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Ab kona kona Kotak

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ANNUAL REPORT 2014-15

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REGISTERED OFFICE

Kotak Mahindra Bank Limited,
27BKC, C 27, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai 400 051
Tel.: +91 22 61660001
Fax.: +91 22 67132403
Website: www.kotak.com

COMPANY SECRETARY

Bina Chandarana,
Company Secretary and
Senior Executive Vice President

AUDITORS

Messrs S.B. Billimoria & Co.,
Chartered Accountants,
12, Dr. Annie Besant Road,
Opp. Shiv Sagar Estate, Worli,
Mumbai 400 018

REGISTRAR AND TRANSFER AGENT

Karvy Computershare Private Limited,
Karvy Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda,
Hyderabad 500 032

7, Andheri Industrial Estate,
Off Veera Desai Road,
Andheri West,
Mumbai 400 058



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#KonaKonaKotak

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Illustrates Kotak's ambition to significantly expand its geographic spread (hence kona kona) in India and partner aspirations. The Bank's philosophy is to emerge as the go-to-bank and be the most trusted financial partner of people, who will shape the nation.

India can be best defined by its diversity - social, cultural, geographic, linguistic, ethnic and economic. But there is one commonality that binds the great nation from small towns to big cities - Aspiration. This is reflected in the manner in which people are overcoming traditional barriers and reshaping their destiny with confidence and courage. There is greater clarity about goals and the road ahead in a rapidly transforming society.

Following the merger with ING Vysya Bank, Kotak Mahindra Bank is now India's fourth largest private bank, with enhanced capacity and means to serve more customers across a wider national footprint.

The enhanced network of 1,250+ branches and 1,900+ ATMs across 640+ locations, with best-in-class products and services will enable the Bank to fulfil its commitment to deepen the Bank's reach and blend with the multi-hued social fabric. Better technology architecture is further enabling the Bank to innovate in the digital space.

Kotak's lending capacity, well-diversified products and services portfolio, geographic reach, along with prudent governance and risk management structure help it create and protect value for customers in a consistent manner.

India is now on the cusp of a remarkable growth opportunity, and it is important to ensure that Kotak's fundamentals are strong to make the most of the time ahead.

Kotak is Flight Ready.

The Power of One

Moving ahead together



Established in 1985, the Kotak Mahindra Group is one of India's leading financial services conglomerates. In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the Group's flagship company, received a banking license from the Reserve Bank of India (RBI). Thereafter, KMFL became India's first non-banking finance company to become a bank – Kotak Mahindra Bank Limited.

Effective from 1st April, 2015, ING Vysya Bank Limited has merged with Kotak Mahindra Bank Limited creating a ₹ 2,00,000 crore institution.

This merger brings together two strong industry players to form a more robust and fundamentally sound bank. ING Vysya Bank has been a respected name in the Indian banking sector, with an inspiring legacy spanning eight decades. Similarly, in less than 30 years, Kotak Mahindra Group has built a comprehensive financial services conglomerate that truly serves all its customer needs under one roof. The merged entity – Kotak Mahindra Bank Limited will have a significant national footprint with considerable reach and brand recall.



4th LARGEST PRIVATE
SECTOR BANK IN INDIA

1,250+ BRANCHES

1,900+ ATMs

640+ PAN-INDIA OPERATING
LOCATIONS

41,000+ TEAM MEMBERS

₹ 1,20,000 CR+ * MARKET
CAPITALISATION

CR: crore | As on 31st March, 2015 | * As on 27th April, 2015

During FY 2014-15, in addition to the merger, Kotak Mahindra Group undertook several path-breaking initiatives.

