit on exchange on transactions (net) (including derivatives).
- xviii. On settlement or squaring up of equity index / stock options / other derivatives before expiry, the premium prevailing in option contracts on that date is recognised in the Profit and Loss Account.
- xix. When more than one contract in respect of the relevant series of equity index / stock futures or equity index / stock options / other derivatives contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit or loss on squaring-up.

**H. ADVANCES****Classification:**

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

**Provisioning:****For Bank:**

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

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27<sup>th</sup> March, 2020 and 17<sup>th</sup> April, 2020 and clarification issued by RBI through Indian Bankers Association dated 6<sup>th</sup> 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 1<sup>st</sup> March, 2020 and 31<sup>st</sup> May, 2020 ('moratorium period') to eligible borrowers classified as Standard, even if overdue, as on 29<sup>th</sup> 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. The Bank and its NBFC subsidiaries holds provisions as at 31<sup>st</sup> March, 2020 against the potential impact of COVID-19 based on the information available up to a point in time. In accordance with the said guidelines, such accounts where moratorium has been granted will not be considered as restructured.

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.

- 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.

**I. STRUCTURED LIABILITIES**

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

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

**J. LIABILITY FOR POLICIES**

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

**K. ACTUARIAL METHOD – LIFE INSURANCE**

- i. Actuarial method and assumptions: The actuarial liabilities have been calculated by the appointed actuary in accordance with generally accepted actuarial principles, the requirements of the Insurance Act 1938 as amended by the Insurance Laws (Amendment) Act, 2015, the Insurance Regulatory and Development Authority Act, 1999 and the regulations framed thereunder, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, the Insurance Regulatory and Development Authority of India (Assets, Liabilities and Solvency Margin of Life Insurance Business) Regulations, 2016, and other relevant regulations, orders/ directions issued by IRDAI in this regard and the prescribed guidance notes issued by the Institute of Actuaries of India. In respect of unit linked policies, a unit reserve equal to the value of units as 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 / VIP fund is equal to premiums net of deductions accumulated with guaranteed interest plus a non-unit reserve to provide for expenses and mortality benefits.
- iv Reserve for freelook cancellation is held to meet any premium refunds from policy freelook cancellations.
- v While no COVID - 19 related insured claims have been reported to the Group, continuation of current situation could have some impact on the claims outgo and factors like interest rates used for valuation of liabilities.

There is reasonable level of prudence provided in the valuation interest rates assumption. Further, the Prudence in the Best Estimate (BE) mortality basis and Margins for Adverse deviation (MAD) is sufficient to meet any expected additional claims likely to emerge under the current COVID - 19 situations. The Group reinsures mortality with an optimum level of retention on guaranteed premiums bases, with financially strong reinsurers. The Group carries out resilience test on balance sheet and its impact on solvency margin. The Life insurance subsidiary has solvency ratio of 290% which is above the regulatory minimum solvency ratio of 150%.

#### L. RESERVE FOR UNEXPIRED RISK – GENERAL INSURANCE

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

#### M. DISCOUNTED INSTRUMENTS

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

#### N. ACQUISITION COSTS

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

#### O. BULLION

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

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

#### P. TAXES ON INCOME

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

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

Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent period.

Deferred tax assets on account of timing differences are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of carry forward losses and unabsorbed depreciation, under tax laws, all the deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

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

## Q. SEGMENT REPORTING

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

Segment	Principal activity
Treasury, BMU and Corporate centre	Dealing in debt, equity, money market, forex market, derivatives and investments and primary dealership of Government securities and Balance Sheet Management unit (BMU) responsible for Asset Liability Management and Corporate Centre which primarily comprises of support functions.
Retail Banking	Includes: <ol style="list-style-type: none"> <li>(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".</li> <li>(2) Branch Banking Retail borrowings covering savings, current and term deposit accounts and Branch Banking network and services including distribution of financial products.</li> <li>(3) Credit cards Receivables / loans relating to credit card business.</li> </ol>
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included in Retail Banking.
Vehicle Financing	Retail vehicle finance and wholesale trade finance to auto dealers.
Other Lending Activities	Financing against securities, securitisation and other loans / services not included under Retail Banking and Corporate / Wholesale Banking.
Broking	Brokerage income on market transactions done on behalf of clients, interest on delayed payments, distribution of financial products.
Advisory and Transactional Services	Providing financial advisory and transactional services such as mergers and acquisition advice and equity / debt issue management services.
Asset Management	Management of funds and investments on behalf of clients and funds.
Insurance	Life insurance and General Insurance.

A transfer pricing mechanism between segments has been established by Asset Liability Committee (ALCO) for allocation of interest cost to its segments based on borrowing costs, maturity profile of assets / liabilities etc. and which is disclosed as part of segment revenue.

Segment revenues consist of earnings from external customers and inter-segment revenue as stated above. Segment expenses consist of interest expenses including those allocated, operating expenses and provisions.

Segment results are net of segment revenue and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth, minority interest and employees' stock option (grants outstanding), proposed dividend and dividend tax thereon.

Since the business operations of the Group are primarily concentrated in India, the Group is considered to operate only in the domestic segment.

## R. EMPLOYEE SHARE BASED PAYMENTS

### Equity-settled:

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

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on "Accounting for Employee Share-based payments" issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding.



The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense in "Payment to and provision for employee", equal to the amortised portion of the cost of lapsed option and credit to deferred employee compensation equal to the unamortised portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding account is transferred to General Reserve. The fair market price is the latest available closing price, preceding the date of grant of the option, on the stock exchange on which the shares of the Bank are listed.

Where the terms of an equity-settled award are modified, the minimum expense recognised in 'Payments to and provision for employees' is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total intrinsic value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

#### **Cash-settled:**

The cost of cash-settled transactions, stock appreciation rights (SARs) is measured initially using intrinsic value method at the grant date taking into account the terms and conditions upon which the instruments were granted. This intrinsic value is amortised on a straight-line basis over the vesting period with a recognition of corresponding liability. This liability is remeasured at each Balance Sheet date up to and including the vesting date with changes in intrinsic value recognised in the Profit and Loss Account in 'Payments to and provision for employees'.

The SARs that do not vest because of failure to satisfy vesting conditions are reversed by a credit to employee compensation expense, equal to the amortised cost in respect of the lapsed portion.

### **S. CLAIMS / BENEFITS**

In respect of life insurance subsidiary, benefits paid comprise of policy death benefit, maturity, surrenders, survival benefits, discontinuance and other policy related claims and 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.

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

### **V. LEASES**

#### **As Lessee**

Leases where all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

#### **As Lessor**

Where the group has substantially retained all the risks and rewards of ownership are classified as operating leases and included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognised as expense immediately in the Profit and Loss Account.

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**

Annual recurring expenses relating to schemes of Kotak Mahindra Mutual Fund which the schemes are unable to bear are borne by the Asset management company of the Group. Further, scheme expenses also include new fund offer expenses, and other expenses relating to the schemes which do not fall under regulation 52(4) of the SEBI (Mutual Funds) Regulations, 1996. With effect from 22<sup>nd</sup> October, 2018, no scheme expenses are to be borne by the Asset management company of the Group.

#### **Y. CONTRIBUTION TO TERRORISM POOL**

In accordance with the requirements of IRDAI, the general insurance subsidiary, together with other insurance companies, participated in the Terrorism Pool. This Pool is managed by General Insurance Corporation of India (GIC). In accordance with the terms of the agreement, GIC retro cedes, to the Group, terrorism premium to the extent of shares agreed to be borne by the Group in the risk which is recorded as reinsurance accepted. Such Insurance accepted is recorded based on quarterly confirmation received from GIC. Reinsurance accepted on account of Terrorism Pool 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 IRDA, the general insurance subsidiary provides for contribution to solatium fund at 0.10% on the gross direct premium of motor third party policies.

#### **AA. SHARE ISSUE EXPENSES**

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

#### **AB. EARNINGS PER SHARE**

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

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

#### **AC. IMPAIRMENT**

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. Impairment loss, if any, is provided in the Profit and Loss Account to the extent carrying amount of assets exceeds their estimated recoverable amount.

#### **AD. CASH AND CASH EQUIVALENTS**

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

**NOTES TO ACCOUNTS****3. EMPLOYEE BENEFITS**

- a. The Group has recognised the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds.

Provident Fund	₹ 196.95 crore (Previous Year ₹ 160.52 crore)
Superannuation Fund	₹ 1.79 crore (Previous Year ₹ 1.86 crore)
New Pension Fund	₹ 7.98 crore (Previous Year ₹ 6.08 crore)
DIFC Employee Workplace Savings Scheme (DEWS)	₹ 0.12 crore (Previous Year Nil)

- 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 31 <sup>st</sup> March, 2020		As at 31 <sup>st</sup> March, 2019	
	Funded	Unfunded	Funded	Unfunded
<b>Change in benefit obligations</b>				
Liability as at the beginning of the year	473.45	15.66	434.10	16.02
Transfer from Unfunded to Funded	10.71	(10.71)	2.95	(2.95)
Current Service cost	58.33	0.94	46.73	1.65
Interest cost	34.16	0.40	33.92	1.06
Actuarial (gain) / loss on obligations	55.57	0.58	31.56	1.24
Past Service cost	-	-	-	-
Liabilities assumed on acquisition / (settled on divestiture)	0.06	(0.13)	(0.15)	0.19
Benefits paid	(79.81)	(0.14)	(75.66)	(1.55)
<b>Liability as at the end of the year</b>	<b>552.47</b>	<b>6.60</b>	<b>473.45</b>	<b>15.66</b>
<b>Change in plan assets</b>				
Fair value of plan assets as at the beginning of the year	470.41	-	342.00	-
Expected return on plan assets	35.08	-	27.80	-
Actuarial Gain / (loss)	(43.73)	-	11.25	-
Benefits paid	(79.81)	(0.14)	(75.66)	(1.55)
Employer contributions	116.21	0.14	165.02	1.55
<b>Fair value of plan assets as at the end of the year</b>	<b>498.16</b>	<b>-</b>	<b>470.41</b>	<b>-</b>

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

(₹ in crore)

	As at 31 <sup>st</sup> March, 2020		As at 31 <sup>st</sup> March, 2019	
	Funded	Unfunded	Funded	Unfunded
Fair value of plan assets as at the end of the year	498.16	-	470.41	-
Liability at the end of the year	552.47	6.60	473.45	15.66
<b>Net Asset / (Liabilities) included in "Others" under "Other Assets" or "Other Liabilities"</b>	<b>(54.31)</b>	<b>(6.60)</b>	<b>(3.04)</b>	<b>(15.66)</b>
<b>Expenses recognised for the year</b>				
Current service cost	58.33	0.94	46.73	1.65
Interest cost	34.16	0.40	33.92	1.06
Expected return on plan assets	(35.08)	-	(27.80)	-
Actuarial (gain) / loss	99.30	0.58	20.31	1.24
Past Service Cost	-	-	-	-
Effect of the limit in Para 59(b)	-	-	-	-
<b>Net gratuity expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.I]</b>	<b>156.71</b>	<b>1.92</b>	<b>73.16</b>	<b>3.95</b>
<b>Actual return on plan assets</b>	<b>(8.65)</b>	<b>-</b>	<b>39.05</b>	<b>-</b>

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

(₹ in crore)

	As at 31 <sup>st</sup> March, 2020		As at 31 <sup>st</sup> March, 2019	
	Funded	Unfunded	Funded	Unfunded
Net (Asset) / Liability as at the beginning of the year	3.04	15.66	92.10	16.02
Transfer from Unfunded to Funded	10.71	(10.71)	2.95	(2.95)
Expense recognized	156.71	1.92	73.16	3.95
Liabilities assumed on acquisition / (settled on divestiture)	0.06	(0.13)	(0.15)	0.19
Employer contributions	(116.21)	(0.14)	(165.02)	(1.55)
Effect of the limit in Para 59(b)	-	-	-	-
<b>Net (Asset) / Liability included in "Others" under "Other Assets" or "Other Liabilities"</b>	<b>54.31</b>	<b>6.60</b>	<b>3.04</b>	<b>15.66</b>

**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 31 <sup>st</sup> March, 2020 %	As at 31 <sup>st</sup> March, 2019 %
LIC managed funds*	2.02	9.37
Government securities	31.63	28.27
Bonds, debentures and other fixed income instruments	29.84	20.78
Money market instruments	9.05	3.61
Equity shares and other current assets	27.46	37.97
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

\* 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 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
Discount rate	5.60% - 6.59% p.a.	6.95% - 7.64% p.a.
Salary escalation rate	5.50% (IBA) and 0.00% until year 1 inclusive, then 7.00%- 8.00% (Others) p.a.	5.50% (IBA) and 7.00% - 8.00% (others) p.a.
Expected rate of return on plan assets	5.60% - 8.00% p.a.	6.95% - 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 31 <sup>st</sup> March,				
	2020	2019	2018	2017	2016
Defined benefit obligation	559.07	489.11	450.12	335.84	328.14
Plan assets	498.16	470.41	342.00	344.32	295.10
Surplus / (deficit)	(60.91)	(18.70)	(108.12)	8.48	(33.04)
Experience adjustments on plan liabilities	42.40	20.25	13.28	4.18	42.28
Experience adjustments on plan assets	(43.65)	11.25	(0.90)	14.74	(8.14)

The Group expects to contribute ₹ 45.43 crores to gratuity fund in financial year 2020-21.

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 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
	Funded	Funded
<b>Change in benefit obligations</b>		
Liability as at the beginning of the year	1,156.33	1,057.85
Current Service cost	42.26	35.12
Interest cost	69.32	74.82
Actuarial (gain) / loss on obligations	541.37	145.66
Past Service cost	-	-
Benefits paid	(208.80)	(157.12)
<b>Liability as at the end of the year</b>	<b>1,600.48</b>	<b>1,156.33</b>

(₹ in crore)

	As at	As at
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	Funded	Funded
<b>Change in plan assets</b>		
Fair value of plan assets as at the beginning of the year	1,159.16	1,063.69
Expected return on plan assets	106.94	88.91
Actuarial Gain / (loss)	(12.11)	(6.46)
Benefits paid	(208.80)	(157.12)
Employer contributions	469.15	170.14
<b>Fair value of plan assets as at the end of the year</b>	<b>1,514.34</b>	<b>1,159.16</b>

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

(₹ in crore)

	As at	As at
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	Funded	Funded
Fair value of plan assets at the end of the year	1,514.34	1,159.16
Liability at the end of the year	1,600.48	1,156.33
<b>Net Asset/ (Liability) included in "Others" under "Other Assets" or "Other Liabilities"</b>	<b>(86.14)</b>	<b>2.83</b>
<b>Expenses recognised for the year</b>		
Current service cost	42.26	35.12
Interest cost	69.32	74.82
Expected return on plan assets	(106.94)	(88.91)
Actuarial (gain) / loss	553.48	152.12
Effect of the limit in Para 59(b)	-	-
<b>Net pension expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.1]</b>	<b>558.12</b>	<b>173.15</b>
<b>Actual return on plan assets</b>	<b>94.83</b>	<b>82.45</b>

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

(₹ in crore)

	As at	As at
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	Funded	Funded
Net (Asset) / Liability at the beginning of the year	(2.83)	(5.84)
Expense recognised	558.12	173.15
Employer contributions	(469.15)	(170.14)
Effect of the limit in Para 59(b)	-	-
<b>Net (Asset)/ Liability included in "Others" under "Other Assets" or "Other Liabilities"</b>	<b>86.14</b>	<b>(2.83)</b>

**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 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
Discount rate	6.59% p.a.	7.64% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.
Inflation	8.00% p.a.	8.00% p.a.

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

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 31 <sup>st</sup> March, 2020	Year ended 31 <sup>st</sup> March, 2019	Year ended 31 <sup>st</sup> March, 2018	Year ended 31 <sup>st</sup> March, 2017	Year ended 31 <sup>st</sup> March, 2016
Defined benefit obligation	1,600.48	1,156.33	1,057.85	950.14	782.02
Plan assets	1,514.34	1,159.16	1,063.69	924.91	747.24
Surplus / (deficit)	(86.14)	2.83	5.84	(25.23)	(34.78)
Experience adjustments on plan liabilities	440.57	102.64	208.24	178.79	344.62
Experience adjustments on plan assets	(7.85)	(6.46)	(0.72)	(7.02)	(15.35)

The Bank expects to contribute ₹ 150.58 crore to pension fund in financial year 2020-2021.

**Compensated absences**

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

(₹ in crore)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
Total actuarial liability	253.06	234.05
<b>Assumptions:</b>		
Discount rate	5.60% to 6.59% p.a. 0.74% p.a. (DIFC)	6.95% - 7.64% p.a.
Salary escalation rate	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)	5.5% (IBA) and 7.00%-8.00% (others) p.a.

### Long Service Award

The actuarially determined liability in respect of Long Service Award of the employees of the Group is given below:

(₹ in crore)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
Total actuarial liability	15.80	14.82
<b>Assumptions:</b>		
Discount rate	6.37% - 6.59% p.a.	7.15% - 7.64% p.a.

#### 4. DEPOSIT UNDER LIEN:

Balance with Banks in other deposit accounts include ₹ 4,878.31 crore (previous year ₹ 3,476.35 crore) which are under lien.

#### 5. SECURITIES PLEDGED AND ENCUMBERED:

- Investments include Government Securities with face value of ₹ 20,800.70 crore (previous year ₹ 7,684.71 crore) pledged and encumbered for availment of fund transfer facility, clearing facility, margin requirements and with RBI for liquidity adjustment facility (LAF).
  - Investments pledged with National Securities Clearing Corporation Limited towards Exposure in Derivatives Segment as at 31<sup>st</sup> March, 2020 ₹ 210.77 crore (previous year ₹ 726.31 crore).
6. "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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Opening provision for reward points	14.93	13.12
Provision for reward points made during the year	31.35	24.53
Utilisation/write-back of provision for reward points	(28.31)	(22.72)
Closing provision for reward points*	17.97	14.93

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

#### Provision for Other Contingencies:

(₹ in crore)

Description	Balance as at 1 <sup>st</sup> April, 2019	Addition during the year	Reversed/ paid during the year	Balance as at 31 <sup>st</sup> March, 2020
Customer claims with respect to repossessed vehicles	0.10	-	-	0.10
<b>Total</b>	<b>0.10</b>	<b>-</b>	<b>-</b>	<b>0.10</b>
Previous year	0.17	-	0.07	0.10



**7. PROVISIONS AND CONTINGENCIES:**

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

(₹ in crore)

Year ended 31 <sup>st</sup> March,	2020	2019
Provision for Taxation (Refer Note 8 below)	2,814.72	3,456.02
Provision for Non-performing Assets (including write-offs and net of recoveries)	1,566.34	922.38
Provision for Standard Assets	42.78	122.45
General Provision – Covid-19 Deferment Cases*	713.68	-
Provision for Unhedged Foreign Currency Exposure	(5.07)	6.17
Provision for Diminution in value of Investments	180.93	(22.14)
Other Provision and Contingencies	59.44	16.51
<b>Total</b>	<b>5,372.82</b>	<b>4,501.39</b>

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

**8. PROVISION MADE FOR TAXES DURING THE YEAR:**

(₹ in crore)

Year ended 31 <sup>st</sup> March,	2020	2019
Current tax	2,958.87	3,467.14
Deferred tax	(144.15)	(11.12)
<b>Total</b>	<b>2,814.72</b>	<b>3,456.02</b>

**9. DESCRIPTION OF CONTINGENT LIABILITIES:**

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Group. The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, result of operations or cash flows. In respect of appeals filed by the Income Tax department with higher authorities, where the matter was settled in favour of the Group at the first appellate stage, and where in view of the Management, it gives rise to an item of timing difference, no contingent liability is envisaged by the Group.
2.	Liability on account of outstanding forward exchange contracts	The Group enters into foreign exchange contracts with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees on behalf of constituents in and outside India	Primarily as part of its banking activities, the Group issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Group will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	These include: <ul style="list-style-type: none"> <li>• Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Group</li> <li>• Bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised.</li> <li>• Underwriting commitments in respect of Debt Syndication</li> </ul>

Sr. No.	Contingent Liability*	Brief Description
5.	Other items for which the Group is contingently liable	<p>These include:</p> <ul style="list-style-type: none"> <li>Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures, options and other derivative contracts. The Group enters into these transactions on its own account and for customers. Currency Swaps are commitments to exchange cash flows by way of interest or principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are amounts used as a benchmark for the calculation of interest component of the contracts.</li> <li>Liability in respect of capital commitments relating to fixed assets and undrawn commitments in respect of investments.</li> <li>Amount Transferred to RBI under the Depositor Education and Awareness Fund ('DEAF').</li> </ul>

\* Also refer Schedule 12 – Contingent Liabilities

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.

#### 10. EARNINGS PER EQUITY SHARE:

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
<b>Reconciliation between weighted shares used in the computation of basic and diluted earnings per share:</b>		
Weighted average number of equity shares used in computation of basic earnings per share	1,910,200,383	1,906,844,174
Effect of potential equity shares for stock options outstanding	2,095,276	2,263,269
Weighted average number of equity shares used in computation of diluted earnings per share	1,912,295,659	1,909,107,443
Following is the reconciliation between basic and diluted earnings per share:		
Nominal value per share (₹)	5.00	5.00
Basic earnings per share (₹)	44.73	37.61
Effect of potential equity shares for stock options (₹)	0.05	0.04
Diluted earnings per share (₹)	44.68	37.57
Profit for the year after tax (₹ in crore)	8,593.36	7,204.13
Less : Preference dividend including tax (₹ in crore)	48.82	32.37
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	8,544.54	7,171.76

#### 11. EMPLOYEE SHARE BASED PAYMENTS:

At the General Meetings, the shareholders of the Bank had unanimously passed Special Resolutions on 28<sup>th</sup> July, 2000, 26<sup>th</sup> July, 2004, 26<sup>th</sup> July, 2005, 5<sup>th</sup> July, 2007, 21<sup>st</sup> August, 2007 and 29<sup>th</sup> June, 2015, to grant options to the eligible employees of the Bank and its subsidiaries and associate companies. Pursuant to these resolutions, the following Employees Stock Option Schemes had been formulated and adopted:

- Kotak Mahindra Equity Option Scheme 2001-02;
- Kotak Mahindra Equity Option Scheme 2002-03;
- Kotak Mahindra Equity Option Scheme 2005;
- Kotak Mahindra Equity Option Scheme 2007; and
- Kotak Mahindra Equity Option Scheme 2015.

Further, pursuant to the Scheme of Amalgamation of ING Vysya Bank Limited with the Bank, the Bank has renamed and adopted the ESOP Schemes of the eIVBL, as given below:

- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2005;
- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2007;
- Kotak Mahindra Bank Limited (IVBL) Employee Stock Option Scheme 2010; and
- Kotak Mahindra Bank Limited (IVBL) Employees Stock Option Scheme 2013.

Consequent to the above, the Bank has granted stock options to the employees of the Group. The Bank under its various plan / schemes, has granted in aggregate 155,907,323 options as at 31<sup>st</sup> March, 2020 (Previous year 152,525,793).

In aggregate 8,587,012 options are outstanding as at 31<sup>st</sup> March, 2020 (Previous year 10,046,188) 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 31<sup>st</sup> March, 2020, the following schemes were in operation:

	Plan 2007	Plan 2015
Date of grant	Various Dates	Various Dates
Date of Board Approval	Various Dates	Various Dates
Date of Shareholder's approval	5 <sup>th</sup> July, 2007 as amended on 21 <sup>st</sup> August, 2007	29 <sup>th</sup> June, 2015
Number of options granted	68,873,000	15,593,669
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 – 0.50 years
Vesting Conditions	Graded / Cliff vesting	Graded / Cliff vesting

	KMBL(IVBL) Plan 2007	KMBL (IVBL) Plan 2010	KMBL (IVBL) Plan 2013
Number of options granted (addition on amalgamation)	1,245,010	5,773,046	4,642,198
Method of Settlement (Cash / Equity)	Equity	Equity	Equity

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
<b>Outstanding at the beginning of the year</b>	<b>329,686</b>	<b>660.00</b>	<b>1,320,788</b>	<b>614.14</b>
Granted during the year	-	-	-	-
Forfeited during the year	1,124	665.00	35,880	665.00
Exercised during the year	323,742	659.90	947,069	595.88
Expired during the year	4,820	665.00	8,153	657.12
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>329,686</b>	<b>660.00</b>
Out of the above exercisable at the end of the year	-	-	329,686	660.00
Weighted average remaining contractual life (in years)	-	-	-	0.24
Weighted average fair value of options granted	-	-	-	-

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
<b>Outstanding at the beginning of the year</b>	<b>8,721,262</b>	<b>1,046.44</b>	<b>6,873,434</b>	<b>855.14</b>
Granted during the year	3,381,530	1,452.50	4,124,499	1,265.43
Forfeited during the year	524,887	1,193.96	379,029	955.68
Exercised during the year	3,273,139	962.31	1,873,709	847.35
Expired during the year	26,364	1,021.70	23,933	867.88
<b>Outstanding at the end of the year</b>	<b>8,278,402</b>	<b>1,236.30</b>	<b>8,721,262</b>	<b>1,046.44</b>
Out of the above exercisable at the end of the year	734,570	896.90	49,513	901.99
Weighted average remaining contractual life (in years)		1.51		1.69
Weighted average fair value of options granted during the year		352.79		350.19

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
<b>Outstanding at the beginning of the year</b>	<b>150,802</b>	<b>416.00</b>	<b>150,802</b>	<b>416.00</b>
Forfeited during the year	-	-	-	-
Exercised during the year	150,802	416.00	-	-
Expired during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>150,802</b>	<b>416.00</b>
Out of the above exercisable at the end of the year	-	-	150,802	416.00
Weighted average remaining contractual life (in years)		-		0.70

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
<b>Outstanding at the beginning of the year</b>	<b>339,792</b>	<b>302.90</b>	<b>552,406</b>	<b>285.62</b>
Forfeited during the year	-	-	-	-
Exercised during the year	339,792	302.90	212,614	258.00
Expired during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>339,792</b>	<b>302.90</b>
Out of the above exercisable at the end of the year	-	-	339,792	302.90
Weighted average remaining contractual life (in years)		-		0.70

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
<b>Outstanding at the beginning of the year</b>	<b>504,646</b>	<b>384.87</b>	<b>577,575</b>	<b>386.53</b>
Forfeited during the year	-	-	-	-
Exercised during the year	196,036	392.98	72,929	398.00
Expired during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>308,610</b>	<b>379.72</b>	<b>504,646</b>	<b>384.87</b>
Out of the above exercisable at the end of the year	308,610	379.72	504,646	384.87
Weighted average remaining contractual life (in years)		0.08		1.04

The weighted average share price at the date of exercise for stock options exercised during the year was ₹1,543.92 (Previous year ₹ 1,266.32).

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

#### 31<sup>st</sup> 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

#### 31<sup>st</sup> March, 2019

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

### Stock appreciation rights

At the General Meeting on 29<sup>th</sup> 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 1.03 to 4.08 years.

Detail of activity under SARs is summarised below:

	Year Ended 31 <sup>st</sup> March, 2020	Year Ended 31 <sup>st</sup> March, 2019
<b>Outstanding at the beginning of the year</b>	<b>2,322,185</b>	<b>2,322,378</b>
Granted during the year	1,075,906	1,160,802
Settled during the year	1,062,731	1,036,729
Lapsed during the year	81,731	124,266
<b>Outstanding at the end of the year</b>	<b>2,253,629</b>	<b>2,322,185</b>

### 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 31 <sup>st</sup> March,	2020		2019	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	1050-1460	0-1460	900-1271	0-1271
Weighted Average Share Price ₹	1,462.72	1,333.67	1,268.97	1,085.04
Expected Volatility	21.10%-31.00%	26.44%-113.47%	18.68%-32.95%	19.74%-28.06%
Historical Volatility	21.10%-31.00%	26.44%-113.47%	18.68%-32.95%	19.74%-28.06%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.02-3.87		1.10-3.87	
- As at 31 <sup>st</sup> March		0.06-3.37		0.06-3.38
Risk-free interest rate	5.63%-7.03%	4.16%-5.59%	6.97%-7.99%	6.17%-6.84%
Expected dividend rate	0.05%-0.06%	0.06%	0.06%	0.05%

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 31 <sup>st</sup> March,	2020	2019
Total Employee compensation cost pertaining to share-based payment plans	119.12	143.54
Compensation cost pertaining to equity-settled employee share-based payment plan included above	2.77	1.80
Liability for employee stock options outstanding as at year end	5.71	4.09
Deferred Compensation Cost	2.84	2.02
Closing balance of liability for cash-settled options	123.55	145.50
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	91.03	109.70

Had the Group recorded the compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 112.20 crore (Previous year ₹ 100.17 crore) and the profit after tax would have been lower by ₹ 85.35 crore (Previous year ₹ 67.74 crore). Consequently the basic and diluted EPS would have been ₹ 44.28 (Previous year ₹ 37.26) and ₹ 44.24 (Previous year ₹ 37.21) respectively.

## 12. TIER II BONDS

Lower Tier II Bonds outstanding as at 31<sup>st</sup> March, 2020 ₹ 561.60 crore (previous year ₹ 561.60 crore).

13. Interest Expended - Others (Schedule 15.III) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 54.85 crore (previous year ₹ 72.76 crore).
14. 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 ₹ 84.92 crore (previous year ₹ 95.17 crore) is carried forward in the Balance Sheet under "Other Assets".

## 15. SEGMENT REPORTING

The Summary of the operating segments of the Group for the year ended 31<sup>st</sup> March, 2020 are as given below:

	(₹ in crore)	
31 <sup>st</sup> March,	2020	2019
<b>Segment Revenues:</b>		
Treasury, BMU and Corporate Centre	7,184.98	6,333.84
Retail Banking	15,057.84	13,885.48
Corporate / Wholesale Banking	13,918.46	11,392.66
Vehicle Financing	2,334.43	2,407.69
Other Lending Activities	1,974.16	1,839.75
Broking	1,459.32	1,428.26
Advisory and Transactional Services	417.78	300.71
Asset Management	1,121.48	1,106.03
Insurance	11,063.09	10,711.88
<b>Sub-total</b>	<b>54,531.54</b>	<b>49,406.30</b>
Add: Unallocated Income	-	-
Less: inter-segment revenues	(4,165.80)	(3,427.19)
<b>Total Income</b>	<b>50,365.74</b>	<b>45,979.11</b>
<b>Segment Results:</b>		
Treasury, BMU and Corporate Centre	2,283.73	2,322.64
Retail Banking	1,553.19	2,048.15
Corporate / Wholesale Banking	4,384.22	3,287.57
Vehicle Financing	444.01	524.79
Other Lending Activities	651.93	649.37
Broking	509.32	475.13
Advisory and Transactional Services	168.69	141.12
Asset Management	615.37	571.11
Insurance	811.34	555.84
<b>Sub-total</b>	<b>11,421.80</b>	<b>10,575.72</b>
Add: Unallocated Income / (Expense)	-	-
<b>Total Profit before tax, minority interest and associates</b>	<b>11,421.80</b>	<b>10,575.72</b>
Provision for tax	2,814.72	3,456.02
<b>Net Profit before share of Associates and Minority</b>	<b>8,607.08</b>	<b>7,119.70</b>

(₹ in crore)

31 <sup>st</sup> March,	2020	2019
<b>Segment Assets:</b>		
Treasury, BMU and Corporate Centre	137,136.12	103,728.34
Retail Banking	216,234.38	174,501.61
Corporate / Wholesale Banking	153,443.88	134,695.27
Vehicle Financing	19,505.92	21,565.40
Other Lending Activities	15,340.95	19,546.88
Broking	5,753.97	4,963.77
Advisory and Transactional Services	319.06	266.76
Asset Management	2,975.43	2,900.61
Insurance	37,133.30	31,721.42
<b>Sub-total</b>	<b>587,843.01</b>	<b>493,890.06</b>
Less: inter-segment assets	(145,997.82)	(99,880.27)
<b>Total</b>	<b>441,845.19</b>	<b>394,009.79</b>
Add: Unallocated Assets	1,327.52	1,161.46
<b>Total Assets as per Balance Sheet</b>	<b>443,172.71</b>	<b>395,171.25</b>
<b>Segment Liabilities:</b>		
Treasury, BMU and Corporate Centre	122,215.01	94,807.25
Retail Banking	200,770.56	160,851.80
Corporate / Wholesale Banking	137,983.86	122,068.09
Vehicle Financing	14,185.38	17,819.58
Other Lending Activities	7,610.77	6,952.50
Broking	4,860.90	4,080.72
Advisory and Transactional Services	74.52	70.14
Asset Management	576.71	1,060.09
Insurance	33,526.74	28,938.13
<b>Sub-total</b>	<b>521,804.45</b>	<b>436,648.30</b>
Less: inter-segment liabilities	(145,997.82)	(99,880.27)
<b>Total</b>	<b>375,806.63</b>	<b>336,768.03</b>
Add: Unallocated liabilities	231.96	123.48
Add: Share Capital, Reserves and Surplus and Minority Interest	67,134.12	58,279.74
<b>Total Capital and Liabilities as per Balance Sheet</b>	<b>443,172.71</b>	<b>395,171.25</b>
<b>Capital Expenditure</b>		
Treasury, BMU and Corporate Centre	79.56	83.41
Retail Banking	242.08	364.75
Corporate / Wholesale Banking	29.11	53.64
Vehicle Financing	3.72	5.30
Other Lending Activities	1.20	2.13
Broking	29.15	21.89
Advisory and Transactional Services	9.78	7.81
Asset Management	11.93	8.42
Insurance	46.12	57.27
<b>Total</b>	<b>452.65</b>	<b>604.62</b>



(₹ in crore)

31 <sup>st</sup> March,	2020	2019
<b>Depreciation / Amortisation</b>		
Treasury, BMU and Corporate Centre	99.63	108.67
Retail Banking	246.15	234.24
Corporate / Wholesale Banking	27.04	25.21
Vehicle Financing	4.90	4.38
Other Lending Activities	1.08	0.99
Broking	23.09	21.86
Advisory and Transactional Services	5.79	3.21
Asset Management	12.13	11.50
Insurance	45.08	48.36
<b>Total</b>	<b>464.89</b>	<b>458.42</b>

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

#### 16. 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 ₹ 601.92 crore (previous year ₹ 554.28 crore).
- (ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 517.10 crore (previous year ₹ 490.94 crore), later than one year but not later than five years is ₹ 1,564.24 crore (previous year ₹ 1,506.87 crore) and later than five years ₹ 959.80 crore (previous year ₹ 1,129.02 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.

#### 17. ASSETS GIVEN ON LEASE

The lease income recognised in the Profit and Loss Account in respect of premises and equipment under operating lease is ₹ 0.70 crore (previous year ₹ 0.70 crore).

The future minimum lease payments expected to be received under non-cancelable operating lease – not later than one year is ₹ 0.76 crore (previous year ₹ 0.73 crore), later than one year but not later than five years is ₹ 1.89 crore (previous year ₹ 2.65 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 31 <sup>st</sup> March,	2020	2019
<b>Gross Investments (A):</b>		
(i) Not later than 1 year	71.25	70.82
(ii) Between 1-5 years	114.96	110.14
<b>Total</b>	<b>186.21</b>	<b>180.96</b>
<b>Unearned Finance Income (B):</b>		
(i) Not later than 1 year	16.01	15.51
(ii) Between 1-5 years	16.72	15.51
<b>Total</b>	<b>32.73</b>	<b>31.02</b>
<b>Present Value of Rentals (A-B):</b>		
(i) Not later than 1 year	55.24	55.31
(ii) Between 1-5 years	98.24	94.72
<b>Total</b>	<b>153.48</b>	<b>150.03</b>
<b>Accumulated provision on the Gross Investments</b>	<b>1.56</b>	<b>1.52</b>

18. In accordance with the IRDAI Financial Statements Regulations, the Life Insurance subsidiary has revalued its investment property at the market value being the lower of valuation performed by two independent valuers as at 31<sup>st</sup> March, 2020. The cost of the investment properties, which were purchased post 31<sup>st</sup> March, 2015 are considered at market value as at 31<sup>st</sup> March, 2020. The real estate investment property is accordingly valued at ₹ 201.87 crore as at 31<sup>st</sup> March, 2020 (previous year ₹ 192.65 crore). The historical cost of the property is ₹ 158.56 crore (previous year ₹ 158.28 crore). The revaluation gains have been included in policyholders' funds.
19. 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 31<sup>st</sup> March, 2020**

As at 31 <sup>st</sup> March, Particulars of Derivatives	2020 Quantity	2019 Quantity	Purpose
<b>Futures</b>			
S&P CNX Nifty Futures Short	750	2,850	Trading
Stock Futures Long	396,000	7,202,797	Trading
Stock Futures Short	1,579,012	49,924,331	Trading
<b>Options</b>			
S&P CNX Nifty Options Long	9,150	574,800	Trading
S&P CNX Nifty Options Short	9,225	379,200	Trading
Stock Options Long	-	116,700	Trading
Stock Options Short	-	86,450	Trading
<b>Forward Exchange Contracts</b>			
USD-INR Long	USD 6,000,000	USD 4,000,000	Hedging
USD-INR Short	USD 2,000,000	-	Hedging
<b>Interest Rate Swap</b>			
	USD 26,000,000	USD 52,000,000	Hedging
<b>Total Return Swap</b>			
	USD 25,128,219	USD 25,128,219	Trading

- (ii) Total notional principal amount of forward rate agreement entered by Life insurance subsidiary to hedge Interest rate risk on its liability side is as follows:

(₹ in crore)

As at 31 <sup>st</sup> March,	2020	2019
8.17% GOI - 01.12.2044	446.26	-
8.13% GOI - 22.06.2045	146.67	-
7.06% GOI - 10.10.2046	198.96	-
7.72% GOI - 15.06.2049	385.73	-
6.62% GOI - 28.11.2051	91.29	-
7.63% GOI - 17.06.2059	142.95	-
<b>Total</b>	<b>1,411.86</b>	<b>-</b>

Unhedged forex exposure outstanding as at the Balance Sheet date

(₹ in crore)

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Amount Receivable in foreign currency	29.76 (USD 39,32,810) 0.04 (EURO 4,444) 0.36 (GBP 38,835) -	1.68 (USD 243,276) 0.25 (EURO 32,222) 0.23 (GBP 25,933) 0.41 (JPY 6,555,556)
Amount Payable in foreign currency	2.09 (USD 276,638)	2.32 (USD 335,677) 0.01 (SGD 1,419)

20. Additional information to consolidated accounts at 31<sup>st</sup> March, 2020, (Pursuant to Schedule III of the Companies Act, 2013)

(₹ in crore)

Name of the Entity	Net Assets*				Share in Profit or Loss			
	As at 31 <sup>st</sup> March, 2020		As at 31 <sup>st</sup> March, 2019		For the year ended 31 <sup>st</sup> March, 2020		For the year ended 31 <sup>st</sup> March, 2019	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount	As % of Consolidated Profit or Loss	Amount
Kotak Mahindra Bank Limited	73.01%	49,015.30	73.61%	42,898.38	69.21%	5,947.18	67.54%	4,865.33
<b>Indian Subsidiaries:</b>								
Kotak Mahindra Prime Limited	9.07%	6,088.39	9.29%	5,415.52	7.83%	673.12	8.32%	599.35
Kotak Securities Limited	6.75%	4,528.77	6.83%	3,978.76	6.40%	550.01	6.27%	451.86
Kotak Mahindra Capital Company Limited	0.93%	622.01	0.98%	571.93	0.92%	79.08	0.88%	63.12
Kotak Mahindra Life Insurance Company Limited	5.00%	3,353.54	4.71%	2,745.36	7.08%	608.18	7.04%	507.24
Kotak Mahindra General Insurance Company Limited	0.25%	164.71	0.19%	107.83	(0.33%)	(28.12)	(0.48%)	(34.90)
Kotak Mahindra Investments Limited	2.77%	1,859.64	2.73%	1,589.51	3.14%	270.13	2.87%	206.99
Kotak Mahindra Asset Management Company Limited	1.06%	708.52	0.76%	445.41	3.40%	291.84	3.03%	218.06
Kotak Mahindra Trustee Company Limited	0.27%	177.92	0.24%	137.45	0.52%	44.99	0.51%	36.48
Kotak Investment Advisors Limited	0.54%	364.81	0.61%	355.14	0.11%	9.67	0.24%	17.41
Kotak Mahindra Trusteeship Services Limited	0.03%	20.90	0.03%	18.35	0.03%	2.54	0.03%	2.39
Kotak Infrastructure Debt Fund Limited	0.57%	383.82	0.60%	349.90	0.40%	33.99	0.36%	25.65
Kotak Mahindra Pension Fund Limited	0.04%	25.42	0.04%	25.36	0.00%	0.06	0.00%	0.07
IVY Product Intermediaries Limited	0.01%	5.85	0.01%	5.59	0.00%	0.26	0.00%	0.24
BSS Microfinance Limited	0.33%	223.44	0.28%	164.18	0.69%	59.26	0.77%	55.68
<b>Foreign Subsidiaries:</b>								
Kotak Mahindra (International) Limited	1.05%	706.33	1.07%	623.03	0.28%	23.81	0.83%	59.59
Kotak Mahindra (UK) Limited	0.53%	353.67	0.47%	273.90	0.59%	50.83	0.54%	38.81
Kotak Mahindra, Inc.	0.01%	5.24	0.01%	7.05	(0.03%)	(2.31)	(0.03%)	(2.44)
Kotak Mahindra Financial Services Limited	0.01%	8.07	0.01%	8.41	(0.01%)	(1.06)	0.00%	0.12
Kotak Mahindra Asset Management (Singapore) Pte. Limited	0.23%	156.25	0.17%	96.38	0.55%	47.58	0.72%	52.16

(₹ in crore)

Name of the Entity	Net Assets*				Share in Profit or Loss			
	As at 31 <sup>st</sup> March, 2020		As at 31 <sup>st</sup> March, 2019		For the year ended 31 <sup>st</sup> March, 2020		For the year ended 31 <sup>st</sup> March, 2019	
	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
<b>Minority Interests in subsidiary</b>	0.00%	-	0.00%	-	0.00%	-	0.00%	-
<b>Associates:</b>								
Infina Finance Private Limited	-	-	-	-	(0.10%)	(8.43)	0.46%	33.19
Phoenix ARC Private Limited	-	-	-	-	(0.07%)	(5.81)	0.69%	49.99
ECA Trading Services Limited (formerly known as ACE Derivatives & Commodity Exchange Limited)	-	-	-	-	0.01%	0.44	0.00%	0.13
Matrix Business Services India Private Limited	-	-	-	-	0.00%	0.08	0.02%	1.12
Inter-company and Other adjustments	(2.46%)	(1,638.48)	(2.64%)	(1,537.71)	(0.62%)	(53.96)	(0.61%)	(43.51)
<b>Total</b>	<b>100.00%</b>	<b>67,134.12</b>	<b>100.00%</b>	<b>58,279.73</b>	<b>100.00%</b>	<b>8,593.36</b>	<b>100.00%</b>	<b>7,204.13</b>

\* Total assets minus total liabilities

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

(₹ in crore)

Particulars	Year ended 31 <sup>st</sup> March, 2020	Year ended 31 <sup>st</sup> March, 2019
<b>Deferred Tax Assets</b>		
Provision for non-performing and doubtful debts, general provisions and contingencies	435.35	268.81
Depreciation on assets	64.73	81.37
Provision for investments	4.57	3.97
Unamortised Income	1.00	2.90
Expenditure allowed on payment basis and others	125.30	171.29
<b>Total Deferred Tax Assets</b>	<b>630.95</b>	<b>528.34</b>
<b>Deferred Tax Liabilities</b>		
Deferred expenses	22.92	35.93
Depreciation on assets	1.75	2.20
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	135.80	160.59
Others	3.74	7.01
<b>Total Deferred Tax Liabilities</b>	<b>164.21</b>	<b>205.73</b>
<b>Net Deferred Tax Assets / (Liabilities)</b>	<b>466.74</b>	<b>322.61</b>

**22. FIXED ASSETS**

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

(₹ in crore)

Particulars	Year ended 31 <sup>st</sup> March, 2020	Year ended 31 <sup>st</sup> March, 2019
<b>PURCHASED SOFTWARE AND SYSTEM DEVELOPMENT EXPENDITURE</b>		
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	756.75	709.01
Additions during the year (including on acquisition)	106.56	199.56
Deductions during the year	43.77	151.82
<b>Total</b>	<b>819.54</b>	<b>756.75</b>
<b>Amortisation</b>		
As at 31 <sup>st</sup> March of the preceding year	561.38	581.63
Charge for the year	124.92	127.87
Deductions during the year	43.82	148.12
<b>Amortisation to date</b>	<b>642.48</b>	<b>561.38</b>
<b>Net Block</b>	<b>177.06</b>	<b>195.37</b>
<b>MEMBERSHIP CARDS OF STOCK EXCHANGE</b>		
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	4.66	4.66
<b>Total</b>	<b>4.66</b>	<b>4.66</b>
<b>Amortisation</b>		
As at 31 <sup>st</sup> March of the preceding year	4.55	4.43
Charge for the year	0.11	0.12
<b>Amortisation to date</b>	<b>4.66</b>	<b>4.55</b>
<b>Net Block</b>	<b>-</b>	<b>0.11</b>
<b>ASSET MANAGEMENT RIGHTS</b>		
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	15.90	15.90
<b>Total Amortisation</b>	<b>15.90</b>	<b>15.90</b>
As at 31 <sup>st</sup> March of the preceding year	13.24	10.06
Charge for the year	2.66	3.18
<b>Amortisation to date</b>	<b>15.90</b>	<b>13.24</b>
<b>Net Block</b>	<b>-</b>	<b>2.66</b>

**23. RELATED PARTY DISCLOSURES:**

Nature of relationship	Name of Related Party
<b>A Individual having significant influence over the enterprise</b>	Mr. Uday S. Kotak along with relatives and enterprises in which he has beneficial interest holds 29.92% of the equity share capital and 19.65% of the paid-up share capital of Kotak Mahindra Bank Limited as at 31 <sup>st</sup> March, 2020.
<b>B Other Related Parties:</b>	
<b>Associates /Others</b>	ECA Trading Services Limited (formerly known as "ACE Derivatives & Commodity Exchange Limited") Infina Finance Private Limited Phoenix ARC Private Limited Matrix Business Services India Private Limited (upto 26 <sup>th</sup> April, 2019) Kotak Education Foundation (upto 27 <sup>th</sup> December, 2019) ING Vysya Foundation
<b>Enterprises over which KMP / relatives of KMP have control / significant influence</b>	Aero Agencies Limited Asian Machinery & Equipment Private Limited Allied Auto Accessories Private Limited Cumulus Trading Company Private Limited Business Standard Private Limited Business Standard Online Private Limited Harisiddha Trading and Finance Private Limited Insurekot Sports Private Limited Kotak and Company Private Limited Kotak Commodity Services Private Limited Laburnum Adarsh Trust (w.e.f 28 <sup>th</sup> August, 2019) Komaf Financial Services Private Limited Kotak Trustee Company Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Private Limited Palko Properties Private Limited Puma Properties Private Limited Kotak Family Foundation 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 USK Benefit Trust II Uday S Kotak HUF Suresh A Kotak HUF True North Enterprises (w.e.f 1 <sup>st</sup> November, 2019) Manian Family Trust (w.e.f 1 <sup>st</sup> November, 2019) Brij Disa Parthav Trust (w.e.f 30 <sup>th</sup> March, 2020) Brij Disa Arnav Trust (w.e.f 30 <sup>th</sup> March, 2020)
<b>Key Management Personnel</b>	Mr. Uday S. Kotak, Managing Director and CEO - KMBL Mr. Dipak Gupta - Joint Managing Director – KMBL Mr. KVS Manian - Whole-time Director (w.e.f 1 <sup>st</sup> November, 2019) Mr. Gaurang Shah - Whole-time Director (w.e.f 1 <sup>st</sup> November, 2019)

Nature of relationship	Name of Related Party
<b>Relatives of Key Management Personnel</b>	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 1 <sup>st</sup> November, 2019)
	Ms. Lalitha Mohan (w.e.f 1 <sup>st</sup> November, 2019)
	Ms. Shruti Manian (w.e.f 1 <sup>st</sup> November, 2019)
	Mr. Shashank Manian (w.e.f 1 <sup>st</sup> November, 2019)
	Ms. Asha Shah (w.e.f 1 <sup>st</sup> November, 2019)
	Ms. Divya Shah (w.e.f 1 <sup>st</sup> November, 2019)
	Ms. Manasi Shah (w.e.f 1 <sup>st</sup> November, 2019)
	Ms. Mahima Shah (w.e.f 1 <sup>st</sup> November, 2019)
Mr. Chetan Shah (w.e.f 1 <sup>st</sup> November, 2019)	
Ms. Chetna Shah (w.e.f 1 <sup>st</sup> November, 2019)	

Details of related party transactions:

(₹ in crore)

Items/Related Party	Associates/ Others	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
<b>I. Liabilities</b>					
Other Liabilities	5.60	0.01	0.81	#	6.42
	(0.32)	(0.02)	(-)	(#)	(0.34)
Deposits	179.94	74.40	566.84	154.45	975.63
	(125.00)	(144.77)	(632.99)	(143.35)	(1046.11)
Interest Payable	0.21	0.22	0.11	0.46	1.00
	(0.39)	(1.72)	(5.56)	(0.41)	(8.08)
<b>II. Assets</b>					
Investments -Gross	201.05	#	-	-	201.05
	(226.76)	(#)	(-)	(-)	(226.76)
Diminution on Investments	0.39	#	-	-	0.39
	(0.78)	(#)	(-)	(-)	(0.78)
Advances	-	3.27	7.14	5.67	16.08
	(-)	(-)	(-)	(-)	(-)
Others	0.08	0.03	0.05	0.02	0.18
	(0.08)	(0.30)	(#)	(#)	(0.38)
Non Funded Commitments					
Bank Guarantees	-	1.00	-	-	1.00
	(0.05)	(1.00)	(-)	(-)	(1.05)

(₹ in crore)

Items/Related Party	Associates/ Others	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
<b>III. Expenses</b>					
Salaries / fees (Include ESOP cost)*	-	-	12.56	0.29	12.85
	(-)	(-)	(8.84)	(0.24)	(9.08)
Interest Paid	11.32	6.97	35.37	11.58	65.24
	(7.31)	(11.66)	(36.10)	(1.09)	(56.16)
Others	16.20	5.97	0.08	-	22.25
	(20.63)	(7.68)	(0.08)	(-)	(28.39)
<b>IV. Income</b>					
Others	9.53	1.46	0.38	0.24	11.61
	(3.07)	(4.52)	(-)	(-)	(7.59)
<b>V. Other Transactions</b>					
Dividend paid	-	0.06	45.45	0.30	45.81
	(-)	(0.05)	(39.78)	(0.26)	(40.09)
Reimbursement to companies	-	-	-	-	-
	(0.01)	(0.04)	(-)	(-)	(0.05)
Reimbursement from companies	0.07	-	-	-	0.07
	(0.20)	(1.82)	(-)	(-)	(2.02)
Deposits repaid during the year	-	0.01	-	-	0.01
	(-)	(0.09)	(-)	(-)	(0.09)
Swaps/Forwards/Options Contracts	-	-	-	-	-
	(-)	(-)	(-)	(1.88)	(1.88)

Material transactions with related parties:

Items / Related Party	Associates / Others	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
<b>I. Liabilities:</b>					
<b>Other liabilities</b>					
Aero Agencies Limited	-	0.01	-	-	0.01
	(-)	(0.01)	(-)	(-)	(0.01)
Matrix Business Services India P Limited	-	-	-	-	-
	(0.03)	(-)	(-)	(-)	(0.03)
Infina Finance Private Limited	5.60	-	-	-	5.60
	(0.29)	(-)	(-)	(-)	(0.29)
Others	-	#	0.81	#	0.81
	(-)	(#)	(-)	(#)	(#)
<b>II. Assets:</b>					
<b>Investments</b>					
ECA Trading Services Limited	23.77	-	-	-	23.77
	(47.62)	(-)	(-)	(-)	(47.62)
Phoenix ARC Private Limited	176.18	-	-	-	176.18
	(176.18)	(-)	(-)	(-)	(176.18)



Items / Related Party	Associates / Others	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
Others	1.10 (2.96)	# (#)	- (-)	- (-)	1.10 (2.96)
<b>Diminution on investments</b>					
ECA Trading Services Limited	0.39 (0.78)	- (-)	- (-)	- (-)	0.39 (0.78)
Others	- (-)	# (#)	- (-)	- (-)	# (#)
Others					
Kotak Commodity Services Private Limited	- (-)	0.01 (0.29)	- (-)	- (-)	0.01 (0.29)
Phoenix ARC Private Limited	0.06 (0.06)	- (-)	- (-)	- (-)	0.06 (0.06)
Infina Finance Private Limited	0.01 (0.01)	- (-)	- (-)	- (-)	0.01 (0.01)
True North Enterprises	- (-)	0.02 (-)	- (-)	- (-)	0.02 (-)
Others	# (#)	0.01 (0.01)	0.05 (#)	0.02 (#)	0.08 (0.01)
<b>Non Fund Commitments</b>					
<b>Bank Guarantees</b>					
Aero Agencies Ltd	- (-)	1.00 (1.00)	- (-)	- (-)	1.00 (1.00)
Others	- (0.05)	- (-)	- (-)	- (-)	- (0.05)
<b>III. Expenses:</b>					
<b>Salaries (Includes ESOP cost)</b>					
Mr. Uday Kotak*	- (-)	- (-)	2.97 (3.54)	- (-)	2.97 (3.54)
Mr. Dipak Gupta*	- (-)	- (-)	5.69 (5.30)	- (-)	5.69 (5.30)
Mr. KVS Manian*	- (-)	- (-)	1.92 (-)	- (-)	1.92 (-)
Mr. Gaurang Shah*	- (-)	- (-)	1.98 (-)	- (-)	1.98 (-)
Others	- (-)	- (-)	- (-)	0.29 (0.24)	0.29 (0.24)
<b>Interest Paid</b>					
Infina Finance Private Limited	9.99 (5.42)	- (-)	- (-)	- (-)	9.99 (5.42)
Kotak Commodity Services Private Limited	- (-)	0.76 (5.63)	- (-)	- (-)	0.76 (5.63)

Items / Related Party	Associates / Others	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
USK Benefit Trust II	- (-)	4.41 (3.83)	- (-)	- (-)	4.41 (3.83)
Harisiddha Trading & Finance Pvt Ltd	- (-)	1.04 (1.66)	- (-)	- (-)	1.04 (1.66)
Others	1.33 (1.89)	0.76 (0.54)	35.37 (36.10)	11.58 (1.09)	49.04 (39.62)
<b>Others</b>					
Aero Agencies Limited	- (-)	5.72 (5.58)	- (-)	- (-)	5.72 (5.58)
Kotak Education Foundation	16.10 (19.80)	- (-)	- (-)	- (-)	16.10 (19.80)
Others	0.10 (0.83)	0.24 (2.09)	0.08 (0.08)	- (-)	0.42 (3.00)
<b>IV. Income:</b>					
<b>Others</b>					
<b>Fee and Other Income</b>					
Phoenix ARC Private Limited	7.50 (0.06)	- (-)	- (-)	- (-)	7.50 (0.06)
Kotak Commodity Services Private Limited	- (-)	0.23 (3.61)	- (-)	- (-)	0.23 (3.61)
USK Benefit Trust II	- (-)	0.85 (0.85)	- (-)	- (-)	0.85 (0.85)
True North Enterprises	- (-)	0.12 (-)	- (-)	- (-)	0.12 (-)
Others	0.12 (0.04)	0.01 (#)	0.33 (-)	0.22 (-)	0.68 (0.04)
<b>Premium Income</b>					
Kotak Education Foundation	0.19 (-)	- (-)	- (-)	- (-)	0.19 (-)
Komaf Financial Services Limited	- (-)	0.03 (-)	- (-)	- (-)	0.03 (-)
Kotak Commodity Services Private Limited	- (-)	0.01 (0.04)	- (-)	- (-)	0.01 (0.04)
Others	0.02 0.03	# (-)	0.01 (-)	0.02 (-)	0.05 (0.03)
<b>Brokerage Income</b>					
Infina Finance Private Limited	1.70 (2.93)	- (-)	- (-)	- (-)	1.70 (2.93)
Kotak Commodity Services Private Limited	- (-)	0.21 (0.02)	- (-)	- (-)	0.21 (0.02)

Items / Related Party	Associates / Others	Enterprises over which KMP / relatives of KMP have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
Others	- (-)	- (-)	0.04 (-)	# (-)	0.04 (-)
<b>V. Other Transactions:</b>					
<b>Dividend Paid</b>					
Mr. Uday Kotak	- (-)	- (-)	45.35 (39.68)	- (-)	45.35 (39.68)
Ms. Pallavi Kotak	- (-)	- (-)	- (-)	0.09 (0.08)	0.09 (0.08)
Ms. Indira Kotak	- (-)	- (-)	- (-)	0.18 (0.16)	0.18 (0.16)
Suresh A Kotak HUF	- (-)	0.01 (0.01)	- (-)	- (-)	0.01 (0.01)
USK Benefit Trust II	- (-)	0.05 (0.04)	- (-)	- (-)	0.05 (0.04)
Others	- (-)	- (-)	0.09 (0.09)	0.03 (0.02)	0.12 (0.11)
<b>Reimbursements made</b>					
Matrix Business Services India P Ltd.	- (0.01)	- (-)	- (-)	- (-)	- (0.01)
Kotak Commodity Services Private Limited	- (-)	- (0.04)	- (-)	- (-)	- (0.04)
<b>Reimbursements received</b>					
Kotak Commodity Services Private Limited	- (-)	- (1.82)	- (-)	- (-)	- (1.82)
Infina Finance Private Limited	0.07 (0.18)	- (-)	- (-)	- (-)	0.07 (0.18)
Phoenix ARC Private Limited	# (0.02)	- (-)	- (-)	- (-)	# (0.02)
<b>Deposits taken during the year</b>					
Infina Finance Private Limited	# (-)	- (-)	- (-)	- (-)	# (-)
Kotak Commodity Services Private Limited	- (-)	0.03 (-)	- (-)	- (-)	0.03 (-)
<b>Deposits repaid during the year</b>					
Kotak Commodity Services Private Limited	- (-)	0.01 (0.09)	- (-)	- (-)	0.01 (0.09)
Swaps/Forwards/Options Contracts	- (-)	- (-)	- (-)	- (1.88)	- (1.88)

\*includes incentive paid during the year

<sup>#</sup>In the above table denotes amounts less than ₹ 50,000

**Maximum balance outstanding**

(₹ in crore)

Items/Related Party	Associates/ Others	Enterprise over which KMP/relative of KMP have control /significant influence	Key Management Personnel	Relatives of Key Management Personnel
<b>I. Liabilities</b>				
Deposits	3,906.75	282.34	648.04	184.84
	(2,174.53)	(351.93)	(1,274.95)	(147.02)
Other Liabilities*	5.60	0.02	0.81	#
	(0.32)	(0.02)	(-)	(#)
<b>II. Assets</b>				
Investments-Gross*	226.76	#	-	-
	(226.76)	(#)	(-)	(-)
Advances*	-	3.27	7.14	5.67
	(-)	(-)	(-)	(-)
Others*	0.08	0.30	0.05	0.02
	(0.08)	(0.30)	(#)	(#)
<b>Non Funded Commitments</b>				
Bank Guarantees*	0.05	1.00	-	-
	(-)	(-)	(-)	(-)

Note: Figures of previous year are given in bracket.