- Bought 15% equity stake in Multi Commodity Exchange of India Ltd (MCX) to leverage the potential in the Indian financial infrastructure space
- Entered into general insurance space, expanding its portfolio to offer a complete range of financial products and services to its customers
- Acquired domestic schemes of PineBridge Mutual Fund to strengthen the mutual fund business
- Agreed to invest 19.90% in Airtel M Commerce Services Limited (AMSL) for setting up a Payment Bank on AMSL, obtaining the Payment Bank license from Reserve Bank of India (RBI)

Kotak Mahindra Group offers a wide range of financial services that encompasses every sphere of life. From commercial banking, to stock broking, mutual funds to life insurance, general insurance and investment banking, it caters to the diverse financial needs of individuals and the corporate sector. The Group enjoys a wide distribution network through branches and franchises across India, and it has offices in London, New York, Dubai, Abu Dhabi, Mauritius and Singapore.

Banking on Synergies

Whole is greater than the sum of its parts

The coming together of erstwhile ING Vysya Bank with Kotak Mahindra Bank will result in significant synergies, and will lead to greater focus across a much wider customer spectrum.

Here is how.

COMPLEMENTARY BRANCH NETWORK

The merger has enhanced the Bank's presence across India. While Kotak always had a strong footprint in Northern and Western India, now it has gained a strong foothold in Southern India as well.

MORE FOR ALL

The Bank's business model is 'Concentrated India, Diversified Financial Services'. The product complementarity will help serve customers across segments better.

The Bank's Consumer Banking Business offers several value-adds to each segment over and above the conventional propositions. For example, Grand for citizens 55 years and above, Silk for women, Junior for children, customised wealth management solutions for HNIs and Privy League for the affluent, among others. This product suite, combined with the benefit of 6% interest rate on savings account is now available across India.

The Bank's Corporate Banking Business also got stronger. While it has always been strong in the mid-sized segment, the enhanced balance sheet and larger credit facilities can now be leveraged to reach out to larger corporates. Besides, ING's global expertise will also add value in servicing multinational companies in India.

The Commercial Banking Business caters to customers of Bharat (non-metros/rural India) and plays a pivotal role in meeting a substantial portion of the priority sector lending obligations. It offers a range of products for agriculture (agri) and tractor finance, purchase and operations of commercial vehicles and

construction equipment, rural housing finance and gold loans. Further, Emerging Corporate Group (ECG), a division within the business, caters specifically to the needs of small and medium enterprises. These products and services will now be available to more customers, as a result of the increased network.

CORE LEADERSHIP

The vision, stated above, is being realised through a three layered integration governance structure. At the top is the Merger Integration Steering Committee chaired by Mr. Uday Kotak, Executive Vice Chairman & Managing Director, Mr. C. Jayaram and Mr. Dipak Gupta, Joint Managing Directors. At the next level is the Integration Management Office (IMO) headed by Mr. Mohan Shenoi, President – Group Treasury & Global Markets, and also includes senior functionaries from erstwhile ING Vysya Bank, as well as Kotak Mahindra Bank. IMO is supported by the Project Management Office (PMO); the PMO uses the latest project management tools to monitor and execute identified projects in the above areas. The endeavour of the IMO is to have a completely integrated merged Bank over a period of one year.

REVENUE SYNERGIES AND COST EFFICIENCIES

This merger has instantly expanded the network of branches and ATMs. As a result, the Bank will save on product introduction cost on account of readily available products and infrastructure.

TALENT POOL

The Bank will leverage the experience, expertise and diversity of a dynamic and stronger employee base. Employees of the merged entity now have growth opportunities across the Kotak Group, which enjoys a larger and deeper pan-India franchise.

LEVERAGING TECHNOLOGY

The digital banking landscape will be a key growth driver, and will complement the brick and mortar reach.