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

**24. ADDITIONAL DISCLOSURE**

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

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

As per our report of even date attached  
For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm Registration No. 001076N/N500013

**Sudhir N. Pillai**  
Partner  
Membership No. 105782

Mumbai  
13<sup>th</sup> May, 2020

For and on behalf of the Board of Directors

**Prakash Apte**  
Chairman

**Dipak Gupta**  
Joint Managing Director

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

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

**Uday Khanna**  
Director

**Bina Chandarana**  
Joint President and  
Company Secretary

## FORM AOC - 1

Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014  
Statement containing salient features of the financial statement of subsidiaries/associate companies

## PART "A" : Subsidiaries

(₹ in crore)

Particulars	Kotak Mahindra Prime Limited	Kotak Mahindra 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 (International) Limited	Kotak Mahindra (UK) Limited	Kotak Mahindra, Inc.	Kotak Mahindra, Investment Advisors Limited	Kotak Mahindra Trusteeship Services Limited	Kotak Mahindra Infrastructure Debt Fund Limited	Kotak Mahindra Pension Fund Limited	Kotak Mahindra Financial Services Limited	Kotak Mahindra Asset Management (Singapore) Pte. Limited	Kotak Mahindra Intermediaries Limited	IVY Product Limited	BSS Microfinance Limited	
Share Capital	3.50	1.60	3.44	510.29	305.00	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	6,084.89	4,527.17	618.57	2,843.25	(140.29)	1,854.02	678.72	177.87	690.17	346.67	5.17	359.37	20.81	73.12	(2.58)	(0.38)	146.85	3.64	196.71
Total Assets	28,456.99	9,703.12	654.13	36,548.92	738.27	7,919.68	803.28	180.65	974.28	526.81	30.74	480.75	22.57	909.63	26.28	10.54	173.69	5.93	291.91
Total Liabilities	22,368.61	5,174.34	32.12	33,195.28	573.56	6,060.04	94.76	2.73	287.95	173.14	25.50	65.93	1.68	525.81	0.85	2.47	17.44	0.08	684.8
Investments (excluding investment in subsidiaries)	1,353.58	621.16	98.81	34,783.56	676.59	816.93	680.28	175.13	610.37	58.30	-	273.34	-	198.20	25.74	-	-	-	0.20
Turnover	3,326.61	1,690.04	228.77	10,640.97	33,820.63	1,060.46	603.15	61.98	62.00	139.06	23.67	119.86	9.16	81.73	3.35	10.61	75.07	0.40	197.05
Profit before taxation	923.36	738.36	107.62	839.14	(28.12)	368.49	394.11	60.24	25.51	63.64	(2.27)	12.35	3.43	33.99	0.07	(1.06)	52.98	0.37	78.88
Provision for taxation	250.25	188.35	28.54	230.96	-	98.36	102.26	15.24	1.70	12.81	0.04	2.68	0.89	-	0.01	-	5.40	0.10	19.62
Profit after taxation	673.12	550.01	79.08	608.18	(28.12)	270.13	291.84	44.99	23.81	50.83	(2.31)	9.67	2.54	33.99	0.06	(1.06)	47.58	0.26	59.26
Proposed Dividend (Equity)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
% of Shareholding	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

## Note:

- Share Capital includes Preference Share capital.
- Investments include investments and stock-in-trade reported by the above entities and also include investments held to cover policy holders' liabilities and unit linked liabilities.
- Turnover is the total income reported by each of the entities in their financial statements.
- As per Accounting Standard 4 "Contingencies and Events Occurring After the Balance Sheet Date" ("AS 4(Revised)"), the Company is not required to create provision for dividend after the balance sheet date.
- % of Shareholding includes direct and indirect holding through subsidiaries.
- The figures in respect of Kotak Mahindra, Inc., Kotak Mahindra (UK) Limited, Kotak Mahindra Financial Services Limited and Kotak Mahindra Asset Management (Singapore) Pte. Limited are based on the accounts prepared under Indian Accounting Standards. The reporting currency of these subsidiaries is USD and exchange rate as on the last day of the financial year ending 31<sup>st</sup> March, 2020 is 1 USD = 75.67 INR
- The financial results of the subsidiaries (excluding insurance companies) 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, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and relevant provisions of Companies Act, 2013. The financial statements of such subsidiaries 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 <sup>1, 4, 5, 6 &amp; 7</sup>	Matrix Business Services India Private Limited <sup>3 &amp; 7</sup>
<b>Latest Audited Balance Sheet date</b>	31-Mar-20	31-Mar-20	31-Mar-19	NA
<b>Shares of Associate held by the Group on the year end</b>				
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%	0.00%
<b>Description of how there is significance influence</b>	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	NA
<b>Reason why the associate is not consolidated</b>	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	NA
<b>Networth attributable to Shareholding as per latest audited Balance Sheet</b>	849.98	212.85	3.48	-
<b>Profit for the year</b>	(16.86)	(11.65)	1.11	-
i) Considered in the Consolidation	(8.43)	(5.81)	0.44	0.08
ii) Not considered in the Consolidation	(8.43)	(5.84)	0.67	-

**Note:**

- For the purpose of preparation of consolidated financial statements, the Group has considered unaudited financial statement as of 31<sup>st</sup> March, 2020.
- Significant influence has been determined as per Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements".
- The Group has sold its entire stake in Matrix Business Services India Private Limited on 26<sup>th</sup> April, 2019 and accordingly it has ceased to be an associate of the Group from that date.
- Share of audited Networth based on share holding of 40.00% as on 31<sup>st</sup> March, 2019 is ₹ 6.52 crore.
- Includes adjustments for share of difference between audited and unaudited financial results for the year ended 31<sup>st</sup> March, 2019.
- On 18<sup>th</sup> March, 2020, the Group has reduced its stake in ECA Trading Services Limited (formerly known as ACE Derivatives & Commodity Exchange Limited), an Associate company from 40% to 20%.
- Profit upto the date of full/ part stake sale has been considered for the preparation of consolidated financial statements.

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  
 Mumbai 13<sup>th</sup> May, 2020

**Bina Chandarana**

Joint President and Company Secretary

**Basel III (Pillar 3) Disclosures (Consolidated) as at 31<sup>st</sup> March, 2020**

RBI circular DBOD.No.BP.BC.1/21.06.201/2015-16 dated 1<sup>st</sup> July, 2015 on 'Basel III Capital Regulations' read together with the RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31<sup>st</sup> 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 of

## KOTAK MAHINDRA BANK LIMITED

The Directors present their Thirty-fifth Annual Report together with the audited accounts of your Bank for the year ended 31<sup>st</sup> March, 2020.

### FINANCIAL HIGHLIGHTS

(A) Kotak Mahindra Bank Limited – Consolidated financial highlights \*:

	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	₹ in crore	₹ in crore
Total income	50,365.74	45,979.11
Total expenditure, excluding provisions and contingencies	36,385.84	34,358.03
Operating Profit	13,979.90	11,621.08
Provisions and contingencies, excluding provision for tax	2,558.10	1,045.36
Profit before tax	11,421.80	10,575.72
Provision for taxes	2,814.72	3,456.02
Profit after tax	8,607.08	7,119.70
Add: Share in profit of Associates	(13.72)	84.43
Consolidated profit for the Group	8,593.36	7,204.13
Earnings per Equity Share:		
Basic (₹)	44.73	37.61
Diluted (₹)	44.68	37.57

(B) Kotak Mahindra Bank Limited – Standalone financial highlights:

	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	₹ in crore	₹ in crore
Total Income	32,301.72	28,547.24
Total expenditure, excluding provisions and contingencies	22,280.89	20,199.06
Operating Profit	10,020.83	8,348.18
Provisions and contingencies, excluding tax provisions	2,216.16	962.39
Profit before tax	7,804.67	7,385.79
Provision for taxes	1,857.49	2,520.46
Profit after tax	5,947.18	4,865.33
Add: Surplus brought forward from the previous year	16,919.29	13,604.60
Amount available for appropriation	22,866.47	18,469.93
Appropriations:		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	1,486.80	1,216.34
Transfer to Investment Reserve Account	(31.06)	31.06
Transfer to Capital Reserve	114.84	6.99
Transfer to Special Reserve	80.00	40.00
Transfer to Investment Fluctuation Reserve Account	483.13	70.89
Transfer to Fraud Provision	(1.40)	1.40
Dividend Paid **	193.26	160.28
Corporate Dividend Tax	29.09	23.68
Surplus carried to Balance Sheet	20,511.81	16,919.29

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

\*\* The Bank has paid a dividend at rate of ₹ 0.80 per equity share for the year ended 31<sup>st</sup> March, 2019 (previous year: 0.70 per equity share for the year ended 31<sup>st</sup> March, 2018) and has paid interim dividend at rate of Re.0.405 per share on preference shares for year ended 31<sup>st</sup> March, 2020 (previous year: interim dividend at rate of 8.10% (on pro-rata basis)), to all shareholders, whose names appear on the Register of members / beneficial holders list on the book closure date. As per the requirements of revised AS 4 – 'Contingencies and Events Occurring After the Balance Sheet Date', this payout (including dividend distribution tax) has been appropriated from amount available for appropriation in the year of pay-out.

## DIVIDEND

Reserve Bank of India vide its circular No. DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020, has directed all banks to not make any further dividend payouts from profits pertaining to the financial year ending March 31, 2020 until further instructions.

In March 2020, your Directors declared an interim dividend on Perpetual Non-Cumulative Preference Shares of face value of ₹5 each issued by the Bank, carrying a dividend rate of 8.10%, in respect of the financial year 2019-20, as per the terms of issuance. This entailed a payout of ₹40.50 crore (previous year ₹26.86 crore), excluding dividend distribution tax.

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Bank have adopted a Dividend Distribution Policy which is in line with the parameters prescribed by SEBI for distribution of dividend. The Policy is available on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/governance/policies.html>

## CAPITAL

During the year, your Bank allotted 42,83,511 equity shares arising out of the exercise of Employees Stock Options granted to the whole time director and employees of your Bank and its subsidiaries.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of the Bank as at 31<sup>st</sup> March, 2020 stood at ₹14,56,51,91,690 comprising of 191,30,38,338 equity shares of ₹5 each and 100,00,00,000 preference shares of ₹5 each.

Your Bank has a Capital Adequacy Ratio ('CAR') under Basel III as at 31<sup>st</sup> March, 2020 of 17.89% with Tier I being 17.27%.

During the year, your Bank has not issued any capital under Tier II. As on 31<sup>st</sup> March, 2020, outstanding Unsecured, Redeemable Non-Convertible, Subordinated Debt Bonds were ₹456 crore.

Pursuant to the approval of the Board of Directors on 22<sup>nd</sup> April 2020 and approval of the shareholders by way of postal ballot on 25<sup>th</sup> May 2020, your Bank undertook a Qualified Institutions Placement. The object of the issuance is 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 (which has been declared a pandemic by the World Health Organization), or otherwise. On 30<sup>th</sup> May 2020, your Bank allotted 6,50,00,000 equity shares of face value of ₹5 each at an issue price of ₹1,145 per equity share thereby raising ₹ 74,42,50,00,000.

## OPERATIONS

We organize our principal banking business activities into the following business units: 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 specialized 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 NBFCs, asset management, insurance, broking, investment banking, wealth management and asset reconstruction.

### Consumer Banking

The Consumer Bank services a customer base in excess of 19 million customers covering a wide spectrum across domestic individuals and households, non-residents, small and medium business segments for a range of products from basic savings & current accounts to term deposits, credit cards, unsecured and secured loans, working capital and investment advisory.

Your Bank continued its strategy of calibrated expansion of its branch network. As of 31<sup>st</sup> March, 2020, your Bank had 1,600 branches and 2,637 ATMs, covering 779 locations. Of the 100 new branches commissioned this year, 50 were in metro, 18 were in urban, 3 semi urban & 29 rural branches. Aided partly by 811, your Bank saw fast-paced customer acquisition across all core banking products including savings and current accounts, term deposits, overdrafts and non-resident accounts. Your Bank has also set up 82 e-lobbies, and relocated 20 branches across metro and semi urban locations to give easier access and higher convenience to its customers.

Your Bank rolled out several initiatives aimed at offering a superior and differentiated customer experience. Your Bank's investment in the phone based remote engagement through VRM (Virtual Relationship Model) yielded good results and your Bank has expanded this model to now serve over 0.8 million customers (across 10 languages) and provide them services across banking, deposit, lending and investment needs.

Your Bank has continued to take significant steps in the area of digital initiatives.

Your Bank continued to ramp up 811 acquisition numbers this year. Your Bank also increased its focus on cross selling to these customers using newer digital channel like Whatsapp & Web Notifications, while also driving Digital channel adoption & transactions to better engage with existing 811 customers.

Additionally, after the new regulations on Aadhaar-based account opening in October 2019, your Bank has quickly enabled its officers to acquire new customers using Aadhaar-based biometric acquisition. Now on a monthly basis, 30% of the customers (non 811) are acquired digitally using Biometric authentication.



In order to ensure that banking relationships are also at the start of asset relationships, your Bank has implemented a biometric process to open accounts for consumer durable finance customers.

The National Pension System (NPS) has started offering Your Bank's customers with online and paperless journey with e-signature for account opening. We have integrated with the NSDL website for this seamless journey.

Your Bank has also successfully enabled Applications Supported by Blocked Amount (ASBA) Application through United Payments Interface (UPI) mode both as an Issuer Bank and as a Sponsor Bank, thereby reducing the physical movement of Broker ASBA Applications.

Your Bank is taking aggressive steps to grow its presence in several large customer segments:

Your Bank's exclusive women-oriented Silk program entered into an alliances with Sheroes (a women-only social networking platform with over 14 million users) to extend banking services to their customer base. Your Bank holds live chats for the Sheroes fraternity where women from various walks of life can ask questions and clarify their financial concerns.

Your Bank, in the last quarter of Financial Year 2020, launched an exclusive Salary Account offering for PSU and Government bodies. This offering comes with exclusive features like Permanent & Partial Disability Cover and Education benefit. With this offering, your Bank intends to foray into this large salaried segment to increase its mark on salary business.

For its premium Salary offering, your Bank tied up with vHealth by Aetna (Indian Health Organization) and offered Family Health Care Benefits, like free Health Check-up, unlimited Tele-consultation with doctors and discounts on various Health care benefits.

In line with your Bank's overall strategy, the Non-Resident Indian Business has focused on enhancing customer experience through use of technology, across our banking products and platforms. As part of this endeavour, your Bank has gone live with 5 partners on Ripple, a distributed ledger based payment network facilitating seamless cross-border transactions. Additionally, your Bank on-boarded 11 new MSB (Money-transfer Service Business) relationships in the Financial Year 2019-20 to increase coverage across US, UK, Europe and Middle East.

Your Bank integrated its services with the Ministry of Corporate Affairs (MCA) and has enabled customers coming to MCA portal for registration of their companies to select and open a Current Account with the Bank, online from the MCA portal.

In the Retail Institutional Business, your Bank introduced a collection solution-based UPI & Quick Response (QR) code, so as to digitise payments for traditionally cash-based segments like religious institutions. This solution solves collection-related requirement of clients and shall help your Bank to acquire new customers in this segment.

Your Bank has actively taken part in various Financial Inclusion initiatives. Your Bank has partnered with multiple Corporate Business Correspondents, and operates with more than 300 customer service points across Chhattisgarh, Karnataka, Tamil Nadu, Andhra Pradesh & Telangana, offering banking services and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) payments to Beneficiaries. To enhance its reach and to build customer convenience, your Bank has successfully set up 145 Aadhaar Enrolment Centres in its branch premises and surpassed the transaction volume mandated by Unique Identification Authority of India (UIDAI). As a result of these efforts, your Bank has been recognized by UIDAI as the Best Performing Private Bank for conducting highest average daily transactions. Your Bank has been awarded, twice, by the Pension Fund Regulatory Authority of India (PFRDA) as the Best Performing Private Sector Bank for highest persistency of Atal Pension Yojana (APY) subscribers.

### Commercial Banking

Your Bank's Commercial Banking business focuses on meeting the banking and financial needs of various customer segments with deeper coverage that goes beyond metro and urban centers, through an expanding network of branches and associates. The business has specialized 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, Small Enterprises and Allied agricultural activities, thereby helping your Bank meet its financial inclusion goal. In line with growing rural incomes, our Bank's Commercial Bank branches have experienced robust growth across product lines on savings as well as lending side.

The Tractor Finance businesses reported significant growth and gained market share, while the Commercial Vehicle (CV) and Construction Equipment Business witnessed a sharp drop in disbursements due to excess load carrying norms, proposed change to BS-VI norms & a reduction in infrastructure spending by the Government. Asset quality also deteriorated.

Your Bank's Agriculture Financing business continued its focus on the agriculture value chain funding for various agro processing activities. It has registered good growth despite volatility and uncertainty in the commodities market. A Good monsoon and expectations of a bumper Rabi output supported the robust growth. Microfinance Institutions (MFI) segment growth remains robust and asset quality remains good.

Branches in semi-urban and rural areas come under the umbrella of the Commercial Bank. This network plays a crucial role in meeting your Bank's financial inclusion goals and the credit demand of 'Bharat'. The Commercial Bank's Branch network has expanded and the Liabilities book has grown at a healthy pace.

### 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 acquire deepen existing relationships and acquire new quality customers on a consistent basis, delivering customized 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.

Corporate Banking was subjected to a number of headwinds through the year including from a slowdown in the economy that was particularly visible in certain key segments such as auto & auto-ancillaries, telecom and real estate. Your Bank has a higher proportion of working capital and short term assets and these were impacted due to the slowdown. The slowdown was compounded by elevated risks in the industry due to high leverage across sectors. In the face of this uncertainty, your Bank was cautious in increasing its exposures and concentration risks. The result has been a muted growth in Assets for the year.

Your Bank has 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 Asset spreads 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 deposits including Current Account and Savings Account (CASA) grew strongly, further reducing our cost of funds and improving our spreads. Income from other non-credit income streams including from Forex, Cash Management and other Transaction Banking products has also grown at a healthy rate. We have also focused on converting opportunities for syndication of loans. This year, we ramped up our income from debt syndication significantly including from high yield opportunities.

Robust risk management practices are in place and your Bank has achieved growth over the years without compromising the health of the book. This year too, despite increased stress in the industry, your Bank has been able to navigate the credit challenges without significantly increasing credit costs. Non Performing Assets (NPAs) have been reasonably controlled though recoveries were muted given the slowdown in the economy.

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 (RWA) as a percentage of assets over the past few years. The use of Risk Adjusted Return on Capital (RaRoC) pricing models has become ingrained in the way the Corporate Banking division conducts its business and has helped to optimize pricing, better utilize capital and improve return on equity. Economic Value Add (EVA) measurement tools have been implemented that help your Bank monitor the true risk adjusted value being derived from each client. These initiatives ensure greater focus on improving income mix in favour of non-capital intensive income streams.

Improved credit spreads, higher non-credit income streams and controlled credit costs have ensured that your Bank has been able to grow the profitability of the Corporate Banking business at a strong rate and maintain a healthy Return on Equity (RoE).

Your Bank continues to focus on strengthening its organization platform that positions the Corporate Bank in a strong position to capture opportunities in the market.

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 and your Bank was awarded the 'Best Corporate & Investment Bank in India' by Asiamoney for the calendar year 2019, an award that the Bank has won for the third time in the last four years as a testimony to its capabilities.

The Custody business continues to grow both in terms of Assets under Custody (AUC) as well as new clients added during the year. Your bank continues to be one of India's largest local Custodians despite the volatility in listed markets in the last 6-12 months. We on-boarded a number of marquee Foreign Portfolio Investment (FPIs), Alternative Investment Fund (AIFs) and Portfolio Management Services (PMS) Clients during the year who started using our Custody, Clearing and Fund Accounting solutions. Your Bank also implemented a new Fund Accounting software during the year with minimal disruption to clients and we expect this to be a good driver of new business as we go forward.

Your Bank's dedicated Service Solutions vertical has helped ensure faster customer response and improve customer experience. This vertical is the single point of contact for all service related and documentation issues with personnel present across the country. While your Bank has been successful in significantly reducing Turn-Around-Time across various processes, it has also smoothly transitioned into its Business Continuity Planning (BCP) processes in the Covid-19 scenario and ensured business continuity. Additionally, to address challenges in this Covid-19 climate, the Bank has accelerated a number of its digital initiatives on e-signatures and e-stamping to enhance customer options and is focused on gradually moving the entire customer lifecycle to the electronic platform.

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.

Your Bank continues on its Digital journey to provide the best in class solutions and enhance its customers' experiences. During the year, we have updated our Core Trade Platform which has laid the foundation for an integrated trade portal, have built a comprehensive Quickcheck platform to automate all types of recurring payments through error-free real time mandate registration, have built an Application Program Interface (API) based instant and end to end automated e-collections solution, have implemented the United Payments Interface (UPI) 2.0 recurring mandate solution and have partnered with FinTechs to provide API and Digital payment solutions. During this digital journey, your Bank has become the leading bank in Bharat Bill Payments System (BBPS), has built the Best in class Corporate Mobility Portal for providing on

the go approvals and has been recognized as the Best Cash Management Bank by Asia Money and The Asian Banker. As part of our digital journey, we are also upgrading our Cash Management Services (CMS) platform to enhance efficiency and experience, focusing on API based solutions and its use across our partners and customers and building a Loan Management and an Escrow Management solution to digitize the entire transaction process including the documentation process. Furthermore, we have also provided Best in Class Structured solutions to various state and central governments, including our all in one and modular electronic fund flow application for National Health Mission, Rajasthan.

### 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 50% of India's top 100 families (Source: Forbes India Rich List 2019), with customers range from entrepreneurs to business families and professionals.

Your Bank provides an open architecture proposition to its customers, offering both proprietary and external wealth products. This business has a strong distribution capability for private clients through distribution/referral model across equities, fixed income & alternates across High Networth Individual (HNI) investors. In addition to comprehensive financial solutions, the family office service provides a strategic consolidated view on the client's overall portfolio across multiple advisors, in addition to comprehensive financial solutions that go beyond investments. These include value added services such as assistance with investment structuring, banking and credit, consolidated reporting, referral for philanthropy services and concierge services. The trusteeship services offers estate planning services helping clients with succession planning activities through creation of private trusts. With an in-depth understanding of client requirements and expertise across various asset classes, this business offers the widest range of financial solutions through transaction-based investment approach. As per the Reserve Bank of India guidelines, advisory activities that were being offered out of your Bank are now offered out of Kotak Investment Advisors Limited, a subsidiary of your Bank with effect from 20<sup>th</sup> April, 2019.

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 across your Bank's Wealth & Priority offerings is INR 306k crore (as of December 2019) across 4,400 families.

In 2019, Kotak Wealth Management has been consistently featured as the Best Private Bank, India across multiple Global and Domestic Surveys. Some of the recent accolades include:

- Best Private Bank, India by Euromoney Private Banking and Wealth Management Survey- 2019 and 2018
- Best Private Bank, Domestic by Asian Private Banker 2018
- Best Wealth Management Firm, India by Asian Private Banker's Indian 2018 AUM League table
- Best Performing Private Bank by The PWM Global Private Banking Awards 2018

### International Business

#### o GIFT City Branch:

The GIFT 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.

#### o DIFC Branch:

Your Bank successfully obtained license approvals from the Dubai Financial Services Authority [DFSA] and inaugurated its first overseas branch at Dubai International Financial Centre [DIFC], Dubai 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 & private banking customers that qualify under the Professional client criteria of the DFSA.

### Asset Reconstruction

The Resolutions of several large accounts got seriously impacted due to slow down in the economy even before the Covid 19 crisis. It further exacerbated by the large unresolved piling of cases in various judicial forums like Debt Recovery Tribunals (DRT's), Debt Recovery Appellate Tribunal (DRAT), High Courts, including National Company Law Tribunal (NCLT) proceedings under Insolvency and Bankruptcy Code (IBC).

Crucial recoveries expected in the month of March has been delayed because of the lockdown due to spread of Corona Virus.

The situation looks grim at the moment. The Reserve Bank of India has offered six months moratorium to all the standard borrowers which will give some breather to the borrowers to handle the financial crisis.

Your Bank will however monitor the resolution impact of Covid situation very closely and diligently, spare no efforts to resolve the stress and bad accounts with empathy and compassion.

We expect a lot of opportunities to present in the acquisition side, of the stressed loans which your Bank will look at very closely and if the prices offered are reasonable and attractive, we shall be open to acquire several of them.

## Treasury

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

- o 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 & Liquidity risk within the overall risk appetite of the Bank.
- o Proprietary Trading: The proprietary trading desks actively trade 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.
- o Customer Transactions: The Customer-facing desks at the Treasury assist and manage customer transactions across Foreign Exchange, Derivatives and Bullion products.
- o Forex & Derivatives: Facilitating customer access to foreign currency markets through cash & derivatives products for remittances, trade transactions and for managing foreign exchange and interest rate risks.
- o Bullion: The Bullion desk provides efficient working capital solutions to domestic Jewellery manufacturers as per the prescribed rules of Reserve Bank of India. Under License from the Reserve Bank of India, your Bank also imports gold and silver to meet the needs of customers.

Further details of the principle business units of your Bank and their performance are available in the Management's Discussion and Analysis Report.

## Response to Covid

The outbreak of COVID-19 has had and continues to have a material impact on the global and Indian economy, the financial services sector and our business. We summarise below the significant areas where we have seen an impact of COVID-19 on our business and your Bank's approach on these areas going forward:

- *Operations and business continuity:* Your Bank has taken a number of steps at various levels to enable supervision and support of its employees who are working from home. IT and HR 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. While the focus so far had been to protect the health and ensure the safety of employees, while ensuring minimum disruption to regular banking operations, your Bank will continue to improve productivity monitoring as an ongoing process as 'work from home' continues. To enhance the quality of customer interactions and to enable increased personalization, your Bank has upgraded to a new customer relationship management tool which has enabled the relationship teams to reach out and service clients in the current situation, thus facilitating banking from home.
- *The moratorium:* Until April 30, 2020, at the account level, 26.2% by value of borrowers of your Bank (as of March 1, 2020, i.e., the reference date for applicability of the moratorium) had availed the moratorium prescribed by the RBI. The accounts which benefit from the moratorium period are not classified as NPAs if the accounts have any instalments/ interest that fall overdue during the moratorium period. However, lenders are required to make general provisions in respect of accounts which were in default on March 1, 2020 and the benefit of the Moratorium Period has been availed. For fiscal year 2020, your Bank recognised a general provision for COVID-19 deferment cases amounting to ₹ 6,500 million, which is higher than the minimum levels required by the RBI. If your Bank had not considered the standstill clause on accounts granted moratorium, Gross Non Performing Assets (GNPA) of your Bank as of March 31, 2020 would have been higher by approximately ₹ 6,600 million. Further, on May 22, 2020, the RBI has further permitted the extension of the moratorium period by another three months to August 31, 2020. The impact of this circular is difficult to ascertain, as your Bank may permit more customers to avail the moratorium beyond May 31, 2020, which may require your Bank to make higher provisions and impact overall profitability and growth. Your Bank may be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact asset quality and profitability of your Bank in future periods.
- *Collections:* The lockdown and social distancing measures have restrained the ability of collections team of your Bank to go out in the field, which may impact recovery of dues. However, your Bank is calling its customers using traditional tele-calling setups. Further, with the focus on customer convenience, your Bank has activated additional digital channels for payments, and are sending payment links to customers with pre-filled data, making it convenient for the customers to make payment. Your Bank continues to have 'awareness calls' with its customers to inform them of the terms of the moratorium. Post the completion of the moratorium period, your Bank aims to proactively focus on collections.
- *Cost reduction measures and investments in technology:* Your Bank has implemented and is looking to implement cost reduction measures such as reduction in employee pay and re-negotiation of branch rentals. Going forward, as working from home, flexible hours and flexible location become commonplace, there will be a requirement to make upfront investment in infrastructure and technology, but at the same time, there will be an opportunity to achieve savings in rental and travel costs.
- *Advances and credit policy:* Your Bank has tightened credit policy across customer segments. Some of the key elements of revised credit policy of your Bank are as follows:
  - o *Corporates:* Your Bank is continuously reviewing exposures, disbursements, sanctions given and not yet availed on a case-by-case basis. Further, for fresh sanctions, your Bank expects to focus on corporates with high credit rating, low leverage, low fixed cost and industries where the impact of COVID-19 is not likely to be as severe.

- o *SME customers:* For many of these companies, your Bank is the sole bank and we aim to continue to support such companies, subject to acceptable levels of risk. Further, in terms of new SME customers, your Bank will look at customers that have no/low leverage, low fixed cost operating models and can provide good collateral.
- o *Retail customers:* For secured customers, your Bank may provide additional funding to its existing customers subject to acceptable levels of risk. Further, as the situation is evolving, your Bank is working on alternative risk models for different products and location. For unsecured customers, your Bank plans to continue to increase its sourcing from internal customers and customers employed by leading corporates.

**Stress testing:** Your Bank has carried out specific stress testing to gauge the impact of COVID-19 in various stress scenarios. Your Bank is actively monitoring economic developments by performing sensitivity analysis on its loan portfolio and will take precautionary actions accordingly, such as exposure management and proactive restructuring.

Your Bank has made a provision towards advances of ₹650 crore at the standalone bank level and ₹714 crore at the group level on account of COVID-19.

In the middle of the unprecedented lockdown due to the Covid-19 situation, your Bank helped its Corporates customers to open salary accounts for their new joinees using Digital 811 accounts. This helped new joinees across corporates to open their accounts and get their salary credited without delays.

In order to support the country during the ongoing pandemic, your Bank has enabled online donations to the “PM Cares fund” and State Chief Ministers’ funds through Click2Remit online remittance platform.

### Human Resources

The past financial year saw the HR department of your bank implement various initiatives to transform the HR Processes and various employee touchpoints. From making great strides in engaging with employees, numerous health and wellness drives, to centralizing various HR Processes for bringing in aligning employee experience, driving more and more processes through employee and manager self-service, there have been a quiet few measures taken to enhance the experience of employees.

### Key HR Initiatives

Engagement is key for employee retention and growth. Which is why, your bank remains heavily invested in manager-led programs and theme-based regional initiatives like Leadership Connect/Town Hall, Webcast, Meet 5 for building manager connect and skip level and also strengthen the platform for top down communication at the same time create listening opportunity for voice of employees. As they say it takes 21 days to build a habit, your bank had rolled out the plan for manager led engagement through #21DayChallenge.

Employees are the greatest assets, and their well-being directly translates to your Bank’s well-being. Keeping this in mind, your Bank has championed Health and Wellness drives with the initiative, #HumFitKotakHit. This initiative has been pivotal in ensuring your Bank remains a positive and healthy workspace at all times. Various health and wellness related initiatives were launch through online and onsite interactions.

Building diverse & inclusive culture has been a focus for your Bank over few years. To honor the peerless efforts of the women, your Bank revisited its D&I journey by renewing its format. Your Bank has formed the council that consists of leaders from various segments of the Bank and Shanti Ekambaram – Group President – Consumer Bank leads it. Council has been instrumental in launching short term and long-term plan for building gender diverse workforce at various levels of the Bank.

Your Bank values digitization, automation and self-service for employees and managers above all else. Especially, during times when working from outside the workspace is the only option, your Bank continues to drive more and more employee and manager self-service to enhance accessibility of key functions for employees and managers like push for mobile/cloud based solutions for all employee touch points. Your Bank has also enhanced. To increase efficiency, automation and centralisation, your Bank has transitioned HR operations and many more processes to shared service. Your Bank has also started the journey through Robotics process automation / Robot for HR Processes.

Talent identification and building leadership pipeline has been one of the key focus of your Bank during the year. 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.

Your Bank focused on strengthening the capabilities in digital, machine learning, analytics and new age technology. While focus on talent acquisition had been on frontline roles and building capabilities for internal talent movement continued to be key agenda for your Bank.

Learning is key for growth. Keeping this in mind at all times, your Bank has spearheaded clearing Digital Blur, various People-Manager programs for functional and behavioural skill building at all levels. Increased focus on e-learning for delivering programs at various stages of employee lifecycle has been the focus of your Bank.

The end of the financial year witnessed the COVID-19 outbreak. Your Bank pulled out all the stops and bulked up preparedness for the BCP by rolling out plans for moving teams to work from home, ensuring essential staff and essential services operational in branch and back offices, creating awareness, communicating DOs and DON'Ts to the employees.

## Technology & Digitization

Digital strategy of your Bank focuses on (i) acquiring customers, (ii) enhancing customer experience, (iii) making internal business operations more efficient, and (iv) enhancing cyber security and data protection framework. The strategy is supported by core pillars which include ease of use, scalability, cost effectiveness and increased agility.

Your Bank has effectively leveraged technology this year to deliver enhanced customer experience, business efficiency, business collaborations and cybersecurity.

Our mobile banking app continues to be one of the highest, both on iOS (Apple Appstore) apps (rating of 4.8 / 5) and Android (4.3 / 5). Your Bank has made a number of improvements to the customer experience of the app, making it more user friendly. We have added new sections including Billpay, Loan & Insurance, as well as new features like Forex cards, Premature withdrawal of Fixed Deposit, Payday loan, Fastag, Insurance, Ola, UPI 2.0, Image credit card etc. Your Bank also launched innovative features like 'SIRI' and "Google Assistant" option for fetching account balance using voice commands.

Your Bank scaled newer channels including the Keya Chatbot and WhatsApp Banking to start making business impact and become mainstream digital channels by handling more products and services.

Keya Chatbot uses a conversational banking approach and Natural Language Processing (NLP) to interact with customers and is enabled on all digital channels, viz. Mobile App, website ([www.kotak.com](http://www.kotak.com)) and Net Banking. Keya Chatbot is able to handle queries about a variety of products like Credit Card, Debit Card, Accounts, Fund Transfer, Bill Payment, NPS, Fixed Deposits, Home Loan and Personal Loan. It handles customer requests such as online tracking of packages, switching cards on and off, and paying credit card bills, and also allows customer to explore and apply for new products such as credit card, personal loan, debit card.

WhatsApp has become an important channel for your Bank to communicate with customers on matters like welcome kits. Your Bank is building more such journeys for customers to receive important information as well as to perform additional service requests. Your Bank has been one of the first Indian banks to offer banking services on WhatsApp which allows customers access banking services without installing any app or visiting any webpages.

Your Bank enhanced its Net Banking experience with features such as Deliverables tracking using Keya Chatbot, Re-KYC update for low risk customers and option to authenticate using Kotak Mobile Banking App instead of OTP (One Time Password) while logging into Net Banking.

Your Bank is the first Bank in the entire ecosystem to launch the new National Payments Corporation of India (NPCI) eMandate API method as part of the Electronic National Automated Clearing House (eNACH) product as both a Destination Bank as well as a Sponsor Bank. This allows for both consumers and corporates associated with Kotak to have a seamless experience in creating and approving recurring payment collection requests via the NPCI eMandate platform.

Your Bank is also the leading Bank on the Bharat Bill Payment System to acquire Billers onto the platform as a Biller Operating Unit. On the digital consumer payments, your Bank continues to serve customers with seamless in-channel payment experiences via Fund Transfers and Bill Payments/Recharges which are the primary transacting channels for most Bank consumers.

Your Bank introduced new digital payment methods including UPI 2.0, allowing customers to create one-time mandates and apply for IPOs via the new UPI product enhancement from NPCI.

Within KayMall (In-app commerce platform), your Bank is one of the first Banks to launch a direct integration with OLA Cabs allowing Bank customers to seamlessly book travel via Cabs in addition to Trains, Flights and Buses.

For the third consecutive year, your Bank has overachieved targets set by Ministry of Electronics & Information Technology (MeitY) for FY 2019-20 on Digital Payments transactions, with approximately 107% of target achievement.

Your Bank has also started collaboration with large external digital platforms to develop a new channel for instant loan disbursements for its existing customers. One such collaboration has been done with Google i.e Google Pay, where customers can avail pre-approved Personal loans by using the Google Pay platform. These loans are instantly credited to customers' Kotak Bank accounts.

In order to serve salaried customer segment of the Bank, your Bank launched a new product: "Kotak PayDay Loans", which offer short-term, single instalment loans to customers. Customers can avail loans instantly during the month by using digital channels. Repayment of the loan is basis the date on which customers receive their salary.

Your Bank suspended biometric-based savings account opening following the APEX court ruling last year. However, after revision of UIDAI guidelines for biometric savings account in August 2019, your Bank reintroduced biometric-based account opening for Savings and Corporate Salary accounts.

Revised Prevention of Money Laundering Act (PMLA) guidelines required your Bank to change its account opening journey in November 2019. Besides the branch and sales channels, other sales units of the bank like the Group Relation (GR) team, Consumer Durable group, Housing Loan and Personal Loan users were enabled for this mode of sourcing. Your Bank plans to introduce self on-boarding for corporate salary customers soon.

Your Bank relaunched a number of its digital initiatives this year, basis the revised guidelines on Aadhaar. Project Velocity, which aimed at servicing through biometric means, was a hit with customers and branches with a high Net Promoter Score (NPS) of 86+ till March. It was awarded at the CII DX Summit & Awards for Best Practice in Customer Experience. In addition, your Bank has enabled debit card, cheque book, PINS tracking on Keya chatbot with a massive 4 lakh requests monthly average. Robotics Process Automation has helped process 4 lakh+ service requests in FY 2019-20.

Your Bank's Kotak Innovation Lab based out of Bangalore has been awarded Best Innovation Centre by The Asian Banker.

Your Bank's Open Banking platform has enabled 100+ partnership across different lending and payments product since its incubation. The Kotak Mahindra API Store has been declared as a RUNNER-UP in Infosys Finacle Client Innovation Awards for 2019.

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 & Regulatory, Technology Operations Automation and Adoption of Emerging Technologies.

Your Bank has initiated specific initiatives in each of the areas to ensure that productivity, efficiency and customer experience improve significantly and in an ongoing manner. Your Bank has invested in leveraging Cloud, DevOps, Big Data, Face Recognition etc., and in modernizing its Core Banking, Credit Card Platform, Retail Assets and Treasury systems.

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.

## **SUBSIDIARIES & ASSOCIATES**

As at 31<sup>st</sup> March, 2020, your Bank has nineteen (19) subsidiaries as listed below:

### **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

The key business segments where the subsidiaries operate include investment banking, stock broking, vehicle finance, advisory services, asset management, life insurance and general insurance.

Kotak Mahindra Life Insurance Company Limited (KLI) has recorded a growth of 28.4% on the gross written premium, mainly coming from Individual renewal premium and Group business. KLI has solvency ratio of 2.90 against a regulatory requirement of 1.50.

In FY 2020, the Indian Equity Capital Markets witnessed a revival in primary market activity from the previous fiscal year. The uptick in activity in the market during FY 2020 could largely be attributed to a number of factors, including deals in the stressed asset situations, increasing investment activity by financial investors including private equity. Accordingly, Kotak Securities Limited and Kotak Mahindra Capital Company Limited reported higher profits compared to previous year.

The growth in the mutual funds industry continued during the year. The industry registered a growth of 10.4% YOY in Q4FY20 over Q4FY19 with the Quarterly Average Assets under Management (QAAUM) for Q4FY20 at ₹27.0 lakh crore. During the same period, on the basis of percentage growth in QAAUM, Kotak Mahindra Asset Management Company Limited (KMAMC) was amongst the fourth fastest growing Mutual Fund House. KMAMC is now the 6<sup>th</sup> largest Fund House in the country in terms of QAAUM as on 31<sup>st</sup> March, 2020 and its market Share in QAAUM has grown to 6.9% in Q4FY20 from 6.1% in Q4FY19 and 5.0%, 3 years back.

The key regulatory changes for Asset Management Company (AMC) business during the year was the rationalization of the scheme Total Expense Ratio's (TER's). Also with effect from October 2018, all scheme related expenses had to be paid from schemes and not from AMC, which was to be factored in pricing of direct plans. Further, no upfront commissions could be paid.

The passenger car market in India degrew by 17.4% for FY 2020 compared to 2.8% growth in FY 2019. Further, due to the change in regulations, there was a decrease in the loan book of our NBFC subsidiaries. In accordance with RBI guidelines, Kotak Mahindra Prime Limited and Kotak Mahindra Investments Limited made a general provision of ₹50 crore and ₹14 crore respectively, relating to COVID-19 in FY2020. The above factors have impacted the profits of these companies.

The Bank and most of its subsidiaries have elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 introduced by the Taxation Laws (Amendment) Act, 2019, during the fiscal year 2020, resulting in lower tax expense during FY 2020.

The Group has reduced its stake in ECA Trading Services Limited, an Associate company, from 40% to 20% on 18<sup>th</sup> March, 2020.

The various activities of the subsidiaries and the performance and financial position of the subsidiaries and associates are outlined in the Management Discussion and Analysis section appended to this Report.

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. KLI is a material subsidiary of the Bank.

As at 31<sup>st</sup> March, 2020, your Bank has the following three (3) Associate companies:

Infina Finance Private Limited

Phoenix ARC Private Limited

ECA Trading Services Limited

(previously known as ACE Derivatives & Commodity Exchange Limited)

The Annual Report consists of the financial statements of your Bank on standalone basis as well as consolidated financial statements of the group for the year ended 31<sup>st</sup> March, 2020, Report of Board of Directors, Auditor's report or other documents required to be attached therewith. The financial statements of the subsidiaries used for consolidation of the Bank's consolidated financial results are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 of the Companies Act, 2013 read with relevant notifications. In accordance with, the General Circular No. 20/2020 dated 5<sup>th</sup> May, 2020 issued by Ministry of Corporate Affairs (MCA) and Circular No. SEBI/HO/CFD/ CMD1/CIR/P/2020/79 dated 12<sup>th</sup> May, 2020 issued by the Securities and Exchange Board of India (SEBI) in view of the prevailing situation, owing to the difficulties involved in dispatching of physical copies of the Annual Report and the Notice convening the Annual General Meeting (AGM), the weblink of the same 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 year ended 31<sup>st</sup> March 2020, can get their email address registered by following the steps as detailed in the Notice convening the AGM. The full Annual Report (including the Annual Reports of all the subsidiaries) will be available on your Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>.

## **EMPLOYEE STOCK OPTION & STOCK APPRECIATION RIGHTS SCHEMES**

The stock options and the stock appreciation rights granted to the employees of the Bank and its subsidiaries currently operate under the following Schemes:

- Kotak Mahindra Equity Option Scheme 2015
- Kotak Mahindra Stock Appreciation Rights Scheme 2015

The disclosures requirements under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the aforesaid ESOP & SARs Schemes, in respect of the year ended 31<sup>st</sup> March, 2020, are disclosed on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>



## PROMOTER STAKE DILUTION MATTER

In August 2018, your Bank completed an issuance of Perpetual Non-Convertible Preference Shares (PNCPS) resulting in dilution of promoter stake to 19.70% of the paid-up capital of the Bank. However, the Reserve Bank of India (RBI) communicated to the Bank that the PNCPS issuance did not meet their promoter dilution requirement. The Bank filed a writ petition before the Hon'ble Bombay High Court to validate its position.

In January 2020, basis a proposal submitted by the Bank, and accepted by the RBI, the RBI conveyed its in-principle approval of the following revised terms in relation to the dilution of promoter shareholding:

1. Promoters' voting rights in the Bank to be capped to 20% of paid-up voting equity share capital (PUVESC) until March 31, 2020.
2. Promoters' voting rights in the Bank to be capped to 15% of PUVESC from April 1, 2020.
3. Promoters' shareholding in the Bank to be reduced to 26% of PUVESC of the Bank within 6 months from the date of final approval of RBI.
4. Promoters will not thereafter purchase any further paid up voting equity shares of the Bank till the percentage of promoters' shareholding reaches 15% of PUVESC of the Bank or such higher percentage as may be permitted by RBI from time to time.
5. Promoters' will be entitled to purchase paid up voting equity shares of the Bank up to 15% of the PUVESC of the Bank or such higher percentage as may be permitted in the future and exercise voting rights on such shares.

On this basis, the writ petition filed by the Bank was withdrawn, and thereafter, on February 18, 2020, the RBI accorded its final approval to the above. Post the Qualified Institutions Placement in May 2020 and subsequent sale of shares by promoters in secondary market, the shareholding of the promoters in the Bank has reduced. The requirement of 26% of PUVESC will be achieved within the time period stipulated by the RBI.

## CORPORATE GOVERNANCE AND BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations), a separate section entitled 'Report on Corporate Governance' has been included in this Annual Report. 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 31<sup>st</sup> March 2020. A Business Responsibility Report containing the requisite details under Regulation 34 of the SEBI LODR Regulations is disclosed on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>

## DIRECTORS & KEY MANAGERIAL PERSONNEL

### Directors retiring by rotation

Mr. Dipak Gupta (DIN 00004771) retires by rotation at the Thirty Fifth Annual General Meeting (AGM) of the Bank and is eligible for re-appointment, subject to approval of the Reserve Bank of India.

### Appointment/Re-appointment of Directors

The Board of Directors of the Bank had recommended appointment of Mr. K.V.S. Manian (DIN 00031794) & Mr. Gaurang Shah (DIN 00016660) as Whole-time Directors of the Bank for a period of three years with effect from the date of approval of the Reserve Bank of India and subject to necessary approval from the shareholders. Subsequently, the shareholders at the Annual General Meeting held on 22<sup>nd</sup> July 2019 had also approved the same. Further, Reserve Bank of India has granted its approval for appointment of Mr. K.V.S. Manian and Mr. Gaurang Shah as Whole-time Directors of the Bank for a period of three years. Accordingly, Mr. Manian and Mr. Shah took charge as Whole-time Directors of the Bank with effect from 1<sup>st</sup> November 2019.

Further, the Board of Directors of the Bank at its meeting held on 13<sup>th</sup> May 2020, based on the recommendation of the Nomination and Remuneration Committee (NRC) and performance evaluation, as applicable, have approved the following, subject to the approval of the shareholders and the Reserve Bank of India:

1. Re-appointment of Mr. Uday Kotak as the Managing Director & CEO for the period from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2023.
2. Re-appointment of Mr. Dipak Gupta as Whole-time Director of the Bank designated as Joint Managing Director for the period from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2023.
3. Re-appointment of Mr. Prakash Apte as the part-time Chairman of the Bank for the period from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2023.

The approval of the shareholders in this regard is being sought at the ensuing AGM of the Bank. The details of the Directors being re-appointed are set out in the Notice of the ensuing AGM of the Bank.

### Declaration from Independent Directors

The Board has received declarations from the Independent Directors as per the requirement of Section 149(7) of the Companies Act, 2013 and the Board is satisfied that the Independent Directors meet the criteria of independence and fulfil the conditions as mentioned in Section 149(6) of the Companies Act, 2013 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.

## Board Evaluation

The Nomination and Remuneration Committee (NRC) of the Bank's Board has formulated the criteria for performance evaluation of the Directors and the Board as a whole which broadly covers the Board role, Board/Committee membership, practice & procedure and collaboration & style. The performance of the Committees of the Board is evaluated on the criteria viz. composition & quality, process & procedure and the terms of reference.

The NRC of the Bank's Board engaged an external professional services firm to facilitate the self-evaluation process of the Board, its committees, Chairman and individual directors.

A Board effectiveness assessment questionnaire designed for the performance evaluation of the Board, its Committees, Chairman and individual directors (including Independent directors) in accordance with the criteria set and covering various aspects of performance including structure of the board, meetings of the board, functions of the board, role and responsibilities of the board, governance and compliance, evaluation of risks, grievance redressal for investors, conflict of interest, stakeholder value and responsibility, relationship among directors, director competency, board procedures, processes, functioning and effectiveness was circulated to all the directors of the Bank for the annual performance evaluation.

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 assessed the performance of the Independent Directors. The Directors noted that the results of the performance evaluation of the Board & its Committees, Chairman and individual directors indicated a high degree of satisfaction amongst the directors. Some of the suggestions this year for improving the performance of the Board & Committees were mapping of potential impact of changes in macroeconomic factors, product development with customer centric lens and improvement in area of customer service.

## Key Managerial Personnel (KMPs)

The following officials of the Bank are the "Key Managerial Personnel" pursuant to the provisions of Section 203 of the Companies Act, 2013:

- Mr. Uday Kotak, Managing Director & CEO
- Mr. Dipak Gupta, Joint Managing Director
- Mr. K.V.S. Manian, Whole-time Director (with effect from 1<sup>st</sup> November 2020)
- Mr. Gaurang Shah, Whole-time Director (with effect from 1<sup>st</sup> November 2020)
- Mr. Jaimin Bhatt, President & Group Chief Financial Officer
- Ms. Bina Chandarana, Company Secretary

## Appointment & Remuneration of Directors & KMPs

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 & Remuneration Committee (NRC) of the Bank's Board has formulated criteria for appointment of Senior Management personnel and the Directors. Based on the criteria set it 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 identify 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 & 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 NRC recommends the candidate to the Board.

The Reserve Bank of India ('RBI') vide its circular no.DBOD.No.BC.72/29.67.001/2011-12 dated 13<sup>th</sup> January 2012 has issued the Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Other Risk Takers of Private Sector Banks on Compensation Policy which inter alia cover the following:

- Proper balance between fixed pay and variable pay;
- Variable pay not to exceed 70% (Seventy Per Cent) of the fixed pay in a year;

In accordance with the aforesaid RBI Circular, the Board of the Bank has adopted a Compensation Policy for its Whole-time Directors, Chief Executive Officer of the Bank and other employees which includes issue of stock appreciation rights as a form of variable pay, linked to the Bank's stock price, payable over a period of time. The salient features of the Compensation Policy are as follows:

- Objective is to maintain fair, consistent and equitable compensation practices in alignment with Kotak's core values and strategic business goals.
- Applicable to all employees of the Bank. Employees classified into 3 groups:
  - o Whole-time Directors/Chief Executive Officer

- o Risk Control and Compliance Staff
- o Other categories of Staff
- Compensation structure broadly divided into Fixed, Variable and ESOPs
  - o Fixed Pay – Total cost to the Company i.e. Salary, Retirals and Other Benefits
  - o Variable Pay – Linked to assessment of performance and potential based on Balanced Key Result Areas (KRAs), Standards of Performance and achievement of targets with overall linkage to Bank budgets and business objectives. The main form of incentive compensation includes
    - Cash, Deferred Cash/Incentive Plan and Stock Appreciation Rights.
  - o ESOPs – Granted on a discretionary basis to employee based on their performance and potential with the objective of retaining the employee.
- Compensation Composition – The ratio of Variable Pay to Fixed Pay and the ratio of Cash v/s Non Cash within Variable pay outlined for each category of employee classification.
- Any variation in the Policy to be with approval of the Nomination & Remuneration Committee.
- Malus and Clawback clauses applicable on Deferred Variable Pay.
- Ensuring no personal hedging strategies by employees which undermine risk alignment effects as part of their remuneration.

The details of the remuneration paid to the Non-Executive Chairman, Executive and Non-Executive Directors of the Bank for the year ended 31<sup>st</sup> March, 2020 is provided in the Corporate Governance Report annexed to this Report.

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

RBI vide its circular no. DBR.No.BC.97/29.67.001/2014-15 dated June 1, 2015 has issued guidelines on payment of compensation to the Non-Executive Directors (NEDs) of private sector banks which inter-alia specifies the following:

- The Board of Directors of the Bank (in consultation with the NRC) needs to formulate and adopt a comprehensive compensation policy for NEDs (other than part-time non-executive Chairman).
- Maximum amount of profit related commission not to exceed ₹ 10 lakh per annum for each director of the Bank.

Accordingly, in line with the aforesaid RBI circular and pursuant to the relevant provisions of the Companies Act, 2013, the Board of the Bank has adopted a compensation policy for the NEDs (excluding the part-time Non-Executive Chairman). The salient features of the Compensation Policy are as follows:

- Compensation structure broadly divided into:
  - o Sitting fees
  - o Re-imbursement of expenses
  - o Commission (profit based)
- Amount of sitting fees and commission to be decided by the Board from time to time, subject to the regulatory limits.
- Overall cap on commission for each director ₹ 10 lakh per annum.
- NEDs not eligible for any stock options of the Bank.

Remuneration paid to the KMPs is in line with the Compensation Policy of the Bank which is based on the RBI Guidelines.

#### Disclosures pursuant to Rule 5 of 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 Chairman	4.02x
Mr. Uday Kotak	Managing Director & CEO	42.68x
Mr. Dipak Gupta	Joint Managing Director	42.53x
Mr. K.V.S. Manian*	Whole-time Director	44.63x
Mr. Gaurang Shah*	Whole-time Director	44.79x

\* Refer Note 3

**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/KMP	Title	% increase in remuneration	% increase in remuneration excluding SARs
Mr. Prakash Apte	Non-Executive Chairman	-	-
Mr. Uday Kotak#	Managing Director & CEO	-18.26	-18.26
Mr. Dipak Gupta#	Joint Managing Director	-18.31	-18.31
Mr. K.V.S. Manian*	Whole-time Director	5.70	4.85
Mr. Gaurang Shah*	Whole-time Director	9.66	4.80
Mr. Jaimin Bhatt	Group CFO	7.51	8.69
Ms. Bina Chandarana	Company Secretary	6.83	8.80

\* Refer Note 3

# Refer Note 5

**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 2018-19 and FY 2019-20 increase in the median remuneration is 11.97%.

**4. Number of permanent employees on the rolls of Bank at the end of the year: 50,034**

**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 2018-19 and FY 2019-20 the average increase is 11.97% and 11.70% excluding SARs.

Average increase for managerial personnel is 0.34% and -2.31% 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:**

- 1) Remuneration includes Fixed pay + Variable 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 (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.
- 3) Pursuant to the approval of the Reserve Bank of India, Mr. Manian and Mr. Shah took charge as Whole-time Directors of the Bank with effect from 1<sup>st</sup> November 2019.
- 4) The Non-Executive Directors of the Bank, other than the Non-Executive Chairman receive 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 gets sitting fees for attending meetings and gets a remuneration approved by the shareholders and the Reserve Bank of India.
- 5) Remuneration for Mr. Uday Kotak and Mr. Dipak Gupta does not include variable pay for the year ended 31<sup>st</sup> March 2019, which is pending approval of the Reserve Bank of India.

**SECRETARIAL AUDITOR**

Pursuant to Section 204 of the Companies Act, 2013 ('Act'), your Bank has appointed Parikh & Associates, Company Secretaries, as its Secretarial Auditor. The Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2020 as required under Section 204 of the Act and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 Companies Act, 2013 for FY 2019-2020.

Kotak Mahindra Life Insurance Company Limited ('KLI'), the Bank's material unlisted subsidiary has got its secretarial audit done and there are no reservations or adverse remarks or disclaimers made in the Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2020. The Secretarial Audit Report of KLI is annexed to this Report.

## ANNUAL RETURN

Pursuant to 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 as on 31<sup>st</sup> March, 2020 once prepared shall be disclosed on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/financial-results/annual-reports.html>

An extract of the Annual Return as on 31<sup>st</sup> March, 2020 in Form MGT-9 is annexed to this Report.

## DEPOSITS

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

## AUDITORS

In terms of Section 139 of the Companies Act, 2013, Messrs Walker Chandio & Co. LLP, Chartered Accountants (Registration No. 001076N/N500013), were appointed as statutory auditors of your Bank from the conclusion of the Thirty Fourth Annual General Meeting until the conclusion of the Thirty Sixth Annual General Meeting of the Bank, subject to the annual approval of the Reserve Bank of India (RBI). The Bank has received the approval of RBI for Messrs Walker Chandio & Co. LLP, Chartered Accountants to act as auditors for the year 2020- 2021.

## INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that your Bank has laid down set of standards, processes and structure which enables to implement internal financial controls across the organization with reference to financial statements and that such controls are adequate and are operating effectively. During the year under review, no material or serious observation has been 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 18<sup>th</sup> 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. Reserve Bank of India (RBI) had advised Banks vide circular no. RBI/2015-16/315DBR.BP.BC. No.76/21.07.001/2015-16 to follow Ind AS from 1<sup>st</sup> 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 5<sup>th</sup> April, 2018, deferred Ind AS implementation for the Scheduled commercial bank (excluding RRBs) by one year i.e. the implementation of Ind AS to begin from 1<sup>st</sup> April, 2019 onwards. Further, RBI vide circular no. DBR.BP.BC.No.29/21.07.001/2018-19 dated 22<sup>nd</sup> March 2019, deferred the implementation of Ind AS for scheduled commercial banks till further notice. The RBI has not issued any further notification on implementation of Ind AS for scheduled commercial banks.

As per RBI directions, your Bank has taken following steps so far:

- Submitted Standalone Proforma Ind AS financial statements to RBI on a quarterly basis effective FY 2018-19, as required.
- Formed Steering Committee for Ind AS implementation. The Steering Committee comprises of 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 review's progress of Ind AS implementation.
- The Bank has identified gaps in IT Systems and the changes required to automate Ind AS. The Bank is in advanced stages 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

All the Related Party Transactions that were entered into during the financial year were on arm's length basis and were in ordinary course of business.

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, in form AOC-2.

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 23 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.

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**

Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given, securities provided or acquisition of securities by a banking company in the ordinary course of its business are exempted from the disclosure requirement under Section 134(3)(g) of the Companies Act, 2013.

## **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 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 Whistleblower 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; questionable accounting/audit matters/financial malpractice. The concerns can be reported online on the website viz. URL: <https://cwportal.com/kotak> which is managed by independent third party.

Safeguards to avoid discrimination, retaliation, or harassment, and confidentiality have been incorporated in the 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 portal.

The Policy has been uploaded on the Bank's intranet as well as website viz. URL: <https://www.kotak.com/en/investor-relations/governance/policies.html> and regular communication is made for sustained awareness.

## **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Kotak Mahindra Bank Ltd. further referred to as your Bank, has constituted a Board Corporate Social Responsibility Committee (CSR Committee) and consists of the following Directors:

- 1) Mr. C. Jayaram
- 2) Prof. S. Mahendra Dev
- 3) Mr. Dipak Gupta

Your Bank's CSR Committee is responsible to monitor, review and approve CSR initiatives and expenditure. It also makes recommendations to the Board on CSR Policy and related matters. It is the CSR Committee's role to oversee the implementation of all the CSR activities of the Bank.

The CSR approach of your Bank is charted out in its Board approved CSR policy. This policy sets out your Bank's vision, mission, governance, and CSR focus areas to fulfill its inclusive growth agenda in India. It also demonstrates your Bank's contribution 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). It is the constant endeavour of the Bank to enhance its CSR capabilities 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.

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

The CSR policy, interventions, programmes and the CSR expenditure are all compliant with the CSR mandate as specified under section 134, section 135 read with schedule VII of the Companies Act, 2013 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.

The average net profit U/S 198 of the Companies Act, 2013 for Bank for the last three financial years preceding 31<sup>st</sup> March, 2020 is ₹ 6,211.52 crore.

The prescribed CSR expenditure required U/S 135 of the Act for FY 2019-20 is ₹ 124.23 crore.

The CSR Expenditure incurred for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 U/S 135 of Companies Act, 2013 amounts to ₹ 85.20 crore as against ₹ 36.55 crore CSR spend in the financial year 2018-19. The unutilised CSR Expenditure from the prescribed CSR expenditure amount U/S 135 of the Companies Act, 2013 is ₹ 39.03 crore.

CSR Expenditure of ₹ 85.20 crore in FY 2019-20 as a percentage of average net profit U/S 198 of the Companies Act, 2013 for the last three financial years preceding 31<sup>st</sup> March, 2020 at ₹ 6,211.52 crore is 1.37%. Further, your Bank's CSR Expenditure at ₹ 85.20 crore, in FY 2019-20, was 133% higher than the CSR expenditure of ₹ 36.55 crore in FY 2018-19, which in turn was 38.45% higher than our CSR expenditure of ₹ 26.40 crore in FY 2017-18.

To support the government's effort in combating COVID-19, your Bank has contributed ₹ 25.00 crore to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund), and donated ₹ 10.00 crore to the Chief Minister's Relief Fund – COVID 19 in Maharashtra in FY 2019-20. Even in FY 2020-21, your Bank has been continuously supporting various constituencies including the urban & rural poor, tribal communities, doctors, nurses and policemen on COVID-19 duty via various means such as contributing food packets, ration kit, masks, face shields, sanitisers, Personal Protective Equipment Kits (PPE Kits), and the like.

The implementation of the CSR projects and programmes is done directly and /or through selected partner who may be either governmental agencies, NGOs and/or other institution, having a proven track record of implementing cost and process efficient CSR projects and/or programmes that are scalable, sustainable, and have measurable social outcomes and impact. Also, the implementation is done through employee volunteering. The Bank's CSR footprint has been consistently increasing over the years. The Bank is committed to stepping-up its CSR programmes and expenditure in the years ahead.

Foremost reason for underspend of Bank CSR expenditure in FY 2019-20 is the NGOs' inability to utilise large CSR expenditure allocated under the Bank's CSR Programmes. For the Bank's CSR Programme Education & Livelihood ₹ 5.56 crore were unutilised by the Bank's NGO partners, in CSR Programme on Healthcare ₹ 0.75 crore were unutilised by the Bank's NGO partners, and in CSR Programme on Sports ₹ 0.25 crore were unutilised by the NGO partners, in FY2019-20. The NGOs have assured that they will utilise these unutilised CSR funds towards the Bank's Programmes in FY2020-21.

Your Bank does not consider "administrative overheads" as part of its CSR Expenditure.

The CSR Committee of the Board confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Bank.

The details of CSR activities and spends under Section 135 of the Companies Act, 2013 for FY 2019-20, are annexed to this report.

## RISK MANAGEMENT POLICY

Your Bank has a Group Enterprise wide Risk Management (ERM) 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 section appended to this Report.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to your Bank.

## EMPLOYEES

The employee strength of your Bank, standalone, was 50,034 and along with its subsidiaries was over 71,000 as of 31<sup>st</sup> March, 2020.

135 employees employed throughout the year were in receipt of remuneration of ₹102 lakh or more per annum and 74 employees employed for part of the year were in receipt of remuneration of ₹8.5 lakh or more per month.

Prevention of Sexual Harassment (POSH): Bank continues with the belief on zero tolerance towards sexual harassment at workplace and continues to uphold and maintain itself as a safe and non discriminatory organization. To achieve the same Kotak reinforces the understanding and awareness of Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Bank has formulated Internal Complaints Committee (ICC) at three regions for reporting any untoward instance. Any complaints pertaining to sexual harassment are diligently reviewed and investigated and treated with great sensitivity. The ICC 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.

Following is a summary of sexual harassment complaints received and disposed off during the year 2019-20:

- o No. of complaints received : 27
- o No. of complaints disposed off \* : 26

*\* In respect of one pending case, enquiries were in progress at the close of the year and as on the date of this report the same has been closed. One case pertaining to the previous year which was pending at the beginning has been closed.*

As Bank enters in its next phase of growth and expansion of footprint across urban and rural India, Bank and its subsidiaries continued to carry out several initiatives to attract and retain a pool of highly skilled and motivated employees who are aligned to the firm's vision of becoming the most trusted financial services provider.

In accordance with the provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the names and other particulars of the employees are set out in the annexure to the Directors' Report. In terms of the proviso to Section 136(1) of the Companies Act, 2013, the Directors' Report is being sent to all shareholders excluding the aforesaid annexure. The annexure is available for inspection to any shareholder on request. Any shareholder interested in obtaining a copy of the said annexure may write an email to the Company Secretary at [bina.chandarana@kotak.com](mailto:bina.chandarana@kotak.com).

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) your Bank has, in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2020, followed the applicable accounting standards 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 31<sup>st</sup> March, 2020 and of the profit of your Bank for the financial year ended 31<sup>st</sup> March, 2020;
- (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.

## **ANNEXURES**

Following statements/reports/certificates are set out as Annexures to the Directors' Report:

- Extract of Annual Return under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12 (1) of Companies (Management & Administration) Rules, 2014.
- Secretarial Audit Report pursuant to Section 204 of the Companies Act, 2013 and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Details of CSR activities and spends under Section 135 of the Companies Act, 2013.
- Certificate from the auditors regarding compliance of conditions of corporate governance as stipulated in para E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## **ACKNOWLEDGEMENTS**

Your Directors would like to place on record their gratitude for the valuable guidance and support received from the Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority and other Government and Regulatory agencies. Your Directors acknowledge the support of the members and also wish to place on record their appreciation of employees for their commendable efforts, teamwork and professionalism.

### **For and on behalf of the Board of Directors**

**Prakash Apte**  
Chairman

Place: Pune  
Date: 30<sup>th</sup> June 2020



## Form No. MGT-9

## EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31<sup>st</sup> March 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## I. REGISTRATION AND OTHER DETAILS:

i)	CIN	L65110MH1985PLC038137
ii)	Registration Date	21 <sup>st</sup> November 1985
iii)	Name of the Company	Kotak Mahindra Bank Ltd.
iv)	Category / Sub-Category of the Company	Banking Company
v)	Address of the Registered office and contact details	27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051 Tel No. : (022) 61660001 Fax No.: (022) 67132403
vi)	Whether listed company Yes / No	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	<b>KFin Technologies Private Limited</b> Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad - 500032 Tel : +91 040 67162222

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Monetary intermediation of commercial banks, saving banks postal savings bank and discount Houses	64191	100%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
<b>Domestic Subsidiaries</b>					
1	Kotak Mahindra Prime Limited 27BKC, C 27, G Block Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U67200MH1996PLC097730	Subsidiary	100.00	2(87)
2	Kotak Mahindra Investments Limited 27BKC, C 27, G Block Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U65900MH1988PLC047986	Subsidiary	100.00	2(87)
3	Kotak Securities Limited 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U99999MH1994PLC134051	Subsidiary	100.00	2(87)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
4	Kotak Mahindra Capital Company Limited 27BKC, Plot No. C-27, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051	U67120MH1995PLC134050	Subsidiary	100.00	2(87)
5	Kotak Mahindra Life Insurance Company Limited 2 <sup>nd</sup> Floor, Plot # C- 12, G- Block, BKC, Bandra (E), Mumbai - 400051	U66030MH2000PLC128503	Subsidiary	100.00	2(87)
6	Kotak Mahindra General Insurance Company Limited 27 BKC, C27, G Block Bandra Kurla Complex, Bandra (East), Mumbai – 400051	U66000MH2014PLC260291	Subsidiary	100.00	2(87)
7	Kotak Mahindra Asset Management Company Limited 27BKC, C-27, G Block Bandra Kurla Complex, Bandra (E), Mumbai - 400051	U65991MH1994PLC080009	Subsidiary	100.00	2(87)
8	Kotak Mahindra Trustee Company Limited 27BKC, C-27, G Block Bandra Kurla Complex, Bandra (E), Mumbai - 400051	U65990MH1995PLC090279	Subsidiary	100.00	2(87)
9	Kotak Mahindra Pension Fund Limited 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U67200MH2009PLC191144	Subsidiary	100.00	2(87)
10	Kotak Investment Advisors Limited 27 BKC, 7 <sup>th</sup> Floor, Plot No. C-27, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	U65990MH1994PLC077472	Subsidiary	100.00	2(87)
11	Kotak Mahindra Trusteeship Services Limited 27 BKC, 6 <sup>th</sup> Floor, Plot No. C-27, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	U65991MH2000PLC125008	Subsidiary	100.00	2(87)
12	Kotak Infrastructure Debt Fund Limited 27BKC, C 27, G Block Bandra Kurla Complex, Bandra (E), Mumbai – 400051	U65910MH1988PLC048450	Subsidiary	100.00	2(87)
13	IVY Product Intermediaries Limited 27 BKC, C 27, G Block Bandra Kurla Complex, Bandra (East), Mumbai – 400051	U85110MH1987PLC294572	Subsidiary	100.00	2(87)
14	BSS Microfinance Limited No.11, 2 <sup>nd</sup> Block, 2 <sup>nd</sup> Stage, Outer Ring Road, Near BDA Complex, Nagarabhavi Layout, Bangalore – 560072	U74899KA1994PLC049746	Subsidiary	100.00	2(87)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
<b>International Subsidiaries</b>					
15	Kotak Mahindra (UK) Limited 55 Baker Street, London, W1U 7EU, UK	-	100.00	100.00	2(87)
16	Kotak Mahindra (International) Limited 33, Edith Cavell Street Port Louis, 11324 Republic of Mauritius	-	Subsidiary	100.00	2(87)
17	Kotak Mahindra Inc. 251 Little Falls Drive, New Castle County Wilmington, DE 19808 USA	-	Subsidiary	100.00	2(87)
18	Kotak Mahindra Financial Services Limited 7 <sup>th</sup> Floor, 703, Office Tower – 2, Al Fattan Currency House, Dubai International Financial Centre, PO Box 16498, Dubai	-	Subsidiary	100.00	2(87)
19	Kotak Mahindra Asset Management (Singapore) Pte. Limited 16, Raffles Quay, #35-04A, Hong Leong Building, Singapore – 048581	-	Subsidiary	100.00	2(87)
<b>Associate Companies</b>					
20	Infina Finance Private Limited 7 <sup>th</sup> Floor, Dani Corporate Park, 158, C.S.T. Road, Kalina Santacruz (E), Mumbai - 400098.	U67120MH1996PTC098584	Associate	49.99	2(6)
21	Phoenix ARC Private Limited 5 <sup>th</sup> Floor, Dani Corporate Park, 158, CST Road, Kalina, Santacruz (E), Mumbai - 400098	U67190MH2007PTC168303	Associate	49.90	2(6)
22	ECA Trading Services Limited (previously known as ACE Derivatives & Commodity Exchange Limited) 1 <sup>st</sup> Floor, Popular House, Ashram Road, Navrangpura, Ahmedabad, Gujarat - 380009.	U51100GJ1956PLC000597	Associate	20.00	2(6)

\* Direct and indirect holdings

**IV SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**(i) Category-wise Share Holding**

Category of Shareholders	No. of Equity shares held at the beginning of the year				No. of Equity shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
<b>A. Promoters</b>									
<b>1) Indian</b>									
a) Individual / HUF	571,841,408	-	571,841,408	29.96	571,840,408	-	571,840,408	29.89	-0.07
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp	624,556	-	624,556	0.03	624,556	-	624,556	0.03	0.00
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub total (A) (1)</b>	<b>572,465,964</b>	<b>-</b>	<b>572,465,964</b>	<b>29.99</b>	<b>572,464,964</b>	<b>-</b>	<b>572,464,964</b>	<b>29.92</b>	<b>-0.07</b>
<b>2) Foreign</b>	-	-	-	-	-	-	-	-	-
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub total (A) (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>572,465,964</b>	<b>-</b>	<b>572,465,964</b>	<b>29.99</b>	<b>572,464,964</b>	<b>-</b>	<b>572,464,964</b>	<b>29.92</b>	<b>-0.07</b>
<b>B. Public Shareholding as per classification given by Depository</b>									
<b>1. Institutions</b>									
a) Mutual Funds	160,168,020	28,000	160,196,020	8.39	172,081,405	28,000	172,109,405	9.00	0.60
b) Banks / FI	3,421,462	6,634	3,428,096	0.18	761,744	6,634	768,378	0.04	-0.14
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Alternative Investment Funds	3,846,505	-	3,846,505	0.20	3,633,429	-	3,633,429	0.19	-0.01
g) Insurance Companies	52,349,181	-	52,349,181	2.74	65,453,128	-	65,453,128	3.42	0.68
h) FIs	768,539,880	25,600	768,565,480	40.27	749,235,796	25,600	749,261,396	39.16	-1.10
i) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
j) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1)-</b>	<b>988,325,048</b>	<b>60,234</b>	<b>988,385,282</b>	<b>51.78</b>	<b>991,165,502</b>	<b>60,234</b>	<b>991,225,736</b>	<b>51.81</b>	<b>0.03</b>
<b>2. Non-Institutions</b>									
a) Bodies Corp.	63,869,294	57,952	63,927,246	3.35	58,798,926	52,552	58,851,478	3.08	-0.27
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Equity shares held at the beginning of the year				No. of Equity shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	72,394,064	5,780,455	78,174,519	4.10	73,884,561	4,780,123	78,664,684	4.11	0.02
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	103,965,192	214,992	104,180,184	5.46	97,732,179	131,524	97,863,703	5.12	-0.34
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	4,275,735	991,024	5,266,759	0.28	3,822,391	856,024	4,678,415	0.24	-0.03
Non Resident Indians Non-Repatriable	2,935,282	-	2,935,282	0.15	3,295,892	-	3,295,892	0.17	0.02
Overseas Bodies Corporate	8,406,960	-	8,406,960	0.44	8,222,960	-	8,222,960	0.43	-0.01
Foreign Bank	32,800,000	-	32,800,000	1.72	32,800,000	-	32,800,000	1.71	-0.01
Foreign Bodies	25,966,992	-	25,966,992	1.36	25,966,992	-	25,966,992	1.36	0.00
Foreign Bodies-DR	1,744	-	1,744	0.00	0	-	0	0.00	0.00
Trust	13,137,126	-	13,137,126	0.69	17,859,748	-	17,859,748	0.93	0.25
HUF	1,968,262	14	1,968,276	0.10	2,005,262	14	2,005,276	0.10	0.00
IEPF	3,160,801	-	3,160,801	0.17	3,171,393	-	3,171,393	0.17	0.00
Clearing Members	6,414,483	-	6,414,483	0.34	4,914,430	-	4,914,430	0.26	-0.08
NBFC	1,561,659	-	1,561,659	0.08	374,981	-	374,981	0.02	-0.06
Foreign National	1,550	-	1,550	0.00	1,509	-	1,509	0.00	0.00
Qualified Institutional Buyer*	-	-	-	0.00	10,676,177	-	10,676,177	0.56	0.56
<b>Sub-total(B)(2):-</b>	<b>340,859,144</b>	<b>7,044,437</b>	<b>347,903,581</b>	<b>18.23</b>	<b>343,527,401</b>	<b>5,820,237</b>	<b>349,347,638</b>	<b>18.26</b>	<b>0.03</b>
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>1,329,184,192</b>	<b>7,104,671</b>	<b>1,336,288,863</b>	<b>70.01</b>	<b>1,334,692,903</b>	<b>5,880,471</b>	<b>1,340,573,374</b>	<b>70.08</b>	<b>0.07</b>
<b>C. Shares held by Custodian for</b>	-	-	-	-	-	-	-	-	-
<b>GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>1,901,650,156</b>	<b>7,104,671</b>	<b>1,908,754,827</b>	<b>100.00</b>	<b>1,907,157,867</b>	<b>5,880,471</b>	<b>1,913,038,338</b>	<b>100.00</b>	

**Notes:**

- The increase in Equity Share Capital during FY 2019-20 is on account of allotment of equity shares under the various ESOP Schemes of the Bank.
- \* Pursuant to NSDL circular no. NSDL/POLICY/2018/0039, Qualified Institutional Buyer has been added as a separate category for the year under review.

**(ii) Shareholding of Promoters**

Sl no.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Equity shares	% of total Equity shares of the company	% of Equity shares pledged / encumbered to total Equity shares	No. of Equity shares	% of total Equity shares of the company	% of Equity shares pledged / encumbered to total Equity shares	
1	Uday Suresh Kotak	566,927,100	29.70	0.00	566,927,100	29.63	0.00	-0.07
2	Kotak Trustee Company Pvt. Ltd. (These shares are held by Kotak Trustee Company Pvt. Ltd. as a trustee for USK Benefit Trust – II of which Mr. Uday Kotak is the sole beneficiary)	624,556	0.03	0.00	624,556	0.03	0.00	0.00
3	Indira Suresh Kotak	2,300,000	0.12	0.00	2,300,000	0.12	0.00	0.00
4	Pallavi Kotak	1,111,580	0.06	0.00	1,111,580	0.06	0.00	0.00
5	Suresh Amritlal Kotak	200,000	0.01	0.00	200,000	0.01	0.00	0.00
6	Suresh A Kotak (HUF)	110,000	0.01	0.00	110,000	0.01	0.00	0.00
7	Aarti Neal Chandaria	57,360	0.00	0.00	57,360	0.00	0.00	0.00
8	Janak Dinkarra Desai	11,35,368	0.06	0.00	11,34,368	0.06	0.00	0.00
	<b>Total</b>	<b>572,465,964</b>	<b>29.99</b>	<b>0.00</b>	<b>572,464,964</b>	<b>29.92</b>	<b>0.00</b>	<b>-0.07</b>

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sl no.		No. of Equity shares	% of total Equity shares of the company	Cumulative Shareholding during the year		
				No. of Equity shares	% of total Equity shares of the company	
	At the beginning of the year	572,465,964	29.99	572,464,964	29.92	
	Date wise Increase / Decrease in Promoters					
	Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):					
1	Janak Dinkarra Desai	Sale 12/02/2020	1,000	0.00	572,464,964	29.92
	At the End of the year			572,464,964	29.92	

**(iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
1	Canada Pension Plan Investment Board	115,163,850	6.03	-	-		31/03/2019	115,163,850	6.03
				-	3,470,782	Market Purchase	20/03/2020	118,634,632	6.20
				-	-		31/03/2020	118,634,632	6.20
2	Euro pacific Growth Fund	94,883,478	4.97	-	-		31/03/2019	94,883,478	4.97
				-	256,000	Market Purchase	27/12/2019	95,139,478	4.98
				-	-		31/03/2020	95,139,478	4.97
3	Oppenheimer Developing Markets Fund	66,052,253	3.46	-	-		31/03/2019	66,052,253	3.46
				3,167,219	-	Market Sale	28/06/2019	62,885,034	3.29
				2,262,327	-	Market Sale	05/07/2019	60,622,707	3.18
				1,519,134	-	Market Sale	27/09/2019	59,103,573	3.09
				268,257	-	Market Sale	30/09/2019	58,835,316	3.08
				494,219	-	Market Sale	04/10/2019	58,341,097	3.05
				142,552	-	Market Sale	11/10/2019	58,198,545	3.05
				343,561	-	Market Sale	01/11/2019	57,854,984	3.03
				-	991,750	Market Purchase	22/11/2019	58,846,734	3.08
				-	902,444	Market Purchase	06/12/2019	59,749,178	3.13
				4,821,308	-	Market Sale	20/12/2019	54,927,870	2.87
				679,373	-	Market Sale	27/12/2019	54,248,497	2.84
				302,955	-	Market Sale	31/12/2019	53,945,542	2.82
				434,339	-	Market Sale	03/01/2020	53,511,203	2.80
				1,362,285	-	Market Sale	10/01/2020	52,148,918	2.73
		1,566,439	-	Market Sale	17/01/2020	50,582,479	2.65		
		744,110	-	Market Sale	24/01/2020	49,838,369	2.61		
		-	3,146,406	Market Purchase	27/03/2020	52,984,775	2.77		
		-	1,761,228	Market Purchase	31/03/2020	54,746,003	2.86		
		-	-		31/03/2020	54,746,003	2.86		
4	SBI Mutual Funds	40,671,286	2.13	-	-		31/03/2019	40,671,286	2.13
				-	203,351	Market Purchase	05/04/2019	40,874,637	2.14
				3,015	-	Market Sale	05/04/2019	40,871,622	2.14
				-	10,661	Market Purchase	12/04/2019	40,882,283	2.14
				3,154	-	Market Sale	12/04/2019	40,879,129	2.14
				-	56,722	Market Purchase	19/04/2019	40,935,851	2.14
				14,921	-	Market Sale	19/04/2019	40,920,930	2.14
		-	157,025	Market Purchase	26/04/2019	41,077,955	2.15		

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				1	-	Market Sale	26/04/2019	41,077,954	2.15
				-	88,484	Market Purchase	03/05/2019	41,166,438	2.16
				5,420	-	Market Sale	03/05/2019	41,161,018	2.16
				-	158,508	Market Purchase	10/05/2019	41,319,526	2.16
				-	301,590	Market Purchase	17/05/2019	41,621,116	2.18
				-	219,599	Market Purchase	24/05/2019	41,840,715	2.19
				113,503		Market sale	24/05/2019	41,727,212	2.19
				-	106,405	Market Purchase	31/05/2019	41,833,617	2.19
				55,074	-	Market sale	31/05/2019	41,778,543	2.19
				-	314,396	Market Purchase	07/06/2019	42,092,939	2.20
				71,747	-	Market sale	07/06/2019	42,021,192	2.20
				-	140,252	Market Purchase	14/06/2019	42,161,444	2.21
				-	132,206	Market Purchase	21/06/2019	42,293,650	2.22
				1,100,000	-	Market Sale	21/06/2019	41,193,650	2.16
				-	275,847	Market Purchase	28/06/2019	41,469,497	2.17
				13,822	-	Market Sale	28/06/2019	41,455,675	2.17
				-	729,461	Market Purchase	05/07/2019	42,185,136	2.21
				6,326	-	Market Purchase	05/07/2019	42,178,810	2.21
				-	367,165	Market Purchase	12/07/2019	42,545,975	2.23
				-	306,048	Market Purchase	19/07/2019	42,852,023	2.24
				10,500	-	Market sale	19/07/2019	42,841,523	2.24
				-	887,104	Market Purchase	26/07/2019	43,728,627	2.29
				-	491,780	Market Purchase	02/08/2019	44,220,407	2.32
				-	772,476	Market Purchase	09/08/2019	44,992,883	2.36
				8,983	-	Market sale	09/08/2019	44,983,900	2.36
				-	180,808	Market Purchase	16/08/2019	45,164,708	2.37
				-	61,674	Market Purchase	23/08/2019	45,226,382	2.37
				-	75,192	Market Purchase	30/08/2019	45,301,574	2.37
				107,666	-	Market Sale	30/08/2019	45,193,908	2.37
				-	56,977	Market Purchase	06/09/2019	45,250,885	2.37
				108,168	-	Market Sale	06/09/2019	45,142,717	2.36
				-	64,761	Market Purchase	13/09/2019	45,207,478	2.37
				25,957	-	Market Sale	13/09/2019	45,181,521	2.37
				-	94,100	Market Purchase	20/09/2019	45,275,621	2.37
				17	-	Market Sale	20/09/2019	45,275,604	2.37
				-	416,920	Market Purchase	27/09/2019	45,692,524	2.39



Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				560,328	-	Market Sale	27/09/2019	45,132,196	2.36
				-	68,056	Market Purchase	30/09/2019	45,200,252	2.37
		6,808		-		Market Sale	30/09/2019	45,193,444	2.37
				-	64,804	Market Purchase	04/10/2019	45,258,248	2.37
				269	-	Market Sale	04/10/2019	45,257,979	2.37
				-	235,017	Market Purchase	11/10/2019	45,492,996	2.38
		86,985		-		Market Sale	11/10/2019	45,406,011	2.38
				-	169,513	Market Purchase	18/10/2019	45,575,524	2.39
				-	425,351	Market Purchase	25/10/2019	46,000,875	2.41
		10,033		-		Market Sale	25/10/2019	45,990,842	2.41
				-	258,898	Market Purchase	01/11/2019	46,249,740	2.42
		25,728		-		Market Sale	01/11/2019	46,224,012	2.42
				-	263,523	Market Purchase	08/11/2019	46,487,535	2.43
		1		-		Market Sale	08/11/2019	46,487,534	2.43
				-	213,779	Market Purchase	15/11/2019	46,701,313	2.44
		48,194		-		Market Sale	15/11/2019	46,653,119	2.44
				-	371,669	Market Purchase	22/11/2019	47,024,788	2.46
		1,025		-		Market Sale	22/11/2019	47,023,763	2.46
				-	167,603	Market Purchase	29/11/2019	47,191,366	2.47
				-	159,721	Market Purchase	06/12/2019	47,351,087	2.48
		52,202		-		Market Sale	06/12/2019	47,298,885	2.48
		74,514		-	74,874	Market Purchase	13/12/2019	47,373,759	2.48
				-	102,690	Market Purchase	20/12/2019	47,401,935	2.48
		68,713		-		Market Sale	20/12/2019	47,333,222	2.48
				-	295,552	Market Purchase	27/12/2019	47,628,774	2.49
		120,186		-		Market Sale	27/12/2019	47,508,588	2.49
				-	91,862	Market Purchase	31/12/2019	47,600,450	2.49
				-	73,214	Market Purchase	03/01/2020	47,673,664	2.49
		2,460		-		Market Sale	03/01/2020	47,671,204	2.49
				-	90,870	Market Purchase	10/01/2020	47,762,074	2.50
				-	251,886	Market Purchase	17/01/2020	48,013,960	2.51
		4,208		-		Market Sale	17/01/2020	48,009,752	2.51
				-	84,495	Market Purchase	24/01/2020	48,094,247	2.52
		64,944		-		Market Sale	24/01/2020	48,029,303	2.51
				-	109,820	Market Purchase	31/01/2020	48,139,123	2.52
		6,581		-		Market Sale	31/01/2020	48,132,542	2.52
				-	102,530	Market Purchase	07/02/2020	48,235,072	2.52

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				66,038	-	Market Sale	07/02/2020	48,169,034	2.52
				-	76,244	Market Purchase	14/02/2020	48,245,278	2.52
				57,159	-	Market Sale	14/02/2020	48,188,119	2.52
				-	53,209	Market Purchase	21/02/2020	48,241,328	2.52
				12,133	-	Market Sale	21/02/2020	48,229,195	2.52
				-	389,524	Market Purchase	28/02/2020	48,618,719	2.54
				197,596	-	Market Sale	28/02/2020	48,421,123	2.53
				-	547,244	Market Purchase	06/03/2020	48,968,367	2.56
				-	531,138	Market Purchase	13/03/2020	49,499,505	2.59
				-	7,078,580	Market Purchase	20/03/2020	56,578,085	2.96
				8,876,481	-	Market Sale	20/03/2020	47,701,604	2.49
				-	855,405	Market Purchase	27/03/2020	48,557,009	2.54
				24,623	-	Market Sale	27/03/2020	48,532,386	2.54
				-	535,928	Market Purchase	31/03/2020	49,068,314	2.56
							31/03/2020	49,068,314	2.56
5	Sumitomo Mitsui Banking Corporation	32,800,000	1.72	-	-		31/03/2019	32,800,000	1.72
				-	-		31/03/2020	32,800,000	1.71
6	Life Insurance Corporation of India	30,926,818	1.62	-	-		31/03/2019	30,926,818	1.62
				-	403,302	Market Purchase	05/04/2019	31,330,120	1.64
				-	1,182,237	Market Purchase	12/04/2019	32,512,357	1.70
				-	586,664	Market Purchase	19/04/2019	33,099,021	1.73
				-	1,461,776	Market Purchase	26/04/2019	34,560,797	1.81
				-	901,180	Market Purchase	03/05/2019	35,461,977	1.86
				-	577,650	Market Purchase	10/05/2019	36,039,627	1.89
				-	1,080,064	Market Purchase	17/05/2019	37,119,691	1.94
				-	121,055	Market Purchase	24/05/2019	37,240,746	1.95
				-	1,166,354	Market Purchase	12/07/2019	38,407,100	2.01
				-	1,045,100	Market Purchase	19/07/2019	39,452,200	2.07
				-	594,672	Market Purchase	26/07/2019	40,046,872	2.10
				-	250,274	Market Purchase	02/08/2019	40,297,146	2.11
				-	489,954	Market Purchase	09/08/2019	40,787,100	2.14
				-	230,609	Market Purchase	16/08/2019	41,017,709	2.15
				-	486,331	Market Purchase	23/08/2019	41,504,040	2.17
				-	658,754	Market Purchase	30/08/2019	42,162,794	2.21
				-	765,374	Market Purchase	06/09/2019	42,928,168	2.25
				-	137,248	Market Purchase	13/09/2019	43,065,416	2.25
				-	149,718	Market Purchase	20/09/2019	43,215,134	2.26

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				-	249,040	Market Purchase	27/09/2019	43,464,174	2.28
				-	150,000	Market Purchase	30/09/2019	43,614,174	2.28
				-	248,900	Market Purchase	04/10/2019	43,863,074	2.30
				-	199,500	Market Purchase	11/10/2019	44,062,574	2.31
				-	245,671	Market Purchase	18/10/2019	44,308,245	2.32
				-	231,075	Market Purchase	25/10/2019	44,539,320	2.33
				100	-	Market Sale	25/10/2019	44,539,220	2.33
				-	122,235	Market Purchase	06/12/2019	44,661,455	2.34
				-	200,000	Market Purchase	13/12/2019	44,861,455	2.35
				158,400	-	Market Sale	27/12/2019	44,703,055	2.34
				495,594	-	Market Sale	31/12/2019	44,207,461	2.31
				1,635,124	-	Market Sale	03/01/2020	42,572,337	2.23
				412,630	-	Market Sale	10/01/2020	42,159,707	2.21
				2,693,852	-	Market Sale	17/01/2020	39,465,855	2.07
				202,300	-	Market Sale	24/01/2020	39,263,555	2.05
				100,000	-	Market Sale	14/02/2020	39,163,555	2.05
				719,134	-	Market Sale	21/02/2020	38,444,421	2.01
				890,478	-	Market Sale	28/02/2020	37,553,943	1.96
				-	1,488,892	Market Purchase	06/03/2020	39,042,835	2.04
				-	1,084,800	Market Purchase	13/03/2020	40,127,635	2.10
				-	2,179,100	Market Purchase	20/03/2020	42,306,735	2.21
				-	367,799	Market Purchase	27/03/2020	42,674,534	2.23
							31/03/2020	42,674,534	2.23
7	Capital World Growth and Income Fund	30,127,279	1.58	-	-		31/03/2019	30,127,279	1.58
				-	2,676,760	Market Purchase	24/05/2019	32,804,039	1.72
				-	2,648,240	Market Purchase	31/05/2019	35,452,279	1.86
				-	960,000	Market Purchase	20/09/2019	36,412,279	1.91
				-	-		31/03/2020	36,412,279	1.90
8	Caladium Investment Pte Ltd	25,966,992	1.36	-	-		31/03/2019	25,966,992	1.36
				-	-		31/03/2020	25,966,992	1.36
9	New World Fund Inc	24,079,669	1.26	-	-		31/03/2019	24,079,669	1.26
				-	2,102,521	Market Purchase	10/05/2019	26,182,190	1.37
				-	2,061,265	Market Purchase	17/05/2019	28,243,455	1.48
				-	774,000	Market Purchase	31/05/2019	29,017,455	1.52
				904,707	-	Market Sale	14/06/2019	28,112,748	1.47
				366,651	-	Market Sale	21/06/2019	27,746,097	1.45
				-	1,319,658	Market Purchase	28/06/2019	29,065,755	1.52

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				-	79,700	Market Purchase	05/07/2019	29,145,455	1.53
				-	335,000	Market Purchase	02/08/2019	29,480,455	1.54
				-	2,310,000	Market Purchase	09/08/2019	31,790,455	1.66
				-	1,080,300	Market Purchase	16/08/2019	32,870,755	1.72
				-	170,500	Market Purchase	30/08/2019	33,041,255	1.73
				-	226,000	Market Purchase	20/09/2019	33,267,255	1.74
				-	347,980	Market Purchase	25/10/2019	33,615,235	1.76
				-	395,000	Market Purchase	10/01/2020	34,010,235	1.78
				-	1,093,203	Market Purchase	13/03/2020	35,103,438	1.84
				811,824	-	Market Sale	20/03/2020	34,291,614	1.79
				-	1,595,500	Market Purchase	27/03/2020	35,887,114	1.88
				-	-		31/03/2020	35,887,114	1.88
10	Axis Mutual Fund	22,885,164	1.20	-	-		31/03/2019	22,885,164	1.20
				-	389,000	Market Purchase	05/04/2019	23,274,164	1.22
				8	-	Market Sale	05/04/2019	23,274,156	1.22
				-	335,044	Market Purchase	12/04/2019	23,609,200	1.24
				-	275,000	Market Purchase	19/04/2019	23,884,200	1.25
				-	250,000	Market Purchase	26/04/2019	24,134,200	1.26
				60,168	-	Market Sale	26/04/2019	24,074,032	1.26
				-	327,400	Market Purchase	03/05/2019	24,401,432	1.28
				-	120,000	Market Purchase	10/05/2019	24,521,432	1.28
				1,000,000	-	Market Sale	10/05/2019	23,521,432	1.23
				-	158,000	Market Purchase	17/05/2019	23,679,432	1.24
				-	470,169	Market Purchase	24/05/2019	24,149,601	1.27
				162,400	-	Market Sale	24/05/2019	23,987,201	1.26
				-	40,000	Market Purchase	31/05/2019	24,027,201	1.26
				20,841	-	Market Sale	31/05/2019	24,006,360	1.26
				-	361,800	Market Purchase	07/06/2019	24,368,160	1.28
				1	-	Market Sale	14/06/2019	24,368,159	1.28
				-	160,000	Market Purchase	21/06/2019	24,528,159	1.28
				-	403,000	Market Purchase	28/06/2019	24,931,159	1.31
				26,821	-	Market Sale	28/06/2019	24,904,338	1.30
				-	381,000	Market Purchase	05/07/2019	25,285,338	1.32
				21	-	Market Sale	05/07/2019	25,285,317	1.32
				-	9	Market Purchase	12/07/2019	25,285,326	1.32
				-	210,000	Market Purchase	19/07/2019	25,495,326	1.34
				-	69,657	Market Purchase	26/07/2019	25,564,983	1.34

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				42,119	-	Market Sale	02/08/2019	25,522,864	1.34
				-	171,878	Market Purchase	09/08/2019	25,694,742	1.35
				365,002	-	Market Sale	09/08/2019	25,329,740	1.33
				-	135,000	Market Purchase	16/08/2019	25,464,740	1.33
				61,226	-	Market Sale	23/08/2019	25,403,514	1.33
				-	135,618	Market Purchase	30/08/2019	25,539,132	1.34
				-	10	Market Purchase	06/09/2019	25,539,142	1.34
				877,000	-	Market Sale	06/09/2019	24,662,142	1.29
				12,672	-	Market Sale	13/09/2019	24,649,470	1.29
				23,940	-	Market Sale	20/09/2019	24,625,530	1.29
				-	60,000	Market Purchase	27/09/2019	24,685,530	1.29
				105,991	-	Market Sale	27/09/2019	24,579,539	1.29
				15	-	Market Sale	30/09/2019	24,579,524	1.29
				-	30,000	Market Purchase	04/10/2019	24,609,524	1.29
				-	2	Market Purchase	11/10/2019	24,609,526	1.29
				-	4,800	Market Purchase	18/10/2019	24,614,326	1.29
				82,705	-	Market Sale	18/10/2019	24,531,621	1.28
				-	101,498	Market Purchase	25/10/2019	24,633,119	1.29
				230,000	-	Market Sale	25/10/2019	24,403,119	1.28
				-	1,394	Market Purchase	01/11/2019	24,404,513	1.28
				36,791	-	Market Sale	01/11/2019	24,367,722	1.28
				48,886	-	Market Sale	08/11/2019	24,318,836	1.27
				-	60,000	Market Purchase	15/11/2019	24,378,836	1.28
				482	-	Market Sale	15/11/2019	24,378,354	1.28
				-	37,461	Market Purchase	22/11/2019	24,415,815	1.28
				72,668	-	Market Sale	22/11/2019	24,343,147	1.27
				385,960	-	Market Sale	29/11/2019	23,957,187	1.25
				-	200,000	Market Purchase	06/12/2019	24,157,187	1.26
				1,154	-	Market Sale	06/12/2019	24,156,033	1.26
				-	290,000	Market Purchase	13/12/2019	24,446,033	1.28
				36,132	-	Market Sale	13/12/2019	24,409,901	1.28
				-	654,000	Market Purchase	20/12/2019	25,063,901	1.31
				51,661	-	Market Sale	20/12/2019	25,012,240	1.31
				-	240,000	Market Purchase	27/12/2019	25,252,240	1.32
				454	-	Market Sale	27/12/2019	25,251,786	1.32
				-	850,761	Market Purchase	10/01/2020	26,102,547	1.37
				270,758	-	Market Sale	10/01/2020	25,831,789	1.35

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares - Decrease	No. of Equity shares - Increase	Reason		No. of Equity shares	% of total Equity shares of the company
				-	300,002	Market Purchase	17/01/2020	26,131,791	1.37
		1,000		-		Market Sale	17/01/2020	26,130,791	1.37
				-	524,759	Market Purchase	24/01/2020	26,655,550	1.39
		695,904		-		Market Sale	24/01/2020	25,959,646	1.36
				-	750,000	Market Purchase	31/01/2020	26,709,646	1.40
		2,279		-		Market Sale	31/01/2020	26,707,367	1.40
				-	50,000	Market Purchase	07/02/2020	26,757,367	1.40
		302,558		-		Market Sale	07/02/2020	26,454,809	1.38
				-	345,828	Market Purchase	14/02/2020	26,800,637	1.40
		1,078		-		Market Sale	14/02/2020	26,799,559	1.40
				-	76,487	Market Purchase	21/02/2020	26,876,046	1.41
		2,409		-		Market Sale	21/02/2020	26,873,637	1.41
				-	342,035	Market Purchase	06/03/2020	27,215,672	1.42
				-	540,928	Market Purchase	13/03/2020	27,756,600	1.45
				-	1,329,416	Market Purchase	20/03/2020	29,086,016	1.52
		154,340		-		Market Sale	20/03/2020	28,931,676	1.51
				-	3,751	Market Purchase	27/03/2020	28,935,427	1.51
		88,000		-		Market Sale	27/03/2020	28,847,427	1.51
				-	1,575	Market Purchase	31/03/2020	28,849,002	1.51
		73,757		-		Market Sale	31/03/2020	28,775,245	1.50
				-	-		31/03/2020	28,775,245	1.50

**Notes:**

- 1) Top ten shareholders (on basis of PAN numbers) of the Bank as on 31<sup>st</sup> March 2020 has been considered for the above disclosure.
- 2) Date of change is the date of shareholding statement i.e. the date on which the beneficiary position is downloaded.

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of Change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares Decrease	No. of Equity shares Increase	Reason		No. of Equity shares	% of total Equity shares of the Company
<b>DIRECTORS #</b>									
1	Dipak Gupta	1,247,829	0.07	-	-		31/03/2019	1,247,829	0.07
				20,000	-	Market Sale	10/05/2019	1,227,829	0.07
				-	5,000	ESOP Allotment	14/05/2019	1,232,829	0.07
				-	5,000	ESOP Allotment	29/05/2019	1,237,829	0.06
				10,000	-	Market Sale	31/05/2019	1,227,829	0.06
				90,000		Gift	31/05/2019	1,137,829	0.06
				-	5,286	ESOP Allotment	09/07/2019	1,143,115	0.06
				-	3,500	ESOP Allotment	28/08/2019	1,146,615	0.06
				-	5,500	ESOP Allotment	11/09/2019	1,152,115	0.06
				5,000	-	Market Sale	01/11/2019	1,147,115	0.06
				5,000	-	Market Sale	08/11/2019	1,142,115	0.06
				10,000	-	Market Sale	15/11/2019	1,132,115	0.06
				15,000	-	Market Sale	29/11/2019	1,117,115	0.06
				-	17,646	ESOP Allotment	31/12/2019	1,134,761	0.06
				-	5,286	ESOP Allotment	07/02/2020	1,140,047	0.06
				10,000	-	Market Sale	21/02/2020	1,130,047	0.06
				-	16,571	ESOP Allotment	04/03/2020	1,146,618	0.06
			12000	ESOP Allotment	30/03/2020	1,158,618	0.06		
			-		31/03/2020	1,158,618	0.06		
2	C Jayaram	1,108,040	0.06	-	-		31/03/2019	1,108,040	0.06
				70,000	-	Market Sale	10/05/2019	1,038,040	0.05
				8,538	-	Market Sale	14/02/2020	1,029,502	0.05
				21,462	-	Market Sale	21/02/2020	1,008,040	0.05
				-	-		31/03/2020	1,008,040	0.05
3	Uday Shankar *	297	0.00	-	-		31/03/2019	297	0.00
				-	36	Market Purchase	05/04/2019	333	0.00
							31/03/2020	333	0.00
4	Farida Dara Khambata	54,000	0.00	-	-		31/03/2019	54,000	0.00
				-	15,000	Market Purchase	31/01/2020	69,000	0.00
					5000	Market purchase	31/03/2020	74000	0.00
				-	-		31/03/2020	74,000	0.00
				0.00	0.00	-	-	31/03/2019	0
5	Uday Chander Khanna			-	1,500	Market Purchase	06/03/2020	1,500	0.00
				-	500	Market Purchase	13/03/2020	2,000	0.00
				-	1,000	Market Purchase	20/03/2020	3,000	0.00
				-	-		31/03/2020	3,000	0.00

Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of Change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares Decrease	No. of Equity shares Increase	Reason		No. of Equity shares	% of total Equity shares of the Company
6	Krishnan Venkata Subramanian *	170,062**	0.01	-	-		01/11/2019	170,062	0.01
				5,000	-	Market Sale	08/11/2019	165,062	0.01
				-	7,526	ESOP Allotment	19/11/2019	172,588	0.01
				15,000	-	Market Sale	20/12/2019	157,588	0.01
				-	17,130	ESOP Allotment	31/12/2020	174,718	0.01
				-	7,526	ESOP Allotment	30/03/2020	182,244	0.01
				-	-		31/03/2020	182,244	0.01
7	Gaurang Shah *	831,722	0.04	-	-		01/11/2019	831,722	0.04
				10,000	-	Market Sale	13/12/2019	821,722	0.04
				-	14,000	ESOP Allotment	23/01/2020	835,722	0.04
				-	8,842	ESOP Allotment	07/02/2020	844,564	0.04
				10,000	-	Market Sale	06/03/2020	834,564	0.04
				6,000	-	Market Sale	31/03/2020	828,564	0.04
				-	-		31/03/2020	828,564	0.04

# Shareholding details of Mr. Uday Kotak, Managing Director & CEO has been given in the section on 'Shareholding of Promoters'.

\* Appointed as Whole-time Directors w.e.f. 1<sup>st</sup> November 2019.

\*\* In addition, as on 31<sup>st</sup> March 2020, Manians Family Trust (trustee - Kotak Mahindra Trusteeship Services Limited) holds 3,65,000 equity shares of the Bank.



Sl no	Name of the Shareholder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of Change	Cumulative Shareholding during the year	
		No. of Equity shares	% of total Equity shares of the company	No. of Equity shares Decrease	No. of Equity shares Increase	Reason		No. of Equity shares	% of total Equity shares of the Company
<b>KEY MANAGERIAL PERSONNEL</b>									
1	Jaimin Mukund Bhatt	1,323,713	0.07	-	-		31/03/2019	1,323,713	0.07
				10,000	-	Market Sale	06/05/2019	1,313,713	0.07
				5,000	-	Market Sale	07/05/2019	1,308,713	0.07
				-	1,500	ESOP Allotment	12/06/2019	1,310,213	0.07
				-	1,500	ESOP Allotment	09/07/2019	1,311,713	0.07
				-	3,868	ESOP Allotment	18/09/2019	1,315,581	0.07
				-	3,000	ESOP Allotment	24/10/2019	1,318,581	0.07
				5,000	-	Market Sale	11/11/2019	1,313,581	0.07
				-	2,500	ESOP Allotment	19/11/2019	1,316,081	0.07
				5,000	-	Market Sale	25/11/2019	1,311,081	0.07
				5,000	-	Market Sale	03/12/2019	1,306,081	0.07
				5,000	-	Market Sale	05/12/2019	1,301,081	0.07
				-	4,630	ESOP Allotment	10/12/2019	1,305,711	0.07
				-	5,000	ESOP Allotment	31/12/2019	1,310,711	0.07
				-	5,000	ESOP Allotment	23/01/2020	1,315,711	0.07
				5,000	-	Market Sale	06/02/2020	1,310,711	0.07
				-	8,368	ESOP Allotment	07/02/2020	1,319,079	0.07
				-	3,621	ESOP Allotment	30/03/2020	1,322,700	0.07
				20,000	-	Market Sale	30/03/2020	1,302,700	0.07
				10,000	-	Market Sale	31/03/2020	12,92,700	0.07
							31/03/2020	12,92,700	0.07
2.	Bina Ramesh Chandarana	51,553	0.00	-	-		31/03/2019	51,553	0.00
					448	ESOP Allotment	12/06/2019	52,001	0.00
				-	276	ESOP Allotment	09/07/2019	52,277	0.00
				-	240	ESOP Allotment	07/08/2019	52,517	0.00
				-	306	ESOP Allotment	19/11/2019	52,823	0.00
				-	276	ESOP Allotment	10/12/2019	53,099	0.00
							31/03/2020	53,099	0.00

**IV SHARE HOLDING PATTERN (Preference Share Capital Breakup as percentage of Total Preference)**
**(i) Category-wise Share Holding**

Category of Shareholders	No. of Preference shares held at the beginning of the year				No. of Preference shares held at the end of the year				% change During the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
<b>A. Promoters</b>									
<b>1) Indian</b>									
a) Individual / HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp	-	-	-	-	-	-	-	-	-
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub total (A) (1)</b>	-	-	-	-	-	-	-	-	-
<b>2) Foreign</b>	-	-	-	-	-	-	-	-	-
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub total (A) (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	-	-	-	-	-	-	-	-	-
<b>B. Public Shareholding as per classification given by Depository</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Alternative Investment Funds	-	-	-	-	-	-	-	-	-
g) Insurance Companies	-	-	-	-	-	-	-	-	-
h) FIs	-	-	-	-	-	-	-	-	-
i) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
j) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Preference shares held at the beginning of the year				No. of Preference shares held at the end of the year				% change During the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
<b>2. Non-Institutions</b>									
a) Bodies Corp.	889,735,000	-	889,735,000	88.97	757,735,000	-	757,735,000	75.77	-13.20
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	20,000	-	20,000	0.00	20,000	-	20,000	0.00	0.00
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	109,045,000	-	109,045,000	10.91	109,045,000	-	109,045,000	10.91	0.00
c) Others (specify)	-	-	-	-	-	-	-	-	-
HUF	1,200,000	-	1,200,000	0.12	1,200,000	-	1,200,000	0.12	0.00
Qualified institutional buyer	-	-	-	-	132,000,000	-	132,000,000	13.20	13.20
<b>Sub-total(B)(2):-</b>	<b>1,000,000,000</b>	<b>-</b>	<b>1,000,000,000</b>	<b>100.00</b>	<b>1,000,000,000</b>	<b>-</b>	<b>1,000,000,000</b>	<b>100.00</b>	<b>0.00</b>
<b>Total Public Shareholding</b>	<b>1,000,000,000</b>	<b>-</b>	<b>1,000,000,000</b>	<b>100.00</b>	<b>1,000,000,000</b>	<b>-</b>	<b>1,000,000,000</b>	<b>100.00</b>	<b>0.00</b>
<b>(B)=(B)(1)+ (B)(2)</b>									
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>1,000,000,000</b>	<b>-</b>	<b>1,000,000,000</b>	<b>100.00</b>	<b>1,000,000,000</b>	<b>-</b>	<b>1,000,000,000</b>	<b>100.00</b>	<b>-</b>

(ii) Shareholding (Preference Shares) of Promoters – NIL

(iii) Change in Promoters' Shareholding (Preference Shares) (please specify, if there is no change) - NIL

(iv) Shareholding Pattern of top ten shareholders (Preference Shares) (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year	
		No. of Preference shares	% of total Preference shares of the company	No. of Preference shares - Decrease	No. of Preference shares - Increase	Reason		No. of Preference shares	% of total Preference shares of the company
1	Signet Chemical Corporation Private Limited	80,000,000	8.00	-	-	-	31/03/2019	80,000,000	8.00
				-	20,000,000	Market Purchase	22/11/2019	100,000,000	10.00
				-	-	-	31/03/2020	100,000,000	10.00
2	Aditya Birla Finance Limited	70,000,000	7.00	-	-	-	31/03/2019	70,000,000	7.00
				-	-	-	31/03/2020	70,000,000	7.00
3	Vicco Products Bombay Pvt. Ltd.,	28,000,000	2.80	-	-	-	31/03/2019	28,000,000	2.80
				-	40,000,000	Market Purchase	27/09/2019	68,000,000	6.80
							31/03/2020	68,000,000	6.80

Sl no	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding during the year			Date of change	Cumulative Shareholding during the year						
		No. of Preference shares	% of total Preference shares of the company	No. of Preference shares - Decrease	No. of Preference shares - Increase	Reason		No. of Preference shares	% of total Preference shares of the company					
4	ICICI Lombard General Insurance Company Ltd.,	66,000,000	6.60				31/03/2019	66,000,000	6.60					
							31/03/2020	66,000,000	6.60					
5	Bajaj Allianz General Insurance Company Ltd.,	66,000,000	6.60	-	-		31/03/2019	66,000,000	6.60					
							31/03/2020	66,000,000	6.60					
6	Denali Finance Private Limited	40,000,000	4.00	-	-		31/03/2019	40,000,000	4.00					
							31/03/2020	40,000,000	4.00					
7	Kotta Enterprises Limited						31/03/2019	-	-					
8	Prabhanjan Multi-Trade Private Limited	0	0				31/03/2019	0	0					
9	Famy Care Ltd.	30,000,000	3.00	-	-		31/03/2019	30,000,000	3.00					
10	Pidilite Industries Limited	30,000,000	3.00	-	-		31/03/2019	30,000,000	3.00					

**Notes:**

- 1) Top ten shareholders (on basis of PAN numbers) of the Bank as on 31<sup>st</sup> March 2020 has been considered for the above disclosure.
- 2) Date of change is the date of shareholding statement i.e. the date on which the beneficiary position is downloaded.

**(v) Shareholding (Preference Shares) of Directors and Key Managerial Personnel - NIL**

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans @	Deposits @@	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	NIL	32,248.07	2,25,880.36	2,58,128.43
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	319.82	853.16	1,172.98
<b>Total (i+ii+iii)</b>	<b>NIL</b>	<b>32,567.89</b>	<b>2,26,733.52</b>	<b>2,59,301.41</b>
<b>Change in Indebtedness during the financial year</b>				
- Addition				
- Reduction				
<b>Net Change</b>	<b>NIL</b>	<b>5,626.54</b>	<b>36,929.57</b>	<b>42,556.11</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	NIL	37,993.31	2,62,820.52	3,00,813.83
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	201.11	842.58	1,043.69
<b>Total (i+ii+iii)</b>	<b>NIL</b>	<b>38,194.42</b>	<b>2,63,663.10</b>	<b>3,01,857.52</b>

@ Unsecured Loans represent Borrowings made by the Bank from RBI, banks & other financial institutions (including those raised by way of Infrastructure bonds, Tier II Bonds & Upper Tier II Bonds)

@@ Deposits represent Deposits raised by the Bank under the Banking Regulation Act, 1949.

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(₹ in lakh)

Sl. no.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		Mr. Uday Kotak (MD)	Mr. Dipak Gupta (WTD designated as Joint MD)	Mr. K.V.S. Manian*** (WTD w.e.f. 1 <sup>st</sup> November 2019)	Mr. Gaurang Shah *** (WTD w.e.f. 1 <sup>st</sup> November 2019)	
1.	Gross salary *					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	265.21	264.27	177.05	182.36	888.89
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961 @	0.40	680.10	187.03	134.10	1001.63
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961					
2.	Stock Option	-	Cost included in 1(b) above	Cost included in 1(b) above	Cost included in 1(b) above	
3.	Sweat Equity	-	-	-	-	-
4.	Commission	-	-	-	-	-
	- as % of profit					
	- Others, specify...					
5.	Others, please specify	-	-	-	-	-
	<b>Total (A)</b>	<b>265.61</b>	<b>944.37</b>	<b>364.08</b>	<b>316.46</b>	<b>1890.52</b>
	Ceiling as per the Act **					

**Notes:**

@ The perquisite value towards stock options is the difference between exercise price and market price on the date of exercise. The same is not paid by the Bank, amounted to Nil for Mr. Uday Kotak, ₹ 679.71 lakh for Mr. Dipak Gupta, ₹ 186.87 lakh for Mr. K.V.S. Manian and ₹ 133.93 lakh for Mr. Gaurang Shah.

\* Gross salary includes Basic salary, Drivers Allowance, Professional Allowance, Reimbursement of Medical expenses, Leave Travel Allowance and cost towards Stock Appreciation Rights, if applicable. Remuneration for Mr. Uday Kotak and Mr. Dipak Gupta does not include variable pay for the year ended 31<sup>st</sup> March 2019, which is pending approval of the Reserve Bank of India.

\*\* Remuneration of Directors of the Bank is governed by Section 35-B of the Banking Regulation Act, 1949.

\*\*\* The remuneration details of Mr. K.V.S Manian and Mr. Gaurang Shah are for the period from their date of appointment i.e. from 1<sup>st</sup> November 2019.

## B. Remuneration to other directors

Sl. no.	Particulars of Remuneration	Name of Directors						Total Amount
<b>1</b>	<b>Independent Directors</b>	<b>Mr. Amit Desai @</b>	<b>Prof. S. Mahendra Dev</b>	<b>Mr. Prakash Apte @</b>	<b>Ms. Farida Khambata</b>	<b>Mr. Uday Khanna</b>	<b>Mr. Uday Shankar @</b>	
	Fee for attending board/committee meetings	-	20.60	21.60	12.40	18.40	9.60	82.60
	Commission **	10.00	10.00	2.50	10.00	10.00	2.00	44.50
	Others - Remuneration @@	-	-	25.00	-	-	-	25.00
	<b>Total (1)</b>	<b>10.00</b>	<b>30.60</b>	<b>49.10</b>	<b>22.40</b>	<b>28.40</b>	<b>11.60</b>	<b>152.10</b>
<b>2</b>	<b>Other Non-Executive Directors</b>	<b>Mr. C. Jayaram</b>						
	Fee for attending board/committee meetings	16.60						16.60
	Commission **	10.00						10.00
	Others - Remuneration @@	-						-
	<b>Total (2)</b>	<b>26.60</b>						<b>26.60</b>
	<b>Total (B) = (1+2)</b>							<b>178.70</b>
	Total Managerial Remuneration							
	Overall Ceiling as per the Act *							

### Notes:

\* Remuneration of Directors of the Bank is governed by Section 35-B of the Banking Regulation Act, 1949.

\*\* Commission pertaining to FY 2018-19 paid during FY 2019-20.

@ Mr. Prakash Apte appointed as a Non-Executive Chairman w.e.f. 20<sup>th</sup> July, 2018 & re-appointed as an Independent Director w.e.f. 18<sup>th</sup> March, 2019.

Mr. Mark Newman resigned as a Non-Executive Non-Independent Director w.e.f. 22<sup>nd</sup> February, 2019. Mr. Newman has waived off the sitting fees & commission payable to him.

Mr. Uday Shankar appointed as an Independent Director w.e.f. 16<sup>th</sup> March, 2019.

Mr. Amit Desai ceased to be a Director w.e.f. 17<sup>th</sup> March, 2019.

@@ The Non-Executive Chairman in addition to the sitting fees for attending meetings gets a remuneration approved by the shareholders & Reserve Bank of India.

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**

(₹ in Lakh)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total Amount
1.	Gross salary *			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	104.54	456.75	561.29
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	10.98	244.81	255.79
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
2.	Stock Option @	Cost included in 1(b) above		
3.	Sweat Equity			
4.	Commission			
	- as % of profit			
	- others, specify...			
5.	Others, please specify			
	<b>Total</b>	<b>115.52</b>	<b>701.56</b>	<b>817.08</b>

**Notes:**

@ The perquisite value towards stock options is the difference between exercise price and market price on the date of exercise. The same is not paid by the Bank, amounted to ₹10.91 lakh for Company Secretary and ₹244.53 lakh for CFO.

\* Gross salary includes Basic salary, House Rent Allowance, Professional Allowance, Reimbursement of Medical expenses, Leave Travel Allowance, Annual Incentives and cost towards Stock Appreciation Rights.

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>			<b>NIL</b>		
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS</b>			<b>NIL</b>		
Penalty					
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>			<b>NIL</b>		
Penalty					
Punishment					
Compounding					

**FORM NO. MR-3**  
**Secretarial Audit Report**  
**FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020**

(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 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 31<sup>st</sup> March, 2020, 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 31<sup>st</sup> March, 2020 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') to the extent applicable:
  - (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 and amendments from time to time;
  - (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) and
  - (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 SEBI (Depositories and Participants) Regulations, 2018;
  - (m) SEBI (Custodian Of Securities) Regulations, 1996;
  - (n) Securities and Exchange Board of India (Intermediaries) Regulations, 2008;



- (o) Securities and Exchange Board of India (Certification of Associated Persons in the Securities Market) Regulations, 2007;
  - (p) Securities and Exchange Board of India (KYC {Know Your Client} Registration Agency) Regulations, 2011;
  - (q) The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
  - (r) Securities and Exchange Board of India (Prohibition of Fraudulent and unfair Trade Practices relating to Securities Market) Regulations, 2003;
  - (s) Securities and Exchange Board of India-guidelines for Anti Money Laundering Measures.
- (vi) Laws applicable specifically to the Bank namely:
- (a) Banking Regulation Act, 1949, Master Circulars, Notifications and Guidelines issued by the RBI 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 and general meetings.
- (ii) The Listing Agreements entered into by the Bank with BSE Limited and 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 the 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. A Special Resolution was passed at the Annual General Meeting of the Bank held on 22<sup>nd</sup> July, 2019 by the Members pursuant to Section 42 of the Companies Act, 2013 for approving issue of unsecured non-convertible debentures/bonds, in Indian/foreign currencies in the domestic and/or overseas markets for an amount up to Rs. 5,000 crore (Rupees Five Thousand Crore Only) on a private placement basis in one or more tranches and series.

Place: Mumbai  
Date : 13.05.2020

**For Parikh & Associates**  
Company Secretaries

P. N. Parikh  
Partner  
FCS No: 327 CP No: 1228  
UDIN: F000327B000233661

*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.*

To,  
The Members,  
**Kotak Mahindra Bank Limited**

**Annexure A'**

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 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 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.

Place: Mumbai  
Date : 13.05.2020

**For Parikh & Associates**  
Company Secretaries

P. N. Parikh  
Partner  
FCS No: 327 CP No: 1228  
UDIN: F000327B000233661

**FORM NO. MR-3****Secretarial Audit Report****FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020**

(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 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 31<sup>st</sup> March, 2020, 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 31<sup>st</sup> March, 2020 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; (Not applicable to the Company during the audit period)
- (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) and
  - (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)
- (vi) Other Regulations applicable specifically to the Company namely:-
  - (a) 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.

**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. 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, 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

Place: Mumbai  
Date: May 01, 2020

**Sarvari Shah**

Partner

FCS No: 9697 CP No: 11717

UDIN : F009697B000194191

*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.*

To,  
The Members,  
**KOTAK MAHINDRA LIFE INSURANCE COMPANY LIMITED**

**Annexure A'**

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.

Place: Mumbai  
Date : May 01, 2020

**For Parikh & Associates**  
Company Secretaries

Sarvari Shah  
Partner  
FCS No: 9697 CP No: 11717  
UDIN: F009697B000194191

The details of CSR activities and spends under Section 135 of the Companies Act, 2013 for FY 2019-20.

**ANNEXURE C**

Sl. No	CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken)	Programme / project wise budgeted amount (₹ Lakh)	Programme / project wise actual spend during the year – Direct expenditures (₹ Lakh)	Programme / project wise actual spend during the year – Overheads (₹ Lakh)	Cumulative Expenditure up to reporting period (since FY 2014-15) (₹ Lakh)	Amount spent Direct or through implementing agency (₹ Lakh)
1	Education & Livelihood	Promoting education and employment enhancing vocation skills	Pan India	3,824.34	2,900.70*	367.30*	12,015.85	Implementing Agency - 3,824.34
2	Healthcare	Promoting health care including preventive health care	Pan India	571.97	466.42**	30.74**	1,837.25	Implementing Agency - 571.97
3	Relief and Rehabilitation	Relief and Rehabilitation	Pan India	3,000.00	3,000.00	N.A	3,599.98	Implementing Agency - 3,000.00
4	Promoting Sports	Sports	Pan India	1,120.73	1092.82***	3.02***	1,390.73	Implementing Agency - 1,062.50 Direct – 58.23
5	Reducing Inequalities Faced by Socially and Economically Backward Groups	Reducing Inequalities Faced by Socially and Economically Backward Groups	Pan India	2.50	2.11	0.39	28.75	Implementing Agency - 2.5
<b>TOTAL CSR SPEND U/S 135 OF THE COMPANIES ACT, 2013, DURING FY 2019-20</b>							<b>8,519.54</b>	

\*Out of ₹ 3824.34 Lakh CSR Expenditure payment made to partner NGOs by the Bank under its CSR Programme on Education & Livelihood in FY 2019-20, ₹ 556.34 Lakh was unutilised by the NGO, as of 31<sup>st</sup> March, 2020 (Due to extended lockdown since March 2020, one of NGO's was unable to provide fund utilization details and spends for same has been estimated based on past trends). The NGOs have assured that they will utilise these unutilised CSR funds towards the Bank's Programmes in FY2020-21.

\*\*Out of ₹ 571.97 Lakh CSR Expenditure payment made to partner NGOs by the Bank under its CSR Programme on Healthcare in FY 2019-20, ₹ 74.81 Lakh was unutilised by the NGOs, as of 31<sup>st</sup> March 2020 (Due to extended lockdown since March 2020, two NGO's were unable to provide fund utilization details and spends for same has been estimated based on past trends). The NGOs have assured that they will utilise these unutilised CSR funds towards the Bank's Programmes in FY2020-21.

\*\*\*Out of ₹ 1120.73 Lakh CSR Expenditure payment made to partner NGOs by the Bank under its CSR Programme on Sports in FY 2019-20, ₹ 24.89 Lakh was unutilised by the NGOs, as of 31<sup>st</sup> March 2020. The NGOs have assured that they will utilise these unutilised CSR funds towards the Bank's Programmes in FY2020-21.

**NGO Partners for Bank's Programme on Education & Livelihood:** Action for Ability Development And Inclusion, Deeds Public Charitable Trust, Head Held High Foundation, IIMPACT, IT For Change, Kotak Education Foundation, National Centre For The Performing Arts, National Society For Clean Cities India, Navinchandra Mafatlal Sadguru Water And Development Foundation, Om Creation Trust, Pratham Education Foundation, Ramakrishna Sarada Mission Matri Bhavan, Samarpan Foundation, Sarva Vidyalaya Kelavani Mandal, Seth Sarabhai Manganbhai Trust Fund, SOPAN, The Blind Welfare Organisation, Vidhi Centre For Legal Policy, Vishwas Vision For Health Welfare And Special Needs, Youth 4 Jobs Foundation

**NGO Partners for Bank's Programme on Healthcare:** Cancer Patients Aid Association, Cankids... Kidscan, Cansupport, Indian Council For Mental Health (Hygiene), KARO Trust, Khushi Baby Association, Make A Wish Foundation Of India, OCA Foundation, Tata Memorial Centre, The Ganga Foundation, The Society For The Rehabilitation Of Crippled Children, Wockhardt Foundation

**NGO Partners for Bank's Programme on Relief and Rehabilitation:** Odisha State Disaster Management Authority and Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund)

**NGO Partners for Bank's Programme on Sports:** Foundation for Promotion of Sports and Games, JSW Foundation, Pullela Gopichand Badminton Foundation

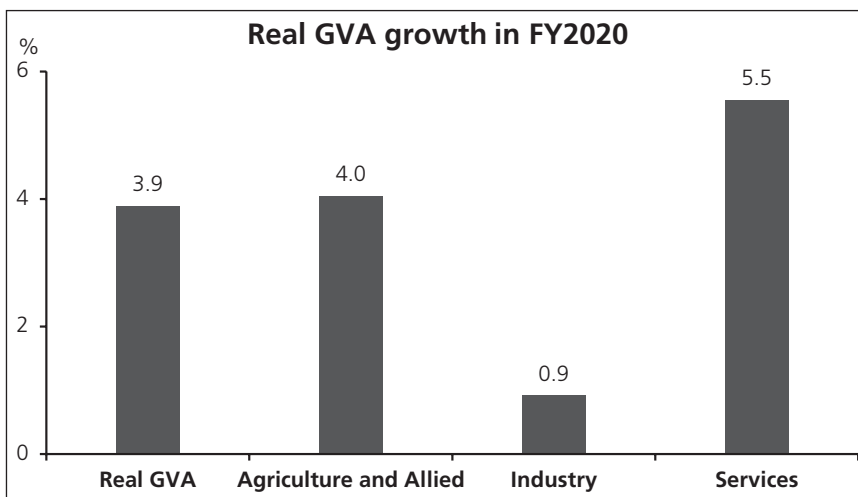
**NGO Partners for Bank's Programme on Reducing Inequalities Faced by Socially and Economically Backward Groups - Habitat for Humanity India Trust**

# Management's Discussion and Analysis

## MACRO-ECONOMIC ENVIRONMENT

India's macro fundamentals in FY 2020 were hampered by deterioration in investment and a sharp moderation in consumption spending along with uncertainties from the external environment. The IMF expects the global GDP growth to have weakened to 2.9% in 2019, declining from 3.6% in 2018 arising from a geographically broad-based decline in manufacturing activity owing to trade tensions between China and the USA. Even though uncertainties relating to US-China trade relations and Brexit has receded by the end of 2019, the COVID-19 pandemic has taken over in 2020. On the domestic front, while agrarian stress and the NBFC related stress were responsible for the weakness in consumption, investment remained weak owing to low capacity utilization, weakness in demand, and overleverage in the corporate sector. The balance sheets of the four key economic agents (corporate sector, financial sector including banks and NBFCs, government and quasi government agencies, and households) remain weak or have seen only marginal improvement. The problem which had started in 2012-13 as a corporate and bank balance sheet issue has become more broad-based with other NBFCs and HFCs also reeling under pressure. A slowing economy prompted the government to announce a slew of measures to pump up economic activity. The government reduced the base corporate tax rate to 22% from 30% for domestic companies and proposed a competitive 15% rate for new manufacturing units in September 2019. The government also reduced the GST rates, and announced measures to boost rural and infrastructure spending. The RBI also cut the policy rate sharply given the benign growth-inflation mix that existed for the large part of FY 2020. While economic activity was beginning to show some signs of improvement in the early 2020, the lockdown imposed to contain the spread of COVID-19 has dented economic activity sharply. Weaker global growth will also affect India's external sector performance. The lockdown to contain COVID-19 was accompanied by a tightening of financial conditions and since then the RBI has taken several measures to keep the finance flowing into the system.

As per the latest estimates, FY 2020 GDP growth moderated to 4.2% (as against 6.1% in FY 2019). On a value added basis, the real Gross Value Added (GVA) growth stood at 3.9% for FY 2020 as against 6% in FY 2019. Industrial sector growth softened to 0.9% in FY 2020 in comparison to 4.9% in FY 2019, and services sector growth slowed to 5.5% as against 7.7% in FY 2019. Agriculture and allied activities sector growth improved to 4% from 2.4% in FY 2019. On the expenditure side, private consumption growth moderated to a decade low of 5.3%, and investment growth contracted by (-)2.8%, the first contraction seen since FY 2003.

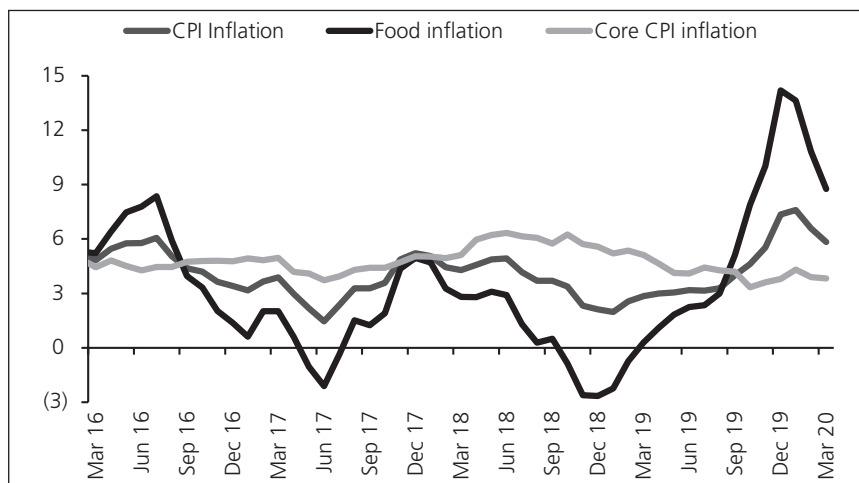


Source: CSO, Kotak Economic Research

## Domestic Price Dynamics

The domestic price pressures were relatively contained in the first half of FY 2020 before spiking in the second half on account of higher food inflation. CPI inflation ranged between 3-7.6% and averaged 4.8% in FY 2020 as against 3.4% in FY 2019. The headline CPI inflation breached the upper tolerance ceiling of 6% by December 2019 and peaked at 7.6% in January 2020 before moderating to 5.8% in March 2020. Food inflation had primarily been spurred by vegetables owing to uneven distribution of rainfall and floods in certain regions. It, however, started to ease from January with the arrival of the Kharif produce. Food inflation ranged between 1.1-14.2% in FY 2020, with the March reading coming in at 8.8%. Meanwhile, core inflation has broadly remained under check given the tepid demand, even though the telecom tariff hike provided some upside for a few months. Sharp rise in gold prices owing to global growth uncertainty prevented core inflation from falling further. While the pass-through of collapse in international crude oil prices to domestic pump prices is still unfolding, its extent has been tempered by increases in excise duty/cess on petrol and diesel.



**CPI inflation has started moderating owing to softening of food prices**

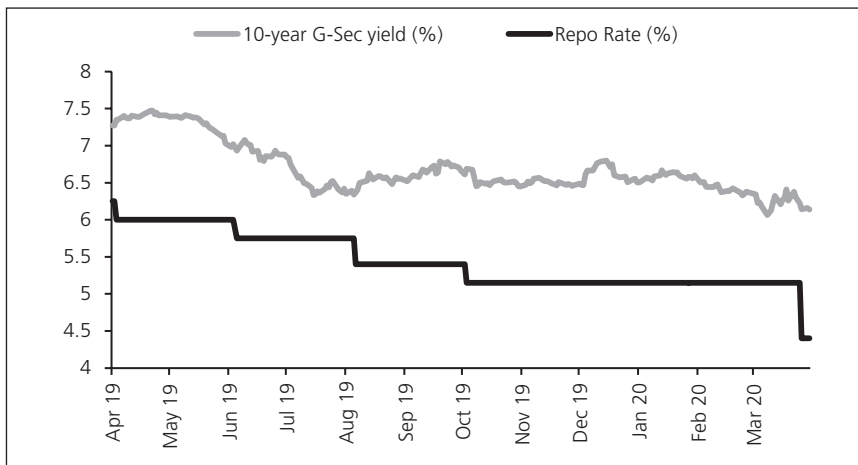
Source: CEIC, Kotak Economic Research

**Monetary Policy and Interest Rates**

In response to the decelerating growth, the RBI cut the repo rate significantly and undertook many liquidity related measures. In addition to OMOs, the RBI added FX USD-INR swaps, simultaneous purchase and sale of government securities under special OMOs, LTROs and TLTROs to its management repertoire. With inflation well under the RBI's comfort zone of 4% in the first half of FY 2020, the RBI delivered four interest rate cuts amounting to 110 bps until October. However, a sharp spike in food prices deterred the MPC from cutting rates further in the December and February policy. While domestic demand conditions continued to weaken, inflation rose sharply and breached the upper tolerance level of 6% from December 2019 till February 2020. The MPC therefore decided to keep interest rates unchanged, although it voted to retain the accommodative stance as long as necessary to revive growth. In its off-cycle meeting in March, the MPC noted that macroeconomic risks from the pandemic could be severe, both on the demand and supply sides, and stressed upon the need to do whatever is necessary to shield the domestic economy from the impact of the pandemic. The MPC reduced the policy repo rate by 75 bps to 4.4% of 75 bps and further eased the reverse repo rate by 90 bps to disincentivise banks from parking surplus with RBI. In the last few months, the RBI has also undertaken several measures to further improve liquidity, monetary transmission and credit flows to the economy, and provided relief on debt servicing

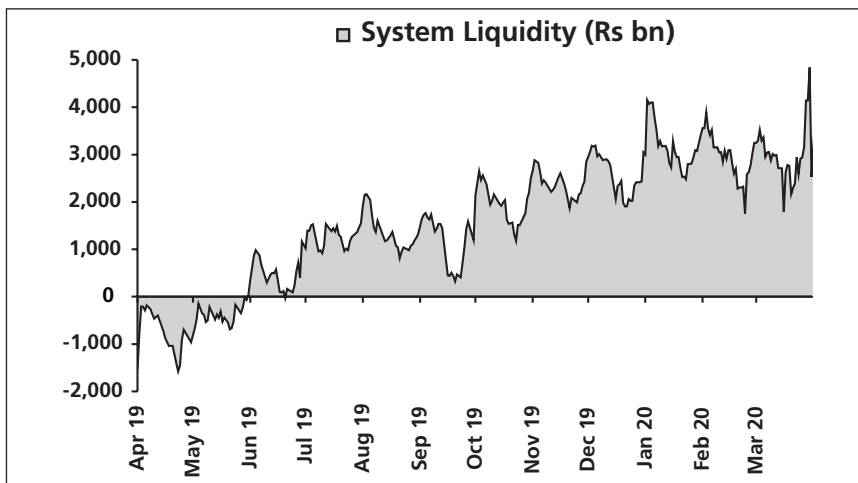
With respect to rates, bond markets benefited from the RBI's rate cut cycle and its intent to keep liquidity comfortably in surplus. Expectations of rate cuts in response to the benign growth-inflation mix, MPC's accommodative stance, RBI's surplus transfer, OMO purchases worth ₹ 525 billion, lower oil prices owing to heightened trade tensions, and positive sentiments arising from political stability after the comfortable victory of the ruling party supported the bond markets for most part of H1FY20. However, markets came under some stress from August owing to concerns of fiscal slippage arising from anticipation of a stimulus, and corporate tax rate cuts. MPC's decision to keep rates unchanged in December along with FPI selling owing to a pessimistic growth outlook further led to a rise in yields. Markets however got a respite later in December when special OMOs were announced. Markets also got a positive surprise after the Union Budget when the government refrained from additional market borrowing for FY 2020, despite an upward revision in the projected fiscal deficit. The announcement of long term repo operations (LTROs) to infuse additional liquidity at the policy rate also supported yields. However, sentiments have been dented after the outbreak of COVID-19 in anticipation of a strong fiscal policy response. Even though the MPC has cut the policy rate by 75 bps, yields at the longer end remain firm. The government has announced a record borrowing of ₹ 7.8 trillion for FY 2021 to meet its spending requirements. It has frontloaded its borrowing program to 62.6% of the total budgeted issuance, keeping open the option of additional borrowing (over the budgeted) in H2FY21.

### The spread between Repo rate and Benchmark G-sec yield remains high owing to fiscal concerns



Source: Bloomberg, Kotak Economic Research

### The system liquidity remains well in surplus



Source: RBI, Kotak Economic Research

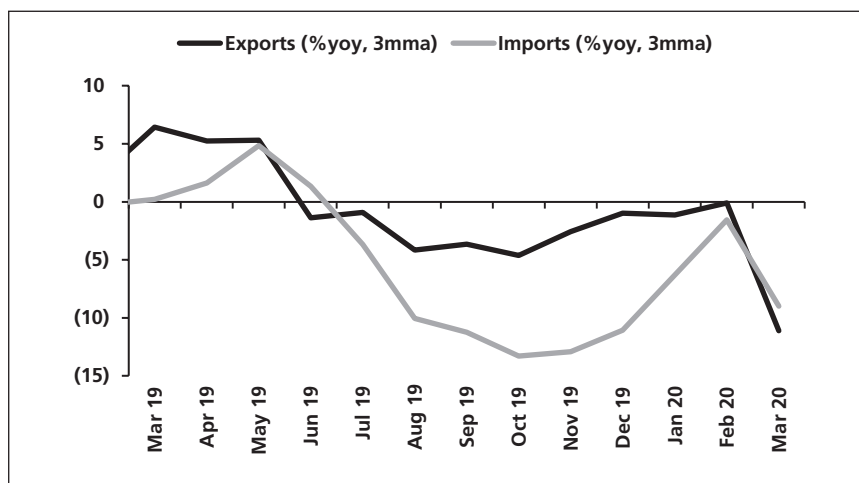
### External Sector Dynamics and the USD/INR

The overall external position remains comfortable with the current account deficit well below the 3% of GDP threshold, beyond which vulnerability emerges. As per RBI data, for the first nine months of FY 2020, the current account deficit is at 1%, with the Q3FY20 print reporting a deficit of mere 0.2%. While export growth has been weak owing to weak global demand, imports have contracted at a sharper pace owing to the fall in oil prices and weak domestic demand. Meanwhile, the capital account surplus rose to 2.9% of GDP in 9MFY20 as against 1.7% in 9MFY19 on account of stronger foreign investment. Portfolio investment recorded a net inflow of US\$ 15.1 billion in 9MFY20 as against an outflow of US\$ 11.9 billion a year ago. Global financial markets, which remained buoyant on risk-on sentiments in Q4FY19, became volatile in early 2020 on sell-off pressures triggered by intensifying COVID-19 disruptions. India's portfolio flows recorded a sharp reversal in March with net outflows at US\$16.6 billion compared to a net inflow of US\$8.4 billion in 11MFY20. Forex reserves, although, have remained comfortable at US\$475 billion by end of March 2020.

INR had a stable start to FY 2020 owing to expectations of policy continuity after the strong mandate of the incumbent government and expectations of major economic reforms. While sentiments had been dented after the July budget in which the government raised the FPI surcharge and did not announce any major measures to support the decelerating economic activity, corporate tax rate cuts and other measures announced later to support economic activity led to a revival in FPI flows. Accommodative policy of DM central banks and receding of trade tensions also supported the INR sentiments. The outbreak of COVID-19 has however triggered a sell-off across all risky assets and INR was no

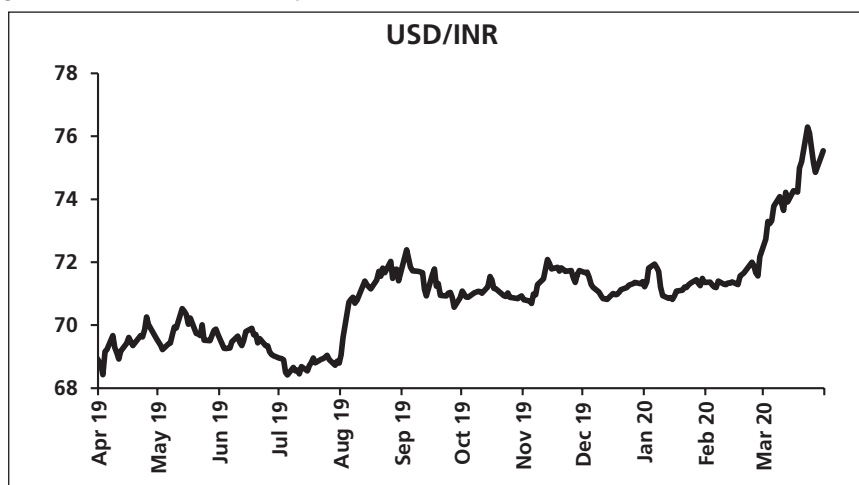
exception. While many global central banks have eased their monetary policy significantly, including the Fed which has already cut rates by 150 bps in March 2020, RBI has had to intervene aggressively in the FX market to avoid sharp depreciation in INR. INR moved in a range of 68.29-76.28 during FY2020. Robust current account external conditions have aided sharp sell-off in INR.

#### Imports have contracted at a sharper pace



Source: Bloomberg, Kotak Economic Research

#### After a stable range in 9MFY20, INR came under pressure towards the end of FY2020



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

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 has taken its toll on not just human life, but business and financial markets too, the extent of which is currently indeterminable. Various governments, civil society and many organisations, including

the Bank, have introduced a variety of measures to contain the spread of the virus to protect lives and livelihood. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended on three occasions (up to May 31, 2020) to contain the spread of the virus. On 30<sup>th</sup> May, 2020, it was announced that the ongoing lockdown would be further extended till 30<sup>th</sup> June, 2020 in containment zones, with services resuming in a phased manner starting from 8<sup>th</sup> June, 2020. There is a high level of uncertainty about the time required for things to get normal. The extent to which COVID-19 pandemic will impact the Bank's operations and financial results is dependent on the future developments, which are highly uncertain, including among the other things any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Bank.

The Group has made detailed assessment of its liquidity position for the next one year which factors uncertainties due to the current situation resulting in possible reduction in future fee income, delays in receipt of interest income, potential increase in credit risk on loans and advances portfolio.

The Group has further assessed the recoverability and carrying value of its assets comprising Investments, Advances, Fixed assets and Other assets as at balance sheet date, and has concluded that there are no material adjustments required in the financial statements, other than those already considered. Management believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of these financial statements. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Group will continue to monitor any material changes to future economic conditions.

The Group made a general provision of ₹ 714 crore relating to COVID-19 of which ₹ 650 crore pertains to standalone Bank.

The Bank and the major entities in the Group continued to be rated "AAA" rating during the year.

The entity wise capital and reserves of the Group is as follows:

Particulars	(₹ in crore)	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Kotak Mahindra Bank	49,015.3	42,898.4
Kotak Mahindra Prime	6,088.4	5,415.5
Kotak Mahindra Investments	1,859.6	1,589.5
Kotak Securities	4,528.8	3,978.8
Kotak Mahindra Capital Company	622.0	571.9
Kotak Mahindra Life Insurance	3,353.5	2,745.4
Kotak Mahindra General Insurance	164.7	107.8
Kotak Mahindra AMC & Trustee Co	886.4	582.9
Kotak Infrastructure Debt Fund	383.8	349.9
International Subsidiaries	1,229.6	1,008.8
Kotak Investment Advisors	364.8	355.1
Other Entities	275.7	213.5
<b>Total</b>	<b>68,772.6</b>	<b>59,817.5</b>
Add: Share in Affiliates	941.6	942.3
Less: Consolidated adjustments	2,580.1	2,480.1
<b>Consolidated Capital and Reserves*</b>	<b>67,134.1</b>	<b>58,279.7</b>

\*Includes Preference Share Capital

The Bank had got shareholders' approval for an issuance of upto 65 million equity shares. On 30<sup>th</sup> 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.

The consolidated performance for FY 2020 is as follows:

(₹ in crore)

Particulars	FY 2020	FY 2019
Total Income	50,365.7	45,979.1
Consolidated PAT	8,593.4	7,204.1
Consolidated Capital and Reserves	67,134.1	58,279.7
<b>Key Ratios</b>		
Return on average assets (RoAA) %	2.10%	1.99%
Return on average networth %	13.75%	13.28%
Earnings per equity share (diluted) (₹)	44.7	37.6
Book-value per equity share (₹)	348.3	302.7
Net interest margin (NIM) %	4.59%	4.24%
Gross NPA %	2.16%	1.94%
Net NPA %	0.70%	0.70%
Consolidated Capital Adequacy Ratio (CAR) %*	19.77%	17.89%
Tier I*	19.21%	17.45%

\* Capital Adequacy Ratio and Tier I Ratio is computed as per Basel III norms issued by RBI.

The Group had capital and reserves of ₹ 67,134.1 crore as on 31<sup>st</sup> March, 2020 (₹ 58,279.7 crore as on 31<sup>st</sup> March, 2019) and networth of ₹ 66,634.1 crore as on 31<sup>st</sup> March, 2020 (₹ 57,779.7 crore as on 31<sup>st</sup> March, 2019). The book value per equity share was at ₹ 348 as on 31<sup>st</sup> March, 2020 (₹ 303 as on 31<sup>st</sup> March, 2019), which increased to ₹ 374 post the capital raise in May 2020, net of issue expenses. The Group earned a Return on Average Assets (RoAA) of 2.10% in FY 2020 (1.99% in FY 2019). The Group's return on average networth was 13.75% for FY 2020 compared to 13.28% for FY 2019. The Bank has been conservative and has been maintaining high capital adequacy ratio which results in low return on equity.

The Bank and most of its subsidiaries have elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 introduced by the Taxation Laws (Amendment) Act, 2019, during the fiscal year 2020, resulting in lower tax expense during FY 2020. The financial results of subsidiaries are explained later in this discussion but a snapshot of the entity-wise Profit before Tax (PBT) and Profit after Tax (PAT) of the Group is as follows:

(₹ in crore)

Particulars	FY 2020		FY 2019	
	PBT	PAT	PBT	PAT
Kotak Mahindra Bank	7,804.7	5,947.2	7,385.8	4,865.3
Kotak Mahindra Prime	923.4	673.1	905.1	599.3
Kotak Mahindra Investments	368.5	270.1	315.6	207.0
Kotak Securities	738.4	550.0	680.4	451.9
Kotak Mahindra Capital Company	107.6	79.1	92.9	63.1
Kotak Mahindra Life Insurance	839.1	608.2	590.8	507.2
Kotak Mahindra General Insurance	(28.1)	(28.1)	(34.9)	(34.9)
Kotak Mahindra AMC & Trustee Co	454.3	336.8	387.6	254.5
Kotak Infrastructure Debt Fund	34.0	34.0	25.6	25.6
International Subsidiaries	138.8	118.8	170.3	148.2
BSS Microfinance	78.9	59.3	79.2	55.7
Others	16.2	12.6	20.8	20.3
<b>Total</b>	<b>11,475.8</b>	<b>8,661.1</b>	<b>10,619.2</b>	<b>7,163.2</b>
Add: Share from Affiliates		(13.7)		84.4
Less: Consolidated adjustments		54.0		43.5
<b>Consolidated PAT</b>		<b>8,593.4</b>		<b>7,204.1</b>

The contribution of the affiliates to the net profit of the Group is as follows:

(₹ in crore)

Name of the Company	Investment by Kotak Group	% shareholding of the Group	Group's share for FY 2020
ECA Trading Services Limited <sup>^</sup>	23.8	20.00%	0.4
Infina Finance Pvt Ltd	1.1	49.99%	(8.4)
Phoenix ARC Pvt Ltd	100.0	49.90%	(5.8)
Matrix Business Services India Pvt Ltd*	1.9	19.77%	0.1

<sup>^</sup> Formerly known as ACE Derivatives & Commodity Exchange Limited. The Group has reduced its stake in ECA Trading Services Limited, an Associate company, from 40% to 20% on 18<sup>th</sup> March, 2020

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

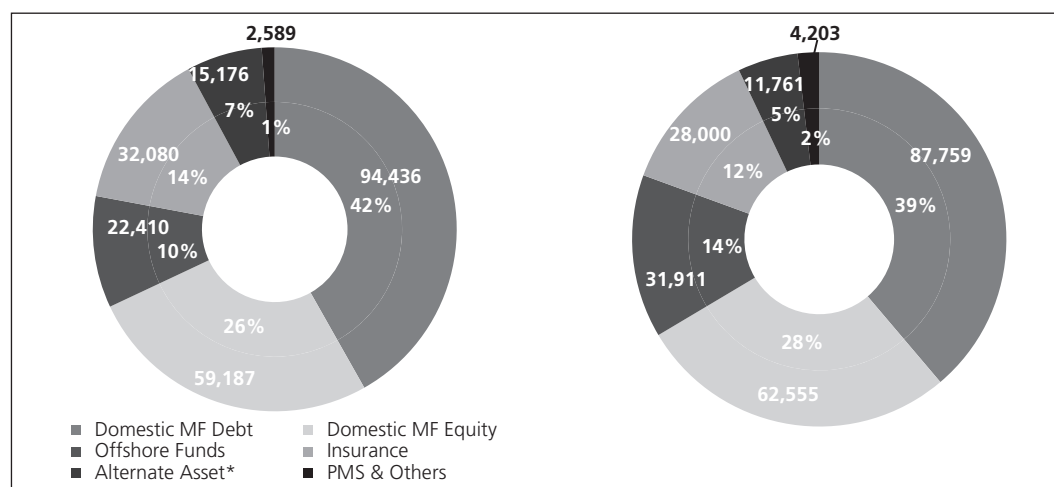
Assets under Management (AUM) as on 31<sup>st</sup> March, 2020 were ₹ 225,878 crore (₹ 226,189 crore as on 31<sup>st</sup> March, 2019), comprising assets managed and advised by the Group.

Relationship value of Wealth, Priority and Investment Advisory business was ~ ₹ 270,000 crore as on 31<sup>st</sup> March, 2020 (~ ₹ 270,000 crore as on 31<sup>st</sup> March, 2019).

The split of the assets under management (AUM) across the group is as follows:

**AUM - ₹ 225,878 crore – 31<sup>st</sup> March, 2020**

**AUM - ₹ 226,189 crore – 31<sup>st</sup> March, 2019**



\*including undrawn commitments, wherever applicable

The Group has a wide distribution network through branches and franchisees across India, an International Business Unit at Gujarat International Finance Tec-City (GIFT city), Gujarat, and international offices in London, New York, Dubai, Abu Dhabi, Mauritius and Singapore. The Bank has also started its operations in October 2019 at its first overseas branch at the Dubai International Financial Centre (DIFC).

## **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, and other financial services. 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 of the Bank for FY 2020 was ₹ 7,804.7 crore as against ₹ 7,385.8 crore for FY 2019. Profit after tax of the Bank was ₹ 5,947.2 crore in FY 2020 compared with ₹ 4,865.3 crore in FY 2019. RoAA for FY 2020 was 1.87% compared to 1.69% for FY 2019.

**PROFIT AND LOSS ACCOUNT**

A synopsis of the Profit and Loss Account is presented below:

(₹ in crore)

Particulars	FY 2020	FY 2019
Net interest income	13,499.7	11,205.8
Other income	5,372.1	4,657.2
<b>Net total income</b>	<b>18,871.8</b>	<b>15,863.0</b>
Employee cost	3,877.6	3,159.4
Other operating expenses	4,973.3	4,355.4
<b>Operating expenditure</b>	<b>8,850.9</b>	<b>7,514.8</b>
<b>Operating profit</b>	<b>10,020.9</b>	<b>8,348.2</b>
<b>Provision &amp; contingencies (net)</b>	<b>2,216.2</b>	<b>962.4</b>
- Provision on advances (net)	1,470.8	965.0
- General provision COVID-19 related	650.0	-
- Provision on other receivables	5.3	11.1
- Provision on investments	90.1	(13.7)
<b>PBT</b>	<b>7,804.7</b>	<b>7,385.8</b>
Provision for tax	1,857.5	2,520.5
<b>PAT</b>	<b>5,947.2</b>	<b>4,865.3</b>

**Net Interest Income:**

Net Interest Income (NII) of the Bank for FY 2020 was ₹ 13,499.7 crore compared to ₹ 11,205.8 crore for FY 2019. The Bank had a Net Interest Margin (NIM), excluding dividend income and interest on income-tax refund, of 4.6% for FY 2020 compared to 4.3% for FY 2019. During the year:

- The average interest earning assets increased by 12.5% from ₹ 259,174 crore for FY 2019 to ₹ 291,599 crore for FY 2020. Yield on earning assets improved marginally and remained at 9.2% in FY 2020.
- Cost of funds decreased from 5.5% in FY 2019 to 5.2% in FY 2020 primarily due to decrease in rates offered on savings account deposits and term deposits, resulting in a decrease in cost of deposits. The average CASA balances increased from ₹ 99,731 crore in FY 2019 to ₹ 119,355 crore in FY 2020, whereas the average borrowings decreased from ₹ 28,855 crore in FY 2019 to ₹ 25,825 crore in FY 2020.

**Non-Interest Income:**

The details of non-interest income is provided in the table below:

(₹ in crore)

Particulars	FY 2020	FY 2019
Commission, exchange and brokerage	3,779.3	3,443.9
Profit on sale of investments	483.1	70.9
Profit on exchange on transactions (net) (including derivatives)	675.9	738.3
Profit on recoveries of non-performing assets acquired	148.5	179.7
Income from subsidiaries/associates towards shared services	89.6	82.4
Dividend from subsidiaries	51.8	45.1
Others	143.9	96.9
<b>Total other income</b>	<b>5,372.1</b>	<b>4,657.2</b>

Non-interest income increased from ₹ 4,657.2 crore in FY 2019 to ₹ 5,372.1 crore in FY 2020 primarily due to:

- Increase in commission, exchange and brokerage income primarily on account of increase in direct banking fees and charges, credit card fees and branch banking fees, offset, in part, by decrease in third party referral fees due to drop in commission on mutual fund distribution mainly on account of change in regulations and other referral fees;
- Profit on sale of investments increased primarily due to increase in profit on sale of Government Securities;
- Increase in others is primarily due to higher subvention income and higher income received from sale of Priority Sector Lending (PSL) certificates

This was offset, in part, by

- Decrease in Profit on exchange on transactions (net) (including derivatives) compared to previous year

### Employee Cost

Employee cost of the Bank has increased to ₹ 3,877.6 crore for FY 2020 compared to ₹ 3,159.4 crore for FY 2019 primarily due to increase in employee base to ~ 50,000 as on 31<sup>st</sup> March, 2020 from ~ 41,900 as on 31<sup>st</sup> March, 2019, employee incentives and increase in retirement obligations. The retirement obligation relating to pension and gratuity increased mainly due to decrease in interest rates, increase in annuity rates by LIC and decrease in fair value of pension and gratuity fund.

### Other Operating Expenses

Particulars	₹ in crore)	
	FY 2020	FY 2019
Rent, taxes and lighting	677.9	628.1
Printing and Stationery	83.5	91.4
Advertisement, Publicity and Promotion	121.2	119.5
Depreciation on Bank's property	371.9	366.9
Directors' fees, allowances and expenses	1.8	1.6
Auditors' fees and expenses	2.4	2.4
Law Charges	51.7	50.5
Postage, telephone etc.	174.0	168.7
Repairs and maintenance	444.2	399.6
Insurance	233.4	201.2
Travel and Conveyance	98.0	103.9
Professional Charges	916.3	793.6
Brokerage	292.1	280.0
Stamping Expenses	12.7	12.8
Other Expenditure	1,522.2	1,166.7
Reimbursement from Group companies	(30.2)	(31.5)
<b>Total</b>	<b>4,973.1</b>	<b>4,355.4</b>

Other operating expenses were ₹ 4,973.1 crore for FY 2020 compared to ₹ 4,355.4 crore for FY 2019, primarily due to:

- Increase in premises cost and repairs and maintenance is primarily due to increase in branches and repairs and refurbishment of branches;
- Increase in brokerage and insurance expenses consistent with increased business volumes;
- Increase in professional charges is mainly on account of fees paid to business correspondents which is consistent with increased business volumes and
- Increase in other expenses is primarily on account of:
  - o Increase in credit card expenses mainly due to higher POS expenses, e-Comm acquiring business cost and increase in volume of card transactions;
  - o Increase in recovery expenses to improve collections and recoveries;
  - o Increase in GST input credit write-off
  - o Higher CSR expenses

The Bank's Cost to Income ratio was at 46.9% for FY 2020 as compared to 47.4% for FY 2019.



**Provisions and Contingencies (excluding tax)**

Provisions and contingencies (excluding tax) were ₹ 2,216.2 crore for FY 2020 compared to ₹ 962.4 crore for FY 2019 primarily due to higher specific provision on loans, standard asset provisions and provision on investments in FY 2020. Provision on advances increased by ₹ 1,155.8 crore, which includes a general provision- COVID related of ₹ 650.0 crore, and provision on investments increased by ₹ 103.9 crore respectively.

The Bank has made a general provision of ₹ 650.0 crore relating to COVID-19 which is higher than required by RBI. ~26% of borrowers by value at account level have availed moratorium upto 30<sup>th</sup> April, 2020. The provision is made at ~ 10% at account level for the amounts overdue as on 29<sup>th</sup> February, 2020 and moratorium availed upto 30<sup>th</sup> April, 2020.

Credit cost on Advances was 97 bps for FY 2020 compared to 47 bps for FY 2019.

**Provision for tax**

Provision for tax decreased from ₹ 2,520.5 crore for FY 2019 compared to ₹ 1,857.5 crore for FY 2020 primarily due to decrease in corporate tax rates as Bank opted to exercise option of a lower tax rate, offset, in part, by higher profits in FY 2020.

**BALANCE SHEET**

The assets and liabilities composition of the Bank is as follows:

(₹ in crore)

Liabilities	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Capital and Reserves	49,015.3	42,898.4
Deposits	262,820.5	225,880.4
- Current Account Deposits (CA)	43,012.7	38,901.0
- Savings Account Deposits (SA)	104,608.6	79,684.7
- Term Deposits (TD) Sweeps	17,467.3	14,776.6
- Other TDs	97,731.9	92,518.1
Borrowings	37,993.3	32,248.3
Other Liabilities and Provisions	10,422.6	11,145.0
<b>Total</b>	<b>360,251.7</b>	<b>312,172.1</b>

(₹ in crore)

Assets	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Cash and Bank Balances	53,292.3	24,675.5
Investments	75,051.5	71,189.1
- Government Securities	61,905.6	58,063.0
- Other Securities	13,145.9	13,126.1
Advances	219,748.2	205,694.8
Fixed Assets and Other Assets	12,159.7	10,612.7
<b>Total</b>	<b>360,251.7</b>	<b>312,172.1</b>

The Bank's capital adequacy continue to be healthy with overall CRAR at 17.9% (Tier I ratio of 17.3%) as compared to 17.5% (Tier I ratio of 16.9%) as on 31<sup>st</sup> March, 2019.

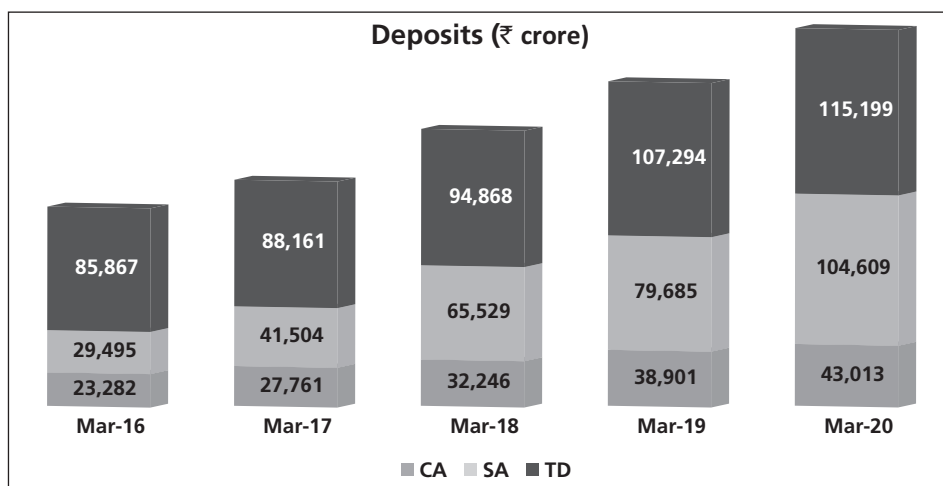
**Deposits**

The fundamental philosophy of the Bank's strategy is to build low cost and stable liability franchise on which the Bank has been working over the past few years. The Bank's deposits grew to ₹ 262,820.5 crore as on 31<sup>st</sup> March, 2020 compared to ₹ 225,880.4 crore as on 31<sup>st</sup> March, 2019. CASA deposits increased to ₹ 147,621.3 crore as on 31<sup>st</sup> March, 2020 to ₹ 118,585.7 crore as on 31<sup>st</sup> March, 2019. CASA ratio stood at 56.2% as on 31<sup>st</sup> March, 2020 compared to 52.5% as on 31<sup>st</sup> March, 2019.

Savings account deposits grew by 31.3% to ₹ 104,608.6 crore and Current account deposits grew by 10.6% to ₹ 43,012.7 crore. Total Term deposits, including certificate of deposits, grew by 7.4% to ₹ 115,199.2 crore. Certificate of deposits degrew by 54.7% from ₹ 9,730.8 crore as on 31<sup>st</sup> March, 2019 to ₹ 4,411.7 crore as on 31<sup>st</sup> March, 2020.

During FY 2020, average SA increased by 20.7% to ₹ 85,656.3 crore in FY 2020 compared to ₹ 70,989.6 crore in FY 2019 and average CA increased by 17.2% to ₹ 33,699.2 crore in FY 2020 from ₹ 28,741.5 crore in FY 2019. CASA ratio stood at 56.2% as on 31<sup>st</sup> March, 2020 compared to 52.5% as on 31<sup>st</sup> March, 2019.

CASA plus term deposits below ₹ 5 crore, account for 86% of the total deposits.



### Advances

The classification of advances of the Bank is as follows:

(₹ in crore)

	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Corporate & Business Banking	84,854.6	80,104.1
Commercial Vehicles & Construction Equipment (CV/CE)	19,253.1	19,705.8
Agriculture Division – Others	21,188.5	20,624.9
Tractor Finance	7,568.6	6,366.5
Home Loans and Loan Against Property (LAP)	46,880.7	40,721.6
Consumer Bank Working Capital (Secured)	19,838.8	19,350.1
Personal Loans, Business Loans & Consumer Durables	9,754.2	9,001.2
Credit Cards	4,700.6	4,103.1
Other Loans	5,709.1	5,717.5
<b>Total</b>	<b>219,748.2</b>	<b>205,694.8</b>

Advances grew at 6.8% to ₹ 219,748.2 crore as on 31<sup>st</sup> March, 2020 compared to ₹ 205,694.8 crore as on 31<sup>st</sup> March, 2019. The slow growth of advances was primarily due to conservative approach of the Group, lockdown impact due to COVID-19 towards the end of the year and subdued economic activity. However, the growth in Advances was primarily due to:

- Corporate Banking book as a result of the Bank's focus on growing its corporate loan portfolio to better rated corporates and
- Home loans & LAP, Tractor Finance and Credit Cards as a result of a general increase in demand in these segments

The Bank's credit deposit ratio stood at 83.6% as of 31<sup>st</sup> March, 2020 vs. 91.1% as of 31<sup>st</sup> March, 2019.

## Asset Quality

While there has been some stress 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	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Gross NPA	5,026.9	4,467.9
Gross NPA %	2.25%	2.14%
Net NPA	1,557.9	1,544.4
Net NPA %	0.71%	0.75%

SMA2 outstanding as on 31<sup>st</sup> March, 2020 was ₹ 96.5 crore (0.04% of net advances) compared to ₹ 137.6 crore (0.07% of net advances) as on 31<sup>st</sup> March, 2019.

If the Bank had not availed of the benefit of the moratorium granted by the RBI, GNPA as on 31<sup>st</sup> March, 2020 would have been higher by ~ ₹ 660 crore.

The provision coverage ratio, including technical write off, was 76.3% as of 31<sup>st</sup> March, 2020 as compared to 71.9% as of 31<sup>st</sup> March, 2019. Total provisioning towards advances (including specific, standard, COVID related provisions) is higher than the GNPA 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 12.1% of ANBC for this purpose for fiscal 2020 (FY2019: 12.0%). 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 31<sup>st</sup> March, 2020, the Bank's total investment in such bonds was ₹ 5,201.7 crore (31<sup>st</sup> March, 2019: ₹ 4,734.7 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 was ₹ 77,854.5 crore (FY 2019: ₹ 71,251.9 crore) constituting 40.4% (FY 2019: 45.2%) of ANBC, against the requirement of 40.0% of ANBC. The average lending to the agriculture sector was ₹ 30,512.3 crore (FY 2019: ₹ 27,469.4 crore) constituting 15.8% (FY 2019: 17.4%) of ANBC against the requirement of 18.0% of ANBC. The average advances to weaker sections were ₹ 21,073.2 crore (FY 2019: ₹ 18,915.1 crore) constituting 10.9% (FY 2019: 12.0%) of ANBC against the requirement of 10.0% of ANBC. Average lending to small and marginal farmers was ₹ 14,368.6 crore (FY 2019: ₹ 13,266.2 crore) constituting 7.5% (FY 2019: 8.4%) of ANBC against the requirement of 8.0% of ANBC. The average lending to micro enterprises was ₹ 15,107.8 crore (FY 2019: ₹ 13,368.0 crore) constituting 7.8% (FY 2019: 8.5%) of ANBC against the requirement of 7.5% of ANBC. The average lending to non-corporate farmers was ₹ 19,519.2 crore (FY 2019: ₹ 17,580.0 crore) constituting 10.1% (FY 2019: 11.2%) of ANBC against the requirement of 12.1% (FY2019: 12.0% 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:

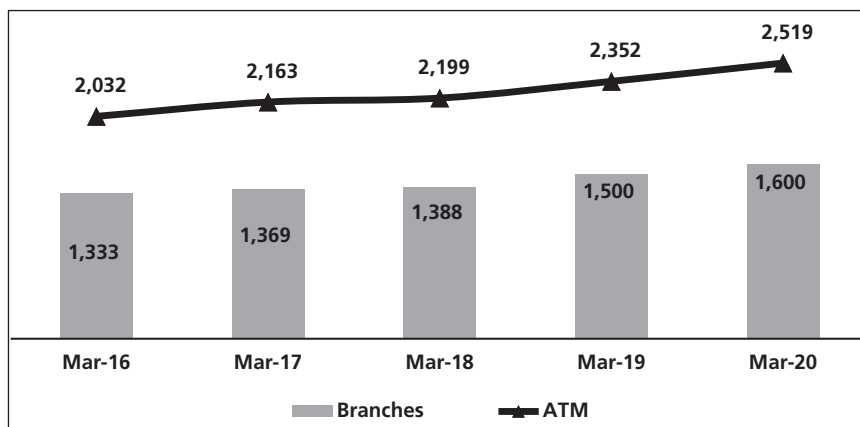
### Consumer Banking

#### Branch Banking

The Bank has continued its growth journey powered by a calibrated expansion of its network, increase in deposit base, higher focus on segmental banking and cross dimensional qualitative initiatives.

## Network

The Bank had 1,600 branches (excluding GIFT and DIFC) and 2,519 ATMs as on 31<sup>st</sup> March, 2020.



Some of the key initiatives taken during the year were:

### I. Products and Services

The Bank rolled out several initiatives aimed at offering a superior and differentiated customer experience.

- Bank's investment in the phone based remote engagement through VRM (Virtual Relationship Model) yielded good results and bank has expanded this model and now serves over 0.8 million customers (across 10 languages) and provides them services across banking, deposit, lending and investment needs.
- After the new regulations on Aadhaar based account opening in Oct'2019, Bank has quickly enabled its officers to acquire new customers using Aadhaar based biometric acquisition. Now on monthly basis 30% of the customers (non 811) are acquired digitally using Biometric authentication.
- In order to ensure that banking relationship is also acquired along with start of an asset relationships, bank implemented a biometric process to open accounts for the consumer durable finance customers.
- Bank's exclusive woman oriented Silk program entered into an alliances with Sheros (exclusive for Woman Social Networking Platform with over 14 million users) to extend banking services to the customer base of Sheros. Bank holds live chats for Sheros fraternity where woman from various walks of life can ask and clarify their financial concerns.
- Bank has integrated its services with Ministry of Company Affairs (MCA) and has enabled customers coming to MCA portal for registration of their firm to select and open Current Account with the Bank online from the MCA portal.
- In the Retail Institutional Business, digitisation of payments for traditionally cash based segments like religious institutions was introduced by offering a collection solution based UPI & QR Code. This solution solves collection related requirement of clients and shall help bank to acquire new customers in this segment.
- In the last quarter, Bank launched an exclusive Salary offering for PSU and Govt bodies – this offering comes with exclusive features like Permanent & Partial Disability Cover and Education benefit. With this offering, bank intends to foray in this large salaried segment to increase its mark on salary business.
- For its premium Salary offering, Bank tied up with vHealth by Aetna (Indian Health Organization) and offered Family Health Care Benefits, like free Health Check-up, unlimited Tele-consultation with Doctors and discounts on various Health care benefits.
- Bank has actively taken part in various Financial Inclusion initiatives. It has partnered with multiple Corporate Business Correspondents, and operates with more than 300 customer service points across Chhattisgarh, Karnataka, Tamil Nadu, Andhra Pradesh & Telangana offering banking services and MGNREGA payments to Beneficiaries.
- To enhance the reach and to add convenience to people, Bank successfully set up 145 Aadhaar Enrolment Centres in its branch premises and surpassed the transaction volume mandated by Unique Identification Authority of India (UIDAI). As a result of these efforts, the Bank has been recognized by UIDAI as the Best Performing Private Bank for conducting highest average daily transactions.
- Bank has been awarded, twice, by the Pension Fund Regulatory Authority of India (PFRDA) as Best Performing Private Sector Bank for highest persistency of Atal Pension Yojana (APY) subscribers.

- The Bank is also taking significant leap in digital initiatives. The National Pension System (NPS) has started offering Kotak Mahindra Bank customers with online and paperless journey with e-signature for account opening. The Bank has integrated with the NSDL Website for this seamless journey.
- The Bank has also successfully enabled ASBA Application through UPI mode both as an Issuer Bank and as a Sponsor Bank, thereby reducing the physical movement of Broker ASBA Applications.
- In middle of the unprecedented lockdown due to the COVID-19 situation, Bank helped its Corporates customers to open the salary accounts for their new joiners using the Digital 811 accounts, this helped new joiners across corporates to open their accounts and get their salary credited without delays.

**811:**

- The Bank continued to ramp up its 811 acquisition numbers this year as well.
- The Bank increased focused on cross selling to these customer using newer digital channel like Whatsapp & Web Notifications as well as focussed on driving Digital channel adoption & transaction to better engage with existing 811 customers.
- The Bank launched the Video KYC initiative for Kotak 811 savings accounts on a pilot basis in May 2020. This initiative allows customers to open a Kotak 811 savings account from their home, following a video call with a bank executive who verifies the customer's KYC documents and records the customer's signature.

**II. 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.

**Transformation**

- The first Bank in the entire ecosystem to launch the new NPCI eMandate API method as part of the eNACH product as both a Destination Bank as well as a Sponsor Bank which allows for both consumers and corporates associated with Kotak to have a seamless experience in creating/approving recurring payment collection requests via the NPCI eMandate platform.
- The leading Bank on the Bharat Bill Payment System to acquire Billers onto the platform as a Biller Operating Unit. On the digital consumer payments, Kotak continues to serve customers with seamless in-channel payment experiences via Fund Transfers and Bill Payments/Recharges which is the primary transacting channel for most Bank consumers.
- New digital payment methods were introduced for the Bank's customers including UPI 2.0 allowing customers to create one-time mandates and apply for IPOs via the new UPI product enhancement from NPCI.
- In order to serve salaried customer segment of the Bank, a new product "Kotak PayDay Loans" was launched which offers short term single installment loans to customers. Customers can avail the loans instantly during the month by using digital channels. Repayment of the loan is basis the date on which customers get their salary.
- Account opening journey had to undergo change in Nov 2019 basis the revised PMLA guidelines. Besides Branch and Sales channel, other sales units of the bank like Group Relation (GR) team, Consumer Durable group, Housing and Personal Loan users were enabled for this mode of sourcing. Self on boarding for corporate salary customers will also be made live soon.

**Net Banking**

- Kotak Net Banking experience was further enhanced with features such as Deliverables tracking using KEYA Chatbot, Re-KYC update for low risk customers and option to authenticate using Kotak Mobile Banking App instead of OTP (One Time Password) while logging into Net Banking.

**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.
- The App has been made more user friendly and saw improved customer experience with new Billpay, Loan & Insurance section.
- The App also became more comprehensive with new features like Forex card, Premature withdrawal of Fixed Deposit, Payday loan, Fastag, Insurance, Ola, UPI 2.0, Image credit card etc.
- Bank also launched innovative features like 'SIRI' and "Google Assistant" option for fetching account balance using voice command.

**Conversational Banking**

- Newer channels, Keya Chatbot and WhatsApp Banking, scaled to start making business impact and become mainstream digital channels by handling more products and services.
- WhatsApp has become one of the important channels for the bank to communicate with customers for important communications like welcome kits. Bank is building more such journeys for customers to receive important information as well as perform additional service requests.

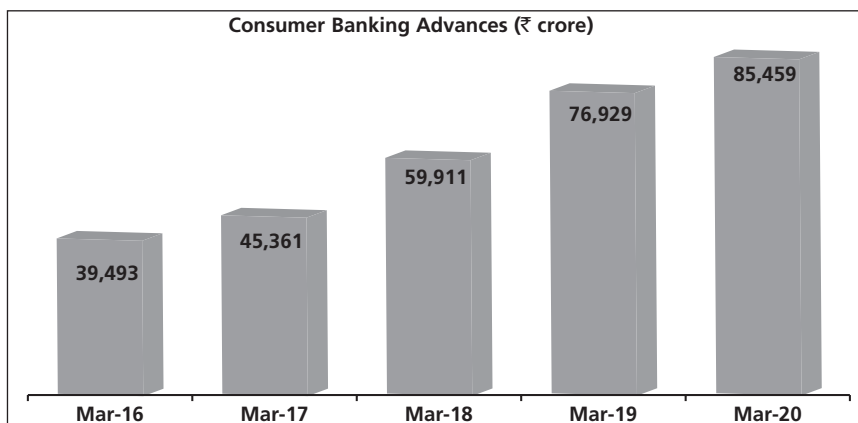
- One of the first Indian banks to offer banking services on Whatsapp which allows customers to get services on WhatsApp without installing any app or visiting any webpages.
- Keya Chatbot uses conversational banking approach and Natural Language Processing (NLP) to interact with customers and is enabled on all digital channels, viz. Mobile App, www.kotak.com website and Net Banking.
- Keya Chatbot handles queries about variety of products like Credit Card, Debit Card, Accounts, Fund Transfer, Bill Payment, NPS, Fixed Deposits, Home Loan and Personal Loan. It also handles customer requests such as online tracking of packages, card on-off, and credit card bill payment.

#### Innovation Lab

- Within KayMall (In-app commerce platform), Kotak was is one of the first Banks to launch a direct integration with OLA Cabs allowing Bank customers to seamlessly book travel via Cabs in addition to Trains, Flights and Buses.
- Started collaboration with large external digital platforms to develop a new channel for instant loan disbursals for its existing customers. One such collaboration has been done with Google i.e Google Pay, where customer can avail pre-approved Personal loans by using Google Pay platform which is instantly credited to customers Kotak Bank account.
- Project Velocity which aimed at servicing through biometric means was a hit with customers and branches with a high Net Promoter Score (NPS) of 86+ till March Industry.
- Participated in the World's Largest Hackathon. Smart India Hackathon, 2019 an initiative of government of India
- Robotics Process Automation has helped process 4 lakh+ service requests in FY 2019-20.
- Kotak Innovation Lab based out of Bangalore has been awarded Best Innovation Centre by The Asian Banker.

#### Consumer Assets

The Consumer Assets business maintained its growth trajectory across the wide range of products offered by the Bank. Trend of Consumer Bank advances outstanding over the last five years is as below:



Under the Consumer Assets portfolio, the Bank offers a wide range of products, key ones being home loans, loans against property, personal loans, gold loans, working capital loans (for small businesses). Consumer bank advances increased by 11.1% in FY 2020.

The Bank continued to focus on building a significant book from active engagement with existing liability customers of the Bank.

#### Products and Services

The Bank rolled out several initiatives aimed at offering a superior and differentiated customer experience:

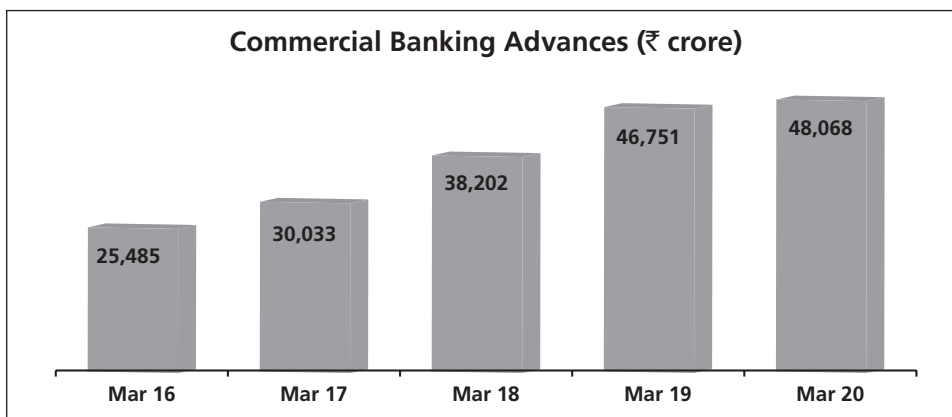
- In the Consumer Lending Business, Bank continues to build its market share in the Consumer Finance Product. Have launched Debit Card -EMI thereby expanding our EMI footprint across all form factors – Small Ticket Instalment Loans, Purchase on Debit Card and Credit Card. The Bank is also offering EMI on e-commerce platforms. It has also ventured into lifestyle space that includes Premium Furniture and Furnishings, Modular Kitchens, Course & Certificate expenses, Tuition Fees, Dentistry, Skin & Hair Care, Personal Care etc.
- FY 2020 continued to be strong for the Bank's Credit Card business. Spend volumes have grown by 22% y-o-y. Real time EMI journey has been built for offering higher affordability and unlocking higher purchasing power for Cardholders. The business also delivered a unique experience for customers through a "Do-it-yourself" journey wherein customers can apply for a Credit Card backed by a Term Deposit on-the-fly in a completely paperless manner. Bank has also amplified visibility for the Kotak brand across all PVR properties, rebranding of all IMAX properties as Kotak IMAX has also been done.

- In the Home Loan & Loan against Property (LAP) space, Bank has expanded footprint to cover over 150 cities/towns across India. The bank launched CRM to build on its Lead Management System, during the year FY 19-20, for Home Loan, LAP & Business Loans. Across Consumer Assets, the Bank has continued to invest in strengthening its technology platforms, most of which will go live in FY 2021, to improve its digital capability, customer experience and response time as it scales up volumes.

### Commercial Banking

The Commercial Banking business focuses on meeting the banking and financial needs of various segments. The Commercial Bank has specialized 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:



Construction Equipment (CE) industry which reported decent growth since 2014, showed signs of slowdown as overall Industry was down by 24% YoY. Demand was muted because of continues volatility and uncertainty of payments from most of the government bodies. New project allocation was slow from departments like NHAI etc. Rural demand continues to be better than other segments. Overall delinquency percentage of the CE portfolio witnessed some stress in last FY.

Commercial Vehicle (CV) business witnessed a drop in disbursement level in line with decline in CV industry numbers. The decline is primarily due to change in load carrying norms by government and slowing economic activities. Moreover the transition from BHARAT III to IV could not prepone the demand due to various factors. The CV division has been able to retain the market share. The overall delinquency percentage of the CV portfolio has increased.

The Agri Business sectors continued to show growth in the background of a slowing economy. The Kharif season was washed out with floods impacting multiple geographies. It impacted collections from Micro finance portfolio in the first half of the year. The Agri sector was a lead indicator to the slowing economy due to falling real estate prices and fall in commodity prices. The cycle is now near completion with expectation of good Rabi crop yields.

Agro processing activities have shown modest growth due to subdued commodity prices. Credit offtake was flat due to the absence of new CAPEX demand. Overall YOY portfolio growth is expected to be in the range of 14% to 18% due to market share improvement due to lack of lending activities by NBFC and PSU banks. Interest margins improved as cost of funds became cheaper. Overall profitability likely to see improvement also on account of rise in other incomes.

The MFI segment has been impacted in growth first by monsoons and by regional issues that impacted recoveries. The delinquency levels were higher on YoY basis. The Bank has continued to see recoveries in its stressed cases as our recovery actions are now close to fruition. The portfolio delinquency in this sector is projected to be better than other sectoral SME portfolios.

During FY 2020, Tractor industry declined by 10%. However Kotak Tractor Financing business witnessed double digit volume growth, primarily more coverage in UP & WB and market share growth across all states. Due to good rainfall in last year, portfolio performance was better than last year. Farmer's cash flow improved due to water availability, higher MSP and better yields.

Bank has Crop Loan business presence in Punjab, Haryana and Western states. Debt waiver announcements in various states had a negative impact on recoveries. With good monsoon and better yields in Rabi crop cycle, the Bank expects some improvement in portfolio quality. It is also dependent on impact of COVID-19 in rural India, which is unclear currently.

Branches in Semi-urban and Rural area comes under the umbrella of Commercial Bank. This network plays a crucial role in meeting the financial inclusion goals and credit demand of 'Bharat'. Branch network expanded and Liability book has grown at a healthy pace. Re-introduction of biometric sourcing led to positive impact on new account opening. Growth in the Net Promoter Score resulted in enhanced customer satisfaction.

### Wholesale Banking

The Bank's Wholesale Business has a number of business groups catering to various customer and industry segments viz. 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 & 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.

The past few years have witnessed significant disruptions in the wholesale banking space. This year too, overall credit offtake in the industry was muted given the economic slowdown that was visible across sectors including auto & auto-ancillaries, telecom and real estate. The Bank has a higher exposure to working capital and short term finance and these saw a fall in utilizations including in cash credit and overdraft facilities. Domestic trade finance including vendor financing was also impacted.

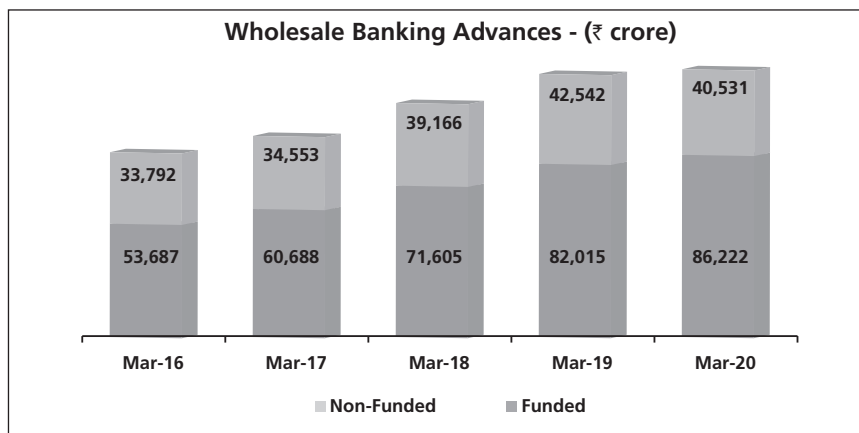
After a number of quarters of muted growth, the Bank had stabilized its lending to Small and Medium Enterprises (SMEs) and new customer acquisitions in this segment was showing a healthy turnaround. This was achieved through an overhaul of the acquisition channel and a focused approach to reducing response times in credit underwriting. While the Bank has always had a robust credit evaluation framework, the Bank has sought to further boost these processes through use of analytical models. Early results from deployment of these analytical solutions has been encouraging and the Bank expects to continuously review and strengthen these models going forward. However, the disruption to businesses from the COVID-19 lockdown at the end of the year impacted growth from this segment. The Bank is cautiously evaluating the impact on this segment of the COVID-19 lockdown and future growth strategy will be suitably redesigned to address these risks.

In the large corporates segment, the economic slowdown was compounded by elevated risks in the system characterized by certain large default events that took place during the year in the industry. In the face of this uncertain environment, the Bank was focused on managing concentration risks and decided to be cautious in increasing its exposures. The Bank remained cautious in lending to the Non-Banking Financial Institutions (NBFC) segment too in the face of tight liquidity conditions in the sector and while the Bank continued to take exposures to better managed and better rated NBFCs, growth in overall exposures to the sector was moderated.

The result was a muted Asset growth for the year. The disruption in businesses due to COVID-19 lockdown at the end of the year further impacted Asset growth.

Over the years, the Bank has also been cautious in increasing its Non Fund exposures given the poor pricing that is prevalent for such products as compared to their risk and capital requirements.

The mix between funded and non-funded (Letter of Credit and Bank Guarantees) for last five years is as follows:



In face of heightened risks, the Bank has consciously focused on building a healthy and profitable business. The Bank has been particularly focused on ensuring the right risk return metrics. Pricing models including Risk Adjusted Return on Capital (RaRoC) and Economic Value Add (EVA) measurements have got ingrained in the system. Due to these initiatives, Asset Spreads continued to improve during the year. This was achieved despite a fall in the Risk Weighted Assets as a proportion to the overall book signifying a shift towards better rated corporates and less risky assets.



The Bank has also increased its focus on non-credit income streams including liability income and from Transaction Banking services such as Cash Management and Forex services all of which grew at a healthy rate. Cross sell metrics improved. Wholesale deposits including from CASA grew strongly in the year due to the Bank's focus on granularity in addition to implementation of multiple complex and structured solutions across its escrow and nodal offerings. There was also an increased focus on providing the best in class structured solutions to central and state governments, which further contributed to the CASA book. This growth in CASA deposits has helped reduce cost of funds and improve Asset spreads further. During the year, the Bank also ramped up its Loan Syndication including on high yield deals and income from this stream grew significantly.

Improvement in productivity helped ensure costs were kept under control.

The Bank follows an integrated Corporate & Investment Banking approach to large conglomerates and corporate groups. Over the years, this strategy has helped position us much stronger with its clients and has helped increase its wallet share with these clients. This year too, the Bank has witnessed good growth in its non-credit business streams with these clients. The Bank was awarded the 'Best Corporate & Investment Bank in India' by Asiamoney for the calendar year 2019. The Bank has won this award for the third time in the last four years and this is a testimony of its capabilities and business model.

The Bank has robust risk management systems in place and has ensured that the growth has been achieved in a profitable manner without compromising the health of the book. At a time when there have been significant corporate defaults in the industry, the Bank has kept a tight control on credit costs. The Bank ensures that its portfolio is well diversified and has specified industry, group and company specific exposure limits that are reviewed periodically. The entire portfolio is rated based on internal credit rating tool, which facilitates appropriate credit selection & monitoring. The overall portfolio continued to show robust characteristics throughout the year. Exposure was confined to segments with credit comfort in terms of better rated exposure and industries with a positive outlook and where pricing was adequate for the risk being underwritten. Slippages were under control during the year though recoveries were impacted due to the slowdown in the economy.

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 the Bank to make significant inroads into identified corridors such as Singapore, Hongkong, Italy, Germany, Switzerland, Belgium & Netherlands. The Bank continues to extend this focus to other regions as well. The two way co-operation agreement has also helped the Bank deliver cross border products to its clients in India.

The Custody business continues to grow both in terms of AUC as well as new clients added during the year. The Bank remains one of India's largest local Custodians despite the volatility in the listed markets in the last 6-12 months. The Bank on-boarded a number of marquee FPIs, AIFs and PMS Clients during the year who started using its Custody, Clearing and Fund Accounting solutions. The Bank also implemented a new Fund Accounting software during the year with minimal disruption to clients and this is expected to be a good driver of new business going forward.

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, digitization, structured solutions and fee income.

The Bank has built a strong franchise of funded trade business through both domestic and export finance products with a special focus on the SME segment. The Bank has leveraged its presence as an International Banking Unit in GIFT City to offer import finance and structured finance solutions to clients. The core trade system was also upgraded to build a robust platform allowing for state of the art API integrations, data analytics and product customization capabilities, while also paving the way for a customer focused front-end trade interface to be launched in the coming year. A digital vendor financing solution was also implemented to enable paperless financing of invoices.

Within Cash Management Services, the Bank continued its trend of providing the best in class solutions across the C2B and the B2B segments. Products like Bharat Bill Payment Services (BBPS), Corporate Mobility Solutions, Quickcheck, Kotak Collect, API based e-collections and payments and UPI 2.0 have helped the Bank to increase its wallet share among key existing and new clients, while also contributing significantly to fee income. The Bank also partnered with Fintechs to provide API based and valued added services, to enhance customers' experience. The Bank continued increasing its presence across the ecommerce segment through continued investments in acquiring solutions, which have helped it to be the leading banker to some of the top ecommerce aggregators. The Bank also launched, in record time, its FastTag acquiring product and has gained a significant market share across the national toll plazas.

In summary, improved Asset spreads, strong growth in non-credit income streams and robust risk management practices resulting in tight control on credit costs has helped the Bank post a healthy RoE from the Wholesale Banking business for the year.

### **GIFT City**

The Bank's branch at the IFSC in Gujarat International Fin-Tech City (GIFT City branch), had commenced operations in FY 2017. The Branch caters to the funding needs and requirements of managing currency & 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 participants at GIFT.

Loans from the GIFT City branch are also subject to the same rigorous and conservative credit underwriting standards and prudence of the Bank. In FY2020, the focus at GIFT City branch remained on delivery of quality service to its short / medium term trade loans borrowers, while maintaining prudent mix of tenor and credit in the term loan book. Despite the implementation of the COVID-19 lockdown, the Branch remained operational and well placed for seamlessly servicing the credit requirements of its customers.

## DIFC Branch

The Bank inaugurated its first overseas branch at Dubai International Financial Centre [DIFC], Dubai after successfully obtaining license approvals from Dubai Financial Services Authority [DFSA] in Oct 2019. With this, the Bank complemented its ability to advise and arrange global investment products, provide loans and accept deposits from its overseas wealth & private banking customers that qualify the Professional client criteria of the DFSA. The branch has successfully completed internal processes for on-boarding of clients and is business ready. Due to enhanced market volatility, the Branch maintained a conservative approach in its pursuit of business.

## Treasury

The prudence in markets in the latter part of FY 2019 now seems not to be for no reason after all. The Bank treasury was able to forebode events in store for FY2020.

The easing of interest rates from the latter part of 2019 chugged into the earlier part of FY 2020. However, FY2020 would probably be remembered in posterity for market turmoil – first due to temporary moratorium on a new age private sector bank and later by the adverse impact on global economies on account of COVID-19.

Central banks across the world reacted in a predictable easing of policies. The Risk-off trades not only caused equity & debt market volatility, commodity markets also witnessed spikes. While market segments reacted differently, significant retraction of foreign flows from India in the month of Mar 2020 was by far the most notable outcome.

The table below gives the extent of movement in key market benchmarks for FY 2020.

	Open	High	Low	Close	Range
Yield on 10yr Indian Govt Bond	7.36	7.50	5.98	6.14	1.52
Yield on 10yr US Treasury Bond	2.43	2.61	0.31	0.67	2.30
Indian Rupee	69.36	76.27	68.29	75.54	7.98
EUR / USD	1.12	1.15	1.06	1.10	0.09
GOLD (USD/Troy ounce)	1,293	1,703	1,266	1,577	437
BRENT Crude	67.58	73.40	21.65	22.71	51.75
NIFTY	11,665	12,428	7,512	8,557	4,916

Source: Kotak Mahindra Bank Research

While liquidity in the system stayed between adequate and abundant, the tenor & credit spreads widened. The RBI added Long Term Repos (LTROs) & Targeted Long Term Repo (TLTRO) in its arsenal of providing liquidity in the April 2020.

Treasury 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.

Notwithstanding the volatility in equity markets, FY2020 also witnessed healthy primary offerings, with SBI Cards & Payments Services - a very large offering, being well received – even as it edged into COVID-19 period. The equity desk took measured calls on the market, principally focusing on the primary market offerings.

In a market interspersed with events, FX Trading desk, took measured and calibrated positions. Additionally, it facilitated efficient pricing for FX requirements of the Bank's customers. Treasury FX Sales Desk further built on the franchise, doubled efforts to widen and expand its customer reach with positive outcomes. The desk focused on technological solutions, pricing efficiency, process optimisation and fine-tuning of desk organization to deliver experiential service to its customers, yielding significant increase in flows and revenues.

The Bullion desk continued building the annuity book of Gold Loans – achieving stability and sustained profitability.

The Balance sheet Management Unit (BMU) continued its cautious stance while managing the funding, ALM and regulatory investments of the Bank. The BMU desk specifically focussed on liquidity parameters in an event based year. The desk successfully maintained adequate and appropriate liquidity, as also the various regulatory reserves requirements.

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 & reporting capabilities.

Amidst turbulent markets, seamless continuation of operations at the Bank Treasury - despite the COVID-19 lockdown, reaffirmed Bank's agility, preparedness and resilience of its systems & processes.

The Bank's Asset Liability Committee (ALCO), which also functions as the Investment Committee, maintained a cautious & vigilant approach with a conservative risk appetite in its oversight of Market Risk, Interest Rate and Liquidity Gaps, counterparty and country exposures.

## TECHNOLOGY

Technology, this year, was leveraged to deliver customer experience, business efficiency, business collaborations and cybersecurity.

Mobile banking app continues to one of the highest rated iOS app with 4.8 rating and Android app is at 4.3 rating. The App has been made more user friendly and saw improved customer experience with new Billpay, Loan & Insurance section. The App also became more comprehensive with new features like Forex card, Premature withdrawal of Fixed Deposit, Payday loan, Fastag, Insurance, Ola, UPI 2.0, Image credit card etc. Bank also launched innovative features like 'SIRI' and "Google Assistant" option for fetching account balance using voice command.

Newer channels, Keya Chatbot and WhatsApp Banking, were scaled to start making business impact and become mainstream digital channels by handling more products and services.

Keya Chatbot uses conversational banking approach and Natural Language Processing (NLP) to interact with customers and is enabled on all digital channels, viz. Mobile App, www.kotak.com website and Net Banking. Keya Chatbot is able to handle queries about variety of products like Credit Card, Debit Card, Accounts, Fund Transfer, Bill Payment, NPS, Fixed Deposits, Home Loan and Personal Loan. It also handles customer requests such as online tracking of packages, card on-off, credit card bill payment. It also allows customer to explore and apply for new products such as credit card, personal loan, debit card.

WhatsApp has become one of the important channels for the bank to communicate with customers for important communications like welcome kits. Bank is building more such journeys for customers to receive important information as well as perform additional service requests. The Bank has been one of the first Indian banks to offer banking services on Whatsapp which allows customers to get services on WhatsApp without installing any app or visiting any webpages.

Kotak Net Banking experience was further enhanced with features such as Deliverables tracking using KEYA Chatbot, Re-KYC update for low risk customers and option to authenticate using Kotak Mobile Banking App instead of OTP (One Time Password) while logging into Net Banking.

Kotak was the first Bank in the entire ecosystem to launch the new NPCI eMandate API method as part of the eNACH product as both a Destination Bank as well as a Sponsor Bank which allows for both consumers and corporates associated with Kotak to have a seamless experience in creating/approving recurring payment collection requests via the NPCI eMandate platform.

Kotak is also the leading Bank on the Bharat Bill Payment System to acquire Billers onto the platform as a Biller Operating Unit. On the digital consumer payments, Kotak continues to serve customers with seamless in-channel payment experiences via Fund Transfers and Bill Payments/Recharges which is the primary transacting channel for most Bank consumers.

New digital payment methods were introduced for the Bank's customers including UPI 2.0 allowing customers to create one-time mandates and apply for IPOs via the new UPI product enhancement from NPCI.

Within KayMall (In-app commerce platform), Kotak was is one of the first Banks to launch a direct integration with OLA Cabs allowing Bank customers to seamlessly book travel via Cabs in addition to Trains, Flights and Buses.

For the third consecutive year, Kotak Bank has overachieved targets set by MeitY for FY 2019-20 on Digital Payments transaction @ ~107% of target achievement.

Bank has also started collaboration with large external digital platforms to develop a new channel for instant loan disbursements for its existing customers. One such collaboration has been done with Google i.e Google Pay, where customer can avail pre-approved Personal loans by using Google Pay platform which is instantly credited to customers Kotak Bank account.

In order to serve salaried customer segment of the Bank, a new product "Kotak PayDay Loans" was launched which offers short term single installment loans to customers. Customers can avail the loans instantly during the month by using digital channels. Repayment of the loan is basis the date on which customers get their salary.

Biometric based savings account opening was suspended through this platform post the APEX court ruling last year. However, post revision of UIDAI guidelines for biometric savings account, same was made live for Savings and Corporate Salary accounts post Aug 2019.

Account opening journey had to undergo change in Nov 2019 basis the revised PMLA guidelines. Besides Branch and Sales channel, Other sales units of the Bank like Group Relation (GR) team, Consumer Durable group, Housing and Personal Loan users were enabled for this mode of sourcing. Self onboarding for corporate salary customers will also be made live soon.

Certain digital initiatives of the Bank were relaunched this year basis the revised guidelines on Aadhaar viz. Project Velocity which aimed at servicing through biometric means was a hit with customers and branches with a high Net Promoter Score (NPS) of 86+ till March and was awarded at the CII DX Summit & Awards for Best Practice in Customer Experience. In addition, the bank has enabled debit card, cheque book, PINS tracking on Keya chatbot with a massive 4 lakh requests monthly average. Robotics Process Automation has helped process 4 lakh+ service requests in FY 2019-20.

The Bank's Kotak Innovation Lab based out of Bangalore has been awarded Best Innovation Centre by The Asian Banker.

Kotak Open Banking platform has enabled 100+ partnership across different lending and payments product since its incubation. Kotak Mahindra API Store has been declared as a RUNNER-UP in Infosys Finacle Client Innovation Awards for 2019.

Apart from above; the 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 & Regulatory, Technology Operations Automation and Adoption of Emerging Technologies.

The Bank has initiated specific initiatives in each of the areas to ensure productivity, efficiency and customer experience improves significantly and 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 are areas which are being modernized.

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

## 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	FY 2019
Net Interest Income	1,229.5	1,103.6
Other Income	290.3	288.0
<b>Total Income</b>	<b>1,519.8</b>	<b>1,391.6</b>
PBT	923.4	905.1
PAT	673.1	599.3

(₹ in crore)		
Particulars	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Net Customer Assets	24,864.3	28,267.4
- Car advances	17,480.1	20,270.9
Net NPA %	0.60%	0.44%
RoAA %	2.3%	2.0%

The passenger car market in India degrew by 17.4% for FY 2020 compared to 2.8% growth in FY 2019. The sale of cars and MUVs crossed 27.60 lakh units in FY 2020 compared to 33.42 lakh units in FY 2019. KMP added 72,309 contracts in FY 2020 compared to 91,733 in FY 2019.

PBT for FY 2020 at ₹ 923.4 crore was higher than ₹ 905.1 crore for FY 2019 primarily due to improvement in spreads due to lower cost of borrowings and profit on sale of investments, offset, in part by, increase in retail losses and provisions and general provision due to COVID-19. NIM for FY 2020 was 4.3% compared to 3.8% for FY 2019.

Gross NPA was ₹ 397.6 crore (1.60% of gross advances) while net NPA was ₹ 147.6 crore (0.60% of net advances) as on 31<sup>st</sup> March, 2020. Further, the capital adequacy ratio as on 31<sup>st</sup> March, 2020 was 24.3% (19.4% as of 31<sup>st</sup> March, 2019).

### Kotak Mahindra Investments Limited (KMIL)

KMIL is primarily engaged in real estate developer finance, corporate loans, finance against securities, and 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. KMIL is well positioned to harness all opportunities that may be offered in the current economic environment.

**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. At the same time, the past few years have seen consolidation with a few large developers increasing their share in their respective market. The tightening of liquidity to NBFCs post the IL&FS crisis has meant a tightening of liquidity to the real estate developers also which, coupled with subdued prices, has enhanced the challenges being faced by the industry.

KMIL continues to be judicious about the real estate developers that it works with and remains confident of the quality of the lending book. At the same time, COVID-19 pandemic has directly impacted the industry and KMIL continues to closely monitor developments in the industry.

**Loans against shares:** FY20 (especially the last quarter) was arguably one of the most volatile years in the Indian stock market. That, KMIL was able to come out of this unscathed, reflects the quality of the lending book and robustness of its operations.

During the year, holding company received a letter from RBI directing to stop providing services such as loan against shares and IPO financing, through its NBFC subsidiaries. However, RBI has allowed these subsidiaries to continue to service the loans that are already disbursed. Given this direction, KMIL expects this book to continue decline going forward.

### Financial Highlights

(₹ in crore)

Particulars	FY 2020	FY 2019
Net Interest Income	361.7	289.3
Other Income	91.9	97.4
<b>Total Income</b>	<b>453.6</b>	<b>386.7</b>
PBT	368.5	315.6
PAT	270.1	207.0

(₹ in crore)

Particulars	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Net Customer Assets	5,874.6	9,242.3
Net NPA %	0.67%	0.29%
RoAA %	2.9%	2.3%

Customer assets decreased to ₹ 5,874.6 crore as on 31<sup>st</sup> March, 2020 as compared to ₹ 9,242.3 crore as on 31<sup>st</sup> March, 2019 primarily due to change in regulations. Better gross interest margins and reduction in corporate tax rate helped KMIL report increase of 30.5% in PAT to ₹ 270.1 crore for FY 2020 from ₹ 207.0 crore in FY 2019. NIM for FY 2020 was 4.3% compared to 3.7% for FY 2019.

Gross NPA at ₹ 63.2 crore (1.07% of customer assets) while net NPA was ₹ 39.4 crore (0.67% of customer assets) as on 31<sup>st</sup> March, 2020. The capital adequacy ratio as on 31<sup>st</sup> March, 2020 was 29.4% (18.4% as of 31<sup>st</sup> March, 2019).

### Kotak Securities Limited (KS)

KS is in securities broking business providing broking services in Equity cash and derivatives segments, Commodity derivatives, Currency derivatives, depository and primary market distribution services. KS is a member of BSE Limited, National Stock Exchange of India Limited, 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 and Central Depository Services Limited and is also registered as a portfolio manager with Securities and Exchange Board of India. Further, KS is registered as Mutual Fund Advisor with Association of Mutual Funds in India and also acts as corporate agent of Kotak Mahindra Life Insurance Company Limited.

### Financial Highlights

(₹ in crore)

Particulars	FY 2020	FY 2019
Total Income	1,690.0	1,582.4
PBT	738.4	680.4
PAT	550.0	451.9

The Sensex closed at 29,468 as on 31<sup>st</sup> March, 2020 compared to 38,673 as on 31<sup>st</sup> March, 2019, with a high of 42,273 and low of 25,638. Similarly, the benchmark Nifty which closed at 11,623 as on 31<sup>st</sup> March, 2019 closed at 8,598 as on 31<sup>st</sup> March, 2020 with a high of 12,430 and low of 7,511.

The financial year FY 2020 saw a marginal volume growth in Cash Market where as the equity derivative segment continued its robust growth over FY 2019. Market average daily volumes (ADV) increased to ₹ 39,267 crore for FY 2020 from ₹ 35,180 crore for FY 2019 for the Cash Segment, and increased to ₹ 1,404,030 crore for FY 2020 from ₹ 958,067 crore for FY 2019 for Derivatives Segment.

KS Average Daily Volumes in cash market has increased to ₹ 3,562 crore for FY 2020 from ₹ 3,210 crore for FY 2019. KS Average Daily Volumes in Derivative Market has decreased to ₹ 15,571 crore for FY 2020 from ₹ 22,994 crore for FY 2019. KS continued its focus on cash segment

and maintained its market share at 9.1% in FY 2020 similar to FY 2019. Overall market share of KS decreased to 1.7% for FY 2020 compared to 2.6% for FY 2019 primarily on account of decrease in market share in derivative segment.

With the help of digital account opening mobile app, KS continued to acquire large part of customers digitally resulting into addition of ~ 2.89 lakh customers for FY 2020. The mobile trading application provided by KS, with enhanced features and functionality continues to be a leader in the market. Trading volume through mobile app saw a growth of more than 128%.

Digital is the key focus. KS is continuing to invest in digitising different processes and operations. This includes digital acquisition and activation of accounts, automating different processes to avoid manual input, as well as upgrading existing tech infrastructure. There is also investment in enhancing the mobile trading application provided by KS as well as the website trading platform keeping in mind increased self-trading behavior.

The total outlets stood at 1,315 at the end of the financial year. The number of registered authorised persons stood at 1,735 for NSE and 1,370 for BSE.

Institutional Equities division gained market share in the cash segment and maintained its leadership position in both the cash equities and derivatives segments. Institutional market volumes for the cash segment showed a moderate growth during the year, whereas the derivatives segment volumes grew by more than 100% over the previous year. However, yields across the client segments continued to be under pressure. The Company maintained 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. The Institutional Equities Research team continues to be the rated highly by institutional clients and further enhanced its leadership position through incisive research on companies, sectors and themes.

### Awards and Recognitions

During the year, the Company was adjudged the Best Broker for the year 2019 by FinanceAsia Country Awards, Best Brokerage house in the Institution segment for the year 2019 by Asiamoney. The Company also received the award for the Best Overall Research house for the year 2019 by Asiamoney.

### 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

Particulars	₹ in crore)	
	FY 2020	FY 2019
Total Income	228.8	176.0
PBT	107.6	92.9
PAT	79.1	63.1

### Equity Capital Markets

In FY 2020, the Indian Equity Capital Markets witnessed a revival in primary market activity from the previous fiscal completing 26 OFS, 13 IPOs, 13 QIPs and 13 Rights. A total of 147,974 crore (vs 68,914 crore in FY 2019) was raised across Initial Public Offerings (IPOs), Qualified Institutional Placements (QIPs), Rights Issues, Offers for Sale (OFS), Block Deals and Infrastructure Investment Trusts (InvITs) dominated by large issuances. The revival in activity can be primarily attributed to increase in mega QIP and Rights offerings. (Source: Prime Database).

KMCC successfully completed 13 marquee transactions, including 4 IPOs, 5 QIPs, 2 Block Deals, 1 OFS and 1 Rights Issue raising a total of ₹ 59,729 crore in FY 2020. Kotak was the left lead banker to India's largest IPO and largest Rights Issue of the year.

Select Top Equity Deals that were concluded by KMCC during the year include:

**IPO:** SBI Cards & Payments - ₹ 10,341 crore, Polycab India - ₹ 1,345 crore, Metropolis Healthcare - ₹ 1,204 crore, Ujjivan Small Finance Bank - ₹ 1,000 crore

**Rights:** Vodafone Idea - ₹ 25,000 crore

**OFS:** Avenue Supermarts - ₹ 3,428 crore

**QIP:** Bajaj Finance - ₹ 8,500 crore, Avenue Supermarts - ₹ 4,098 crore, Godrej Properties - ₹ 2,100 crore, Varun Beverages - ₹ 900 crore, PVR - ₹ 500 crore

**Blocks:** Gruh Finance Ltd. - ₹ 1,007 crore, Kalpataru Power Transmission - ₹ 306 crore

## Mergers & Acquisitions and Private Equity Advisory

The total M&A Advisory deal value in India for FY 2020 stood at USD 100 billion vis-à-vis USD 139.2 billion in FY 2019, while deal volumes increased to 2,149 in FY 2020 from 2,002 in FY 2019. (Source: Bloomberg, as on 6<sup>th</sup> April, 2020)

In FY 2020, KMCC was ranked #2 by value of deals and #4 by volume of deals in the M&A league tables (Source: Bloomberg, as on 16<sup>th</sup> April, 2020; amongst investment banks). KMCC advised on a diverse array of 13 M&A transactions across a range of products and sectors, for a total deal value of USD 7.8 billion (not considering deals where values have not been disclosed):

- Across products, ranging from Acquisitions, Divestments, Mergers, Private Equity investments, Restructuring, Buyback Offers and Open Offers;
- Across sectors, ranging from Financial Services, Consumer, Healthcare, Education, Technology, Industrials etc.

The uptick in activity in the market during FY 2020 could largely be attributed to a number of factors, including deals in the stressed asset situations, increasing investment activity by financial investors including private equity.

Some of the key Advisory deals that were announced / concluded by KMCC during the year include:

- Financial Advisor to ArcelorMittal for acquisition of Essar Steel India Ltd. -India's Largest IBC Recovery
- Sale of Cancer Treatment Services International by AHH to Varian Medical Systems
- Financial Advisor to Air Water Inc. (Japan) for acquisition of Praxair's eastern India business
- Financial Advisor to Air Water Inc. (Japan) for Acquisition of Linde's South India business
- Financial Advisor to Aakash Educational Services Ltd. for minority stake sale to Blackstone
- Open offer to the shareholders of KPIT Technologies Ltd.
- Merger of PHCPL (subsidiary) with Phoenix Mills Ltd.
- Series D equity investment in Samunnati Financial by Nuveen
- Secondary stake sale in Fabindia Overseas Pvt. Ltd.
- Fairness Opinion on demerger of TCL Cables Pvt. Ltd. from Torrent Power Ltd.
- Buyback offer to the shareholders of The Great Eastern Shipping Company
- Buyback offer to the shareholders of Aster DM Healthcare Ltd.
- Financial advisor to Everstone for divestment of stake in Aparajitha Corporate Services Pvt. Ltd. to promoters

## 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.

### Network

KLI had 245 life insurance outlets across 152 locations. KLI has 124,690 life advisors, 40 Bancassurance partners and 201 brokers and corporate agency tie-ups.

### Financial Highlights

The financial performance of KLI is given below:

Particulars	₹ in crore)	
	FY 2020	FY 2019
Gross Premium	10,340.1	8,168.3
First Year Premium (incl. Group and Single)	5,105.8	3,977.1
PBT – Shareholders' Account	839.1	590.8
PAT – Shareholders' Account	608.2	507.2
Solvency Ratio	2.90	3.02

The Indian Embedded Value (IEV) was ₹ 8,388 crore (31<sup>st</sup> March, 2019: ₹ 7,306 crore) as on 31<sup>st</sup> March, 2020. 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 was ₹ 643 crore and the VNB margin was 28.8%.

The networth of KLI increased by 22.1% to ₹ 3,353.5 crore as on 31<sup>st</sup> March, 2020 from ₹ 2,745.4 crore as on 31<sup>st</sup> March, 2019.

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

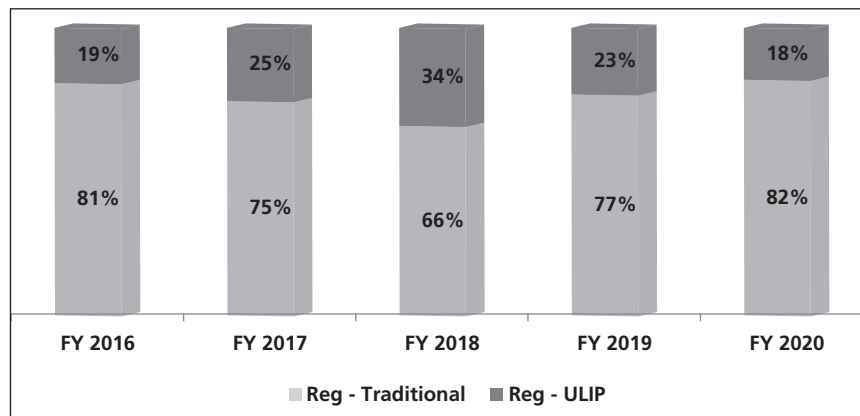
KLI has recorded a growth of 28.4% on the gross written premium, mainly coming from Individual renewal premium and Group business. The summary of premiums is as under:

Particulars	₹ in crore)	
	FY 2020	FY 2019
Individual Regular Premium	1,561.7	1,616.2
Individual Single Premium	837.0	515.4
Group Premium	2,707.0	1,845.5
<b>Total New Business Premium</b>	<b>5,105.8</b>	<b>3,977.1</b>
Renewal Premium	5,234.3	4,191.2
<b>Gross Premium</b>	<b>10,340.1</b>	<b>8,168.3</b>

### Distribution Mix (Individual business APE (Single 1/10))

The distribution mix for Individual business APE (Single 1/10), is 44% for the Bancassurance channel and 56% for Agency & other channels.

### Individual Regular Product Mix



Product mix of KLI for FY 2020 in individual regular premium is 82% traditional business and 18% ULIP.

### Protection Share

Protection share as % of Individual New Business and Total Group Business stood at 28.7%. It increased from ₹ 1,281.1 crore in FY 2019 to ₹ 1,548.1 crore in FY 2020.

### Group Product Mix

While the overall group business has grown by 43.4% in FY 2020 over FY 2019, the group traditional business has grown by 85.4% from ₹ 349.0 crore in FY 2019 to ₹ 647.1 crore in FY 2020.

The group cover business has also grown by 21.3% over FY 2019 from ₹ 1,033.8 crore to ₹ 1,254.5 crore in FY 2020.



### Conservation & Persistency

Conservation ratio is 88.9% in FY 2020 compared to 86.9% in FY 2019. KLI has set up a dedicated retention team to improve the retention of the premiums of KLI. As of Feb'20, the persistency was 87.8% (13<sup>th</sup> month), 79.6% (25<sup>th</sup> month), 71.2% (37<sup>th</sup> month), 65.4% (49<sup>th</sup> month) and 61.5% (61<sup>st</sup> month).

### Industry comparison

In FY 2020, private insurance industry as a whole registered a growth of 9.1% on Total New Business Premium – Adjusted Premium Equivalent (APE) terms (Single 1/10). KLI registered a growth of 23.5% on Total New Business Premium- APE terms. On the same basis, KLI market share stood at 6.6% of private industry with a growth of 13.2% over FY 2019.

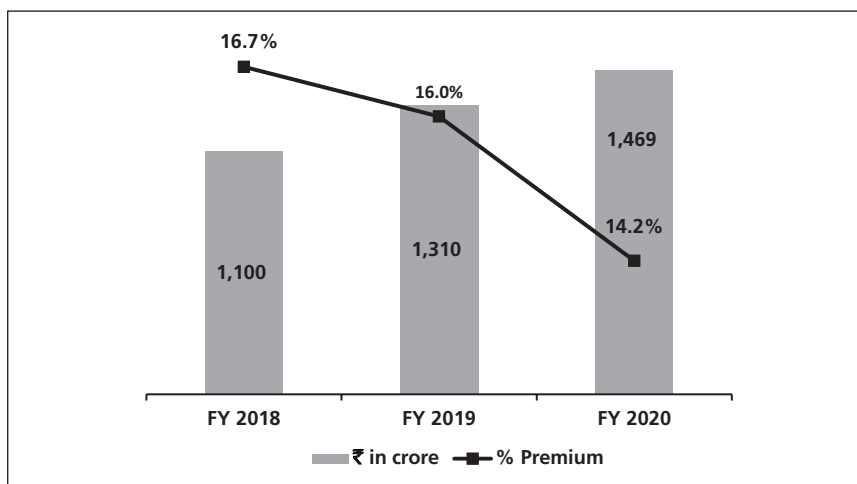
KLI is the sixth largest private sector life insurer in terms of individual first year premiums and overall first year premiums for FY2020.

### Claims Settlement Ratio

The overall claims settlement ratio in FY 2020 stood at 99.2% (FY 2019: 99.0%). The group claims settlement ratio for FY 2020 stood at 99.3% (FY 2019: 99.1%). The individual claims settlement ratio for FY 2020 stood at 96.4% (FY 2019: 97.4%).

### Cost Analysis

Operating expense ratio has improved to 14.2% as against 16.0% in previous year. This was possible by a 26.6% Year-on-Year growth in total premium in FY 2020 and is also attributed to improved productivity in addition to increase in distribution strength.



### Assets Under Management

KLI saw an increase in its AUM (including shareholders' AUM) by 15.2% YoY to ₹ 34,914.5 crore in FY 2020.

### Digital Initiatives

KLI had implemented 'Genie', a tablet based end to end sales solution. In FY 2020, 90.9% of the individual policies were sourced using Genie vs 87.9% in FY 2019.

Smart sell – A Pre Marketing, engagement and productivity app, is being used by 96.4% of active Life Advisors in its 2<sup>nd</sup> year of usage.

On-board advisors are provided with Mobility solution digitally which has led to 99.9% of applications received via digital medium in Q4FY20.

Approx. 60,000 logins in March 20 for recently launched online self-service portal, enabling retail customers to raising service requests, conveniently paying their renewal premiums and get policy information.

### Social and Rural Obligations

KLI has written rural policies 71,835 (FY 2019: 81,972) representing 22.7% of total policies against regulatory requirement of 20%. Further, KLI has covered 2,690,117 social lives 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, Marine and Miscellaneous segments. KGI sources Insurance policies through corporate agents, individual agents, brokers and online channels.

The general insurance industry as a whole registered a growth of 11.7% till March 2020, in which the private sector (excluding standalone health insurance companies) grew by 12.1%. KGI grew its premium (excluding re-insurance) from ₹ 301.1 crore in FY 2019 to ₹ 433.4 crore in FY 2020 registering a growth of 44%.

### Financial and Other Highlights

Particulars	(₹ in crore)	
	FY 2020	FY 2019
Gross Written Premium (GWP) (including re-insurance)	436.4	303.8
Loss Before and After Tax	(28.1)	(34.9)
Claims Ratio	68.8%	68.1%
Combined Ratio	112.5%	114.6%

### Revenue Review

KGI issued more than double the number of policies totaling to 18.1 lakh in FY 2020 from 7.2 lakh in FY 2019 amounting to a gross direct premium excluding re-insurance of ₹ 433.4 crore (FY 2019: 301.1 crore).

### Product Mix

In order to maintain a balanced product mix, KGI product mix for Motor, Health and Others has moved from 66:25:9 in FY 2019 to 58:31:11 in FY 2020.

### Distribution Mix

Bancassurance Channel grew from ₹ 171.7 crore in FY 2019 to ₹ 242.9 crore in FY 2020 registering a 41% growth and Multi Distribution channel grew from ₹ 129.4 crore in FY 2019 to ₹ 190.5 crore in FY 2020 registering a 47% growth.

### Solvency

As on 31<sup>st</sup> March, 2020, the solvency ratio of KGI stood at 2.13 against the regulatory requirement of 1.50.

### Investments

Investments of KGI as on 31<sup>st</sup> March, 2020 stood at ₹ 681.8 crore against the previous year amount of ₹ 414.3 crore, registering a growth of 65%.

### Distribution Network

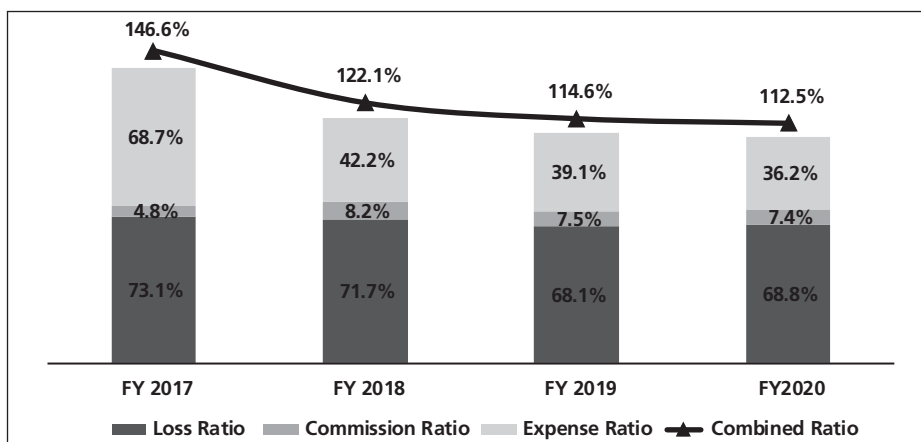
KGI has a network of 18 branches catering to more than 275 locations. KGI has registered 25 Corporate Agents, 121 Individual Agents, 311 Point of Sale agents and 16 Micro Insurance Agents.

### Rural and Social Obligations

KGI has written a premium of ₹ 23.6 crore under rural obligation representing 5.5% of total premium. Further, KGI has covered 146,708 social lives against the regulatory requirement of 21,727.

## Improving Financial Performance

In the last four financial years, the Company has steadily improved on its Claims and Combined Ratio which is evident depicted from the graph given below:



## Claim Servicing

The number of claims settled by the Company has increased from ~ 27,000 in 2019 to ~ 46,550 in 2020 an increase of 72%.

The Company has an equitable and robust claim settlement practice which is evident in the claim settlement ratio of 95% in 2020.

## Kotak Mahindra Asset Management Company Limited (KMAMC)

### Kotak Mahindra Trustee Company Limited (KMTCL)

Kotak Mahindra Asset Management Company Limited (KMAMC) is the asset manager of Kotak Mahindra Mutual Fund (KMMF) and Kotak Mahindra Trustee Company Limited (KMTCL) acts as the trustee to KMMF.

## Financial Highlights

(₹ in crore)

Kotak Mahindra Asset Management Company Limited	FY 2020	FY 2019
Total Income	603.2	655.0
PBT	394.1	337.1
PAT	291.8	218.1
AAUM	173,394	138,215
Kotak Mahindra Trustee Company Limited	FY 2020	FY 2019
Total Income	62.0	52.0
PBT	60.2	50.5
PAT	45.0	36.5

The growth in the mutual funds industry continues unabated. The industry registered a growth of 10.4% YOY in Q4FY20 over Q4FY19 with the Quarterly Average Assets under Management (QAAUM) for Q4FY20 at ₹ 27.0 lakh crore.

During the same period, on the basis of percentage growth in QAAUM, KMAMC was amongst the fourth fastest growing Mutual Fund House – within the top 10 Fund Houses ranked by QAAUM. The QAAUM which stood at ₹ 186,480 crore for Jan-Mar 2020 has seen growth of around 24% in Q4FY20 over Q4FY19 and 102% over last three years. KMAMC jumped one rank and is now the 6<sup>th</sup> largest Fund House in the country in terms of QAAUM as on 31<sup>st</sup> March, 2020 vis-à-vis 31<sup>st</sup> March, 2019. Market Share in QAAUM has grown to 6.9% in Q4FY20 from 6.1% in Q4FY19 and 5.0%, 3 years back. The AAUM of KMAMC for FY 2020 was ₹ 173,394 crore against ₹ 138,214 crore in FY 2019, a growth of 25% against industry growth of 10%.

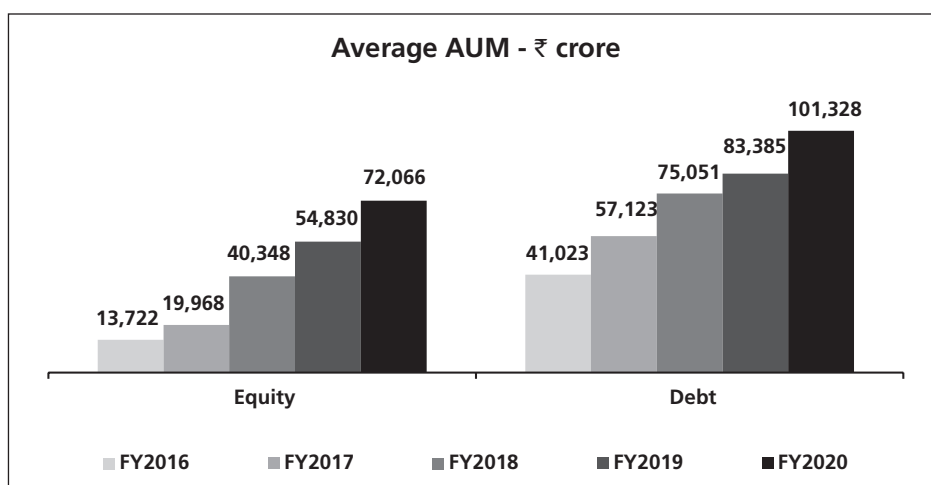
KMAMC has 23.1 lac unique investors basis the RTA data against industry of 208.0 lacs, a market share of 11.1%, against a share of 9.7% in March 2019.

KMAMC ended the year with discretionary AUM under the portfolio management business of ₹ 1,597 crore against ₹ 3,332 crore as on 31<sup>st</sup> March, 2019 largely due to the turbulent markets and sharp fall in Feb-Mar 20.

The key regulatory changes during the year was the rationalization of the scheme Total expense ratio's ( TER's). Also with effect from October 2018, all scheme related expenses had to be paid from schemes and not from AMC, which was to be factored in pricing of direct plans. Further, no upfront commissions could be paid.

The overall revenue from operations reduced by 8.5% to ₹ 596.0 crore from ₹ 651.1 crore, largely due to the regulatory changes on TER's and commission payouts. The overall costs reduced to ₹ 209.0 crore in FY 2020 against ₹ 317.9 crore in FY 2019, largely due to reduction in the business promotion expenses primarily on account of change in the regulations i.e no upfront commissions and all scheme payments to be paid from Schemes only. Hence, the overall profit before tax has increased to ₹ 394.1 crore in FY 2020 compared to ₹ 337.1 crore in FY 2019. The increase in profit after tax is also due to decrease in corporate tax rates.

The average AUM of KMAMC over years is given below:



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	FY 2019
Total Income	3.3	2.9
PBT	0.07	0.07
PAT	0.06	0.07
AUM	991	785

KMPFL manages eight schemes. The combined assets under management (AUM) on 31<sup>st</sup> March, 2020 were ₹ 991 crore (₹ 785 crore as of 31<sup>st</sup> March, 2019) a growth of 26.2%. The overall pension fund industry AUM (including the private and public sector) has grown from ₹ 318,214 crore as on 31<sup>st</sup> March, 2019 to ₹ 417,477 crore as on 31<sup>st</sup> March, 2020, a growth of 31.2% and the private sector industry AUM has grown from ₹ 9,827 crore as on 31<sup>st</sup> March, 2019 to ₹ 13,239 crore as on 31<sup>st</sup> March, 2020, a growth of 34.7%.

Considering the low rates of management fees in Pension Fund Management Business, the revenue generated from the investment management activity for FY 2020 is ₹ 0.09 crore (FY 2019 - ₹ 0.06 crore).

There has been an increase in other income to ₹ 3.3 crore in FY 2020 as compared to ₹ 2.8 crore in FY 2019 primarily on account of increase in profit from sale of investments. The costs have increased to ₹ 3.3 crore in FY 2020 from ₹ 2.8 crore in FY 2019. Consequently, KMPFL has reported a profit before tax during FY 2020 of ₹ 0.07 crore similar to that of FY 2019.

**Kotak International subsidiaries****Financial Highlights**

(₹ in crore)

Particulars	FY 2020	FY 2019
Total Income	310.4	347.0
PBT	138.8	170.3
PAT	118.8	148.2

Kotak International subsidiaries consist of following entities:-

1. Kotak Mahindra (UK) Limited
2. Kotak Mahindra (International) Limited
3. Kotak Mahindra, Inc.
4. Kotak Mahindra Financial Services Limited
5. Kotak Mahindra Asset Management (Singapore) Pte. Limited

The international subsidiaries have offices in UK, Mauritius, USA, UAE and Singapore.

The international subsidiaries are mainly engaged in investment management, advisory services, dealing in securities, broker-dealer activities and investments on own accounts.

Most of the FY 2020 was dominated by trade negotiations between US and China, weaker than expected economic growths in emerging market and in recent months moderating interest rates globally. Indian economy also witnessed some moderation in growth.

Though the capital markets witnessed some buoyancy on account of the various reform measures announced by the Government, the conditions prevalent across other geographies lead to outflows from the funds managed by the international subsidiaries during the year.

The outbreak of COVID-19 in China during early January and its spread across the world in a span of three months had a severe impact on the capital markets across the world and India was not an exception.

The situation also remains fluid across the world where the international subsidiaries have offices and carry from there the distribution of funds and other businesses. Since the start of the pandemic the international subsidiaries have witnessed fall in the AUM of funds managed.

The average AUM decreased from ₹ 34,631 crore (USD 5.0 billion) in FY 2019 to ₹ 32,413 crore (USD 4.6 billion) in FY 2020.

The AUM of offshore funds managed or advised by the Offshore Subsidiaries saw a net outflow of ₹ 2,897 crore (USD 0.4 billion) in FY 2020 as compared to outflow of ₹ 1,505 crore (USD 0.2 billion) in FY 2019.

The closing assets managed / advised (AUM) by the international subsidiaries reduced from ₹ 32,997.7 crore (USD 4.8 billion) as on 31<sup>st</sup> March, 2019 to ₹ 23,430.9 crore (USD 3.1 billion) as on 31<sup>st</sup> March, 2020. This was due to fall in Indian capital markets (majority of which was witnessed during the month of March 2020 as the aftermath of COVID-19 pandemic) and outflows from equity and debt funds. Though international subsidiaries could establish newer relationships through its London office, it continued to witness outflows from Japan one of its key markets.

The offshore subsidiaries have built a strong distribution network across geographies both in terms of distributors and key accounts. The funds have investments from across the major geographies like Japan, Europe, US and Middle East.

The income from dealing in securities increased from ₹ 22.6 crore in FY 2019 to ₹ 43.9 crore during FY 2020. A wider client coverage resulting from diversifying beyond India into other country credits, taking lead in trading India high yield credits emanating from the stress in Corporate India & a higher level of volatility in the market led to substantial scaling up of volumes & revenues in the dealing in securities business.

The total income earned by international subsidiaries decreased from ₹ 347.0 crore during the FY 2019 to ₹ 310.2 crore during the current year falling by ₹ 36.8 crore. The overall revenue decreased primarily on account of lower investment management & advisory income due to lower AUM, mark-to-market losses on investments of ₹ 48.5 crore mainly due to a panic selling amongst global fixed income securities witnessed during the month of March 2020. These losses were, offset, in part, by higher income from dealing in securities by ₹ 21.3 crore, dividend income of ₹ 29.5 crore and higher interest income on term deposits by ₹ 3.9 crore. The operating expenses decreased from ₹ 176.7 crore during the FY 2019 to ₹ 171.6 crore during FY 2020 primarily due to decrease in employee costs, offset, in part, by increase in other operating expenses.

Resultantly, the profit before tax for the year was at ₹ 138.8 crore versus a profit of ₹ 170.3 crore for the previous year.

### 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. It is amongst select alternate asset managers in India to be present across these six asset classes and managing large number of active funds in these asset classes.

#### Financial Highlights

(₹ in crore)

Particulars	FY 2020	FY 2019
Total Income	119.9	85.3
PBT	12.4	17.1
PAT	9.7	17.4

During the year, KIAL has received new capital commitments of around ₹ 3,622 crore. The aggregate alternate assets managed / advised (including undrawn commitments, wherever applicable) by KIAL as on 31<sup>st</sup> March, 2020 were ₹ 15,176 crore. It managed 18 domestic funds, advised 1 domestic fund and 6 offshore funds during the year. KIAL also started Investment Advisory business for Private Clients and has ₹ 14,029 crore assets under Advice as on 31<sup>st</sup> March, 2020.

Of the new capital commitments received during the year, the Special Situations and Credit fund completed its second close with additional commitments of ₹ 2,657 crore including from a large marque sovereign wealth fund. This Fund will participate across credit lifecycles of companies and projects by providing unique solutions for financing gaps seen in the industry and made its maiden investment during the year. KIAL also raised two open ended funds under the Optimus brand to garner ₹ 965 crore within a span of 4 months. KIAL also continues to actively deploy capital in the Indian real estate space with investments in real estate credit and commercial / office assets space.

While on one hand KIAL is working with investors' mandate to seek attractive opportunities arising from the current market dislocation, on the other hand it is using its balance sheet and team competence to invest in innovative health tech solutions. KIAL is proud that some of its early stage investments are playing a leading role in the war on COVID-19.

Mynvax, a Biotech Company incubated at Indian Institute of Science, is developing recombinant influenza vaccine for human influenza virus. It is one of the six Indian companies developing a vaccine candidate for COVID-19. Niramai is a provider of Breast Cancer screening solution based on an AI algorithm using thermal imaging technique. It has developed an automated non-contact group Fever Test by leveraging its expertise in AI & thermal imaging, which can be used for public mass screening of potential COVID-19 patients. Healthians is a fast growing technology led asset light company providing at-home service for pathological tests. The company is using its phlebotomist fleet for collection of specimen for COVID-19 testing and has also set-up a drive-thru collection center in Delhi-NCR for COVID-19 sample collection. Mylab, a company assisted by KIAL in April 2020, is focused on development & manufacturing of affordable molecular diagnostic kits. It was the first Indian company to get approval for COVID-19 testing kit from the Indian Council of Medical Research (ICMR).

### 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	FY 2019
Total Income	9.2	9.1
PBT	3.4	3.3
PAT	2.5	2.4

### Kotak Infrastructure Debt Fund Limited (KIDFL)

KIDFL, is the infrastructure debt financing company. KIDFL provides long term finance to infrastructure projects and has completed three year of satisfactory operations. KIDFL has been able to forge relationships with marquee clients and build a robust asset book in Infrastructure sectors.

KIDF continues to be judicious about credit underwriting and selection of customers. COVID-19 pandemic has impacted all industries across 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	FY 2019
Total Income	81.7	63.6
PBT / PAT	34.0	25.6

Customer Assets increased to ₹ 785 crore compared to ₹ 672 crore as on 31<sup>st</sup> March, 2019.

**IVY Product Intermediaries Ltd (IVYPIL)**

At present, IVYPIL is not engaged in any business activity. IVYPIL is earning income from investment of its surplus money in fixed deposits.

**Financial Highlights**

(₹ in crore)

Particulars	FY 2020	FY 2019
Total Income	0.4	0.4
PBT	0.4	0.3
PAT	0.3	0.2

**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 having 239 branch offices across Karnataka, Maharashtra, Madhya Pradesh, Tamilnadu and Bihar. Loans originated by BSS for Bank are reckoned for priority sector advances requirements of Bank.

**Financial Highlights**

(₹ in crore)

Particulars	FY 2020	FY 2019
Total Income	197.1	139.4
PBT	78.9	79.2
PAT	59.3	55.7

It also provides first loss default guarantee to Bank on the loans originated by it. PBT is marginally lower compared to previous year, mainly on account of increase in credit costs due to increase in delinquency and increase in employee cost due to accelerated branch expansion, offset, in part, by increase in business volumes.

**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	FY 2019
Total Income	149.1	176.4
PBT	(16.1)	94.1
PAT	(16.9)	66.4
Share of Kotak Group	(8.4)	33.2

The profit for the current year is lower due to decrease in profit on trading in securities compared to previous year and increase in cost and provision on investments.

### 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	FY 2019
Total Income	193.9	241.0
PBT	(9.7)	138.2
PAT	(11.7)	100.2
Share of Kotak Group	(5.8)	50.0

The Company has incurred a loss in the current year due to increased provisioning for diminution in value of investments and increase in interest costs.

### ECA Trading Services Limited (formerly known as ACE Derivatives and Commodity Exchange 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 31<sup>st</sup> May, 2015. The Exchange received SEBI approval on 21<sup>st</sup> 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 18<sup>th</sup> September 2019. The Company has changed its business to trading of all commodities in spot and futures markets. For FY 2020, the Company has made a profit primarily from sale of property and investment of surplus money.

#### Financial Highlights

(₹ in crore)

Particulars	FY 2020	FY 2019
Total Income	1.4	0.8
PAT	1.1	0.3
Share of Kotak Group (post adjustments)	0.4	0.1

## 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 organization 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 the 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 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 independent Risk function is headed by the Chief Risk Officer (CRO) who reports directly to the MD & CEO of the Group. 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. The Board has an 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 1 capital by the total of on-balance sheet assets and off-balance sheet items at their credit equivalent values. The strong tier 1 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. The Bank and each legal entity in the Group were capitalised above internal and regulatory minimum requirements at all times during the year, 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 the risk appetite 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. The overall Bank risk appetite has been cascaded to key business segments thereby ensuring that the Bank's aggregate risk exposure is within its desired risk bearing capacity.

## 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.

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. 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. Off balance sheet transactions are subjected to the same rigorous credit analysis as on balance sheet transactions. Appropriate levels of collateralization 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 of 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 conduct 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. 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 realization 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 extended 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.

#### 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, volatilities, credit spreads, commodity and equity prices. The Board Approved Investment Policy sets out the Investment Philosophy of the Bank and 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. Additionally, the Bank has a Senior Management Committee for Derivatives – which is responsible for the oversight of the client derivatives business.

The Bank has a comprehensive limit-framework including sensitivity measures like PV01, Duration, Delta, Gamma, Vega etc. and other limits like loss-limits, value-limits, gap-limits, deal-size limits 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 monitored on an intraday basis.

Liquidity of the trading portfolio is assessed and an appropriate deduction is made from Tier 1 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%. Additionally, to assess the tail risk, the Bank computes Expected Shortfall. Value-at-Risk limits have been set on all 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 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.

#### **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. 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.

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. 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 in 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.

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, interbank liabilities, etc. 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, prioritizing 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.

As of FY 2020, the regulatory requirement for LCR is 100%, on a daily average basis. In view of the exceptional conditions due to COVID-19, the RBI vide notification dated 17 April 2020, reduced the LCR requirement to 80%. The LCR requirement will be reset to

90% on 1<sup>st</sup> October 2020 and 100% on 1<sup>st</sup> 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 1<sup>st</sup> October 2020. The Group is on track to meet the NSFR requirements as per the RBI guidelines.

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 maximize 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 minimize 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 Committee (OREC) 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.

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 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, the Bank conducted cyber drills to assess the effectiveness of the prevention, detection and response mechanisms. 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. The Bank has also taken various measures to enhance its 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 minimize the impact of any incidents.

#### **M. Digitalisation**

Technology is rapidly changing the way financial services entities operate and is a key disruptor for the industry. The Group focus continues to be on digital and is aimed at leveraging digital technology to provide a best in class experience for its customers while simultaneously enhancing productivity and risk management. During the year, the Group expanded its digital capabilities to new deposit account opening, decisioning on certain credit cards, new insurance and investment products. The Group believes that technology driven changes in operations will lead to gains through increasing efficiency and reduction in error rates. The competitive environment is also evolving, with new entrants, including fintechs targeting parts of the financial services value chain. The Group continues to invest in front end and back end technology and digital infrastructure to further enable digital offerings, improve client experience and increase efficiency.

#### **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 on 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 & 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 emphasizes 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.

#### **P. Risk Culture**

Culture and values are a priority area for the Group. Risk culture refers to desired attitudes and behaviors 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 organization. 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, prioritization 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.

#### **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 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.

## COMPLIANCE

An independent and comprehensive compliance structure addresses the Bank's compliance with regard to adherences to various regulators prescriptions including reputation risks. 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 including the best practices followed by these subsidiary companies. 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. There are dedicated resources deployed to focus on areas like KYC / AML, review and monitoring and provide guidance on regulatory issues to the line functions.

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 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 (RBI A) and carries out audits across various businesses, i.e. Consumer, Commercial, Wholesale, Treasury (for domestic and overseas operations) and audit of Operations units, Risk Functions, Centre Functions, Support Functions, Information Security 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 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.

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 31<sup>st</sup> March, 2020, the employee strength of Group was ~ 71,000 as compared to ~ 60,000 employees a year ago. The standalone Bank had ~ 50,034 employees as on 31<sup>st</sup> March, 2020.

With increased employee there has been renewed focus on bringing in diverse workforce in Bank during the year. Gender diversity moved from 23% women to 24% by the financial year end. Majority of the increase has been through the hiring at front line roles. Bank also revamped the D&I agenda and formed the council that consists of leaders from various segments of the Bank and Shanti Ekambaram – Group President – Consumer Bank leads it. Council has been instrumental in launching short term and long-term plan for building gender diverse workforce at various levels of the Bank.

Bank continued on its digitization and automation journey. Bank continues to drive more and more employee and manager self-service to enhance accessibility for all HR Processes. To increase efficiency, automation and centralisation, Bank has transitioned HR operations and many more processes to shared service. Bank has also started the journey through BOT for HR process automations.

Engagement has been key for your retention and growth. Bank has continued the focus on manager-led programs and theme-based regional initiatives like Leadership Connect/Town Hall, Webcast, Meet 5 for building manager connect and skip level engagement. Bank has also strengthen the platform for top down communication at the same time create listening opportunity for voice of employees through eNPS surveys.

As they say it takes 21 days to build a habit, your Bank had rolled out the plan for manager led engagement through #21DayChallenge. Employees are the greatest assets and their well-being directly translates to your Bank's well-being. Keeping this in mind, your Bank has championed Health and Wellness drives with the initiative, #HumFitKotakHit. This initiative has been pivotal in ensuring your bank remains a positive and healthy workspace at all times. Various health and wellness related initiatives were launch through online and onsite interactions.

Talent identification and building leadership pipeline has continued to be one of the key focus for your Bank during the year. 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.

Learning and development has continued to be priority for the bank. Bank has continued to enhance capability at leadership level with programs for clearing Digital Blur, various People-Manager programs for your functional and behavioural skill building at all levels. Increased focus on e-learning for delivering programs at various stages of employee lifecycle was continued.

The end of the financial year witnessed the COVID-19 outbreak. Bank bulked up planning for the BCP by rolling out work from home facility, ensuring essential staff and essential services operational in branch and back offices. Creating awareness, communicating DOs and DON'Ts to the employees has been one of the key agenda towards the end of the financial year.

## **MEDIUM-TERM AND LONG-TERM STRATEGY**

### **Enhancing Customer Experience and Trust**

The Group aims 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. To measure trust in all businesses, the Group utilizes the 'net promoter score' methodology to measure the willingness of its customers and employees of the Group to recommend its services. The Group tracks this score on a regular basis and use it as a basis for understanding the customer delight and loyalty and employee satisfaction levels with the Group.

Further, the Group endeavors 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 (such as improved digital experience for the customers through an improved user interface). The Group believes that this strategy will enable it to build relationships with highly engaged and satisfied customers, which will contribute to its future growth. As a part of this strategy, the Group has created simplified, technology-driven processes for several products and services (for example, account opening, fixed deposits, credit cards, personal loans, seamless internet banking, and UPI transactions).

The Group also aims to strengthen its data and analytics capability, leading to improved actionable customer insights. The Group will continue to introduce additional features across its digital transaction channels which will make banking and other services easier and more convenient. This will further enhance the customer experience, which the Group believes, will lead to higher cross-selling of products, thereby contributing to the future growth and profitability.



### Expanding market share in all segments of financial services in India

The Group aims to expand its market share in Indian financial services by increasing the customer base across the Group. While the recent rapid and diffuse spread of COVID-19 and the lockdown imposed by the Indian government has negatively impacted the growth in the Indian financial services industry, the Group intends to continue to pursue a strategy of measured growth in the short to medium term.

The Bank will continue to be the main customer acquisition engine and the Group aims to leverage customer growth achieved at the Bank by offering banking customers products and services offered by its other businesses, subject to regulatory restrictions.

As part of the future growth strategy of the Bank, the Bank plans to undertake a measured growth of its branch network to expand customer reach, focusing on value creation.

At the same time, the digital banking initiatives will continue to be the main driver of its customer acquisition strategy going forward. In particular, the Kotak 811 mobile application is aimed at the mass market across India and has significantly increased the Bank's customer base since launch. The Group believes that digital offerings will position it well to capitalise on the expected growth in India's financial services sector resulting from the emerging middle class, technologically savvy millennial population and growing number of bankable households. Further, the subsidiaries of the Bank also have their independent digital customer acquisition and servicing platforms, in the areas of asset management, life insurance, securities broking as well as general insurance.

Going forward, the Group will continue to invest in various digital initiatives and technology infrastructure to enhance customer experience and improve its cross-selling capabilities in a cost-effective manner. The Group believes a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact and access their accounts wherever and whenever they desire. The Group also intends to further enhance the coverage of the existing digital initiatives.

The non-Bank businesses have been growing through a multi-pronged strategy of entering new geographical markets, cross-selling to the Group's customer base, introducing new products to cater to different customer segments. For the insurance business, the focus has also been on increasing the number of insurance advisers, and tying up with new distributors. For the asset management business, the focus has additionally been to increase accounts under the regular saving SIPs and further improving the performance of existing funds.

The Group also aims to expand its international presence through an increased focus on the international lending portfolio, which comprises an international banking unit in GIFT City and the first overseas bank branch in Dubai.

### Continue to expand access to low-cost liabilities

The Bank aims to fund its loan growth objectives largely by growing the retail deposit base (in particular current deposits). Retail depositors are 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 among 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. The Bank's CASA Ratio of 56.2% as of March 31<sup>st</sup> 2020, is amongst the highest in the banking industry in India. Whilst the Bank has reduced its interest rates in recent times, the interest rates are still higher than a number of peers.

The Bank 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, optimizing 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 customized 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 retail deposits to the Bank, which will expand its pool of low-cost and stable funding. The Bank's cost of funds was 5.2% for FY2020 as compared to 5.5% for FY2019.

### Attract, retain and build a team of talented, engaged and motivated employees

The Group believes that one of the keys to its success is the ability to recruit, retain, motivate and develop talented and experienced professionals, particularly as it seeks to expand the distribution network and offer new products and services. The employees are important, and the Group will continue to provide an encouraging work environment and promote career aspirations that can be realized by consistent performance and loyalty to its core values. The Group intends to continue to focus on the recruitment and cultivation of a high-quality, professional, and empowered workforce through:

- the provision of training and development programs for employees to enhance professional knowledge and capabilities;
- the enhancement of management and employee incentive programs to align compensation with employee performance;
- the creation of an encouraging work atmosphere; and greater employee engagement.

### **Disciplined risk management leading to strong asset quality**

The Group believes that it has put in place comprehensive risk assessment processes and diligent risk monitoring and remediation procedures, which has helped it in maintaining a high-quality asset portfolio.

The Group believes that an important element in building a sustainable franchise is to embed conservatism in its internal policies and practices. The goal is to continually improve the risk management procedures, risk evaluation, rating methodology, and monitoring and control mechanisms to maintain the quality of the Group's loan and investment portfolios.

Underwriting forms the core of banking. As the Group believes in ensuring that the depositors' money is well protected, the process of managing risk and recovery is at the heart of its lending practices. The Group, therefore views risk management as the foundation for providing risk-adjusted returns. For example, the wholesale banking division has been monitoring risk-adjusted ROE at the individual customer level. Having the right framework in place has helped identify, assess, and manage risks well in time and allocate capital among the businesses appropriately.

### **Leverage strong standing to pursue inorganic opportunities**

The Group 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 Group 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 Group will also evaluate opportunities that may arise in the stressed assets space, across different segments of the financial services industry.

The Group will pursue these inorganic growth opportunities where it sees the ability to add value for its stakeholders and customers. The Group will also seek out partners and investors for particular businesses and asset classes to diversify the risk of launching new businesses and also benefit from the expertise or track record of such partners and investors in these businesses. The Group 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.

## **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; and
- Enhance the impacts of Financial Inclusion

### **Threats**

- Uncertainty arising due to COVID-19 pandemic
- 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; and
- Talent management and training them for the right culture

Going forward, 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 capitalize 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

The Bank believes that Corporate Governance is a reflection of its value system, encompassing its culture, its policies and its relationship with the stakeholders. It is more than just adherence to the regulatory and statutory requirements. It is equally about focusing on voluntary practices that underlie the highest levels of transparency.

The Bank further believes that good Corporate Governance practices helps in creating and enhancing long-term sustainable value for all its stakeholders.

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 following principles:

- integrity,
- independence,
- accountability and responsibility,
- transparency in dealings,
- fair and timely disclosures.

The Bank's Board consist 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 report on the Bank's corporate governance, as per the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:

## BOARD OF DIRECTORS

### Composition, Meeting and Attendance

The composition of the Board of Directors of the Bank is governed by the Banking Regulation Act, 1949 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. As on 31<sup>st</sup> March, 2020, the Board of Directors, comprising a combination of executive and non-executive Directors, consisted of ten members, of whom six were non-executive Directors. The Chairman of the Board was a Non-Executive Director and five of the Directors were independent. The Board mix provides a combination of professionalism, knowledge and experience required in the banking industry. The responsibilities of the Board inter alia include formulation of overall strategy for the group, taking new initiatives, formulating policies, performance review, monitoring of plans, pursuing of policies and procedures. 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.

A brief description of the Directors, along with the companies in which they hold directorship and the membership of the committees of the Board, as on 31<sup>st</sup> March, 2020, are furnished hereunder:

#### Mr. Prakash Apte, Non-Executive Part-time Chairman

(DIN: 00196106)

Mr. Prakash Apte, B.E. (Mechanical), aged 66 years, served as Managing Director of Syngenta India Ltd (SIL), agricultural business company in India, until April, 2011. SIL is a subsidiary of Syngenta Group one of the largest research based agribusiness across the world. Since May, 2011, he has been the non-executive Chairman of Syngenta India Limited. 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. He was appointed as the Part-time Chairman of the Bank at the Annual General Meeting held on 19<sup>th</sup> July 2018 for a period from 20<sup>th</sup> July 2018 till 31<sup>st</sup> December 2020.

Mr. Apte has considerable experience in agricultural sector. In a career spanning over 36 years, he has extensive experience in various areas of management and business leadership. During 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 is on the Board of Syngenta Foundation India and Indo-Swiss Centre of Excellence.

He is on the Board of the following companies:

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Syngenta India Limited

Kotak Mahindra Life Insurance Company Limited

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Fine Organic Industries Limited (Independent Director)

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Mr. Apte is the Chairman of the Audit Committee of Syngenta India Limited and Kotak Mahindra Life Insurance Company Limited and a member of the Audit Committee of the Bank and Fine Organic Industries Limited. He is also a member of the Stakeholders Relationship Committee of Syngenta India Limited and Fine Organic Industries Limited.

#### **Mr. Uday Kotak, Managing Director & CEO**

(DIN: 00007467)

Mr. Uday Kotak, aged 61 years, holds a Bachelor's degree in Commerce, and a MMS degree from Jamnalal Bajaj Institute of Management Studies, Mumbai. He is the Managing Director & CEO of the Bank and its promoter. Under Mr. Kotak's leadership, over the past 34 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 and Investment Advisory Committee of the Army Group Insurance Fund. 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 (ICRIER) and The Anglo Scottish Education Society (Cathedral & John Connon School).

Mr. Kotak has been awarded the 'EY World Entrepreneur of the Year Award' in 2014 by Ernst & Young, 'Economic Times Business Leader of the Year Award' in 2015 by the Economic Times, 'Businessman of the Year 2016' by Business India, 'Lifetime Achievement Award at Financial Express Best Banks' Awards 2016', 'USIBC Global Leadership Award' in 2018 by the U.S.- India Business Council, 'CEO of the Year Award at CNBC-Awaaz CEO Awards 2018, 'Life Time Achievement Award' at Magna Awards 2019 by Businessworld and 'Best CEO in Banking Sector' by the Business Today Best CEO Awards 2019, amongst many others. –

He is on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited	Kotak Mahindra Prime Limited
Kotak Mahindra Capital Company Limited	Kotak Mahindra Investments Limited
Kotak Mahindra Life Insurance Company Limited	Infrastructure Leasing & Financial Services Limited

Mr. Uday Kotak is also a member of the Stakeholders Relationship Committee of the Bank and Chairman of the Audit Committee of Kotak Mahindra Capital Company Limited.

#### **Mr. Dipak Gupta, Joint Managing Director**

(DIN: 00004771)

Mr. Dipak Gupta, B.E. (Electronics), PGDM-IIM, Ahmedabad, aged 59 years, is the Joint Managing Director of the Bank and has over 34 years of experience in the financial services sector, 28 years of which have been with the Kotak Group. Mr. Gupta helms numerous functions of the Bank including Compliance, Vigilance, Internal Audit, Human Resources, IT including Cyber Security, Digital Initiatives, Customer Experience, Marketing & Communications, Environment Social Governance (ESG) and Corporate Social Responsibility (CSR).

Mr. Dipak 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. Prior to joining the Kotak Group, he was with A. F. Ferguson & Company for approximately six years.

He is on the Board of the following companies:

Kotak Mahindra Life Insurance Company Limited	Kotak Investment Advisors Limited
Kotak Mahindra Capital Company Limited	Kotak Infrastructure Debt Fund Limited
Kotak Mahindra Inc.	Kotak Mahindra (UK) Limited

Mr. Dipak Gupta is also a member of the Stakeholders Relationship Committee of the Bank and Audit Committees of Kotak Mahindra Capital Company Limited and Kotak Investment Advisors Limited.

#### **Mr. KVS Manian, Whole Time Director (Appointed w.e.f 1st November, 2019)**

(DIN : 00031794)

Mr. K V S Manian, 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, aged 58 years, is the Whole Time Director of the Bank. Mr. Manian has a rich experience of 35 years of which over 25 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 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.

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 Kotak Group, he had over a decade of work experience in corporate finance across Premier Auto Electric and NELCO, a TATA group company.

He is on the Board of the following companies:

Kotak Mahindra Investments Limited	Kotak Securities Limited
Kotak Mahindra Capital Company Limited	Kotak Infrastructure Debt Fund Limited

Mr. K.V.S Manian is a member of the Audit Committee of Kotak Infrastructure Debt Fund Limited.

**Mr. Gaurang Shah, Whole Time Director (Appointed w.e.f 1st November, 2019)**

(DIN : 00016660)

Mr. Gaurang Shah, Chartered Accountant and M.Com from Gujarat University, aged 58 years, is the Whole Time Director of the Bank. He has over 35 years of rich experience primarily in financial services, of which over 23 years have been with the Kotak Group.

Mr. Shah oversees the Insurance, Asset Management including Alternate Assets and Asset Reconstruction businesses and is Non-Executive Director on the boards of the insurance, asset management and international business entities, which are wholly owned subsidiaries of the Bank. Prior to this, Mr. Shah headed Group Risk Management.

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 Kotak Mahindra Bank. Mr. Shah was the Managing Director of Kotak Mahindra Life Insurance Company Ltd. During his tenure, the company became one of the first life insurance companies to break even and also became one of the most efficient users of capital. Earlier, he was also Executive Director of Kotak Mahindra Prime Limited, one of India's leading automobile finance companies.

He is on the Board of the following companies:

Kotak Mahindra Life Insurance Company Limited	Kotak Mahindra General Insurance Company Limited
Kotak Mahindra Asset Management (Singapore) Pte. Ltd.	Kotak Investment Advisors Limited
Kotak Mahindra Inc.	Kotak Mahindra (UK) Limited
Kotak Mahindra Asset Management Company Limited	

Mr. Gaurang Shah is a member of the Audit Committee of Kotak Mahindra Life Insurance Company Limited.

**Mr. C. Jayaram**

(DIN: 00012214)

Mr. C. Jayaram, B. A. (Economics), PGDM-IIM, Kolkata, aged 64 years, 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 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.

He is also on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited	Multi Commodity Exchange of India Limited (Shareholder Director)
Multi Commodity Exchange Clearing Corporation Limited	

Mr. C. Jayaram is a member of the Audit Committee of Kotak Mahindra Asset Management Company Limited and Multi Commodity Exchange of India Limited. He is also a member of the Stakeholders Relationship Committee of the Bank.

**Prof. S. Mahendra Dev**

(DIN: 06519869)

Prof. S. Mahendra Dev, PhD from the Delhi School of Economics, aged 62 years is currently Director and Vice Chancellor, Indira Gandhi Institute of Development Research (IGIDR), Mumbai, India. He was Chairman of the Commission for Agricultural Costs and Prices (CACAP), Govt. of India, Delhi. He was Director, Centre for Economic and Social Studies, Hyderabad for 9 years during 1999 to 2008. He has done his Post-doctoral research at Yale University and was faculty member at the Indira Gandhi Institute of Development Research, Mumbai for 11 years.

He has been a member of several government committees including the Prime Minister's Task Force on Employment and Rangarajan Commission on Financial Inclusion. He has received honors for eminence in public service. He is the Chairman of the Committee on Terms of Trade on

agriculture constituted by the Ministry of Agriculture, Government of India. He was a member and Acting Chairman of the National Statistical Commission in the rank of Minister of State, Government of India. He received prestigious Malcolm Adiseshiah Award for outstanding research work on development studies. He was on the Board of Trustees of and currently is on the independent steering committee of, the International Food Policy Research Institute, Washington D.C.

He is also on the Board of Kotak Mahindra Prime Limited. Prof. Dev is the Chairman of the Stakeholders Relationship Committee of the Bank and a member of the Audit Committees of the Bank and Kotak Mahindra Prime Limited.

#### **Ms. Farida Khambata**

(DIN: 06954123)

Ms. Farida Khambata, aged 70 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. She is also on the Board of Dragon Capital Group Limited, Vietnam and Tata Sons Private Limited.

Ms. Khambata is a member of the Audit Committee of Tata Sons Private Limited.

#### **Mr. Uday Khanna**

(DIN : 00079129)

Mr. Uday Chander Khanna, aged 70 years is a Chartered Accountant by qualification. Mr. Khanna was the Non-Executive Chairman of Bata India Limited till August 2, 2019. Also, he was 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 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. His last position before joining Lafarge was Senior Vice President - Finance, Unilever - Asia, based in Singapore. He has earlier been on the Board of Hindustan Unilever as Director - Exports, after having served as Financial Controller and Treasurer of the company. He has also worked as Vice Chairman of Lever Brothers in Nigeria and General Auditor for Unilever - North America, based in the USA. 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 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 is the recipient of 'Best Independent Director' award by Asian Centre for Corporate Governance Sustainability in 2018.

He 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

Mr. Khanna is the Chairman of the Audit Committee of the Bank, Castrol India Limited and DSP Investment Managers Private Limited and Stakeholders Relationship Committees of Pfizer Limited. He is also a member of the Audit Committee of Pfizer Limited and Pidilite Industries Limited.

#### **Mr. Uday Shankar**

(DIN : 01755963)

Mr. Uday Shankar, aged 58 years is a M. Phil in Economic History from the Jawaharlal Nehru University, Delhi. He is the President, Asia Pacific for The Walt Disney Company's Direct-to-Consumer & International (DTCI) segment and the Chairman, Star & Disney India and leads the charge for Disney's transformation into a direct-to-consumer company in Asia Pacific. Prior to his current role, he was the President of 21<sup>st</sup> 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 on the Board of Vidhi Centre for Legal Policy, Indian Broadcasting Foundation and Federation of Indian Chamber of Commerce and Industry (FICCI). He is also the Senior Vice President of FICCI.

He is also on the Board of Tata Sky Limited. Mr. Shankar is a member of the Stakeholders Relationship Committee of Tata Sky Limited.

**Notes:**

1. The Committee Memberships of only Audit Committee and Stakeholders Relationship Committee have been considered.
2. Pursuant to the requirement under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the category of directorship of the Bank's directors in other listed companies has been mentioned.

The following table gives the composition of Bank's Board and the number of outside directorships held by each of the Directors and the committee positions held by the Directors as on 31<sup>st</sup> March, 2020:

Name of the Director	Position	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 Chairman	Agriculture, Rural Economy & Management	3	2	2	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	-	-	3
Mr. K.V.S Manian	Whole Time Director	Banking & Finance	4	-	-	1
Mr. Gaurang Shah	Whole Time Director	Banking, Finance & Insurance	4	-	-	1
Mr. C Jayaram	Non-Executive Director	Finance, Economics & Management	3	-	-	2
Prof. S. Mahendra Dev	Independent Non-Executive Director	Agriculture & Rural Economy	1	-	1	2
Ms. Farida Khambata	Independent Non-Executive Director	Economics, Finance & Management	-	1	-	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	1	3	-	1

**Note :** The Board believes that the above mentioned skills / competencies / expertise are required for the business of the Bank and Directors of the Bank possess these skills / competencies / expertise for it to function effectively.

**Notes:**

1. The Reserve Bank of India has approved the appointment of Mr. K.V. S Manian and Mr. Gaurang Shah as Whole Time Directors of the Bank. Mr. Manian and Mr. Shah took charge as the Whole Time Directors of the Bank with effect from 1<sup>st</sup> November 2019.
2. The Committee Memberships mentioned above are of only Statutory Committees as per Regulation 26 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, namely Audit Committee and Stakeholders Relationship Committee.
3. None of the Directors on the Board is a member of more than ten committees and the Chairman of more than five committees in all, the companies in which he is a Director (for this purpose the membership 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.
4. In compliance with Regulation 24(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Prakash Apte, an independent director on the Board of the Bank has been a director on the Board of Kotak Mahindra Life Insurance Company Limited, an unlisted material Indian subsidiary of the Bank.



## BOARD MEETINGS

### Scheduling and selection of agenda items for board meetings

Dates of the board meetings are decided in advance. 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 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. When necessary, additional meetings are held.

The agenda of the board meetings is drafted by the Company Secretary along with the explanatory notes and these are distributed in advance to the directors. Every Board member is free to suggest the inclusion of items on the agenda. All divisions/departments in the Bank are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion/ approval/ decision in 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 papers are prepared by the concerned officials of the respective department and are approved by the Joint Managing Director and/or Managing Director & CEO. Agenda papers are circulated to the Board by the Company Secretary. Additional items on the agenda are permitted with the permission of the Chairman and with the consent of all the directors present at the meeting.

To address specific urgent need, meetings are also convened at shorter notice. The Board also passes resolutions by circulation on 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 Bank has been providing the directors with an option to participate in the board meetings through electronic mode.

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 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 and thereafter the same are placed before the Board of Directors.

A Compliance Certificate, signed by the Managing Director & CEO in respect of various laws, rules and regulations 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, twelve meetings of the Board of Directors were held on 30<sup>th</sup> April 2019, 31<sup>st</sup> May 2019, 22<sup>nd</sup> July 2019, 19<sup>th</sup> August 2019, 12<sup>th</sup> / 13<sup>th</sup> September 2019, 22<sup>nd</sup> October 2019, 20<sup>th</sup> January 2020, 29<sup>th</sup> January 2020, 10<sup>th</sup> February 2020, 12<sup>th</sup> March 2020, 17<sup>th</sup> March 2020 and 31<sup>st</sup> March 2020. The maximum time gap between any two meetings was not more than one hundred and twenty days. The average duration of the board meetings held is approximately four and half hours.

The details of directors attendance at board meetings held during the year commencing 1<sup>st</sup> April, 2019 and ending 31<sup>st</sup> March, 2020 and at the last AGM are as under:

Sr. No.	Name of the Director	Board Meetings held during tenure of the Member	Board Meetings attended during the year 2019 - 20	Whether attended last AGM held on 22 <sup>nd</sup> July 2019
1.	Mr. Prakash Apte	12	12	YES
2.	Mr. Uday Kotak	12	12	YES
3.	Mr. Dipak Gupta	12	12	YES
4.	Mr. K.V.S Manian	6	6	N.A.
5.	Mr. Gaurang Shah	6	6	N.A.
6.	Mr. C Jayaram	12	10	YES
7.	Prof. S. Mahendra Dev	12	12	YES
8.	Ms. Farida Khambata	12	11	YES
9.	Mr. Uday Khanna	12	12	YES
10.	Mr. Uday Shankar	12	9	YES

#### Note:

The Reserve Bank of India has approved the appointment of Mr. K.V. S Manian and Mr. Gaurang Shah as Whole Time Directors of the Bank. Mr. Manian and Mr. Shah took charge as the Whole Time Directors of the Bank with effect from 1<sup>st</sup> November 2019.

### Separate Meeting of Independent Directors

During the year under review, two meetings of the Independent Directors of the Bank were held on 13<sup>th</sup> September 2019 and 17<sup>th</sup> March 2020.

The Independent Directors at its meeting held on 17<sup>th</sup> March 2020 discussed the Board Evaluation Report for FY 2019 -2020. The meeting was chaired by an Independent Director and attended by all the Independent Directors of the Bank.

### Information supplied to the Board

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 directors and there is no potential conflict of interest in any transaction of the Bank with any directors.

### Directors' Remuneration

(Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

The details of remuneration to the Executive Directors for the year ended 31<sup>st</sup> March, 2020 are as follows:

Particulars	Mr. Uday Kotak (₹ '000)*	Mr. Dipak Gupta (₹ '000)*	Mr. K.V.S Manian (₹ '000)*	Mr. Gaurang Shah (₹ '000)*
Basic	22500.00	22200.00	7755.00	7755.00
Allowances	4400.00	4400.00	1591.67	1635.42
Provident Fund	2700.00	2664.00	930.60	930.60
Superannuation	-	100.00	41.66	41.66
SARs Payout	-	-	8400.14	8984.76
Others	100.00	100.00	120.00	100.00
Number of stock options granted during the year	-	61,820	-	-

\* The amount shown above excludes gratuity payable and value of car perquisites under the Income Tax Act, 1961.

### Note:

The remuneration details of Mr. K.V.S Manian and Mr. Gaurang Shah are for the period from their date of appointment i.e. from 1<sup>st</sup> November 2019. The Stock Appreciation Rights (SARs) payout amount shown against their names pertain to SARs granted to them before they became directors.

The details of the options granted during the year, under the Kotak Mahindra Equity Option Scheme 2015, to the Directors during their tenor as Directors are as under:

Name of the Director	Date of Grant	No. of options exercised	Price Granted	Exercise Period	Options Vested	Vesting Date
Series 22/2015 of Kotak Mahindra Equity Option Scheme 2015						
Mr. Dipak Gupta	20 <sup>th</sup> May 2019	61,820	₹ 1050 per share	October 16, 2020 to January 31, 2021	30%	October 16, 2020
				October 31, 2021 to April 30, 2022	30%	October 31, 2021
				June 30, 2022 to December 31, 2022	20%	June 30, 2022
				December 31, 2022 to June 30, 2023	20%	December 31, 2022

**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 Chairman of the Bank was paid remuneration of ₹ 25,00,000/- for the financial year ended 31<sup>st</sup> March 2020.

The Reserve Bank of India (RBI) has approved (i) the revision in remuneration to Mr. Uday Kotak and Mr. Dipak Gupta for the year 2019-20 (ii) the stock options granted (as indicated above) to Mr. Dipak Gupta (iii) appointment of and remuneration payable to Mr. K.V.S Manian and Mr. Gaurang Shah as the Whole Time Directors of the Bank and (iv) payment of remuneration of ₹ 25,00,000/- to Mr. Prakash Apte.

The details of sitting fees and commission paid to the Non-Executive Directors during the year ended 31<sup>st</sup> March 2020 are as follows:

Sr. No.	Name of the Director	Sitting fees (₹ '000)	Commission (₹ '000) *
		(Paid during the year ended 31 <sup>st</sup> March, 2020)	(Paid for the year ended 31 <sup>st</sup> March, 2019)
1.	Mr. Prakash Apte	2,160.00	250.00
2.	Mr. C. Jayaram	1,660.00	1,000.00
3.	Prof. S. Mahendra Dev	2,060.00	1,000.00
4.	Ms. Farida Khambata	1,240.00	1,000.00
5.	Mr. Uday Khanna	1,840.00	1,000.00
6.	Mr. Uday Shankar	960.00	200.00
7.	Mr. Amit Desai**	-	1,000.00

\* Refers to commission for FY 2018 -19, paid out in FY 2019 - 20.

\*\*Mr. Amit Desai retired as a Director of the Bank with effect from 17 th March 2019 on completion of eight years on the Board of the Bank, in accordance with the provisions of the Banking Regulation Act, 1949. The above commission was paid to him for the financial year ended 31<sup>st</sup> March 2019.

#### Notes:

- The Board of Directors of the Bank decided the performance bonus to be paid to the Managing Director & CEO and the Joint Managing Director for the year ended 31<sup>st</sup> March 2019 on the basis of the performance of the Bank and the fulfilment of responsibilities assigned to them and after considering the recommendations by the Nomination & Remuneration Committee. This is subject to approval of the Reserve Bank of India.
- 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 relevant disclosure with regard to criteria of making payments to Non-Executive Directors is given in the Director's Report.

#### COMMITTEES OF THE BOARD OF DIRECTORS

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. Details of some of the key Committees are given below:

##### Audit Committee

The Audit Committee of the Bank comprises of three members, with any two forming the quorum. The terms of reference of the Audit Committee of the Bank are as follows:

##### Documents/Reports Review and Financial Reporting Process

- Review and update this 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 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

- o Disclosure of any related party transactions
- o 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).
- o Modified opinion(s) in the draft audit report
- o Going concern assumption
- o 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 ACB / Board, as the case may be.
- Reviewing the utilization of loans and / or advances from / investment by the Bank in the subsidiary exceeding Rs.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 10 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 LODR.
- 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 LODR.

**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 Audit Committee presently consists of Mr. Uday Khanna (Chairman), Mr. Prakash Apte and Prof. S. Mahendra Dev.

All the members of the Committee are Independent Non-Executive Directors. All the members of the Committee are financially literate within the meaning of Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Mr. Uday Khanna possesses accounting and financial management expertise.

The Company Secretary acts as the Secretary to the Committee. Mr. Khanna was present at the last Annual General Meeting to answer the queries of the shareholders.

During the year, nine meetings of the Committee were held on 30<sup>th</sup> April 2019, 20<sup>th</sup> May 2019, 22<sup>nd</sup> July 2019, 23<sup>rd</sup> July 2019, 22<sup>nd</sup> October 2019, 30<sup>th</sup> October 2019, 6<sup>th</sup> December 2019, 20<sup>th</sup> January 2020 and 26<sup>th</sup> February 2020. The average time taken at the Committee meeting is approximately three and half-hours. The maximum time gap between any two meetings was within the prescribed timeframe.

The Bank has constituted a First Tier Audit Committee (FTAC) as per the guidelines issued by the Reserve Bank of India. The Committee was reconstituted on 20<sup>th</sup> January, 2020 and presently consists of four members viz., Mr. Dipak Gupta (Chairman), Mr. Jaimin Bhatt – President & Group CFO, 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, 12 meetings of the Committee were held. The Committee meets for approximately four hours.

The Bank has adopted a charter of the Audit Committee of the Board of Directors which includes the purpose, composition, roles, responsibilities & duties and powers of the Audit Committee. The said Charter also includes the purpose and composition of FTAC.

### **Internal Audit framework**

Internal Audit Department (IAD) in Kotak Mahindra Bank is an independent function reporting into the Audit Committee of the Bank. 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 & constructive recommendations for improvement.

IAD comprises of around 200 members located across five locations across India, majority of whom are qualified, viz Chartered Accountants, Certified Internal Auditors, Certified Information System Auditors and experienced Bankers. Internal Audit team members regularly attend audit and 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.

### **Stakeholders Relationship Committee**

During the year under review, the Stakeholders Relationship Committee of the Bank was re-constituted and presently consists of four members, Prof. S. Mahendra Dev (Chairman), Mr. C. Jayaram, Mr. Uday Kotak and Mr. Dipak Gupta, with any two forming the quorum. The constitution and composition of the Committee is in accordance with the provisions of Regulation 20 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 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:

1. To resolve grievances of security holders.
2. To review measures for effective exercise of voting rights by shareholders.
3. To review adherence to service standards adopted by listed entity for services rendered by R & T Agent.
4. To review measures and initiatives taken for reducing quantum of unclaimed dividend and ensuring timely receipt of dividend / annual report / statutory notices.

Ms. Bina Chandarana - Joint President & Company Secretary, functions as the Compliance Officer. Also, the Company Secretary acts as the Secretary to the Committee. Prof. S. Mahendra Dev was present at the last Annual General Meeting to answer the queries of the shareholders.

During the year, three meetings of the Committee were held on 6<sup>th</sup> August 2019, 8<sup>th</sup> November 2019 and 20<sup>th</sup> December 2019. The Committee meets for approximately half hour.

During the year under review, 29 investor complaints were received of which 3 complaints were pending as on 31<sup>st</sup> March, 2020. The pending complaints have been resolved to the satisfaction of the shareholders as on date. As on 31<sup>st</sup> March, 2020, there were no instruments of transfer of shares, pending. No penalties or strictures were imposed on the Bank by any of the Stock Exchanges, SEBI or any other statutory authority on any matter related to capital markets, during the last three years.

The Board of Directors during their meeting on 12/13<sup>th</sup> September 2019, met with a group of institutional investors, most of whom were already investors in the Bank and had detailed discussion with them on various topics such as views on global situation, emerging markets, the Bank, important factors considered by them when investing in stocks etc.

### Nomination & Remuneration Committee

The Nomination & Remuneration Committee of the Bank comprises of three members, Ms. Farida Khambata (Chairperson), Mr. Prakash Apte and Mr. C. Jayaram with any two forming the quorum. A brief description of the terms of reference of the Committee are as follows:

1. 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.
2. 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.
3. 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.
4. 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 Annual General Meeting to answer the queries of the shareholders.

During the year, four meetings of the Committee were held on 30<sup>th</sup> April 2019, 20<sup>th</sup> May 2019, 22<sup>nd</sup> July 2019 and 22<sup>nd</sup> October 2019. 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

During the year under review, the STOM Committee of the Bank was reconstituted and presently consists of Mr. Uday Kotak (Chairman), Mr. Dipak Gupta and Mr. Gaurang Shah, with any two forming the quorum.

The terms of reference of the STOM Committee are as follows:

1. To approve transfer, transmission, transposition, name deletion, consolidation and splitting of share and debenture certificates of the Company.
2. To issue duplicate share/debenture certificates.
3. To apply for registration of the Company 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.
4. To apply, in the name of and for the Company for telephone, telex, fax and other telecommunication and electrical/electronic connections and to do all matters relating to such applications.
5. To open, operate and close Bank Accounts of the Company and change the operating instructions of existing Bank Accounts of the Company.
6. To authorise persons to sign on behalf of the Company Share Certificates, Share Allotment Letters, Fixed Deposit Receipts.
7. To authorise persons to represent the Company at General Meetings of any company or cooperative society of which the Company is a shareholder/member.
8. To fix the dates for Closure of the Company'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.
9. 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.
10. 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 Company.
11. To authorise officials of the Company to sign documents for registration of motor vehicles and to do all acts and things for the transfer of any such motor vehicles.
12. To authorise employee(s) or others to execute, for and on behalf of the Company, agreements, applications, deeds, documents and any other writings in connection with the business of the Company and, if required, to issue Power of Attorney in favour of such persons for the purpose.

13. To authorise employee(s) or others to represent the Company before any Court, Tribunal, Consumer Redressal Forum or any Statutory or other Authority on any matter relating to the operations of the Company or with which the Company is in any way connected or to represent the Company generally or for any specific purpose or purposes and, if required, issue Power of Attorney in favour of such persons for the purpose.
14. To appoint or change nominees to hold shares for and on behalf of the Company in any subsidiary/associate companies.
15. To grant permission and authorise incorporation of companies, with a prefix "Kotak Mahindra" before the name.
16. To authorise the use of the Common Seal of the Company and to appoint persons to sign/countersign documents, etc. on which the Common Seal is to be affixed.
17. 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;
18. 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;
19. 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.
20. 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.
21. 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, four meetings of the Committee were held on 4<sup>th</sup> July 2019, 17<sup>th</sup> September 2019, 3<sup>rd</sup> December 2019 and 07<sup>th</sup> February 2020. The Committee meets for approximately thirty minutes.

#### **Committee on Frauds**

Pursuant to the directives of the Reserve Bank of India, the Bank has constituted a 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, Mr. Dipak Gupta, Mr. Prakash Apte, Mr. Uday Khanna and Mr. C. Jayaram.

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, three meetings of the Committee were held on 20<sup>th</sup> May 2019, 23<sup>rd</sup> July 2019 and 30<sup>th</sup> October 2019. The Committee meets for approximately two hours.

#### **Customer Services Committee**

The Bank has, pursuant to the directives issued by the Reserve Bank of India, constituted a Customer Services Committee. During the year under review, the Committee was reconstituted and presently consists of four members viz; Prof. S. Mahendra Dev (Chairman), Mr. Uday Kotak, Mr. Dipak Gupta and Mr. K.V.S Manian. 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 (CPPAPS) and also mount innovative measures for enhancing the quality of customer service and improving the level of customer satisfaction for all categories of clientele, at all times.

During the year, three meetings of the Committee were held on 6<sup>th</sup> August 2019, 8<sup>th</sup> November 2019 and 20<sup>th</sup> December 2019. 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 Companies Act, 2013. The Committee comprises of three members viz; Mr. C. Jayaram, Prof. S. Mahendra Dev and Mr. Dipak Gupta, with any two members forming the quorum. The Committee has been constituted to:



1. 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;
2. Recommend the amount of expenditure to be incurred on the CSR activities;
3. Monitor Bank's CSR Policy and implementation of CSR projects undertaken from time to time.

During the year, four meetings of the Committee were held on 28<sup>th</sup> May 2019, 18<sup>th</sup> October 2019, 03<sup>rd</sup> February 2020 and 29<sup>th</sup> March 2020. The Committee meets for approximately two hours.

The details of the CSR activities of the Bank have been included in the Directors' Report.

#### **Committee on Promoter Dilution**

The Bank has constituted a Committee on Promoter Dilution to study and advise the Bank on the future course of action to achieve dilution of promoter holding in the Bank as directed by the Reserve Bank of India. The Committee comprises of two members viz; Mr. Prakash Apte and Mr. C. Jayaram.

#### **Management Committee**

The Bank has constituted a Management Committee to bring operational flexibility in processing of credit proposals and also to discharge other responsibilities prescribed in different RBI directives including periodical calendar of reviews. During the year under review, the Committee was reconstituted and presently consists of four members viz; Mr. Uday Kotak, Mr. Dipak Gupta, Mr. K.V.S Manian and Mr. Gaurang Shah.

During the year, two meetings of the Committee were held on 23<sup>rd</sup> July 2019 and 03<sup>rd</sup> February 2020. The Committee meets for approximately one hour.

#### **Risk Management Committee**

(Non-Board Committee)

During the year under review, the Committee was reconstituted and presently consists of five members viz; Mr. Prakash Apte (Chairman), Mr. Uday Kotak, Mr. Dipak Gupta, Mr. Gaurang Shah and Mr. Paul Parambi – Chief Risk Officer & President of the Bank. The terms of reference of the Committee are:

1. To identify, monitor and measure the risk profile of the Bank;
2. Develop policies and procedures;
3. Verify models that are used for preparing complex products;
4. Review models as development takes place in the markets and also identify new risks;
5. Monitor compliance of various risk parameters by operating departments;
6. 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; and
7. 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, three meetings of the Committee were held on 21<sup>st</sup> May 2019, 28<sup>th</sup> August 2019 and 27<sup>th</sup> December 2019. The Committee meets approximately for an hour.

The details of the meetings attended by the members of the respective Committees are given below:

Name of the Director	Name of the Committee								
	Audit Committee	Stakeholders Relationship Committee	Nomination & Remuneration Committee	Share Transfer and Other Matters Committee	Committee on Frauds	Customer Services Committee	Corporate Social Responsibility Committee	Management Committee	Risk Management Committee *
Mr. Prakash Apte	9/9	-	4/4	-	3/3	-	-	-	3/3
Mr. Uday Kotak	-	3/3	-	4/4	3/3	3/3	-	2/2	3/3
Mr. Dipak Gupta	-	3/3	-	4/4	3/3	3/3	4/4	2/2	3/3
Mr. K.V.S Manian	-	-	-	-	-	1/1	-	1/1	-
Mr. Gaurang Shah	-	-	-	1/2	-	-	-	1/1	3/3
Mr. C. Jayaram	-	1/3	3/4	1/2	3/3	-	4/4	1/1	-
Prof. S. Mahendra Dev	8/9	3/3	-	-	-	3/3	4/4	-	-
Ms. Farida Khambata	-	-	4/4	-	-	-	-	-	-
Mr. Uday Khanna	9/9	-	-	-	3/3	-	-	-	-
Mr. Uday Shankar	-	-	-	-	-	-	-	-	-

**Note :** The above table shows the number of meetings attended against the number of meetings held during tenure as member.

\*Risk Management Committee is not a Board Committee. In addition to above members, Mr. Paul Parambi – Chief Risk Officer & President of the Bank, was inducted as a member of the Committee w.e.f. November 11, 2019.

All the recommendations made by the committees of the Board mandatorily required to be constituted by the Bank under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 were accepted by the Board.

### Code of Conduct

The Bank has adopted a Code of Conduct which is applicable to the Board of Directors and Senior Management Personnel respectively.

Both the Code 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 Board Members and Senior Management Personnel have affirmed compliance with these Codes. A declaration signed by the Managing Director & CEO to this effect is enclosed 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 models and other important matters relating to Bank's business.

During the year under review, the Bank conducted a program to familiarise the new Independent Director of the Bank with the nature of the industry, business model, risk management system and technology of the Bank. Further, the Directors of the Bank also attended following programs:

- Certification Program in IT & Cyber Security conducted by the Institute for Development & Research in Banking Technology.
- Training Program for Non-Executive Directors conducted by The Centre for Advanced Financial Research and Learning.

The complete details of the familiarization programme conducted for the Independent Director and other Directors of the Bank are available on the Bank's website viz. URL: <https://www.kotak.com/en/investor-relations/governance/familiarisation-programme.html>.

The profit and loss account of the Bank and its subsidiaries include the following fees paid / payable to their respective statutory auditors:-

₹ in Crore

Entity Name	Auditor's Name	Statutory / Audit Fees	Other Matters	Total
Kotak Mahindra Bank Limited	Walker Chandio & Co LLP	2.02*	0.29	2.31
Kotak Mahindra Capital Company Limited	Deloitte Haskins & Sells LLP	0.18	-	0.18
Kotak Investment Advisors Limited	Price Waterhouse LLP	0.28	-	0.28
Kotak Mahindra, Inc.	Citrin Cooperman & Company, LLP	0.22	-	0.22
Kotak Mahindra (International) Limited	Ernst & Young LLP	0.37	0.01	0.38
Kotak Securities Limited	Deloitte Haskins & Sells LLP	1.25	0.03	1.28
Kotak Mahindra Prime Limited	Price Waterhouse Chartered Accountants LLP	0.85	0.71	1.56
Kotak Mahindra Asset Management Company Limited	S. R. Batliboi & Co. LLP	0.23	0.03	0.26
Kotak Mahindra Trustee Company Limited	V. C. Shah & Co	0.03	-	0.03
Kotak Mahindra Investments Limited	Price Waterhouse Chartered Accountants LLP	0.45	0.08	0.53
Kotak Mahindra Pension Fund Limited	Gokhale & Sathe	0.02	-	0.02
Kotak Infrastructure Debt Fund Limited	S. R. Batliboi & Associates LLP	0.07	-	0.07
Kotak Mahindra Trusteeship Services Limited	Deloitte Haskins & Sells LLP	0.04	-	0.04
Kotak Mahindra Life Insurance Company Limited	S.R. Batliboi & Associates LLP Haribhakti & Co. LLP	0.80	0.14	0.94
Kotak Mahindra (UK) Limited	Ernst and Young LLP	0.98	0.01	0.99
Kotak Mahindra Financial Services Limited	Ernst & Young	0.12	-	0.12
Kotak Mahindra General Insurance Company Limited	V.C.Shah & Co. K.S.Aiyar & Co.	0.27	0.03	0.30
IVY Product Intermediaries Limited	Deloitte Haskins & Sells LLP	0.03	-	0.03
Kotak Mahindra Asset Management (Singapore) PTE. Limited	Ernst & Young LLP	0.37	0.02	0.39
BSS Microfinance Limited	Deloitte Haskins & Sells LLP	0.12	-	0.12
<b>Total</b>		<b>8.70</b>	<b>1.35</b>	<b>10.05</b>

\*Excluding fees paid for audit of Representative Office, Overseas Branch and payment made to previous statutory auditors

The consolidated 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	Amount
Kotak Mahindra Bank Limited	Walker Chandio & Co LLP	2.31
<b>Total</b>		<b>2.31</b>

## General Meetings

During the last three years, the general meetings of the equity shareholders held are detailed below:

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
Thirty Fourth Annual General Meeting	Monday, 22 <sup>nd</sup> July 2019, 10.00 a.m at Walchand Hirachand Hall of the Indian Merchants Chamber, 4 <sup>th</sup> Floor, Churchgate, Mumbai - 400 020	<ol style="list-style-type: none"> <li>1. Special Resolution for reappointment of Mr. Prakash Apte as an Independent Director of the Bank for a second term from 18<sup>th</sup> March 2019 to 17<sup>th</sup> March 2024.</li> <li>2. Special Resolution for reappointment of Ms. Farida Khambata as an Independent Director of the Bank for a second term from 7<sup>th</sup> September 2019 to 6<sup>th</sup> September 2022.</li> <li>3. Special Resolution for borrowings/ raising of funds by the Board of Directors of the Bank ("Board") by way of issue of redeemable securities in the nature of unsecured non-convertible debentures/ bonds/ other debt securities, in Indian/ foreign currencies in the domestic and/ or overseas markets, in one or more tranches, for an amount up to Rs. 5,000 crore (Rupees Five Thousand Crore Only), for its general corporate purposes within the overall borrowing limits of the Bank, on a private placement basis in one or more tranches and series, as per the structure and on such terms and conditions as may be determined, from time to time, by the Board.</li> </ol>
Thirty Third Annual General Meeting	Thursday, 19 <sup>th</sup> July, 2018 at 4.00 p.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4 <sup>th</sup> Floor Churchgate, Mumbai - 400020	<ol style="list-style-type: none"> <li>1. Special Resolution for appointment of Mr. Prakash Apte as part-time Chairman of the Bank from 20<sup>th</sup> July 2018 till 31<sup>st</sup> December 2020.</li> <li>2. Special Resolution to issue unsecured, perpetual and/or redeemable non-convertible debentures/bonds for an amount up to ₹5000 crore.</li> <li>3. Special Resolution for alteration of Article 11 of the Articles of Association of the Bank.</li> <li>4. Special Resolution to raise funds by way of non-convertible preference shares for an amount not exceeding ₹500 crore, by way of private placement.</li> </ol>
Thirty Second Annual General Meeting	Thursday, 20 <sup>th</sup> July, 2017 at 10.30 a.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4 <sup>th</sup> Floor Churchgate, Mumbai - 400020	<ol style="list-style-type: none"> <li>1. Special Resolution for re-appointment of Prof. S. Mahendra Dev as an Independent Director of the Bank to hold office up to 14<sup>th</sup> March, 2021.</li> <li>2. Special Resolution for borrowing from time to time all such sums of money for the purpose of the business of the Bank notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Bank (apart from the temporary loans obtained or to be obtained from the bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose, provided that the maximum amount of moneys so borrowed by the Board of Directors and outstanding shall not at any time exceed the sum of ₹ 60,000 crore (Rupees Sixty Thousand Crore Only).</li> <li>3. Special Resolution to issue unsecured, redeemable non-convertible debentures / bonds for an amount up to ₹ 5,000 crore.</li> </ol>
Extraordinary General Meeting	Tuesday, 9 <sup>th</sup> May, 2017 at 10.30 a.m. at Walchand Hirachand Hall, Indian Merchants Chamber, 4 <sup>th</sup> Floor Churchgate, Mumbai- 400020	<ol style="list-style-type: none"> <li>1. Special Resolution for increasing the ceiling limit on total holdings of FII and FPIs through primary or secondary route to such percentage as the Board may decide from time to time not exceeding 49% of the paid-up equity capital of the Bank.</li> <li>2. Special Resolution for issuing equity shares, GDRs, ADRs, and/or other permissible securities convertible into equity shares or any combination thereof, in one or more tranches, up to 6,20,00,000 equity shares of ₹ 5/- each, by way of a public issue or a private placement or a rights issue, including a qualified institutions placement.</li> </ol>

Pursuant to provisions of Section 108 of the Companies Act, 2013 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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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

No resolutions were passed through postal ballot during the last financial year.

The Board of Directors at its meeting held on April 22, 2020 had approved the issuance of up to 6,50,00,000 (Six Crores and Fifty Lacs) 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 April 8, 2020 and the General Circular No. 17/ 2020 dated April 13, 2020, in relation to "Clarification on passing of ordinary and special resolutions by companies under the Companies Act, 2013 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 shareholders 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 ("KFinTech") 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 22<sup>nd</sup> April 2020 along with explanatory statement and remote e-voting instructions were sent to all the Members in electronic form only on Thursday, 23<sup>rd</sup> April 2020 for recording their assent or dissent through electronic means. The voting period commenced from Saturday, April 25, 2020 (9:00 a.m. onwards) and ended on Sunday, May 24, 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, April 17, 2020.

The Scrutinizer had submitted her report dated 25<sup>th</sup> 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 29 <sup>th</sup> January 2020 and 18 <sup>th</sup> 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
	<b>Total</b>			<b>287,614,409</b>	<b>100.0000</b>	<b>287,614,409</b>	<b>0</b>	<b>100.0000</b>
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
	<b>Total</b>			<b>925,516,239</b>	<b>92.6762</b>	<b>925,516,239</b>	<b>0</b>	<b>100.0000</b>
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	19,153	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
	<b>Total</b>			<b>160,731,576</b>	<b>47.4489</b>	<b>160,712,423</b>	<b>19,153</b>	<b>99.9881</b>
<b>Total</b>		<b>1,625,016,390</b>	<b>1,373,862,224</b>	<b>84.5445</b>	<b>1,373,843,071</b>	<b>19,153</b>	<b>99.9986</b>	<b>0.0014</b>

Accordingly, the Special Resolution, as set out in the Postal Ballot Notice dated 22<sup>nd</sup> April, 2020 was passed with Requisite Majority.

#### Disclosures

- 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 are 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 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.

- During the last three years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and/or 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 its opinion the Independent Directors fulfil the conditions as specified in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 quarterly basis.
- The Bank has obtained a certificate from Ms. Rupal 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.

## SHAREHOLDERS' INFORMATION

Date of Incorporation	:	21 <sup>st</sup> 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: <a href="http://www.kotak.com">www.kotak.com</a>
Contact (Nodal officer – IEPF)	:	Ms. Bina Chandarana, Joint President & Company Secretary
Registrar & Share Transfer Agent	:	<b>KFin Technologies Private Limited</b> <b>(Earlier known as Karvy Fintech Private Limited)</b> (i) Selenium Tower B, Plot 31-32 Gachibowli, Financial District, Nanakramguda Hyderabad- 500 032 Tel No. : (040) 67162222 Fax No. : (040) 23001153 (ii) 24/B, Raja Bahadur Compound, Ambalal Doshi Marg, Fort, Mumbai-400 023. Tel No. : (022) 66235412 / 66235406 Fax No. : (022) 66235333 Website : <a href="http://www.kfintech.com">www.kfintech.com</a>
Debenture Trustees		IDBI Trusteeship Services Limited (Contact Person: Mr. Sunny Nihalani, Vice President) Asian Building, Ground Floor, 17, R Kamani Marg, Ballard Estate, Mumbai – 400 001 Tel No.: (022) 40807001 Fax No.: (022) 66311776
<b>Annual General Meeting:</b>	:	
Date and Time	:	Tuesday, 18 <sup>th</sup> August 2020 at 3.00 p.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	:	1 <sup>st</sup> April to 31 <sup>st</sup> March

## INVESTOR RELATIONS

The Bank publishes consolidated and standalone results on a quarterly basis. The same are also reviewed by the Audit Committee before submission to the Board. The consolidated and standalone financial results of the Bank and its subsidiaries are prepared and posted on the website of the Bank for the current as well as last five financial years. Also, the quarterly results and earnings update are posted on the website of the Bank. Every quarter, the Managing Director & CEO, and the Joint Managing Director along with the senior management officials participate on a call with the analysts / shareholders, the transcripts of which are posted on the website of the Bank. The Bank also has dedicated personnel to respond to queries from investors.

Financial Calendar: For each calendar quarter, the financial results are reviewed and taken on record by the Board within the statutory prescribed time period. The quarterly results and the annual accounts as at 31<sup>st</sup> March are approved by the Board, after a review thereof by the Audit Committee. The Annual General Meeting to consider such annual accounts is held in the first / second quarter of the financial year.

*Stock Exchanges on which listed:*

Sr. No.	Name & Address of Stock Exchange	Market Scrip Code
1.	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023	500247
2.	National Stock Exchange of India Limited Exchange Plaza, 5 <sup>th</sup> Floor, Bandra-Kurla Complex, Bandra, Mumbai 400 051	KOTAKBANK

The annual fees for 2020-21 have been paid to the BSE Limited and the National Stock Exchange of India Limited, where the shares of the Bank 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 4<sup>th</sup> August, 1998 and with the Central Depository Services (India) Limited with effect from 26<sup>th</sup> February, 1999. Pursuant to the sub-division of the equity shares of the Bank, w.e.f. 15<sup>th</sup> September, 2010, the new ISIN is INE237A01028. Pursuant to the amendment to Regulation 40 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, transfer of shares held in physical form cannot be processed with effect from 1<sup>st</sup> April 2019. Investors holding shares in physical form are requested to dematerialize their existing holdings at the earliest.

The Bank issued Non-Convertible Perpetual Non – Cumulative Preference Shares (“PNCPS”) in 2018. The PNCPS were listed with National Stock Exchange of India Limited and Bombay Stock Exchange Limited w.e.f 6<sup>th</sup> August, 2018 and the ISIN is INE237A04014. These PNCPS were issued and allotted in dematerialized form.

**Investor Helpdesk:** Dividend payments, IEPF claims and all other investor related activities are attended to and processed at the office of our Registrars & Share Transfer Agents. For lodgement of any documents or for any grievances/ complaints, kindly contact KFin Technologies Private Limited (earlier known as Karvy Fintech Private Limited), contact details of which are provided elsewhere in the Report.

For the convenience of the investors, documents and complaints from the investors are accepted at the Registered Office between 9:30 a.m. to 5:30 p.m. from Monday to Friday except on bank holidays.

As advised by Securities and Exchange Board of India (“SEBI”) the Bank has designated email- id of its 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.

Kotak Mahindra Bank Limited

Registered Office : 27BKC, C 27, G Block, Bandra Kurla Complex,  
Bandra (E), Mumbai- 400 051.  
Tel. No.: (022) 61661615  
Fax No. : (022) 67132403  
E-mail : investor.grievances@kotak.com  
Website : www.kotak.com

**Transfer to Investor Education and Protection Fund:** Pursuant to Section 124 of the Companies Act, 2013, 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 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:

Kotak Mahindra Bank Limited:

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
2012-13	Final	18 <sup>th</sup> July 2013	17 <sup>th</sup> August 2020
2013-14	Final	16 <sup>th</sup> July 2014	14 <sup>th</sup> August 2021
2014-15	Final	29 <sup>th</sup> June 2015	28 <sup>th</sup> July 2022
2015-16	Final	22 <sup>nd</sup> July 2016	21 <sup>st</sup> August 2023
2016-17	Final	20 <sup>th</sup> July 2017	19 <sup>th</sup> August 2024
2017-18	Final	19 <sup>th</sup> July 2018	18 <sup>th</sup> August 2025
2018-19	Final	22 <sup>nd</sup> July 2019	21 <sup>st</sup> August 2026

Erstwhile ING Vysya Bank Limited (eIVBL):

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
2012-13	Final	25 <sup>th</sup> June, 2013	25 <sup>th</sup> July, 2020
2013-14	Final	24 <sup>th</sup> June, 2014	24 <sup>th</sup> July, 2021

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 33,67,927 equity shares to IEPF till date. The details of such 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 shares traded on BSE:

Month	High	Low	Close	S&P BSE 100	Bankex
	(₹)	(₹)	(₹)		
April, 2019	1,396.95	1,318.65	1,387.05	11,868.07	33,328.45
May, 2019	1,555.45	1,370.00	1,519.70	12,044.07	35,264.03
June, 2019	1,539.50	1,451.30	1,476.60	11,909.67	34,971.86
July, 2019	1,546.80	1,439.85	1,519.10	11,210.78	32,689.44
August, 2019	1,536.00	1,422.00	1,431.70	11,139.78	30,949.72
September, 2019	1,682.40	1,399.00	1,644.35	11,580.94	32,889.09
October, 2019	1,656.20	1,549.55	1,573.15	11,999.14	33,924.81
November, 2019	1,635.00	1,541.60	1,614.40	12,142.80	36,190.99
December, 2019	1,734.35	1,600.25	1,684.50	12,236.19	36,671.50
January, 2020	1,720.00	1,576.05	1,691.05	12,082.99	35,289.35
February, 2020	1,739.95	1,615.00	1,619.65	11,292.68	33,416.19
March, 2020	1,676.45	1,000.35	1,296.35	8,668.98	22,050.02



The Monthly high and low quotation of shares traded on NSE:

Month	High (₹)	Low (₹)	Close (₹)	NIFTY 50	Nifty Bank
April, 2019	1,397.00	1,317.05	1,386.55	11,748.15	29,764.80
May, 2019	1,555.90	1,366.30	1,522.15	11,922.80	31,375.40
June, 2019	1,540.90	1,451.10	1,477.10	11,788.85	31,105.20
July, 2019	1,546.85	1,440.00	1,519.55	11,118.00	28,876.00
August, 2019	1,535.50	1,423.10	1,431.45	11,023.25	27,427.85
September, 2019	1,683.95	1,398.65	1,644.45	11,474.45	29,103.15
October, 2019	1,657.00	1,547.75	1,574.50	11,877.45	30,066.25
November, 2019	1,635.00	1,541.00	1,615.20	12,056.05	31,946.10
December, 2019	1,734.80	1,600.20	1,684.35	12,168.45	32,161.65
January, 2020	1,729.00	1,576.00	1,691.75	11,962.10	30,833.60
February, 2020	1,740.00	1,613.75	1,620.35	11,201.75	29,147.15
March, 2020	1,676.50	1,001.00	1,296.05	8,597.75	19,144.00

### SHARE HOLDING - EQUITY SHARES

Category	As on 31 <sup>st</sup> March 2020		As on 31 <sup>st</sup> March 2019	
	No. of Equity Shares Held	Percentage of Equity of Shares	No. of Equity Shares Held	Percentage of Equity Shares
<b>A. Promoters Holding</b>				
Promoters	572,464,964	29.92	572,465,964	29.99
<b>Sub-Total</b>	<b>572,464,964</b>	<b>29.92</b>	<b>572,465,964</b>	<b>29.99</b>
<b>B Non-Promoters Holding</b>				
Institutional Investors				
a. Mutual Funds & UTI	172,109,405	9.00	160,196,020	8.39
b. Banks, Financial Institutions, Insurance Companies (State / Central Govt. Institutions)	66,221,506	3.46	55,777,277	2.92
c. Foreign Institutional Investors	749,261,396	39.17	768,565,465	40.27
<b>Sub-Total</b>	<b>987,592,307</b>	<b>51.62</b>	<b>984,538,762</b>	<b>51.58</b>
<b>C. Others</b>				
a. Private Corporate Bodies	58,851,478	3.08	63,927,246	3.35
b. Indian Public including Directors & Relatives	196,393,411	10.27	197,460,120	10.34
c. NRIs/ OCBs/Foreign Bodies DR	16,197,267	0.85	16,610,745	0.87
d. Foreign Bank	32,800,000	1.71	32,800,000	1.72
e. Foreign Bodies	25,966,992	1.36	25,966,992	1.36
f. Foreign Nationals	1509	0.00	1550	0.00
g. Qualified Institutional Buyer *	10,676,177	0.56	-	-
h. NBFCs	374,981	0.02	1,561,659	0.08
i. Alternative Investment Fund	3,633,429	0.19	3,846,505	0.20
j. Clearing Members	4,914,430	0.26	6,414,483	0.34
k. IEPF Authority	3,171,393	0.17	3,160,801	0.17
<b>Sub-Total</b>	<b>352,981,067</b>	<b>18.45</b>	<b>351,750,101</b>	<b>18.43</b>
<b>Grand Total</b>	<b>1,913,038,338</b>	<b>100.00</b>	<b>1,908,754,827</b>	<b>100.00</b>

#### Notes:

- The increase in capital during the financial year 2019-20 is due to allotment of 42,83,511 equity shares of ₹ 5/- under various ESOP Schemes of the Bank.
- \* Pursuant to NSDL circular no. NSDL/POLICY/2018/0039, Qualified Institutional Buyer has been added as a separate category for the year under review.

**SHARE HOLDING – PREFERENCE SHARES**

Category	As on 31 <sup>st</sup> March 2020		As on 31 <sup>st</sup> March 2020	
	No. of Preference Shares Held	Percentage of Preference Shares	No. of Preference Shares Held	Percentage of Preference Shares
<b>A. Promoters Holding</b>				
Promoters	-	-	-	-
<b>Sub-Total</b>	-	-	-	-
<b>B Non-Promoters Holding</b>				
Institutional Investors				
a Mutual Funds & UTI	-	-	-	-
b Banks, Financial Institutions, Insurance Companies (State / Central Govt. Institutions)	-	-	-	-
c Foreign Institutional Investors	-	-	-	-
<b>Sub-Total</b>	-	-	-	-
<b>C. Others</b>				
a Private Corporate Bodies	889,735,000	88.97	889,735,000	88.97
b Indian Public including Directors & Relatives	110,265,000	11.03	110,265,000	11.03
c NRIs/ OCBs/Foreign Bodies DR	-	-	-	-
d Foreign Bank	-	-	-	-
e Foreign Bodies	-	-	-	-
f Foreign Nationals	-	-	-	-
g NBFCs	-	-	-	-
h Alternative Investment Fund	-	-	-	-
i Clearing Members	-	-	-	-
j IEPF Authority	-	-	-	-
<b>Sub-Total</b>	<b>1,000,000,000</b>	<b>100.00</b>	<b>1,000,000,000</b>	<b>100.00</b>
<b>Grand Total</b>	<b>1,000,000,000</b>	<b>100.00</b>	<b>1,000,000,000</b>	<b>100.00</b>

**SHAREHOLDING OF DIRECTORS OF THE BANK**

Name of the Director	As on 31 <sup>st</sup> March 2020		
	No. of Equity Shares Held	Percentage of Equity Shares held	Percentage of Total Shares Held
Mr. Prakash Apte	-	-	-
*Mr. Uday Kotak	566,927,100	29.63	19.46
Mr. Dipak Gupta	1,158,618	0.06	0.04
Mr. K.V.S Manian	182,244	0.01	0.01
Mr. Gaurang Shah	828,564	0.04	0.03
Mr. C. Jayaram	1,008,040	0.05	0.03
Prof. S. Mahendra Dev	-	-	-
Ms. Farida Khambata	74,000	0.00	0.00
Mr. Uday Khanna	3000	-	-
Mr. Uday Shankar	333	-	-

**Note :** \* In addition, as on 31<sup>st</sup> March 2020, Kotak Trustee Company Pvt. Ltd. holds 6,24,556 equity shares of the Bank representing 0.03 % of the paid up equity capital of the Bank ( 0.02% of the total capital of the Bank). Kotak Trustee Company Pvt. Ltd. holds these shares as trustee for USK Benefit Trust – II of which Mr. Uday Kotak is the sole beneficiary.

\*\*In addition, as on 31<sup>st</sup> March 2020, 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 KVS Manian is prime beneficiary of Manians Family Trust.

**Top 10 Equity Shareholders of Kotak Mahindra Bank Limited as on 31<sup>st</sup> March, 2020.**

Sr. No.	Name of the investor	Total equity shares held
1.	Uday Suresh Kotak	566,927,100
2.	Canada Pension Plan Investment Board - Managed by IM2	118,634,632
3.	Europacific Growth Fund	95,139,478
4.	Oppenheimer Developing Markets Fund	54,746,003
5.	SBI Mutual Fund	49,068,314
6.	Life Insurance Corporation of India	42,674,534
7.	Capital World Growth and Income Fund	36,412,279
8.	New World Fund Inc	35,887,114
9.	Sumitomo Mitsui Banking Corporation	32,800,000
10.	Axis Mutual Fund	28,775,245

**Top 10 Preference Shareholders of Kotak Mahindra Bank Limited as on 31<sup>st</sup> March 2020**

Sr. No.	Name of the investor	Total preference shares held
1.	Signet Chemical Corporation Private Limited	100,000,000
2.	Aditya Birla Finance Limited	70,000,000
3.	Bajaj Allianz General Insurance Company Limited-Policyholder Fund	66,000,000
4.	ICICI Lombard General Insurance Company Ltd	66,000,000
5.	VICCO Products Bombay Private Limited	68,000,000
6.	Denali Finance Private Limited	40,000,000
7.	Kotta Enterprises Limited	36,181,482
8.	Prabhanjan Multi-Trade Private Limited	33,551,338
9.	Famy Care Ltd	30,000,000
10.	Pidilite Industries Limited	30,000,000

**Distribution Schedule as on 31<sup>st</sup> March 2020**

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	240,661	72.18	5,342,188	0.28	1	1.89	100	0.00
2	101 – 200	32,131	9.64	4,817,084	0.25	-	-	-	-
3	201 – 300	17,155	5.14	4,215,718	0.22	-	-	-	-
4	301 – 400	7,849	2.35	2,821,974	0.15	-	-	-	-
5	401 – 500	5,688	1.71	2,622,476	0.14	-	-	-	-
6	501 – 1000	11,211	3.36	8,313,276	0.43	-	-	-	-
7	1001 – 2000	7,524	2.26	11,409,405	0.60	-	-	-	-
8	2001 – 3000	2,813	0.84	7,100,510	0.37	-	-	-	-
9	3001 – 4000	2,816	0.84	10,531,948	0.55	-	-	-	-
10	4001 – 5000	1,236	0.37	5,739,192	0.30	-	-	-	-
11	5001 – 10000	2,189	0.66	15,511,330	0.81	-	-	-	-
12	10,001 & Above	2,167	0.65	1,834,613,237	95.90	52	98.11	999,999,900	100.00
		<b>333,440</b>	<b>100.00</b>	<b>1,913,038,338</b>	<b>100.00</b>	<b>53</b>	<b>100.00</b>	<b>1,000,000,000</b>	<b>100.00</b>

The break-up of the shares held in physical and electronic mode as on 31<sup>st</sup> March, 2020 is given in the below mentioned table:

Equity :

Physical mode		Electronic mode	
Total Shares	% to Equity	Total Shares	% to Equity
5880471*	0.31	1,907,157,867	99.69

\* Includes 5,71,856 equity shares allotted on exercise of options by employees, for which the credit was pending as on 31<sup>st</sup> March 2020.

Preference Shares :

Physical mode		Electronic mode	
Total Shares	% to Preference	Total Shares	% to Preference
--	-	1,000,000,000	100.00

Credit Rating:

Type of instrument	Credit Rating
₹ 306 Crore Lower Tier-II Bonds (Under Basel II)* [Reduced from ₹ 516 Crore]	CRISIL AAA/Stable (Reaffirmed)
₹ 150 Crore Lower Tier-II Bonds (Under Basel II) [Reduced from ₹ 185.80 Crore]	CRISIL AAA/Stable (Reaffirmed)
₹ 1800 Crore Infrastructure Bonds	CRISIL AAA/Stable (Reaffirmed)
Fixed Deposits	FAAA/Stable (Reaffirmed)
₹ 17000 crore Certificate of Deposits	CRISIL A1+ (Reaffirmed)
₹ 500 crore Non-Convertible Perpetual Non-Cumulative Preference Shares	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.

The Bank has complied with all the mandatory and most of the non mandatory requirements of the Code of Corporate Governance stipulated under 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 with which the Bank is listed. Along with the quarterly results, detailed earnings updates 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 shareholders whose email Ids are registered with the Bank / Depository Participant for communication purposes. In view of the foregoing, the half-yearly results of the Bank are not sent to the shareholders 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 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, earnings update as well as other press releases are simultaneously displayed on the Bank's website viz URL: <https://www.kotak.com/en/investor-relations/financial-results.html>. The website also displays all official news releases by the Bank from time to time as also the Earnings Updates and presentations made to investors and analysts. Further, the financial results are sent by email to those shareholders whose email Ids are registered with the Bank / Depository. The Bank also publishes its Balance Sheet and 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. 20/2020 dated 5<sup>th</sup> May, 2020 issued by Ministry of Corporate Affairs (MCA) and Circular No. SEBI/HO/CFD/ CMD1/CIR/P/2020/79 dated 12<sup>th</sup> May, 2020 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 31<sup>st</sup> March, 2020, 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 31<sup>st</sup> March 2020, can get their email address registered by following the steps as detailed in the Notice convening the AGM.

The financial results and other information filed by the Bank from time to time is also available on the website of the Stock Exchanges i.e. BSE Limited and 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 listing Regulations are filed through these systems.

**For Kotak Mahindra Bank Limited****Prakash Apte**

Chairman

Place : Pune

Date : 30<sup>th</sup> June 2020**Uday Kotak**

Managing Director &amp; CEO

Place : Mumbai

Date : 30<sup>th</sup> June 2020**DECLARATION**

In accordance with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges, 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 31<sup>st</sup> March, 2020.

**For Kotak Mahindra Bank Limited****Uday Kotak**

Managing Director &amp; CEO

Place : Mumbai

Date : 30<sup>th</sup> June 2020

## **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 22 July 2019
2. We have examined the compliance of conditions of corporate governance by **Kotak Mahindra Bank Limited** ('the Bank') for the year ended on 31 March 2020, 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 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 Listing Regulations during the year ended 31 March 2020.

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

**Sudhir N. Pillai**

Partner

Membership No: 105782

**UDIN: 20105782AAAAGS8425**

Place: Mumbai

Date: 30 June 2020

**CERTIFICATE BY A COMPANY SECRETARY IN PRACTICE**

We hereby certify that on the basis of verification of the records of Kotak Mahindra Bank Limited ('Bank') and pursuant to Schedule V - Part C (clause (10) (i)) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, none of the directors on the board of the Bank have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

**RUPAL D JAHVERI**

Company Secretary  
FCS: 5441 CP: 4225

Place: Mumbai

Date: May 9, 2020

# 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 2020, 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 2020, 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 (B) and Schedule 18A Note 20(b) of the accompanying standalone financial statements which describes the uncertainties due to the outbreak of novel coronavirus (COVID-19). In view of these uncertainties, the impact on the Bank's standalone financial statements is significantly dependent on 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 COVID-19 RBI Regulatory Package**

As at 31 March 2020, the Bank reported total advances (net of provisions) of ₹ 219,748.19 crores, gross NPAs of ₹ 5,026.89 crores and provision for non-performing assets of ₹ 3,469.00 crores. The provision coverage ratio after considering technical write-off as at 31 March 2020 is 76.30%. (Refer schedule 17C(2) for the accounting policy, schedule 9, 18A Note 9 and 18A Note 11)

Key audit matter	How our audit addressed the key audit matter
<p>The Reserve Bank of India's ("RBI") guidelines on Income Recognition and Asset Classification ("IRAC norms") prescribe the prudential norms for identification and classification of NPAs 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.</p> <p>The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors.</p> <p>The provisioning for identified NPAs is estimated based on ageing and classification of NPAs, recovery estimates, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Understood the process and controls and tested the design and operating effectiveness of key controls, including IT based controls, focusing on the following:               <ul style="list-style-type: none"> <li>- Approval of new lending facilities against the Bank's credit policies and the performance of annual loan assessments.</li> <li>- Controls over the monitoring of credit quality which amongst other things included, the monitoring of overdue reports, drawing power limit, pending security creation</li> </ul> </li> </ul>



Key audit matter	How our audit addressed the key audit matter
<p>Due to the ongoing pandemic, during our audit we have also identified implementation of the "COVID- 19 Regulatory Package- Asset Classification and Provisioning" ('Regulatory Package') issued by the RBI on 17 April 2020 as a matter of significance in measurement of provision for advances. Since the Bank is permitted to grant a moratorium of three months to borrowers from payment of installments and interest falling due from 1 March 2020 to 31 May 2020, as per RBI's announcement on 27 March 2020 separate asset classification and provisioning norms have been also prescribed by the RBI in the Regulatory package for such borrowers availing the moratorium benefit.</p> <p>Since the identification of NPAs and provisioning for such advances requires considerable level of estimation and given its significance to the overall audit including possible observations by RBI which could result in disclosures in the financial statements and regulatory changes due to COVID- 19 we have identified this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>- Identification and classification of NPAs in line with RBI IRAC norms and certain qualitative aspects; and</li> <li>- Assessment of adequacy of NPA provisions.</li> <li>• 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.</li> <li>• Verified the accounts classified by the Bank as Special Mention Accounts ("SMA") in RBI's Central Repository of Information on Large Credits ("CRILC") and performed discussion with the management</li> <li>• 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</li> <li>• With respect to provisions recognised towards NPAs, on sample basis, we reperformed the provision calculations 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 challenged various assumptions and judgements which were used by the management.</li> <li>• Obtained an understanding of implementation of the Regulatory Package and with respect to borrowers to whom a moratorium was granted, on a sample basis, we tested that such moratorium was granted in accordance with the board approved policy. We re-performed the calculations for the additional general provisions made in accordance with the "Regulatory Package".</li> <li>• We read the RBI Annual Financial Inspection report for the financial year ended 31 March 2019 and other communication with regulators.</li> <li>• We assessed the appropriateness and adequacy of disclosures against the relevant accounting standards and RBI requirements relating to NPAs including the additional disclosures required to be made in accordance with the Regulatory Package.</li> </ul>

## 2. Information Technology ("IT") Systems and controls impacting financial reporting

Key audit matter	How our audit addressed the key audit matter
<p>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.</p> <p>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.</p>	<p>In assessing the integrity of the IT systems, we involved our IT experts 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.</p> <p>Access rights were tested over 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.</p>

Key audit matter	How our audit addressed the key audit matter
<p>The accuracy and reliability of the financial reporting process depends on the IT systems and the related control environment, including:</p> <ul style="list-style-type: none"> <li>IT general controls over user access management and change management across applications, networks, database, and operating systems.</li> <li>IT application controls.</li> </ul> <p>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 for the current year audit.</p>	<p>We have also evaluated changes in IT process (including usage of technology) for access to IT assets and infrastructure in work from home scenario due to COVID-19 pandemic.</p> <p>Other areas that were assessed under the IT control environment, included password policies, security configurations, business continuity, and controls around change management.</p> <p>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.</p> <p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures.</p>

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

7. The Bank's Board of Directors are 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 will 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 is 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 explaining our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

#### Other Matter

16. The standalone financial statements of the Bank for the year ended 31 March 2019 were audited by the predecessor auditor, who have expressed an unmodified opinion on those standalone financial statements vide their audit report dated 30 April 2019.

#### Report on Other Legal and Regulatory Requirements

17. 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).
18. 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 117 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.
19. 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.
20. 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 2020 from being appointed as a director in terms of section 164(2) of the Act;
- f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Bank as on 31 March 2020 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date and our report dated 13 May 2020 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 refer Schedule 12.I, Schedule 17C(13) and Schedule 18B Note 15(1) in to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2020;
  - ii. the Bank, as detailed in refer 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 2020, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
  - 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 2020; and
  - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

**Sudhir N. Pillai**

Partner

Membership No. 105782

**UDIN No:20105782AAAADM1250**

Place: Mumbai

Date: 13 May 2020

**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 2020****Independent Auditor's Report on the Internal Financial Controls 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 2020, we have audited the internal financial controls over financial reporting ('IFCoFR') 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**

3. Our responsibility is to express an opinion on the Bank's IFCoFR 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 IFCoFR, 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 IFCoFR 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 IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, 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 IFCoFR.

**Meaning of Internal Financial Controls over Financial Reporting**

6. A Bank's IFCoFR 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 IFCoFR 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 over Financial Reporting**

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR 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 over financial reporting and such controls were operating effectively as at 31 March 2020, 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.

For **Walker Chandio & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

**Sudhir N. Pillai**

Partner

Membership No. 105782

**UDIN No:20105782AAAADM1250**

Place: Mumbai

Date: 13 May 2020

# Balance Sheet

as at 31<sup>st</sup> March, 2020

(₹ in thousands)

	Schedule	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	14,565,192	14,543,774
Employees' Stock Options (Grants) Outstanding		28,654	20,728
Reserves and Surplus	2	475,587,843	414,440,027
Deposits	3	2,628,205,199	2,258,803,630
Borrowings	4	379,933,112	322,482,914
Other Liabilities and Provisions	5	104,196,838	111,429,836
<b>TOTAL</b>		<b>3,602,516,838</b>	<b>3,121,720,909</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	95,050,501	108,775,243
Balances with Banks and Money at Call and Short Notice	7	437,872,490	137,980,161
Investments	8	750,515,457	711,890,850
Advances	9	2,197,481,867	2,056,948,097
Fixed Assets	10	16,231,305	16,515,501
Other Assets	11	105,365,218	89,611,057
<b>TOTAL</b>		<b>3,602,516,838</b>	<b>3,121,720,909</b>
Contingent Liabilities	12	1,872,773,593	2,120,822,671
Bills for Collection		395,189,768	318,522,336
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 Chandio & Co LLP**

Chartered Accountants

Firm Registration No. 001076N/N500013

**Prakash Apte**

Chairman

**Uday Kotak**

Managing Director and

Chief Executive Officer

**Sudhir N. Pillai**

Partner

Membership No. 105782

**Dipak Gupta**

Joint Managing Director

**Uday Khanna**

Director

Mumbai

13<sup>th</sup> May, 2020

**Jaimin Bhatt**

Group President and

Group Chief Financial Officer

**Bina Chandarana**

Joint President and

Company Secretary

# Profit and Loss Account

for the year ended 31<sup>st</sup> March, 2020

(₹ in thousands)

	Schedule	Year ended 31 <sup>st</sup> March, 2020	Year ended 31 <sup>st</sup> March, 2019
<b>I. INCOME</b>			
Interest Earned	13	269,296,142	238,900,533
Other Income	14	53,721,077	46,571,813
<b>TOTAL</b>		<b>323,017,219</b>	<b>285,472,346</b>
<b>II. EXPENDITURE</b>			
Interest Expended	15	134,299,488	126,842,487
Operating Expenses	16	88,509,360	75,148,008
Provisions and Contingencies (Refer Note 11 -Schedule 18 B)		40,736,553	34,828,534
<b>TOTAL</b>		<b>263,545,401</b>	<b>236,819,029</b>
<b>III. PROFIT</b>			
Net Profit for the year (I - II)		59,471,818	48,653,317
Add: Balance in Profit and Loss Account brought forward from previous year		169,192,870	136,045,968
<b>TOTAL</b>		<b>228,664,688</b>	<b>184,699,285</b>
<b>IV. APPROPRIATIONS</b>			
Transfer to Statutory Reserve		14,868,000	12,163,400
Transfer to Capital Reserve		1,148,400	69,900
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		800,000	400,000
Transfer to Investment Reserve Account (Refer Note 34 - Schedule 18 A)		(310,622)	310,622
Transfer to Investment Fluctuation Reserve Account		4,831,336	708,918
Transfer to Fraud Provision		(13,971)	13,971
Dividend		1,932,583	1,602,824
Corporate Dividend Tax		290,874	236,780
Balance carried over to Balance Sheet		205,118,088	169,192,870
<b>TOTAL</b>		<b>228,664,688</b>	<b>184,699,285</b>
<b>V. EARNINGS PER SHARE (FACE VALUE OF ₹ 5/-)</b>			
Basic		30.88	25.35
Diluted		30.84	25.32
(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 Chandio & Co LLP**

Chartered Accountants

Firm Registration No. 001076N/N500013

**Prakash Apte**

Chairman

**Uday Kotak**

Managing Director and

Chief Executive Officer

**Sudhir N. Pillai**

Partner

Membership No. 105782

**Dipak Gupta**

Joint Managing Director

**Uday Khanna**

Director

Mumbai

13<sup>th</sup> May, 2020

**Jaimin Bhatt**

Group President and

Group Chief Financial Officer

**Bina Chandarana**

Joint President and

Company Secretary

# Cash Flow Statement

for the year ended 31<sup>st</sup> March, 2020

(₹ in thousands)

	Year Ended 31 <sup>st</sup> March, 2020	Year Ended 31 <sup>st</sup> March, 2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit after tax	59,471,818	48,653,317
Add: Provision for tax	18,574,926	25,204,623
<b>Net Profit before taxes</b>	<b>78,046,744</b>	<b>73,857,940</b>
<b>Adjustments for :-</b>		
Employee Stock Options Expense	27,502	17,961
Depreciation on Bank's Property	3,719,494	3,669,196
Loss on sale of investments in associates	84,262	-
Diminution / (write back) in the value of Investments	901,233	(137,350)
Dividend from Subsidiaries / Joint Ventures	(518,025)	(451,432)
Amortization of Premium on HTM Investments	3,066,456	2,688,983
Provision for Non Performing Assets, Standard Assets and Other Provisions	21,260,394	9,761,261
Profit on sale of Fixed Assets	(276,255)	(194,823)
	<b>106,311,805</b>	<b>89,211,736</b>
<b>Adjustments for :-</b>		
Decrease / (Increase) in Investments (other than Subsidiaries, Joint Ventures, Associates and Other HTM Investments)	29,263,442	(80,249,746)
(Increase) in Advances	(154,589,301)	(368,210,353)
(Increase) / Decrease in Other Assets	(14,402,739)	4,469,053
Increase in Deposits	369,401,569	332,370,921
(Decrease) / Increase in Other Liabilities and Provisions	(14,380,962)	12,973,094
	<b>215,292,009</b>	<b>(98,647,031)</b>
<b>Direct Taxes Paid</b>	<b>(20,009,496)</b>	<b>(24,441,895)</b>
<b>NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES (A)</b>	<b>301,594,318</b>	<b>(33,877,190)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(3,467,018)	(4,200,748)
Sale of Fixed Assets	348,381	299,734
Proceeds from sale of Investment in Associates	16,747	-
Investments in Subsidiaries / Joint Ventures	(850,001)	(656,924)
(Increase) / Decrease in Investments in HTM securities	(71,106,746)	12,087,655
Dividend from Subsidiaries / Joint Ventures	518,025	451,432
<b>NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES (B)</b>	<b>(74,540,612)</b>	<b>7,981,149</b>



# Cash Flow Statement

for the year ended 31<sup>st</sup> March, 2020

(₹ in thousands)

	Year Ended 31 <sup>st</sup> March, 2020	Year Ended 31 <sup>st</sup> March, 2019
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Decrease) in Subordinated Debt	-	(5,995,882)
(Decrease) / Increase in Refinance	(11,636,200)	8,421,965
Increase in Borrowings [other than Refinance and Sub-ordinated debt]	69,086,398	68,515,300
Money received on exercise of Stock Options / Issue of Equity Shares	3,606,107	2,235,908
Issue of Perpetual Non Cumulative Preference Shares	-	5,000,000
Share Issue Expenses	(3,700)	(7,013)
Dividend paid including Corporate Dividend Tax	(2,223,457)	(1,839,604)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>58,829,148</b>	<b>76,330,674</b>
<b>Increase in Foreign Currency Translation Reserve (D)</b>	<b>284,733</b>	<b>119,691</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>	<b>286,167,587</b>	<b>50,554,324</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)</b>	<b>246,755,404</b>	<b>196,201,080</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)</b>	<b>532,922,991</b>	<b>246,755,404</b>
<b>Note:</b>		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	65,032	21,625
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	1,685,373	2,665,556
Money at Call and Short Notice in India (as per Sch 7 I (ii))	403,000,000	85,741,126
Cash in hand (including foreign currency notes) (As per Sch 6 I.)	17,216,140	12,211,056
Balance with RBI in Current Account (As per Sch 6 II.)	77,834,361	96,564,187
Balance with Banks Outside India:		
(i) In Current Account (As per Sch 7 II (i))	6,261,010	6,675,754
(ii) In other Deposit Accounts (As per Sch 7 II (ii))	26,861,075	42,876,100
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>532,922,991</b>	<b>246,755,404</b>

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

**Sudhir N. Pillai**

Partner

Membership No. 105782

**Dipak Gupta**

Joint Managing Director

**Uday Khanna**

Director

Mumbai

13<sup>th</sup> May, 2020

**Jaimin Bhatt**

Group President and  
Group Chief Financial Officer

**Bina Chandarana**

Joint President and  
Company Secretary

# Schedules

Forming part of Balance Sheet as at 31<sup>st</sup> March, 2020

## SCHEDULE 1 - CAPITAL

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>Authorised Capital</b>		
2,800,000,000 Equity Shares of ₹ 5/- each (31 <sup>st</sup> March, 2019: 2,800,000,000 Equity Shares of ₹ 5/- each)	14,000,000	14,000,000
1,000,000,000 (31 <sup>st</sup> March, 2019: 1,000,000,000) Perpetual Non Cumulative Preference Shares of ₹ 5/- each	5,000,000	5,000,000
	<b>19,000,000</b>	<b>19,000,000</b>
<b>Issued, Subscribed and Paid-up Capital</b>		
1,913,038,338 (31 <sup>st</sup> March, 2019: 1,908,754,827) Equity Shares of ₹ 5/- each fully paid-up	9,565,192	9,543,774
1,000,000,000 (31 <sup>st</sup> March, 2019: 1,000,000,000) Perpetual Non Cumulative Preference Shares of ₹ 5/- each fully paid-up	5,000,000	5,000,000
<b>TOTAL</b>	<b>14,565,192</b>	<b>14,543,774</b>

## SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>I. Statutory Reserve</b>		
Opening Balance	67,257,783	55,094,383
Add: Transfer from Profit and Loss Account	14,868,000	12,163,400
<b>TOTAL</b>	<b>82,125,783</b>	<b>67,257,783</b>
<b>II. Capital Reserve</b>		
Opening Balance	2,133,886	2,063,986
Add: Transfer from Profit and Loss Account	1,148,400	69,900
<b>TOTAL</b>	<b>3,282,286</b>	<b>2,133,886</b>
<b>III. General Reserve</b>		
Opening Balance	6,404,249	6,404,249
Add: Transfer from Profit and Loss Account	-	-
<b>TOTAL</b>	<b>6,404,249</b>	<b>6,404,249</b>
<b>IV. Investment Reserve Account</b>		
Opening Balance	310,622	-
Add: Transfer from/(to) Profit and Loss Account (Refer Note 34 - Schedule 18 A)	(310,622)	310,622
<b>TOTAL</b>	<b>-</b>	<b>310,622</b>

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>V. Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961</b>		
Opening Balance	4,942,000	4,542,000
Add: Transfer from Profit and Loss Account	800,000	400,000
<b>TOTAL</b>	<b>5,742,000</b>	<b>4,942,000</b>
<b>VI. Securities Premium Account</b>		
Opening Balance	162,175,642	159,943,364
Add: Received during the year	3,604,451	2,239,291
Less: Share Issue Expenses	3,700	7,013
<b>TOTAL</b>	<b>165,776,393</b>	<b>162,175,642</b>
<b>VII. Amalgamation Reserve</b>		
Opening Balance	1,224,046	1,224,046
Add: Additions	-	-
<b>TOTAL</b>	<b>1,224,046</b>	<b>1,224,046</b>
<b>VIII. Investment Allowance (Utilised) Reserve</b>		
Opening Balance	500	500
Add: Transfer from Profit and Loss Account	-	-
<b>TOTAL</b>	<b>500</b>	<b>500</b>
<b>IX. Investment Fluctuation Reserve</b>		
Opening Balance	708,918	-
Add: Transfer from Profit and Loss Account	4,831,336	708,918
<b>TOTAL</b>	<b>5,540,254</b>	<b>708,918</b>
<b>X. Foreign Currency Translation Reserve</b>		
Opening Balance	89,511	(30,180)
Add: Increase during the year	284,733	119,691
<b>TOTAL</b>	<b>374,244</b>	<b>89,511</b>
<b>XI. Balance in the Profit and Loss Account</b>		
Balance in the Profit and Loss Account	205,118,088	169,192,870
<b>TOTAL</b>	<b>205,118,088</b>	<b>169,192,870</b>
<b>TOTAL (I to XI)</b>	<b>475,587,843</b>	<b>414,440,027</b>

**SCHEDULE 3 - DEPOSITS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>A. I. Demand Deposits</b>		
i. From Banks	1,995,282	3,685,256
ii. From Others	428,131,843	385,324,336
<b>Total</b>	<b>430,127,125</b>	<b>389,009,592</b>
<b>II. Savings Bank Deposits</b>	1,046,085,934	796,847,139
<b>III. Term Deposits</b>		
i. From Banks	14,293,589	630,768
ii. From Others	1,137,698,551	1,072,316,131
<b>Total</b>	<b>1,151,992,140</b>	<b>1,072,946,899</b>
<b>Total Deposits (I to III)</b>	<b>2,628,205,199</b>	<b>2,258,803,630</b>
<b>B. i. Deposits of Branches in India</b>	2,626,098,822	2,257,200,505
<b>ii. Deposits of Branches Outside India</b>	2,106,377	1,603,125
<b>Total Deposits (i and ii)</b>	<b>2,628,205,199</b>	<b>2,258,803,630</b>

**SCHEDULE 4 - BORROWINGS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>I. Borrowings in India</b>		
(i) Reserve Bank of India	3,870,000	16,290,000
(ii) Other Banks	204,229,540	76,527,642
(iii) Other Institutions and Agencies (Refer Note 13 - Schedule 18 B)	105,022,200	116,658,400
<b>Total</b>	<b>313,121,740</b>	<b>209,476,042</b>
<b>II. Borrowings outside India</b>		
Banks & Other Institutions (Refer Note 13 - Schedule 18 B)	66,811,372	113,006,872
<b>Total</b>	<b>66,811,372</b>	<b>113,006,872</b>
<b>Total Borrowings (I and II)</b>	<b>379,933,112</b>	<b>322,482,914</b>
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 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
I. Bills Payable	10,134,781	18,481,653
II. Interest Accrued	10,436,933	11,750,424
III. Provision for tax (net of advance tax and tax deducted at source)	667,910	710,653
IV. Standard Asset provision (Refer Note 20 - Schedule 18 A)	9,470,324	8,817,797
V. Others (including provisions) (Refer Note 20 - Schedule 18 A)	73,486,890	71,669,309
<b>Total</b>	<b>104,196,838</b>	<b>111,429,836</b>

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

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
I. Cash in hand (including foreign currency notes)	17,216,140	12,211,056
II. Balances with RBI in Current Account	77,834,361	96,564,187
<b>Total</b>	<b>95,050,501</b>	<b>108,775,243</b>

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

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>I. In India</b>		
<b>(i) Balances with Banks</b>		
(a) In Current Accounts	1,685,373	2,665,556
(b) In Other Deposit Accounts	65,032	21,625
<b>Total</b>	<b>1,750,405</b>	<b>2,687,181</b>
<b>(ii) Money at Call and Short Notice</b>		
(a) With Banks	-	42,741,126
(b) With Other Agencies	403,000,000	43,000,000
<b>Total</b>	<b>403,000,000</b>	<b>85,741,126</b>
<b>Total (i and ii)</b>	<b>404,750,405</b>	<b>88,428,307</b>
<b>II. Outside India</b>		
(i) In Current Accounts	6,261,010	6,675,754
(ii) In Other Deposit Accounts	26,861,075	42,876,100
<b>Total</b>	<b>33,122,085</b>	<b>49,551,854</b>
<b>Total (I and II)</b>	<b>437,872,490</b>	<b>137,980,161</b>

**SCHEDULE 8 - INVESTMENTS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>I. In India</b>		
i. Government Securities	615,301,199	578,924,110
ii. Other approved Securities	-	-
iii. Shares	11,555,352	7,280,357
iv. Debentures and Bonds	53,925,605	56,807,827
v. Subsidiaries and Joint Ventures	25,931,223	25,087,090
vi. Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts, Pass Through Certificates (PTC)]	39,798,779	41,837,365
<b>Total</b>	<b>746,512,158</b>	<b>709,936,749</b>
<b>II. Outside India</b>		
i. Government Securities	3,755,167	1,705,969
ii. Shares	16,523	16,523
iii. Subsidiaries and Joint Ventures	231,609	231,609
<b>Total</b>	<b>4,003,299</b>	<b>1,954,101</b>
<b>Total Investments (I and II)</b>	<b>750,515,457</b>	<b>711,890,850</b>

**SCHEDULE 9 - ADVANCES**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>A.</b>		
(i) Bills purchased and discounted #	77,781,325	91,420,925
(ii) Cash Credits, Overdrafts and Loans repayable on demand	582,358,809	587,758,751
(iii) Term Loans	1,537,341,733	1,377,768,421
<b>Total</b>	<b>2,197,481,867</b>	<b>2,056,948,097</b>
# Bills purchased and discounted is net of Bills Rediscounted ₹ Nil (previous year ₹ 491.21 crore)		
<b>B.</b>		
(i) Secured by tangible assets *	1,635,631,253	1,544,699,747
(ii) Covered by Bank / Government guarantees	15,146,253	20,844,952
(iii) Unsecured	546,704,361	491,403,398
<b>Total</b>	<b>2,197,481,867</b>	<b>2,056,948,097</b>
* including advances against book debts		
<b>C. I Advances in India</b>		
(i) Priority Sector	733,388,522	722,728,549
(ii) Public Sector	25,027,953	11,687,525
(iii) Banks	37	66
(iv) Others	1,395,777,345	1,281,108,590
<b>II Advances outside India</b>		
(i) Due from banks	-	-
(ii) Due from others		
a) Bills purchased and discounted	-	-
b) Syndicated and term loans	43,288,010	41,423,367
c) Others	-	-
<b>Total</b>	<b>2,197,481,867</b>	<b>2,056,948,097</b>

**SCHEDULE 10 - FIXED ASSETS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
<b>A. Premises (Including Land)</b>		
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	10,742,163	10,671,851
Additions during the year	11,804	135,794
Less: Deductions during the year	48,708	65,482
<b>Total</b>	<b>10,705,259</b>	<b>10,742,163</b>
<b>Depreciation</b>		
As at 31 <sup>st</sup> March of the preceding year	1,730,504	1,573,804
Add: Charge for the year	176,653	177,589
Less: Deductions during the year	25,388	20,889
<b>Depreciation to date</b>	<b>1,881,769</b>	<b>1,730,504</b>
<b>Net Block</b>	<b>8,823,490</b>	<b>9,011,659</b>
<b>B. Other Fixed Assets (including furniture and fixtures)</b>		
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	24,082,551	25,067,950
Additions during the year	3,495,620	4,882,212
Less: Deductions during the year	3,061,101	5,867,611
<b>Total</b>	<b>24,517,070</b>	<b>24,082,551</b>
<b>Depreciation</b>		
As at 31 <sup>st</sup> March of the preceding year	16,735,693	19,051,379
Add: Charge for the year	3,542,841	3,491,607
Less: Deductions during the year	3,012,295	5,807,293
<b>Depreciation to date</b>	<b>17,266,239</b>	<b>16,735,693</b>
<b>Net Block (Refer Note 6 - Schedule 18 B)</b>	<b>7,250,831</b>	<b>7,346,858</b>
<b>C. Leased Fixed Assets</b>		
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	1,540,585	1,540,585
Additions during the year	-	-
Less: Deductions during the year	-	-
<b>Total</b>	<b>1,540,585</b>	<b>1,540,585</b>
<b>Depreciation</b>		
As at 31 <sup>st</sup> March of the preceding year	1,383,601	1,383,601
Add: Charge for the year	-	-
Less: Deductions during the year	-	-
<b>Depreciation to date</b>	<b>1,383,601</b>	<b>1,383,601</b>
<b>Net Block</b>	<b>156,984</b>	<b>156,984</b>
<b>Total (A) + (B) + (C)</b>	<b>16,231,305</b>	<b>16,515,501</b>

**SCHEDULE 11 - OTHER ASSETS**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
I. Interest accrued	28,224,047	22,533,459
II. Advance tax (net of provision for tax)	-	-
III. Stationery and Stamps	31,136	14,606
IV. Cheques in course of collection	13,431	-
V. Non banking assets acquired in satisfaction of claims	-	-
VI. Others (Refer Note 4 - Schedule 18 B)*	77,096,604	67,062,992
<b>Total</b>	<b>105,365,218</b>	<b>89,611,057</b>

\* Includes Deferred Tax Asset ₹ 317.34 crore (Previous year ₹ 178.16 crore)

**SCHEDULE 12 - CONTINGENT LIABILITIES**

(₹ in thousands)

	As at 31 <sup>st</sup> March, 2020	As at 31 <sup>st</sup> March, 2019
I. Claims not acknowledged as debts	13,909,844	13,728,603
II. Liability on account of outstanding Forward Exchange Contracts	975,299,604	1,199,198,327
III. Guarantees on behalf of Constituents		
i) In India	239,242,871	264,990,195
ii) Outside India	-	-
IV. Acceptances, Endorsements and other obligations	166,071,440	167,730,488
V. Other Items for which the Bank is contingently liable :		
a. Liability in respect of interest rate, currency swaps and forward rate agreements	433,439,331	386,178,825
b. Liability in respect of Options Contracts	41,547,975	85,786,201
c. Capital commitments not provided	1,000,093	1,363,300
d. Unclaimed Customer balances transferred to RBI DEAF Scheme	2,262,435	1,846,732
<b>Total</b>	<b>1,872,773,593</b>	<b>2,120,822,671</b>



# Schedules

Forming part of Profit and Loss Account for the year ended 31<sup>st</sup> March, 2020

## SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

	Year ended 31 <sup>st</sup> March, 2020	Year ended 31 <sup>st</sup> March, 2019
I. Interest / discount on Advances / Bills	209,992,372	183,180,924
II. Income on Investments	52,572,531	48,727,735
III. Interest on balances with RBI and other inter-bank funds	3,812,382	3,814,238
IV. Others	2,918,857	3,177,636
<b>Total</b>	<b>269,296,142</b>	<b>238,900,533</b>

## SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

	Year ended 31 <sup>st</sup> March, 2020	Year ended 31 <sup>st</sup> March, 2019
I. Commission, exchange and brokerage	37,792,510	34,439,330
II. Profit / (Loss) on sale of Investments (net)	4,831,336	708,918
III. Profit / (Loss) on sale of building and other assets (net)	276,255	194,823
IV. Profit on exchange transactions (net) (including derivatives)	6,759,153	7,382,556
V. Income earned by way of dividend, etc. from Subsidiaries / Associates and / or Joint Venture in / outside India	1,414,320	1,275,131
VI. Profit on recoveries of non-performing assets acquired	1,484,725	1,796,826
VII. Miscellaneous Income	1,162,778	774,229
<b>Total</b>	<b>53,721,077</b>	<b>46,571,813</b>

## SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

	Year ended 31 <sup>st</sup> March, 2020	Year ended 31 <sup>st</sup> March, 2019
I. Interest on Deposits	120,609,423	110,126,352
II. Interest on RBI / Inter-Bank Borrowings	5,411,493	9,142,756
III. Others (Refer Note 13(c) - Schedule 18 B)	8,278,572	7,573,379
<b>Total</b>	<b>134,299,488</b>	<b>126,842,487</b>

**SCHEDULE 16 - OPERATING EXPENSES**

(₹ in thousands)

	Year ended 31 <sup>st</sup> March, 2020	Year ended 31 <sup>st</sup> March, 2019
I. Payments to and provision for employees (Refer Note 10 - Schedule 18 B)	39,111,165	31,836,118
II. Rent, taxes and lighting (Refer Note 3 - Schedule 18 B)	6,778,875	6,280,940
III. Printing and Stationery	835,027	914,117
IV. Advertisement, Publicity and Promotion	1,212,178	1,194,763
V. Depreciation on Bank's property	3,719,494	3,669,196
VI. Directors' fees, allowances and expenses	18,220	16,201
VII. Auditors' fees and expenses (Refer Note 14 - Schedule 18 B)	23,646	24,107
VIII. Law Charges	517,393	505,108
IX. Postage, telephone etc.	1,740,121	1,686,942
X. Repairs and maintenance	4,442,253	3,996,147
XI. Insurance	2,333,507	2,012,459
XII. Travel and Conveyance	980,165	1,038,888
XIII. Professional Charges	9,164,051	7,935,896
XIV. Brokerage	2,921,287	2,800,034
XV. Stamping Expenses	127,106	127,983
XVI. Other Expenditure (Refer Note 12 - Schedule 18 B)	15,221,751	11,666,088
	<b>89,146,239</b>	<b>75,704,987</b>
Less: Reimbursement of Costs from Group Companies	636,879	556,979
<b>TOTAL</b>	<b>88,509,360</b>	<b>75,148,008</b>

**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 novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. On 11<sup>th</sup> March, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 has taken its toll on not just human life, but business and financial markets too, the extent of which is currently unascertainable. Various governments, civil society and many organisations, including the Bank, have introduced a variety of measures to contain the spread of the virus to protect lives and livelihood. On 24<sup>th</sup> March, 2020, the Indian government announced a strict 21-day lockdown which was further extended by 19 days and again by 14 days across the country to contain the spread of virus. There is a high level of uncertainty about the duration of the lockdown and the time required for life and business to get normal. The extent to which COVID-19 pandemic will impact the Bank’s operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Bank.

**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. Profit / 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 23<sup>rd</sup> 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 27<sup>th</sup> March, 2020 and 17<sup>th</sup> April, 2020 and clarification issued by RBI through Indian Bankers Association dated 6<sup>th</sup> May, 2020, the Bank is granting a moratorium on the payment of instalments and / or interest, as applicable, falling due between 1<sup>st</sup> March, 2020 and 31<sup>st</sup> May, 2020 to eligible borrowers classified as Standard, even if overdue, as on 29<sup>th</sup> 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 31<sup>st</sup> March, 2020 against the potential impact of COVID-19 based on the information available up to a point in time. In accordance with the said guidelines, such accounts where moratorium has been granted will not be considered as restructured.

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 5% on the entire amount outstanding from borrowers who had an overdue on February 29, 2020 and to whom moratorium has been given is also made.

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 losses arising from the retirement or disposal of a Property Plant and Equipment / Intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Profit on sale of premises of the Bank, 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 ("eVBL") 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 18<sup>th</sup> 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: <ul style="list-style-type: none"> <li>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".</li> <li>II Branch Banking Retail borrowings covering savings, current, term deposit accounts and Branch Banking network / services including distribution of financial products.</li> <li>III Credit Cards Receivables / loans relating to credit card business.</li> </ul>
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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
<b>Capital Ratios:</b>		
(i) Common Equity Tier I Capital (%)	17.08%	16.72%
(ii) Tier I Capital (%)	17.27%	16.93%
(iii) Tier II Capital (%)	0.62%	0.52%
(iv) Total CRAR %	17.89%	17.45%
(v) Percentage of the shareholding of the Government of India	-	-
(vi) Amount raised by issue of Equity Shares #	362.22	224.78
(vii) Amount of Additional Tier I capital raised of which		
PNCPS*	-	500.00
PDI	-	-
(viii) Amount of Tier II Capital raised of which		
Debt capital instruments	-	-
Preference share capital instruments	-	-

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

# The Bank has allotted during the year 4,283,511 (previous year: 3,106,321) equity shares consequent to exercise of ESOPs vested. Accordingly the share capital further increased by ₹ 2.14 (previous year: ₹ 1.55) crore and share premium increased by ₹ 360.45 (previous year: 223.93) crore, net of share issue expenses of ₹ 0.37 (previous year: ₹ 0.70) 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 31 <sup>st</sup> March, 2020				As at 31 <sup>st</sup> March, 2019			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities *	2,810.53	26,111.55	32,608.04	61,530.12	755.80	31,332.60	25,804.01	57,892.41
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	1,155.54	-	1,155.54	-	728.04	-	728.04
Debentures and Bonds	974.17	4,418.39	-	5,392.56	835.07	4,845.71	-	5,680.78
Subsidiaries, Associates and Joint Ventures	-	-	2,593.12	2,593.12	-	-	2,508.71	2,508.71
Units, Certificate of Deposits, CP, SRs, PTCs etc.	-	3,979.88	-	3,979.88	-	4,183.74	-	4,183.74
<b>Total</b>	<b>3,784.70</b>	<b>35,665.36</b>	<b>35,201.16</b>	<b>74,651.22</b>	<b>1,590.87</b>	<b>41,090.09</b>	<b>28,312.72</b>	<b>70,993.68</b>

\* Includes securities with face Value of ₹ 20,800.70 crore (previous year ₹ 7,684.71 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 31 <sup>st</sup> March, 2020				As at 31 <sup>st</sup> March, 2019			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities	-	375.52	-	375.52	-	170.60	-	170.60
Shares	-	1.65	-	1.65	-	1.65	-	1.65
Subsidiaries, Associates and Joint Ventures	-	-	23.16	23.16	-	-	23.16	23.16
<b>Total</b>	<b>-</b>	<b>377.17</b>	<b>23.16</b>	<b>400.33</b>	<b>-</b>	<b>172.25</b>	<b>23.16</b>	<b>195.41</b>

**3. The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on 31<sup>st</sup> March, 2020 and 31<sup>st</sup> March, 2019 are given below:**

(₹ in crore)

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
1. Value of Investments		
i. Gross value of Investments		
a. In India	75,253.50	71,505.84
b. Outside India	400.33	195.41
ii. Provision for Depreciation		
a. In India	(602.28)	(512.16)
b. Outside India	-	-
iii. Net value of Investments		
a. In India	74,651.22	70,993.68
b. Outside India	400.33	195.41
2. Movement of provisions held towards depreciation on investments		
i. Opening balance	512.16	525.89
ii. Add: Provisions made during the year	122.73	186.94
iii. Less: Write-back of provisions during the year	32.61	200.67
iv. Closing balance	602.28	512.16

**4. Details of Repo / Reverse Repo (excluding LAF and MSF transactions for the year) deals (in face value terms):**
**Year ended 31<sup>st</sup> March, 2020:**

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31 <sup>st</sup> 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	-	-	-	-

**Year ended 31<sup>st</sup> March, 2019:**

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31 <sup>st</sup> March, 2019
Securities sold under repos				
i. Government securities	-	8,090.09	2,590.72	6,974.55
ii. Corporate debt securities	-	200.00	5.21	-
Securities purchased under reverse repos				
i. Government securities	-	11,996.31	1,601.07	4,255.16
ii. Corporate debt securities	-	100.00	0.27	-

**5. Disclosure in respect of Non-SLR investments:****(i) Issuer composition of Non-SLR investments as at 31<sup>st</sup> 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)	-	-	-	-
	<b>Total</b>	<b>13,145.91</b>	<b>10,291.91</b>	<b>1,411.73</b>	<b>4,152.40</b>	<b>8,508.98</b>

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

**Issuer composition of Non-SLR investments as at 31<sup>st</sup> March, 2019:**

(₹ 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	1,859.40	1,291.25	-	-	1,145.59
2	FIs	52.40	30.02	-	-	-
3	Banks	559.02	500.00	-	200.00	200.00
4	Private Corporates	6,219.16	4,962.25	17.83	786.73	1,857.12
5	Subsidiaries, Associates and Joint ventures	2,561.69	1,207.97	-	2,561.69	2,561.69
6	Others	2,386.57	2,343.55	1,318.31	483.71	2,386.57
7	Provision held towards depreciation	(512.16)	-	-	-	-
	<b>Total</b>	<b>13,126.08</b>	<b>10,335.04</b>	<b>1,336.14</b>	<b>4,032.13</b>	<b>8,150.97</b>

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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Opening balance	296.92	238.03
Additions during the year since 1 <sup>st</sup> April	-	59.95
Reductions during the year	(22.55)	(1.06)
Closing balance	274.37	296.92
<b>Total provisions held</b>	<b>271.50</b>	<b>239.14</b>

6. During the year ended 31<sup>st</sup> March, 2020 and year ended 31<sup>st</sup> March, 2019, the value of sale / transfer of securities to / from HTM category (excluding one-time transfer of securities and sales to RBI under OMO 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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
The notional principal of swap agreements	39,788.46	34,522.03
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	304.25	184.57
Collateral required by the Bank upon entering into swaps	NA	NA
Concentration of credit risk arising from the swaps	60.57% (Banks)	77.45% (Banks)
The fair value of the swap book	(290.17)	(8.68)

**B. Exchange Traded Interest Rate Derivatives:**

(₹ in crore)

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
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), 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 Senior Management Committee for Derivatives (SMC) performs the ongoing oversight and monitoring of the client derivatives business. This committee is 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:**

**31<sup>st</sup> March 2020:**

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
<b>1</b>	<b>Derivatives (Notional Principal Amount)</b>		
	a) For hedging	-	-
	b) For trading	105,240.23	39,788.46
<b>2</b>	<b>Marked to Market Positions **</b>		
	a) Asset (+)	1,769.56	285.10
	b) Liability (-)	1,661.61	575.27
<b>3</b>	<b>Credit Exposure</b>	4,535.49	657.71
<b>4</b>	<b>Likely impact of one percentage change in interest rate (100*PV01) #</b>		
	a) On hedging derivatives	-	-
	b) On trading derivatives	10.29	208.81

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
<b>5</b>	<b>Maximum of 100*PV01 observed during the year<sup>#</sup></b>		
a)	On hedging derivatives	0.61	-
b)	On trading derivatives	45.62	218.83
<b>6</b>	<b>Minimum of 100*PV01 observed during the year<sup>#</sup></b>		
a)	On hedging derivatives	-	-
b)	On trading derivatives	-	106.42

Currency interest rate swaps have been included under currency derivatives.

<sup>#</sup> Excludes PV01 on options.

<sup>\*\*</sup> MTM has been considered at product level.

**The nature and terms of the Interest Rate Swaps (IRS) as on 31<sup>st</sup> 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
<b>Total</b>	<b>976</b>	<b>39,788.46</b>		

**The nature and terms of the Cross Currency Swaps (CCS) as on 31<sup>st</sup> 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
<b>Total</b>	<b>69</b>	<b>3,555.47</b>		

\*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 31<sup>st</sup> March, 2020 is ₹ 240.04 crore (previous year ₹ 182.96 crore).



**31<sup>st</sup> March 2019:**

(₹ in crore)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
<b>1</b>	<b>Derivatives (Notional Principal Amount)</b>		
a)	For hedging	4,910.00	1,383.10
b)	For trading	127,684.30	33,138.93
<b>2</b>	<b>Marked to Market Positions **</b>		
a)	Asset (+)	1,901.67	173.99
b)	Liability (-)	1,730.47	182.67
<b>3</b>	<b>Credit Exposure</b>	4,721.26	479.41
<b>4</b>	<b>Likely impact of one percentage change in interest rate (100*PV01) #</b>		
a)	On hedging derivatives	0.11	-
b)	On trading derivatives	2.77	119.01
<b>5</b>	<b>Maximum of 100*PV01 observed during the year#</b>		
a)	On hedging derivatives	3.62	10.05
b)	On trading derivatives	11.63	119.01
<b>6</b>	<b>Minimum of 100*PV01 observed during the year #</b>		
a)	On hedging derivatives	0.03	-
b)	On trading derivatives	0.11	79.84

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 31<sup>st</sup> March, 2019 are set out below:**

(₹ in crore)

Nature	No.*	Notional Principal	Benchmark	Terms
Hedge	6	1,383.10	LIBOR	Receive Floating Vs. Pay Fixed
Trading	79	2,629.35	LIBOR	Receive Fixed Vs. Pay Floating
Trading	146	7,963.03	LIBOR	Receive Floating Vs. Pay Fixed
Trading	201	6,995.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	43	2,276.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	81	3,264.61	MIBOR	Receive Fixed Vs. Pay Floating
Trading	279	10,010.94	MIBOR	Receive Floating Vs. Pay Fixed
<b>Total</b>	<b>835</b>	<b>34,522.03</b>		

The nature and terms of the Cross Currency Swaps (CCS) as on 31<sup>st</sup> March, 2019 are set out below:

(₹ in crore)

Nature	No.*	Notional Principal	Benchmark	Terms
Trading	1	3.02	EURIBOR	Receive Fixed Vs. Pay Floating
Trading	4	201.86	EURIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
Trading	5	88.97	FIXED	Pay Fixed
Trading	11	558.18	FIXED	Receive Fixed
Trading	60	1,440.46	FIXED	Receive Fixed Vs. Pay Fixed
Trading	11	1,162.81	LIBOR	Receive Fixed Vs. Pay Floating
Trading	1	345.89	LIBOR	Receive Floating Vs. Pay Fixed
Trading	3	294.66	LIBOR Vs. LIBOR	Receive Floating Vs. Pay Floating
<b>Total</b>	<b>96</b>	<b>4,095.85</b>		

\*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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
I Net NPAs to Net Advances %	0.71%	0.75%
ii. Movement of Gross NPAs		
Gross NPAs as on 1 <sup>st</sup> April (opening balance)	4,467.94	3,825.38
Additions (Fresh NPAs) during the year	3,394.97	1,995.24
<b>Sub-total (A)</b>	<b>7,862.91</b>	<b>5,820.62</b>
Less:		
(i) Upgradations	1,003.69	470.73
(ii) Recoveries (excluding recoveries made from upgraded accounts)	895.84	662.39
(iii) Technical / Prudential Write-offs	601.66	76.31
(iv) Write-offs other than those under (iii) above	334.83	143.25
<b>Sub-total (B)</b>	<b>2,836.02</b>	<b>1,352.68</b>
<b>Gross NPAs as on 31<sup>st</sup> March (closing balance) (A-B)</b>	<b>5,026.89</b>	<b>4,467.94</b>
iii. Movement of Net NPAs		
a. Opening balance	1,544.37	1,665.05
b. Additions during the year	1,286.55	689.67
c. Reductions during the year	(1,273.03)	(810.35)
d. Closing balance	1,557.89	1,544.37
iv. Movement of provisions for NPAs (excluding provisions on standard assets)		
a. Opening balance	2,923.57	2,160.33
b. Provisions made during the year	2,108.42	1,305.57
c. Write-off / write-back of excess provisions	(1,562.99)	(542.33)
d. Closing balance	3,469.00	2,923.57

**10. Movement of Technical Write-offs and Recoveries:**

(₹ in crore)

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Opening balance of Technical / Prudential written-off accounts as at 1 <sup>st</sup> April	1,033.59	1,025.65
Add: Technical / Prudential write-offs during the year	601.66	76.31
Sub-Total (A)	1,635.25	1,101.96
Less: Recoveries / Reductions made from previously Technical / Prudential written-off accounts during the year (B)	88.00	68.37
<b>Closing Balance as at 31<sup>st</sup> March (A-B)</b>	<b>1,547.25</b>	<b>1,033.59</b>

11. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off is 76.30% as at 31<sup>st</sup> March, 2020 (previous year: 71.93%).

**12. Concentration of NPAs:**

(₹ in crore)

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Total Exposure to top four NPA accounts	633.58	638.15

*Above represents Gross NPA and NPI*

13. RBI vide its circular dated 1<sup>st</sup> 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 18-19 (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 31 <sup>st</sup> March, 2020			As at 31 <sup>st</sup> March, 2019		
		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
<b>A</b>	<b>Priority Sector</b>						
1	Agricultural and Allied Activities	23,611.32	731.93	3.10%	21,915.47	688.47	3.14%
2	Advances to Industries Sector eligible as Priority sector lending	18,376.79	245.13	1.33%	18,687.30	305.55	1.64%
3	Services	30,923.42	732.25	2.37%	31,570.48	504.01	1.60%
4	Personal Loans and others	1,511.39	195.13	12.91%	903.72	39.49	4.37%
	<b>Sub-Total (A)</b>	<b>74,422.92</b>	<b>1,904.44</b>	<b>2.56%</b>	<b>73,076.97</b>	<b>1,537.52</b>	<b>2.10%</b>
<b>B</b>	<b>Non Priority Sector</b>						
1	Agricultural and Allied Activities	1,258.25	31.43	2.50%	1,290.69	66.34	5.14%
2	Industry	61,183.07	1,587.27	2.59%	58,078.11	1,731.45	2.98%
3	Services	44,187.19	649.47	1.47%	40,288.66	532.28	1.32%
4	Personal loans and others	42,171.27	854.28	2.03%	35,897.72	600.35	1.67%
	<b>Sub-Total (B)</b>	<b>148,799.78</b>	<b>3,122.45</b>	<b>2.10%</b>	<b>135,555.18</b>	<b>2,930.42</b>	<b>2.16%</b>
	<b>Total (A+B)</b>	<b>223,222.70</b>	<b>5,026.89</b>	<b>2.25%</b>	<b>208,632.15</b>	<b>4,467.94</b>	<b>2.14%</b>

\* 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 (categorywise) sold and purchase during the year:

**As at 31<sup>st</sup> March, 2020:**

(₹ in crore)

S. No	Type of PSLCs	Purchase	Sale
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
<b>TOTAL</b>		<b>15,676.00</b>	<b>11,757.00</b>

**As at 31<sup>st</sup> March, 2019:**

(₹ in crore)

S. No	Type of PSLCs	Purchase	Sale
1	PSLC – Agriculture	-	2,667.50
2	PSLC - SF / MF	7,740.50	-
3	PSLC - Micro Enterprises	-	500.00
4	PSLC – General	2,000.00	6,895.75
<b>TOTAL</b>		<b>9,740.50</b>	<b>10,063.25</b>

**16. Details of Loan Assets subjected to Restructuring:  
As at 31<sup>st</sup> March, 2020**

(₹ in crore)

Sl. No	Type of Restructuring	Under CDR Mechanism			Under SIME Debt Restructuring Mechanism			Others			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)	29.67	27.75	182.20	239.62	-	-	-	16	1,876	5,768	7,660	17	1,877	5,774	7,668
	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	-	-	(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	-	-	-	-	-	-	-	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	1	(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	-	-	-	-	-	-	-	(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	(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	-	-	(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*)	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)

**As at 31<sup>st</sup> March, 2019**

(₹ in crore)

Sl. 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				
1	Restructured Accounts as on April 1 of the FY (opening figures)	58.96	11.12	199.69	269.77	-	-	-	-	11	4,388	3,764	8,163	13	4,389	3,770	8,172
	Provision thereon	18.03	1.74	162.84	182.61	-	-	-	-	39.16	40.71	93.87	173.74	57.19	42.45	256.71	356.35
	Movement in the Accounts	-	-	-	-	-	-	-	-	(2)	(693)	(629)	(1,324)	(2)	(693)	(629)	(1,324)
	Amt. Outstanding	(1.79)	(2.43)	0.08	(4.14)	-	-	-	-	(7.96)	(32.58)	(54.45)	(94.99)	(9.75)	(35.01)	(54.37)	(99.13)
	Provision thereon	4.84	0.50	17.56	22.90	-	-	-	-	(0.56)	55.23	(14.26)	40.41	4.28	55.73	3.30	63.31
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	4	3,547	602	4,153	4	3,547	602	4,153
	Amt. Outstanding	-	-	-	-	-	-	-	-	7.59	71.16	108.64	187.39	7.59	71.16	108.64	187.39
	Provision thereon	-	-	-	-	-	-	-	-	0.52	27.13	67.94	95.59	0.52	27.13	67.94	95.59
3	Upgradations to restructured standard category during the FY	-	-	-	-	-	-	-	-	4	(1)	(3)	-	4	(1)	(3)	-
	Amt. Outstanding	-	-	-	-	-	-	-	-	0.30	(0.28)	(0.02)	-	0.30	(0.28)	(0.02)	-
	Provision thereon	-	-	-	-	-	-	-	-	0.01	(0.01)	-	-	0.01	(0.01)	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amt. Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	(1)	-	1	-	-	-	-	-	(1)	(3,106)	3,107	-	(2)	(3,106)	3,108	-
	Amt. Outstanding	(27.50)	19.06	8.44	-	-	-	-	-	(65.09)	(138.54)	203.63	-	(92.59)	(119.48)	212.07	-
	Provision thereon	(13.81)	11.63	2.18	-	-	-	-	-	(34.99)	(103.22)	138.21	-	(48.80)	(91.59)	140.39	-
6	Write-offs of restructured accounts during the FY	-	-	(1)	(1)	-	-	-	-	-	(2,259)	(1,073)	(3,332)	-	(2,259)	(1,074)	(3,333)
	Amt. Outstanding	-	-	(26.01)	(26.01)	-	-	-	-	-	(8.89)	(50.52)	(59.41)	-	(8.89)	(76.53)	(85.42)
	Provision thereon	-	-	(26.01)	(26.01)	-	-	-	-	-	(8.89)	(50.52)	(59.41)	-	(8.89)	(76.53)	(85.42)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	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

\* 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 31<sup>st</sup> March, 2020

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

(₹ in crore)

As at 31<sup>st</sup> March, 2019

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

(₹ in crore)

## Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

As at 31<sup>st</sup> March, 2020

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

(₹ in crore)

As at 31<sup>st</sup> March, 2019

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	-	-	-	-
Classified as NPA	114.13	60.93	53.20	83.63

(₹ in crore)

**Disclosure on the scheme for MSME sector – restructuring of advances**
**As at 31<sup>st</sup> March, 2020:**

(₹ in crore)

No. of accounts restructured	Amount
12	43.38

**As at 31<sup>st</sup> March, 2019:**

(₹ in crore)

No. of accounts restructured	Amount
4	7.59

In terms of RBI Circular, June 7, 2019, the Bank has implemented Resolution Plan in two accounts during FY 2019-20. Resolution Plans were implemented within time lines prescribed by regulator and thus no provision for delayed implementation is required to be made.

**17. Overseas Assets, NPAs and Revenue:**

(₹ in crore)

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Total Assets*	4,947.62	4,376.90
Total NPAs	Nil	Nil
Total Revenue*	194.84	197.91

\* includes IBU

**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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
(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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
(i) Backed by NPAs sold by the bank as underlying	66.10	92.53
(ii) Backed by NPAs sold by other banks / financial institutions / nonbanking financial companies as underlying	746.50	908.98
<b>Total</b>	<b>812.60</b>	<b>1,001.51</b>



**C. Disclosure of Investment in Security Receipts:****31<sup>st</sup> March, 2020:**

(₹ in crore)

Particulars	Year Ended		
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018
(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)
<b>Total (i) + (ii)</b>	<b>695.00</b>	<b>117.60</b>	<b>0.00</b>

\*Since there is overall appreciation, the same is not included in the provision.

**31<sup>st</sup> March, 2019:**

(₹ in crore)

Particulars	Year Ended		
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018
(i) Book value of SRs backed by NPAs sold by the bank as underlying	264.37	-	-
Provision held against (i)	(171.84)	-	-
(ii) Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	834.72	96.65	35.52
Provision held against (ii)	3.83*	(26.22)	(35.52)
<b>Total (i) + (ii)</b>	<b>931.08</b>	<b>70.43</b>	<b>-</b>

\*amount shown is appreciation on SRs and not provision held against SRs.

**D. Details of non-performing financial assets purchased:**

(₹ in crore)

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
(a) Number of accounts purchased during the year*	27	14
(b) Aggregate outstanding in the Banks books**	255.28	222.13

\* 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:**

(₹ in crore)

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
(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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Provisions towards Standard Assets	947.03	881.78

(b) **General Provision for COVID-19 Deferment cases:**

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27<sup>th</sup> March, 2020 and 17<sup>th</sup> April, 2020, and clarification issued by RBI through Indian Bankers Association, dated 6<sup>th</sup> May 2020 the Bank is granting moratorium on the payment of installments and / or interest, as applicable, falling due between 1<sup>st</sup> March, 2020 and 31<sup>st</sup> May, 2020 ('moratorium period') to eligible borrowers classified as Standard, even if overdue, as on 29<sup>th</sup> 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 31<sup>st</sup> March 2020 against the potential impact of COVID-19 based on the information available up to a point in time. The provisions held by the Bank are higher than the RBI prescribed norms. Following are the details of such accounts and provisions made by the Bank:

(₹ in crore)

Particulars	As at
	31 <sup>st</sup> March, 2020
Advances outstanding in SMA/overdue categories, where the moratorium/deferment was extended as per COVID-19 Regulatory Package	
- Account Level	6,565.74
- Customer Level	12,923.91
Advances outstanding where asset classification benefits is extended up to 31 <sup>st</sup> March, 2020	660.65
Provisions made as per para 5 of the COVID-19 Regulatory Package for the financial year ended 31 <sup>st</sup> March, 2020	650.00
Provisions adjusted during the financial year ended 31 <sup>st</sup> March, 2020	NA
Residual provisions in terms of paragraph 6 of the COVID-19 Regulatory Package as at 31 <sup>st</sup> March, 2020	650.00

21. **Business ratios / information:**

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Interest income as a percentage of working funds	8.45%	8.33%
Non Interest income as a percentage of working funds	1.69%	1.60%
Operating profit as a percentage of working funds	3.14%	2.90%
Return on assets (average)	1.87%	1.69%
Business (deposit plus advance) per employee (₹ in crore)	9.36	9.96
Profit per employee (₹ in crore)	0.13	0.12

**Definitions:**

- 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.
- Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).
- 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.
- Productivity ratios are based on average number of employees.

**22. Maturity pattern of certain items of assets and liabilities:****31<sup>st</sup> 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 27<sup>th</sup> 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 1<sup>st</sup> 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.

**31<sup>st</sup> March, 2019:**

(₹ 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	324.70	1,885.40	2,365.74	5,897.18	17,727.06	13,946.06	14,959.17	95,510.33	24,236.79	28,842.38	205,694.81
Investments*	10,374.87	9,003.44	1,209.81	1,711.89	6,885.65	7,214.17	7,379.08	21,092.56	1,549.27	4,520.86	70,941.60
Deposits	5,623.38	7,980.18	4,446.26	3,967.03	23,227.36	32,098.00	32,781.98	114,592.77	833.18	330.22	225,880.36
Borrowings	253.08	8,994.63	13.14	120.92	6,109.31	3,095.89	4,227.04	7,526.02	1,758.26	150.00	32,248.29
Foreign Currency Assets	862.29	4,505.03	190.67	504.78	2,839.08	2,614.52	659.48	1,822.44	1,760.93	423.57	16,182.79
Foreign Currency Liabilities	727.72	737.92	284.17	463.92	5,893.87	2,814.46	1,474.54	4,893.33	1,481.61	0.34	18,771.88

\* Listed equity investments in AFS have been considered at 50% (₹ 247.49 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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
a) Direct exposure	34,317.98	29,887.98
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 31 <sup>st</sup> March, 2020 ₹ 83.27 crore and as at 31 <sup>st</sup> March, 2019 ₹ 268.26 crore)	17,899.64	14,214.51
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	16,418.34	15,673.47
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures-	-	-
- Residential,	-	-
- Commercial Real Estate	-	-
b) Indirect Exposure	5,000.77	3,659.59
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	5,000.77	3,659.59
<b>Total Exposure to Real Estate Sector</b>	<b>39,318.75</b>	<b>33,547.57</b>

*\*On limit basis or outstanding basis whichever is higher*
**(b) Exposure to Capital Market\*:**

(₹ in crore)

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
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;#	1,167.81	701.04
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;	314.98	394.05
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;	3,110.79	2,608.24
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	2,247.70	3,096.55

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
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)	34.86	0.18
<b>Total Exposure to Capital Market*</b>	<b>6,876.17</b>	<b>6,800.09</b>

\* The above amount excludes shares/convertible bonds aggregating to ₹ 135.18 crore (Previous year ₹ 135.18 crore) acquired due to conversion of debt to equity under restructuring process. As per para 20 of DBR.No.BPBC.101/21.04.048/2017-18 dated 12<sup>th</sup> 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 31<sup>st</sup> March, 2020 (Nil provision for the year ended 31<sup>st</sup> March, 2019).

(₹ in crore)

Risk Category	Exposure (net) as at 31 <sup>st</sup> March, 2020	Provision held as at 31 <sup>st</sup> March, 2020	Exposure (net) as at 31 <sup>st</sup> March, 2019	Provision held as at 31 <sup>st</sup> March, 2019
Insignificant	5,153.52	-	5,139.83	-
Low	422.31	-	664.45	-
Moderate	-	-	17.29	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
<b>Total</b>	<b>5,575.83</b>	<b>-</b>	<b>5,821.57</b>	<b>-</b>

**24. Concentration of deposits:**

(₹ in crore)

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Total deposits of twenty largest depositors	26,021.91	27,641.57
Percentage of deposits of twenty largest depositors to total deposits of the Bank	9.90%	12.24 %

**25. Concentration of advances\*:**

(₹ in crore)

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Total advances to twenty largest borrowers	30,031.31	31,002.00
Percentage of advances to twenty largest borrowers to total advances of the bank	7.69%	8.99%

\* Advances represents credit exposure including derivatives furnished in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated 1<sup>st</sup> 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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Total exposure to twenty largest borrowers/customers	31,648.19	32,565.33
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	7.82%	9.08%

\*\* 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 1<sup>st</sup> July, 2015.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system.

**27. Disclosure in Respect of Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities:**

RBI vide its circular no. DBR.BP.BC.No.38/21.04.048/2018-19 dated 08<sup>th</sup> May 2019, has withdrawn its earlier circular / instruction, in respect of disclosures to be made towards exposure to ILFS & its group entities.

Position as of 31<sup>st</sup> March, 2019 :

Amount Outstanding held* (1)	Of (1), total amount of exposure which are NPAs as per IRAC norms and not classified as NPA. (2)	Provision required to be made as per IRAC norms. (3)	Provisions actually held (4)
Nil	Nil	Nil	Nil

\*Above does not include Non-fund outstanding

28. During the year ended 31<sup>st</sup> March, 2020 and year ended 31<sup>st</sup> March, 2019 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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Current tax	1,996.67	2,504.34
Deferred tax	(139.18)	16.12
<b>Total</b>	<b>1,857.49</b>	<b>2,520.46</b>

30. During the year, the Reserve Bank of India has levied a penalty of ₹ 2,00,40,000/- (previous year ₹ 20,00,000/-) on the Bank. The penalty is for failure to comply with the RBI's directions to submit details of the promoter shareholding and the proposed course of action/ plans/ strategy by the Bank, and not conveying the commitment of the Bank for achieving promoter dilution as per the timelines stipulated and Facility for Exchange of Notes and coins at two branches.

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	
		31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
1.	For selling life insurance policies	204.81	200.50
2.	For selling non life insurance policies	13.20	13.07
3.	For selling mutual fund products	130.09	205.32
4.	Others	-	-

*This Income has been reflected under Commission, exchange and brokerage under Other Income.*

**33. Floating Provisions:**

(₹ in crore)

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
(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, an amount of ₹ 31.06 crore has been utilised during the year (previous year ₹ Nil utilised).

**35. a) Status of Shareholder Complaints:**

Sr. No.	Particulars	Year ended	
		31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
(a)	No. of complaints pending at the beginning of the year	4	-
(b)	No. of complaints received during the year	29	11
(c)	No. of complaints redressed during the year	30	7
(d)	No. of complaints pending at the end of the year	3*	4

*\*The Pending investor grievances were resolved on 2<sup>nd</sup> May 2020.*

**b) Status of Customer Complaints:**

Sr. No.	Particulars	Year Ended	
		31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019 <sup>#</sup>
(a)	No. of complaints pending at the beginning of the year	8,508	512
(b)	No. of complaints received during the year	4,17,114	4,06,998
(c)	No. of complaints redressed during the year	4,21,299	3,99,002
(d)	No. of complaints pending at the end of the year	4,323	8,508

*<sup>#</sup> previous year numbers are restated on account of regrouping of services requests.*

**c) Status of Awards passed by the Banking Ombudsman:**

Sr. No.	Particulars	Year Ended	
		31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsman during the year	2	Nil
(c)	No. of Awards implemented during the year	1	Nil
(d)	No. of unimplemented Awards at the end of the year	1	Nil

*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.

**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

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 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**

Employees are classified into following three categories for the purpose of remuneration:

Category I: Whole Time Directors (WTD)/Chief Executive Officer (CEO)

Category II: Risk Control and Compliance Staff

Category III: Other Categories of Staff



Following principles are applied for deferral / vesting of variable remuneration in accordance with RBI guidelines and Bank's compensation policy:

#### Category I

- a. Variable Pay will not exceed 70% of Fixed Pay.
- b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.
- c. If Variable Pay is higher than 50% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer, on a pro-rata basis.

The compensation will be approved by the Nomination and Remuneration committee and RBI.

#### Category II

- a. Variable Pay will not exceed 70% of Fixed Pay.
- b. The Cash component of the Variable Pay will not exceed 50% of the Fixed Pay.
- c. If Variable Pay is higher than 50% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer, on a pro-rata basis.

#### Category III

Variable Pay is payable as per approved schemes for incentive or Bonus:

- i) The Cash component of the Variable Pay will not exceed 60% of the Fixed Pay.
- ii) If Variable Pay is higher than 60% of Fixed Pay, at least 40% of Variable Pay will be deferred over a period of 3 years, or longer, on a pro-rata basis.
- iii) However, if Variable Pay is less than or equal to ₹15 lakhs, management will have the discretion to pay the entire amount as cash.

#### For adjusting deferred remuneration before & after vesting:

**Malus:** Payment of all or part of amount of deferred variable pay can be prevented. This clause will be applicable in case of:

- Disciplinary Action (at the discretion of the Disciplinary Action Committee) and/ or
- Significant drop in performance of Individual/ Business/ Company (at the discretion of the Nomination & Remuneration Committee) and/ or
- Resignation of the staff prior to the payment date.

**Clawback:** Previously paid or already vested deferred variable pay can also be recovered under this clause.

This clause will be applicable in case of Disciplinary Action (at the discretion of the Disciplinary Action Committee and approval of the Nomination & Remuneration Committee).

#### 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:**

The main forms of such variable remuneration include:

- Cash – this may be at intervals ranging from Monthly, Quarterly, Annual.
- Deferred Cash / Deferred Incentive Plan.
- Stock Appreciation Rights (SARs): These are structured, variable incentives, linked to Kotak Mahindra Bank Stock price, payable over a period of time
- ESOP as per SEBI guidelines.

The form of variable remuneration depends on the job level of individual, risk involved, the time horizon for review of quality and longevity of the assignments performed.

#### 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 31<sup>st</sup> March, 2020 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.**

Quantitative disclosure restricted to CEO, three (previous year: one) Whole Time Director(s) and Six (previous year: seven) members of group management council as risk takers. It included award received by the Whole Time Directors appointed on 1 November 2019 and for the full year. For a group management council member who has moved to a group company awards upto the date in the Bank are included.

**c) Number and total amount of sign-on awards made during the financial year.**

Not applicable

**d) Details of guaranteed bonus, if any, paid as joining / sign on bonus.**

Not applicable

**e) Details of severance pay, in addition to accrued benefits, if any.**

Nil (previous year Nil)

**f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.**

Cash – ₹ 0.50 crore (previous year Nil)

Outstanding SARs as at 31<sup>st</sup> March, 2020 – 107,701 rights (previous year 127,866 rights)

Outstanding ESOPs as at 31<sup>st</sup> March, 2020 – 958,861 equity shares (previous year 1,134,503 equity shares). Outstanding ESOPs include those granted in previous financial years also.

**g) Total amount of deferred remuneration paid out in the financial year.**

Payment towards SARs during year ended 31<sup>st</sup> March, 2020 ₹ 10.49 crore (previous year ₹ 9.26 crore). Payment include amounts paid to two Whole Time Directors in respect of SARs granted prior to becoming Whole Time Directors on 1 November 2019.

**h) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.**

Total fixed salary for the year ended 31<sup>st</sup> March, 2020 - ₹ 24.78 crore (previous year ₹ 21.80 crore)

**Deferred Variable Pay\***

SARs – 51,970 rights (previous year 53,430 rights)

ESOPs – 498,040 equity shares (previous year 441,130 equity shares)

**Non Deferred variable pay\*** ₹ 5.45 crore (of which ₹ 1.70 crores is pending for RBI Approval) (previous year ₹4.88 crore)

\* Details relating to variable pay pertains to remuneration awards for the financial year 2018-19 awarded during current financial year. Remuneration award for the year ended 31<sup>st</sup> March, 2020 are yet to be reviewed and approved by the remuneration committee

**i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. – Nil (Previous year Nil)**

**j) Total amount of reductions during the financial year due to ex- post explicit adjustments. – Nil (Previous year Nil)**

**k) Total amount of reductions during the financial year due to ex- post implicit adjustments. – Nil (Previous year Nil)**

**38. Intra – Group Exposures**

(₹ in crore)

Particulars	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
(a) Total amount of intra-group exposures	4,773.12	4,323.02
(b) Total amount of top-20 intra-group exposures	4,773.08	4,322.69
(c) Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.18%	1.21%
(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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Opening balance of amounts transferred to DEAF	184.67	165.32
Add: Amounts transferred to DEAF during the year	43.20	22.49
Less: Amounts reimbursed by DEAF towards claim	1.62	3.14
Closing balance of amounts transferred to DEAF	226.25	184.67

**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:

- Currency risk of borrowers on account of un-hedged foreign currency exposures ("UFCE") is duly considered and analysed in credit appraisal notes.
- Periodic monitoring of un-hedged foreign currency exposures of borrowers.
- 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.
- 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 per cent increase in the risk weight

- 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.
- 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.
- 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.
- 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 31<sup>st</sup> March, 2020 is ₹ 51.34 crore. (Previous year ₹ 56.41 crore). Incremental Risk weighted Assets value considered for the purpose of CRAR calculation in respect of currency induced credit risk as at 31<sup>st</sup> March, 2020 is ₹ 1,759.85 crore (Previous year ₹ 2,371.09 crore.)

**41. a) Liquidity Coverage Ratio**

(₹ 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)
<b>High Quality Liquid Assets</b>								
1 Total High Quality Liquid Assets (HQLA)	-	<b>64,351</b>	-	<b>60,943</b>	-	<b>55,433</b>	-	<b>56,988</b>
<b>Cash Outflows</b>								
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 <b>Total Cash Outflows</b>	-	<b>77,391</b>	-	<b>74,515</b>	-	<b>70,187</b>	-	<b>72,201</b>
<b>Cash Inflows</b>								
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 <b>Total Cash Inflows</b>	<b>42,264</b>	<b>22,403</b>	<b>34,131</b>	<b>20,342</b>	<b>31,880</b>	<b>22,310</b>	<b>37,934</b>	<b>25,000</b>
		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>
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%

(₹ in crore)

Particulars	Average Q4 2018-2019		Average Q3 2018-2019		Average Q2 2018-2019		Average Q1 2018-2019	
	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)
<b>High Quality Liquid Assets</b>								
1 Total High Quality Liquid Assets (HQLA)	-	<b>53,082</b>	-	<b>53,051</b>	-	<b>42,153</b>	-	<b>41,101</b>
<b>Cash Outflows</b>								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	17,911	895	17,413	871	16,541	827	15,696	785
(ii) Less stable deposits	108,548	10,854	104,701	10,470	96,228	9,623	89,291	8,929
3 Unsecured wholesale funding, of which								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	69,436	35,432	68,936	36,667	64,081	35,475	64,001	36,162
(iii) Unsecured debt	1,716	1,716	3,006	3,006	2,867	2,867	2,573	2,573
4 Secured wholesale funding	-	1	-	1	-	1	-	1
5 Additional requirements, of which								
(i) Outflows related to derivative exposures and other collateral requirements	10,839	10,839	11,668	11,668	12,774	12,774	10,770	10,770
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	4,006	491	3,588	406	3,122	358	3,276	444
6 Other contractual funding obligations	3,107	3,107	3,107	3,107	2,864	2,864	2,618	2,618
7 Other contingent funding obligations	69,387	2,718	68,353	2,680	66,833	2,607	64,627	2,508
8 <b>Total Cash Outflows</b>	-	<b>66,053</b>	-	<b>68,876</b>	-	<b>67,396</b>	-	<b>64,790</b>
<b>Cash Inflows</b>								
9 Secured lending (e.g. reverse repos)	5,902	-	5,759	-	3,864	-	5,293	-
10 Inflows from fully performing exposures	29,176	22,431	28,384	22,106	31,289	25,462	30,133	23,227
11 Other cash inflows	1,213	606	1,381	691	1,080	540	1,224	612
12 <b>Total Cash Inflows</b>	<b>36,291</b>	<b>23,037</b>	<b>35,524</b>	<b>22,797</b>	<b>36,233</b>	<b>26,002</b>	<b>36,650</b>	<b>23,839</b>
	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>
13 TOTAL HQLA	53,082	53,051	42,153	42,153	41,101	41,101	40,951	40,951
14 Total Net Cash Outflows	123.40%	115.13%	101.83%	101.83%	100.37%	100.37%	100.37%	100.37%

**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 31<sup>st</sup> March, 2020 was 117.03% which is above the regulatory requirement of 100%. For the quarter ended 31<sup>st</sup> March, 2020 Level 1 HQLA stood at 96.80% (62,281 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 9.90% of Bank's total deposits and top 10 lenders contributing 4.20% 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 643 (Previous year 376 cases) fraud cases involving fraud amount of one lakh and above during the financial year ended 31<sup>st</sup> March 2020 amounting to ₹ 579.60 crore (Previous year ₹ 14.10 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. The Reserve Bank of India, vide its circular dated 17<sup>th</sup> April, 2020, has decided that banks shall not make any further dividend payouts from profits pertaining to the financial year ended 31<sup>st</sup> March, 2020 until further instructions. Accordingly, the Board of Directors of the Bank has not proposed any final dividend for the year ended 31<sup>st</sup> March, 2020.

**B. OTHER DISCLOSURES:**
**1. Earnings per Equity Share:**

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
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	1,910,200,383	1,906,844,174
Effect of potential equity shares for stock options outstanding	2,095,276	2,263,269
Weighted average number of equity shares used in computation of diluted earnings per share	1,912,295,659	1,909,107,443
Following is the reconciliation between basic and diluted earnings per share		
Nominal value per share	5.00	5.00
Basic earnings per share	30.88	25.35

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Effect of potential equity shares for stock options	0.04	0.03
Diluted earnings per share	30.84	25.32
Profit for the year after tax (₹ in crore)	5,947.18	4,865.33
Less : Preference dividend including tax (₹ in crore)	48.82	32.37
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	5,898.36	4,832.96

## 2. Segment Reporting:

The Summary of the operating segments of the Bank for the year ended 31<sup>st</sup> March, 2020 are as given below:

(₹ in crore)

Sr. No.	Particulars	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
<b>1.</b>	<b>Segment Revenue</b>		
a.	Treasury, BMU and Corporate Centre	6,693.60	5,965.16
b.	Corporate / Wholesale Banking	13,918.46	11,392.66
c.	Retail Banking	15,057.84	13,885.48
d.	Other Banking business	-	-
	<b>Sub-total</b>	<b>35,669.90</b>	<b>31,243.30</b>
	Less : Inter-segmental revenue	3,368.18	2,696.06
	<b>Total</b>	<b>32,301.72</b>	<b>28,547.24</b>
<b>2.</b>	<b>Segment Results</b>		
a.	Treasury, BMU and Corporate Centre	1,867.26	2,050.07
b.	Corporate / Wholesale Banking	4,384.22	3,287.57
c.	Retail Banking	1,553.19	2,048.15
d.	Other Banking business	-	-
	<b>Sub-total</b>	<b>7,804.67</b>	<b>7,385.79</b>
	<b>Total Profit Before Tax</b>	<b>7,804.67</b>	<b>7,385.79</b>
	<b>Provision for Tax</b>	<b>1,857.49</b>	<b>2,520.46</b>
	<b>Total Profit After Tax</b>	<b>5,947.18</b>	<b>4,865.33</b>
<b>3.</b>	<b>Segment Assets</b>		
a.	Treasury, BMU and Corporate Centre	133,563.77	101,401.71
b.	Corporate / Wholesale Banking	153,443.88	134,695.27
c.	Retail Banking	216,234.38	174,501.61
d.	Other Banking business	-	-
	<b>Sub-total</b>	<b>503,242.03</b>	<b>410,598.59</b>
	Less : Inter-segmental Assets	143,307.69	98,604.66
	<b>Total</b>	<b>359,934.34</b>	<b>311,993.93</b>
	Add : Unallocated Assets	317.34	178.16
	<b>Total Assets as per Balance Sheet</b>	<b>360,251.68</b>	<b>312,172.09</b>

Sr. No.	Particulars	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
<b>4.</b>	<b>Segment Liabilities</b>		
a.	Treasury, BMU and Corporate Centre	115,719.99	84,885.34
b.	Corporate / Wholesale Banking	137,983.86	122,068.09
c.	Retail Banking	200,770.56	160,851.80
d.	Other Banking business	-	-
	<b>Sub-total</b>	<b>454,474.41</b>	<b>367,805.23</b>
	Less : Inter-segmental Liabilities	143,307.69	98,604.66
	<b>Total</b>	<b>311,166.72</b>	<b>269,200.57</b>
	Add : Unallocated liabilities	69.66	73.14
	Add : Share Capital & Reserves & surplus	49,015.30	42,898.38
	<b>Total Liabilities as per Balance Sheet</b>	<b>360,251.68</b>	<b>312,172.09</b>
<b>5.</b>	<b>Capital Expenditure</b>		
a.	Treasury, BMU and Corporate Centre	79.55	83.41
b.	Corporate / Wholesale Banking	29.11	53.64
c.	Retail Banking	242.08	364.75
d.	Other Banking business	-	-
	<b>Total</b>	<b>350.74</b>	<b>501.80</b>
<b>6.</b>	<b>Depreciation / Amortisation</b>		
a.	Treasury, BMU and Corporate Centre	98.76	107.47
b.	Corporate / Wholesale Banking	27.04	25.21
c.	Retail Banking	246.15	234.24
d.	Other Banking business	-	-
	<b>Total</b>	<b>371.95</b>	<b>366.92</b>

Segmental Information is provided as per the MIS available for internal reporting purposes, which includes certain estimates and assumptions.

### 3. Lease Disclosures:

- The Bank has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 542.13 crore (previous year ₹ 500.92 crore). The sub-lease income recognised in the Profit and Loss Account is ₹ 7.84 crore (previous year ₹ 5.53 crore).
- The future minimum lease payments under non-cancellable operating lease – not later than one year is ₹ 462.31 crore (previous year ₹ 438.26 crore), later than one year but not later than five years is ₹ 1,416.55 crore (previous year ₹ 1,378.45 crore) and later than five years ₹ 933.53 crore (previous year ₹ 1,101.50 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 ₹ 317.34 crore (previous year ₹ 178.16 crore). The components of the same are as follows:

(₹ in crore)

Particulars of Asset/ (Liability)	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2020
Provision for NPA and General provisions	326.71	170.05
Expenditure allowed on payment basis	102.33	139.68
Depreciation	24.10	29.02
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(135.80)	(160.59)
<b>Net Deferred Tax Asset</b>	<b>317.34</b>	<b>178.16</b>



**5. Credit card reward points:**

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

(₹ in crore)

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Opening provision for reward points	14.93	13.12
Provision for reward points made during the year	31.35	24.53
Utilisation/write-back of provision for reward points	(28.31)	(22.72)
Closing provision for reward points*	17.97	14.93

\* 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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
<b>Gross Block</b>		
At cost on 31 <sup>st</sup> March of the preceding year	508.89	489.16
Additions during the year	77.35	169.35
Deductions during the year	39.37	149.62
<b>Total</b>	<b>546.87</b>	<b>508.89</b>
<b>Depreciation / Amortisation</b>		
As at 31 <sup>st</sup> March of the preceding year	349.59	400.61
Charge for the year	97.06	94.95
Deductions during the year	39.37	145.97
<b>Depreciation to date</b>	<b>407.28</b>	<b>349.59</b>
<b>Net Block</b>	<b>139.59</b>	<b>159.30</b>

Capital commitments for purchase of software and system development expenditure are ₹ 43.93 crore (previous year ₹ 38.73 crore).

**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.

Nature of relationship	Related Party
	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 relatives and enterprises in which he has beneficial interest holds 29.92% of the equity share capital and 19.65% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31 <sup>st</sup> March 2020.
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 26 <sup>th</sup> April, 2019)
	Phoenix ARC Private Limited
	Kotak Education Foundation (upto 27 <sup>th</sup> 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. 1 <sup>st</sup> November, 2019)
	Mr. Gaurang Shah Whole-time Director (w.e.f. 1 <sup>st</sup> 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
	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

Nature of Relationship	Related Party
	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. 28 <sup>th</sup> August, 2019)
	True North Enterprises (w.e.f. 1 <sup>st</sup> November, 2019)
	Manian Family Trust (w.e.f. 1 <sup>st</sup> November, 2019)
	Brij Disa Arnav Trust (w.e.f 30 <sup>th</sup> March, 2020)
	Brij Disa Parthav Trust (w.e.f 30 <sup>th</sup> March, 2020)
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. 1 <sup>st</sup> November, 2019)
	Ms. Lalitha Mohan (w.e.f. 1 <sup>st</sup> November, 2019)
	Ms. Shruti Manian (w.e.f. 1 <sup>st</sup> November, 2019)
	Mr. Shashank Manian (w.e.f. 1 <sup>st</sup> November, 2019)
	Ms. Asha Shah (w.e.f. 1 <sup>st</sup> November, 2019)
	Ms. Divya Shah (w.e.f. 1 <sup>st</sup> November, 2019)
	Ms. Manasi Shah (w.e.f. 1 <sup>st</sup> November, 2019)
	Ms. Mahima Shah (w.e.f. 1 <sup>st</sup> November, 2019)
	Mr. Chetan Shah (w.e.f. 1 <sup>st</sup> November, 2019)
	Ms. Chetna Shah (w.e.f. 1 <sup>st</sup> November, 2019)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
<b>Liabilities</b>						
Deposits	2,420.31	179.94	566.84	74.39	154.45	3,395.93
	(1,056.10)	(125.00)	(632.99)	(144.75)	(143.35)	(2,102.19)
Borrowings	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)
Interest Payable	2.97	0.21	0.11	0.22	0.46	3.97
	(1.65)	(0.39)	(5.56)	(1.72)	(0.41)	(9.73)
Other Liabilities	26.64	-	-	0.01	-	26.65
	(16.91)	(0.01)	(-)	(0.01)	(-)	(16.93)
<b>Assets</b>						
Advances	0.07	-	7.14	3.27	5.67	16.15
	(0.52)	(-)	(-)	(-)	(-)	(0.52)
Investments-Gross	3,042.60	23.77	-	#	-	3,066.37
	(3,067.74)	(33.88)	(-)	(#)	(-)	(3,101.62)
Diminution on Investments	-	20.30	-	#	-	20.30
	(-)	(29.82)	(-)	(#)	(-)	(29.82)
Commission Receivable	48.66	-	-	-	-	48.66
	(49.54)	(-)	(-)	(-)	(-)	(49.54)
Others	117.42	0.01	0.04	0.02	0.02	117.51
	(65.04)	(0.01)	(#)	(#)	(#)	(65.05)
<b>Non Funded Commitments</b>						
Bank Guarantees	3.35	-	-	1.00	-	4.35
	(10.35)	(0.05)	(-)	(1.00)	(-)	(11.40)
<b>Expenses</b>						
Salaries/fees (Include ESOP)	-	-	12.56	-	0.11	12.67
	(-)	(-)	(8.84)	(-)	(-)	(8.84)
Interest Paid	32.52	11.32	35.37	6.97	11.58	97.76
	(48.96)	(7.31)	(36.10)	(11.66)	(1.09)	(105.12)
Others	192.49	16.09	-	3.95	-	212.53
	(120.36)	(10.02)	(-)	(4.29)	(-)	(134.67)
<b>Income</b>						
Dividend	51.80	-	-	-	-	51.80
	(45.14)	(-)	(-)	(-)	(-)	(45.14)
Interest Received	37.40	-	0.26	0.12	0.22	38.00
	(51.86)	(-)	(-)	(-)	(-)	(51.86)
Others	406.99	0.11	#	0.01	#	407.11
	(392.36)	(0.11)	(#)	(0.86)	(#)	(393.33)

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
<b>Other Transactions</b>						
Sale of investment	731.75	-	-	-	-	731.75
	(642.67)	(-)	(-)	(-)	(-)	(642.67)
Purchase of Investment	898.46	-	-	-	-	898.46
	(1,185.64)	(-)	(-)	(-)	(-)	(1,185.64)
Loan disbursed during the year	230.38	-	-	-	-	230.38
	(343.38)	(-)	(-)	(-)	(-)	(343.38)
Loan repaid during the year	230.38	-	-	-	-	230.38
	(343.05)	(-)	(-)	(-)	(-)	(343.05)
Dividend paid	-	-	45.45	0.06	0.30	45.81
	(-)	(-)	(39.78)	(0.05)	(0.26)	(40.09)
Reimbursement to companies	23.83	-	-	-	-	23.83
	(21.12)	(-)	(-)	(-)	(-)	(21.12)
Reimbursement from companies	117.84	0.06	-	-	-	117.90
	(98.82)	(0.09)	(-)	(-)	(-)	(98.91)
Purchase of Fixed assets	1.98	-	-	-	-	1.98
	(0.14)	(-)	(-)	(-)	(-)	(0.14)
Sale of Fixed assets	0.57	-	-	-	-	0.57
	(0.04)	(-)	(-)	(-)	(-)	(0.04)
Swaps/Forward/ Options contracts	7,546.95	-	-	-	-	7,546.95
	(2,132.70)	(-)	(-)	(-)	(1.88)	(2,134.58)
Guarantees/Lines of credit	3.00	-	-	-	-	3.00
	(20.25)	(-)	(-)	(-)	(-)	(20.25)
Assignment on Loan (Sell Down)	77.05	-	-	-	-	77.05
	(-)	(-)	(-)	(-)	(-)	(-)
<b>I. Liabilities:</b>						
<b>Other liabilities</b>						
<b>Other Payable</b>						
Kotak Mahindra Prime Limited	0.61	-	-	-	-	0.61
	(0.89)	(-)	(-)	(-)	(-)	(0.89)
BSS Microfinance Limited	24.42	-	-	-	-	24.42
	(13.59)	(-)	(-)	(-)	(-)	(13.59)
Kotak Securities Limited	1.16	-	-	-	-	1.16
	(1.06)	(-)	(-)	(-)	(-)	(1.06)
Others	0.45	-	-	0.01	-	0.46
	(1.37)	(0.01)	(-)	(0.01)	(-)	(1.39)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
<b>II. Assets:</b>						
<b>Investments</b>						
Kotak Mahindra Life Insurance Company Limited	1,557.20 (1,557.20)	- (-)	- (-)	- (-)	- (-)	1,557.20 (1,557.20)
Kotak Mahindra Prime Limited	31.57 (141.71)	- (-)	- (-)	- (-)	- (-)	31.57 (141.71)
BSS Microfinance 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 Company Limited	305.00 (220.00)	- (-)	- (-)	- (-)	- (-)	305.00 (220.00)
Kotak Infrastructure Debt Fund Limited	492.19 (492.19)	- (-)	- (-)	- (-)	- (-)	492.19 (492.19)
ECA Trading Services Limited	- (-)	23.77 (33.88)	- (-)	- (-)	- (-)	23.77 (33.88)
Others	180.05 (180.05)	- (-)	- (-)	# (#)	- (-)	180.05 (180.05)
<b>Diminution on Investments</b>						
ECA Trading Services Limited	- (-)	20.30 (29.82)	- (-)	- (-)	- (-)	20.30 (29.82)
Business Standard Private Limited	- (-)	- (-)	- (-)	# (#)	- (-)	# (#)
<b>Commission Receivable</b>						
Kotak Mahindra Life Insurance Company Limited	47.82 (48.35)	- (-)	- (-)	- (-)	- (-)	47.82 (48.35)
Kotak Mahindra General Insurance Company Limited	0.84 (1.19)	- (-)	- (-)	- (-)	- (-)	0.84 (1.19)
<b>Others Receivable</b>						
Kotak Mahindra Prime Limited	6.13 (14.97)	- (-)	- (-)	- (-)	- (-)	6.13 (14.97)
Kotak Securities Limited	37.96 (11.01)	- (-)	- (-)	- (-)	- (-)	37.96 (11.01)
Kotak Investment Advisors Limited	0.92 (2.70)	- (-)	- (-)	- (-)	- (-)	0.92 (2.70)

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Kotak Mahindra Life Insurance Company Limited	11.89 (4.70)	- (-)	- (-)	- (-)	- (-)	11.89 (4.70)
Kotak Infrastructure Debt Fund Limited	13.60 (15.02)	- (-)	- (-)	- (-)	- (-)	13.60 (15.02)
BSS Microfinance Limited	31.12 (10.88)	- (-)	- (-)	- (-)	- (-)	31.12 (10.88)
Kotak Mahindra Asset Management Company Limited	7.23 (2.82)	- (-)	- (-)	- (-)	- (-)	7.23 (2.82)
Kotak Mahindra General Insurance Limited	5.23 (2.03)	- (-)	- (-)	- (-)	- (-)	5.23 (2.03)
Others	3.34 (0.91)	0.01 (0.01)	0.04 (#)	0.02 (#)	0.02 (#)	3.43 (0.92)
<b>Non Funded Commitments</b>						
<b>Bank Guarantees</b>						
Kotak Investment Advisors Limited	1.00 (10.00)	- (-)	- (-)	- (-)	- (-)	1.00 (10.00)
Kotak Securities Limited	2.00 (-)	- (-)	- (-)	- (-)	- (-)	2.00 (-)
Aero Agencies Limited	- (-)	- (-)	- (-)	1.00 (1.00)	- (-)	1.00 (1.00)
Others	0.35 (0.35)	- (0.05)	- (-)	- (-)	- (-)	0.35 (0.40)
<b>III. Expenses:</b>						
<b>Salaries / fees (Include ESOPs)</b>						
Mr. Uday Kotak	- (-)	- (-)	2.97 (3.54)	- (-)	- (-)	2.97 (3.54)
Mr. Dipak Gupta	- (-)	- (-)	5.69 (5.30)	- (-)	- (-)	5.69 (5.30)
Mr. Gaurang Shah	- (-)	- (-)	1.98 (-)	- (-)	- (-)	1.98 (-)
Mr. KVS Manian	- (-)	- (-)	1.92 (-)	- (-)	- (-)	1.92 (-)
Mr. Jay Kotak	- (-)	- (-)	- (-)	- (-)	0.11 (-)	0.11 (-)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
<b>Other Expenses</b>						
<b>Brokerage</b>						
Kotak Securities Limited	0.54	-	-	-	-	0.54
	(0.02)	(-)	(-)	(-)	(-)	(0.02)
<b>Premium</b>						
Kotak Mahindra Life Insurance Company Limited	4.79	-	-	-	-	4.79
	(4.51)	(-)	(-)	(-)	(-)	(4.51)
Kotak Mahindra General Insurance Company Limited	2.29	-	-	-	-	2.29
	(2.47)	(-)	(-)	(-)	(-)	(2.47)
<b>Others</b>						
Kotak Mahindra Prime Limited	2.04	-	-	-	-	2.04
	(3.36)	(-)	(-)	(-)	(-)	(3.36)
Kotak Infrastructure Debt Fund Limited	0.24	-	-	-	-	0.24
	(0.06)	(-)	(-)	(-)	(-)	(0.06)
Aero Agencies Limited	-	-	-	3.78	-	3.78
	(-)	(-)	(-)	(4.22)	(-)	(4.22)
Business Standard Private Limited	-	-	-	0.17	-	0.17
	(-)	(-)	(-)	(0.07)	(-)	(0.07)
BSS Microfinance Limited	180.14	-	-	-	-	180.14
	(104.92)	(-)	(-)	(-)	(-)	(104.92)
Kotak Mahindra Financial Services Limited	2.42	-	-	-	-	2.42
	(5.02)	(-)	(-)	(-)	(-)	(5.02)
Kotak Mahindra (UK) Limited	0.03	-	-	-	-	0.03
	(#)	(-)	(-)	(-)	(-)	(#)
Others	#	0.04	-	-	-	0.04
	(#)	(0.28)	(-)	(-)	(-)	(0.28)
<b>Donations</b>						
Kotak Education Foundation	-	16.04	-	-	-	16.04
	(-)	(9.74)	(-)	(-)	(-)	(9.74)
<b>IV. Income:</b>						
<b>Dividend</b>						
Kotak Mahindra Capital Company Limited	24.05	-	-	-	-	24.05
	(41.23)	(-)	(-)	(-)	(-)	(41.23)
Kotak Mahindra Trustee Company Limited	3.75	-	-	-	-	3.75
	(3.75)	(-)	(-)	(-)	(-)	(3.75)



₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
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)
<b>Other Income</b>						
Kotak Mahindra Life Insurance Company Limited	221.81 (215.19)	- (-)	- (-)	- (-)	- (-)	221.81 (215.19)
Kotak Mahindra General Insurance Company Limited	16.42 (15.71)	- (-)	- (-)	- (-)	- (-)	16.42 (15.71)
Kotak Securities Limited	108.76 (93.02)	- (-)	- (-)	- (-)	- (-)	108.76 (93.02)
Kotak Mahindra Capital Company Limited	9.72 (9.71)	- (-)	- (-)	- (-)	- (-)	9.72 (9.71)
Kotak Mahindra Asset Management Company Limited	19.49 (26.37)	- (-)	- (-)	- (-)	- (-)	19.49 (26.37)
Kotak Mahindra Prime Limited	10.85 (11.74)	- (-)	- (-)	- (-)	- (-)	10.85 (11.74)
Kotak Investment Advisors Limited	10.56 (9.91)	- (-)	- (-)	- (-)	- (-)	10.56 (9.91)
Others	9.38 (10.71)	0.11 (0.11)	# (#)	0.01 (0.86)	# (#)	9.50 (11.68)
<b>V. Other Transactions:</b>						
<b>Sale of Investment</b>						
Kotak Mahindra Life Insurance Company Limited	25.15 (262.70)	- (-)	- (-)	- (-)	- (-)	25.15 (262.70)
Kotak Mahindra Prime Limited	10.00 (100.00)	- (-)	- (-)	- (-)	- (-)	10.00 (100.00)
Kotak Mahindra (UK) Limited	620.87 (236.63)	- (-)	- (-)	- (-)	- (-)	620.87 (236.63)
Kotak Securities Limited	75.73 (43.34)	- (-)	- (-)	- (-)	- (-)	75.73 (43.34)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
<b>Purchase of Investments</b>						
Kotak Mahindra Prime Limited	- (723.43)	- (-)	- (-)	- (-)	- (-)	- (723.43)
Kotak Infrastructure Debt Fund Limited	- (150.00)	- (-)	- (-)	- (-)	- (-)	- (150.00)
Kotak Mahindra General Insurance Company Limited	85.00 (45.00)	- (-)	- (-)	- (-)	- (-)	85.00 (45.00)
Kotak Mahindra (UK) Limited	788.02 (267.21)	- (-)	- (-)	- (-)	- (-)	788.02 (267.21)
Kotak Securities Limited	25.44 (-)	- (-)	- (-)	- (-)	- (-)	25.44 (-)
<b>Loan Disbursed during the year</b>						
Kotak Mahindra Prime Limited	66.29 (-)	- (-)	- (-)	- (-)	- (-)	66.29 (-)
Kotak Securities Limited	164.09 (-)	- (-)	- (-)	- (-)	- (-)	164.09 (-)
Kotak Mahindra (International) Limited	- (343.38)	- (-)	- (-)	- (-)	- (-)	- (343.38)
<b>Loan Repaid during the year</b>						
Kotak Mahindra Prime Limited	66.29 (-)	- (-)	- (-)	- (-)	- (-)	66.29 (-)
Kotak Securities Limited	164.09 (-)	- (-)	- (-)	- (-)	- (-)	164.09 (-)
Kotak Mahindra (International) Limited	- (343.05)	- (-)	- (-)	- (-)	- (-)	- (343.05)
<b>Dividend paid</b>						
Mr. Uday Kotak	- (-)	- (-)	45.36 (39.69)	- (-)	- (-)	45.36 (39.69)
Mr. Dipak Gupta	- (-)	- (-)	0.09 (0.09)	- (-)	- (-)	0.09 (0.09)
Ms. Pallavi Kotak	- (-)	- (-)	- (-)	- (-)	0.09 (0.08)	0.09 (0.08)
Ms. Indira Kotak	- (-)	- (-)	- (-)	- (-)	0.18 (0.16)	0.18 (0.16)

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
Others	-	-	-	0.06	0.03	0.09
	(-)	(-)	(-)	(0.05)	(0.02)	(0.07)
<b>Reimbursements to companies</b>						
Kotak Mahindra Capital Company Limited	1.10	-	-	-	-	1.10
	(2.15)	(-)	(-)	(-)	(-)	(2.15)
Kotak Mahindra Prime Limited	6.01	-	-	-	-	6.01
	(5.96)	(-)	(-)	(-)	(-)	(5.96)
Kotak Securities Limited	12.77	-	-	-	-	12.77
	(10.53)	(-)	(-)	(-)	(-)	(10.53)
Kotak Mahindra Life Insurance Company Limited	0.25	-	-	-	-	0.25
	(0.67)	(-)	(-)	(-)	(-)	(0.67)
Kotak Investment Advisors Limited	2.88	-	-	-	-	2.88
	(0.81)	(-)	(-)	(-)	(-)	(0.81)
Others	0.82	-	-	-	-	0.82
	(1.00)	(-)	(-)	(-)	(-)	(1.00)
<b>Reimbursements from companies</b>						
Kotak Mahindra Capital Company Limited	8.15	-	-	-	-	8.15
	(7.16)	(-)	(-)	(-)	(-)	(7.16)
Kotak Mahindra Prime Limited	22.23	-	-	-	-	22.23
	(21.52)	(-)	(-)	(-)	(-)	(21.52)
Kotak Mahindra Life Insurance Company Limited	20.13	-	-	-	-	20.13
	(17.47)	(-)	(-)	(-)	(-)	(17.47)
Kotak Securities Limited	23.94	-	-	-	-	23.94
	(20.67)	(-)	(-)	(-)	(-)	(20.67)
Kotak Mahindra Investments Limited	13.40	-	-	-	-	13.40
	(8.92)	(-)	(-)	(-)	(-)	(8.92)
Kotak Mahindra Asset Management Company Limited	8.34	-	-	-	-	8.34
	(6.96)	(-)	(-)	(-)	(-)	(6.96)
Kotak Investment Advisors Limited	7.33	-	-	-	-	7.33
	(6.62)	(-)	(-)	(-)	(-)	(6.62)
Others	14.32	0.06	-	-	-	14.38
	(9.50)	(0.09)	(-)	(-)	(-)	(9.59)

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
<b>Purchase of Fixed assets</b>						
Kotak Mahindra Prime Limited	- (0.14)	- (-)	- (-)	- (-)	- (-)	- (0.14)
Kotak Mahindra Financial Services Limited	1.56 (-)	- (-)	- (-)	- (-)	- (-)	1.56 (-)
Kotak Mahindra Investments Limited	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 (-)
<b>Sale of Fixed assets</b>						
Kotak Mahindra Capital Company Limited	0.01 (-)	- (-)	- (-)	- (-)	- (-)	0.01 (-)
Kotak Investment Advisors Limited	0.27 (#)	- (-)	- (-)	- (-)	- (-)	0.27 (#)
Kotak Infrastructure Debt Fund Limited	0.01 (-)	- (-)	- (-)	- (-)	- (-)	0.01 (-)
Kotak Mahindra Investments Limited	0.16 (0.03)	- (-)	- (-)	- (-)	- (-)	0.16 (0.03)
Kotak Mahindra Prime Limited	# (-)	- (-)	- (-)	- (-)	- (-)	# (-)
Kotak Securities Limited	0.12 (0.01)	- (-)	- (-)	- (-)	- (-)	0.12 (0.01)
<b>Swaps/Forward /Options contract</b>						
Kotak Mahindra (International) Limited	7,546.95 (2,132.70)	- (-)	- (-)	- (-)	- (-)	7,546.95 (2,132.70)
Others	- (-)	- (-)	- (-)	- (-)	- (1.88)	- (1.88)

₹ in crore

Items/Related Party	Subsidiary Companies	Associates/ Others	Key Management Personnel (KMP)	Enterprise over which KMP/ Relative of KMP have control / significant influence	Relatives of KMP	Total
<b>Guarantees/Lines of credit</b>						
Kotak Investment Advisors Limited	1.00	-	-	-	-	1.00
	(20.25)	(-)	(-)	(-)	(-)	(20.25)
Kotak Securities Limited	2.00	-	-	-	-	2.00
	(-)	(-)	(-)	(-)	(-)	(-)
<b>Assignment on Loan (Sell Down)</b>						
Kotak Infrastructure Debt Fund	77.05	-	-	-	-	77.05
	(-)	(-)	(-)	(-)	(-)	(-)

**Note:**

- Figures in brackets represent previous year's figures.
- 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.
- # in the above table denotes amounts less than ₹50,000
- 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
<b>Liabilities</b>					
Deposits	9,963.12	3,906.75	648.04	282.34	184.84
	(9,000.39)	(2,174.53)	(1,274.95)	(351.93)	(147.02)
Borrowings	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
Other Liabilities	41.59	0.33	6.47	2.47	0.92
	(38.21)	(0.62)	(5.56)	(3.84)	(0.41)
<b>Assets</b>					
Advances	400.94	#	7.21	3.42	6.29
	(915.01)	(0.85)	-	(#)	(-)
Investments-Gross	3,152.74	33.88	-	#	-
	(3,737.88)	(33.88)	(-)	(#)	(-)
Commission Receivable	48.66	-	-	-	-
	(49.53)	(-)	(-)	(-)	(-)
Other Assets	165.50	0.03	0.04	0.02	0.03
	(129.17)	(0.11)	(-)	(0.16)	(-)
<b>Non Funded Commitments</b>					
Bank Guarantees	12.35	0.05	-	1.00	-
	(20.35)	(0.05)	(-)	(1.00)	(-)

**Note:**

- Figures in brackets represent previous year's figures.
- # 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 28<sup>th</sup> July, 2000, 26<sup>th</sup> July, 2004, 26<sup>th</sup> July, 2005, 5<sup>th</sup> July, 2007, 21<sup>st</sup> August, 2007 and 29<sup>th</sup> 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 155,907,323 options as on 31<sup>st</sup> March, 2020 (Previous year 152,525,793).

In aggregate 8,587,012 options are outstanding as on 31<sup>st</sup> March, 2020 (Previous year 10,046,188) 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 31<sup>st</sup> March, 2020, the following schemes were in operation:

	Plan 2007	Plan 2015
Date of grant	Various Dates	Various Dates
Date of Board Approval	Various Dates	Various Dates
Date of Shareholder's approval	5 <sup>th</sup> July, 2007 as amended on 21 <sup>st</sup> August, 2007	29 <sup>th</sup> June, 2015
Number of options granted	68,873,000	15,593,669
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 – 0.50 years
Vesting Conditions	Graded / Cliff vesting	Graded / Cliff vesting

	KMBL (IVBL) Plan 2007	KMBL (IVBL) Plan 2010	KMBL (IVBL) Plan 2013
Number of options granted (addition on amalgamation)	1,245,010	5,773,046	4,642,198
Method of Settlement (Cash / Equity)	Equity	Equity	Equity

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	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	1,320,788	614.14
Granted during the year	-	-	-	-
Forfeited during the year	1,124	665.00	35,880	665.00
Exercised during the year	323,742	659.90	947,069	595.88
Expired during the year	4,820	665.00	8,153	657.12
Outstanding at the end of the year	-	-	329,686	660.00
Out of the above exercisable at the end of the year	-	-	329,686	660.00
Weighted average remaining contractual life (in years)	-	-	-	0.24
Weighted average fair value of options granted	-	-	-	-

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	Number of Shares	Weighted Average Exercise Price(₹)	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	8,721,262	1,046.44	6,873,434	855.14
Granted during the year	3,381,530	1,452.50	4,124,499	1,265.43
Forfeited during the year	524,887	1,193.96	379,029	955.68
Exercised during the year	3,273,139	962.31	1,873,709	847.35
Expired during the year	26,364	1,021.70	23,933	867.88
Outstanding at the end of the year	8,278,402	1,236.30	8,721,262	1,046.44
Out of the above exercisable at the end of the year	734,570	896.90	49,513	901.99
Weighted average remaining contractual life (in years)	-	1.51	-	1.69
Weighted average fair value of options granted during the year	-	352.79	-	350.19

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	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	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	-	-	150,802	416.00
Out of the above exercisable at the end of the year	-	-	150,802	416.00
Weighted average remaining contractual life (in years)	-	-	-	0.70

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	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	552,406	285.62
Forfeited during the year	-	-	-	-
Exercised during the year	339,792	302.90	212,614	258.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	339,792	302.90
Out of the above exercisable at the end of the year	-	-	339,792	302.90
Weighted average remaining contractual life (in years)	-	-	-	0.70

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

	Year ended 31 <sup>st</sup> March, 2020		Year ended 31 <sup>st</sup> March, 2019	
	Number of Shares	Weighted Average Exercise Price(₹)	Number of Shares	Weighted Average Exercise Price(₹)
Outstanding at the beginning of the year	504,646	384.87	577,575	386.53
Forfeited during the year	-	-	-	-
Exercised during the year	196,036	392.98	72,929	398.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	308,610	379.72	504,646	384.87
Out of the above exercisable at the end of the year	308,610	379.72	504,646	384.87
Weighted average remaining contractual life (in years)	-	0.08	-	1.04

The weighted average share price at the date of exercise for stock options exercised during the year was ₹1,543.92 (Previous year ₹1,266.32).

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

### 31<sup>st</sup> 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



**31<sup>st</sup> March, 2019**

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

**Stock appreciation rights (SARs)**

At the General Meeting on 29<sup>th</sup> 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 1.03 to 4.08 years.

Detail of activity under SARs is summarised below:

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Outstanding at the beginning of the year	1,004,948	1,224,556
Granted during the year	309,946	407,842
Additions/(Reduction) due to transfer of employees	(18,573)	(8,849)
Settled during the year	487,737	552,138
Lapsed during the year	(25,424)	(66,463)
Outstanding at the end of the year	783,160	1,004,948

**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 31 <sup>st</sup> March,	2020		2019	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	1050-1460	0-1460	900-1271	0-1271
Weighted Average Share Price ₹	1,462.72	1,292.43	1,268.97	1,047.97
Expected Volatility	21.10%-31.00%	26.44%-113.47%	18.68%-32.95%	19.74%-28.06%
Historical Volatility	21.10%-31.00%	26.44%-113.47%	18.68%-32.95%	19.74%-28.06%
Life of the options granted (Vesting and exercise period)				
- At the grant date	1.02-3.87		1.10-3.87	
- As at 31 <sup>st</sup> March		0.06-3.37		0.06-3.38
Risk-free interest rate	5.63%-7.03%	4.16%-5.59%	6.97%-7.99%	6.17%-6.84%
Expected dividend rate	0.05%-0.06%	0.06%	0.06%	0.05%

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 31 <sup>st</sup> March,	2020	2019
Total Employee compensation cost pertaining to share-based payment plans	59.98	78.00
Compensation cost pertaining to equity-settled employee share-based payment plan included above	2.75	1.80
Liability for employee stock options outstanding as at year end	5.71	4.10
Deferred Compensation Cost	2.84	2.02
Closing balance of liability for cash-settled options	61.38	79.81
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	49.14	63.07

Had the Bank recorded the compensation cost computed on the basis of Fair Valuation method instead of intrinsic value method, employee compensation cost would have been higher by ₹ 61.74 crore (Previous year ₹ 56.98 crore) and the profit after tax would have been lower by ₹ 46.20 crore (Previous year ₹ 37.26 crore). Consequently the basic and diluted EPS would have been ₹ 30.64 (Previous year ₹ 25.15) and ₹ 30.60 (Previous year ₹ 25.12) respectively.

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

#### 9. Advances securitised by the Bank :

(₹ in crore)

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Provident Fund	135.22	110.17
Superannuation Fund	1.56	1.61
New Pension Fund	5.09	4.16
DIFC Employee Workplace Savings Scheme (DEWS)	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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
<b>Change in benefit obligations</b>		
Liability at the beginning of the year	400.06	373.13
Current Service cost	44.45	36.38
Interest cost	27.71	28.55
Actuarial Losses / (Gain)	54.69	28.97
Past Service Cost	-	-
Liability assumed on acquisition / (Settled on divestiture)	(0.07)	(0.39)
Benefits paid	(70.99)	(66.58)
Liability at the end of the year	455.85	400.06
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	401.99	289.56
Expected return on plan assets	30.16	23.85
Actuarial Gain / (Losses)	(36.90)	9.63
Benefits paid	(70.99)	(66.58)
Employer contributions	88.19	145.53
Fair value of plan assets at the end of the year	412.45	401.99

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan assets	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Fair value of plan assets at the end of the year	412.45	401.99
Liability at the end of the year	455.85	400.06
Net Asset / (Liability) (included under Schedule 5.IV)	(43.40)	1.93
<b>Expense recognised for the year</b>		
Current Service cost	44.45	36.38
Interest cost	27.71	28.55
Expected return on plan assets	(30.16)	(23.85)
Actuarial (Gain) / Loss	91.59	19.35
Past Service Cost	-	-
Net gratuity expense recognised in Schedule 16.I	133.59	60.42
Actual return on plan assets	(6.74)	33.48

(₹ in crore)

<i>Reconciliation of the Liability recognised in the Balance Sheet</i>	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Net Liability / (Asset) at the beginning of the year	(1.93)	83.57
Expense recognized	133.59	60.42
Liability assumed on acquisition / (Settled on divestiture)	(0.07)	(0.39)
Employer contributions	(88.19)	(145.53)
Net Liability / (asset)	43.40	(1.93)

#### *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:

	31 <sup>st</sup> March, 2020 %	31 <sup>st</sup> March, 2019 %
LIC managed funds <sup>#</sup>	2.43%	10.97%
Government securities	31.89%	28.22%
Bonds, debentures and other fixed income instruments	30.97%	22.19%
Money market instruments	8.01%	3.53%
Equity shares	26.69%	35.09%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>#</sup> 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	6.40% - 6.59% p.a. (Previous Year 7.15% - 7.64% p.a.)
Salary escalation rate	5.50% (IBA) and 0% until year 1 inclusive, then 7.00% (others) p.a. (Previous Year 5.50% (IBA) and 7.00% (others) p.a.)
Expected return on plan assets	7.00% - 8.00% p.a. (Previous Year 7.50% - 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)

<b>Gratuity</b>	Year ended 31 <sup>st</sup> March				
	2020	2019	2018	2017	2016
Defined benefit obligation	455.85	400.06	373.13	280.66	278.33
Plan assets	412.45	401.99	289.56	296.23	256.35
Surplus / (Deficit)	(43.40)	1.93	(83.57)	15.57	(21.98)
Experience adjustments on plan liabilities	41.19	20.46	10.20	3.15	43.40
Experience adjustments on plan assets	(36.81)	9.63	(0.83)	11.38	(6.66)

The Bank expects to contribute ₹ 35.79 crore to gratuity fund in financial year 2020-2021.

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

**iii. Pension**

Pension liability relates to employees of eVBL.

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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	Funded	Funded
<i>Change in benefit obligations</i>		
Liability at the beginning of the year	1,156.33	1,057.85
Transfer of liabilities funded during the year	-	-
Current Service cost	42.26	35.13
Interest cost	69.32	74.81
Actuarial (gain) / loss on obligations	541.37	145.66
Past Service cost	-	-
Benefits paid	(208.80)	(157.12)
<b>Liability at the end of the year</b>	<b>1,600.48</b>	<b>1,156.33</b>
<i>Change in plan assets</i>		
Fair value of plan assets at the beginning of the year	1,159.16	1,063.69
Expected return on plan assets	106.94	88.91
Actuarial Gain / (loss)	(12.10)	(6.46)
Benefits paid	(208.80)	(157.12)
Employer contributions	469.15	170.14
<b>Fair value of plan assets as at the end of the year</b>	<b>1,514.35</b>	<b>1,159.16</b>

(₹ in crore)

Reconciliation of present value of the obligation and the fair value of the plan Assets	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	Funded	Funded
Fair value of plan assets as at the end of the year	1,514.35	1,159.16
Liability at the end of the year	1,600.48	1,156.33
<b>Net Asset / (Liabilities) included in "Others" under "Other Assets" / "Other Liabilities"</b>	<b>(86.13)</b>	<b>2.83</b>
Expenses recognised for the year		
Current service cost	42.26	35.13
Interest cost	69.32	74.81
Expected return on plan assets	(106.94)	(88.91)
Actuarial (gain) / loss	553.47	152.12
Effect of the limit in Para 59(b)	-	-
<b>Net pension expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.I]</b>	<b>558.11</b>	<b>173.15</b>
<b>Actual return on plan assets</b>	<b>94.83</b>	<b>82.46</b>

(₹ in crore)

Reconciliation of the Liability recognised in the Balance Sheet	As at	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
	Funded	Funded
Net (Asset) / Liability at the beginning of the year	(2.83)	(5.84)
Expense recognized	558.11	173.15
Employer contributions	(469.15)	(170.14)
Effect of the limit in Para 59(b)	-	-
<b>Net (Asset) / Liability is included in "Others" under "Other Assets" / "Other Liabilities"</b>	<b>86.13</b>	<b>(2.83)</b>

#### 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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Discount rate	6.59% p.a.	7.64% p.a.
Salary escalation rate	5.50% p.a.	5.50% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.
Inflation	8.00% p.a.	8.00% p.a.

The estimates of future salary 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)

Pension	Year ended 31 <sup>st</sup> March,				
	2020	2019	2018	2017	2016
Defined benefit obligation	1,600.48	1,156.33	1,057.85	950.14	782.02
Plan assets	1,514.35	1,159.16	1,063.69	924.91	747.24
Surplus / (deficit)	(86.13)	2.83	5.84	(25.23)	(34.78)
Experience adjustments on plan liabilities	440.57	102.64	208.24	178.79	344.62
Experience adjustments on plan assets	(7.85)	(6.46)	(0.72)	(7.02)	(15.35)

The Bank expects to contribute ₹150.58 crore to pension fund in financial year 2020-2021.

**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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Total actuarial liability	209.42	192.95
<b>Assumptions:</b>		
Discount rate	6.40% - 6.59% - 0.74% (DIFC) p.a.	7.15% - 7.64% p.a.
Salary escalation rate	5.50% (IBA) and 0% until year 1 inclusive, then 7.00% (others), 0% in yr 1 and 3% thereafter (DIFC) p.a.	5.50% (IBA) and 7.00% (others) 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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Total actuarial liability	10.77	10.34
<b>Assumptions:</b>		
Discount rate	6.37% - 6.59% p.a.	7.15% - 7.64% 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	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Provisions for Depreciation on Investments	90.12	(13.74)
Provision towards NPA	1,405.55	844.15
Provision towards Unhedged Foreign Currency Exposure	(5.07)	6.17
Provision towards Standard Assets	70.32	114.70
General Provision – Covid-19 Deferment Cases	650.00	-
Provision for Taxes	1,857.49	2,520.46
Other Provision and Contingencies	5.24	11.11
<b>Total Provisions and Contingencies</b>	<b>4,073.65</b>	<b>3,482.85</b>

## 12. Corporate Social Responsibility (CSR)

As per the provisions of the Section 135 of the Companies Act, 2013 the Bank is required to contribute ₹ 124.23 crore. The Bank has contributed ₹ 18.20 crore to the Kotak Education Foundation and ₹ 67.00 crore to other CSR initiatives in the current financial year. The Bank has also 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.

(₹ in crore)

Details of CSR expenditure			
<b>a) Gross amount required to be spent during the year ₹ 124.23 (Previous year ₹ 96.27)</b>			
<b>(b) Amount spent during the year ending on 31<sup>st</sup> March, 2020:</b>	<b>Paid</b>	<b>Yet to be paid</b>	<b>Total</b>
i) Construction/acquisition of any asset			
ii) On purposes other than (i) above	85.20	-	85.20
<b>b) Amount spent during the year ending on 31<sup>st</sup> March, 2019:</b>	<b>Paid</b>	<b>Yet to be paid</b>	<b>Total</b>
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	36.55	-	36.55

## 13. Tier II Bonds

- a) Lower Tier II Bonds outstanding as at 31<sup>st</sup> March, 2020 ₹ 456.00 crore (previous year ₹ 456.00 crore).  
During the current year and previous year, the Bank had not issued lower Tier II bonds. In accordance with the RBI requirements lower Tier II bonds of ₹ 303.60 crore (previous year ₹ 212.40 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 31<sup>st</sup> March, 2020 and as at 31<sup>st</sup> March 2019 is ₹ Nil.
- c) Interest Expended-Others (Schedule 15(III)) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 44.32 crore (previous year ₹ 58.35 crore).

## 14. Details of payments of audit fees

(₹ in crore)

Particulars	Year Ended	
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Statutory Audit fees	2.05	2.26
Other Matters	0.31 <sup>#</sup>	0.15
<b>Total</b>	<b>2.36</b>	<b>2.41</b>

<sup>#</sup> ₹ 0.13 crore pertains to erstwhile auditors.

## 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, lease tax demands, 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 on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.
3.	Guarantees on behalf of constituents	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.



Sr.	Contingent Liability*	Brief Description
4.	Acceptances, endorsements and other obligations	<p>These includes:</p> <ul style="list-style-type: none"> <li>Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank.</li> <li>Bills re-discounted by the Bank and cash collateral provided by the Bank on assets which have been securitised.</li> <li>Underwriting commitments in respect of Debt Syndication.</li> </ul>
5.	Other items for which the Bank is contingently liable	<p>These include:</p> <ul style="list-style-type: none"> <li>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 on its own account and for 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.</li> <li>Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.</li> <li>Amount Transferred to RBI under the Depositor Education and Awareness Fund ('DEAF').</li> </ul>

\* 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 31<sup>st</sup> March, 2020, 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 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

**Sudhir N. Pillai**

Partner

Membership No. 105782

**Dipak Gupta**

Joint Managing Director

**Uday Khanna**

Director

Mumbai

13<sup>th</sup> May, 2020

**Jaimin Bhatt**

Group President and

Group Chief Financial Officer

**Bina Chandarana**

Joint President and

Company Secretary



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Kotak Mahindra Bank Limited, 27BKC,  
C 27, G Block, Bandra-Kurla Complex, Bandra (E),  
Mumbai - 400 051  
Website: [www.kotak.com](http://www.kotak.com)

BSE: 500247 | NSE: KOTAKBANK | Bloomberg: KMB:IN

CIN: L65110MH1985PLC038137