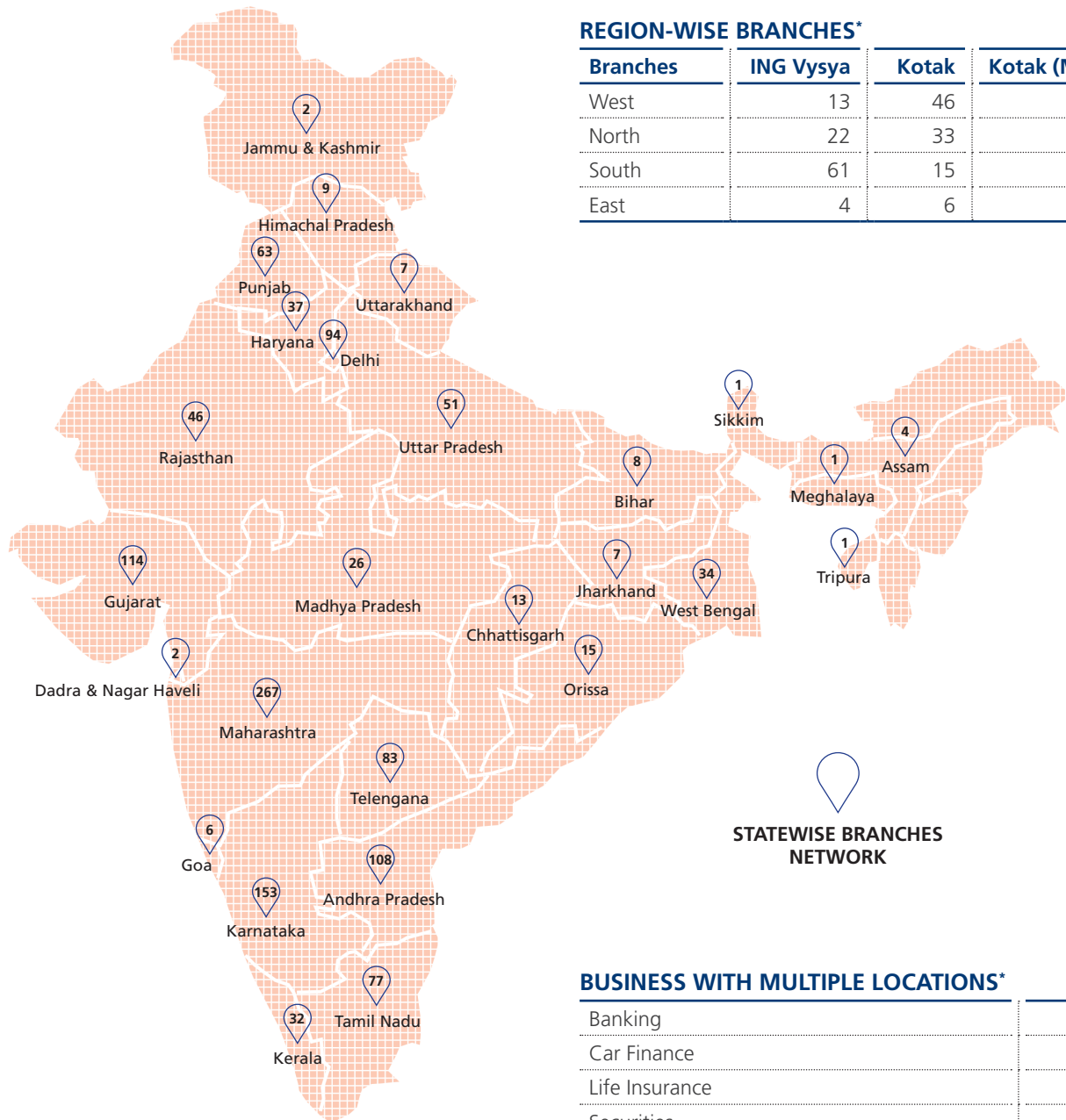
GLOBAL REACH

The merged entity will leverage ING Group's international expertise and presence.

Banking on Synergies
National Footprint

National Footprint

Reaching further across India



REGION-WISE BRANCHES*

Branches	ING Vysya	Kotak	Kotak (Merged)	(%)
West	13	46		31
North	22	33		28
South	61	15		36
East	4	6		5

BUSINESS WITH MULTIPLE LOCATIONS*

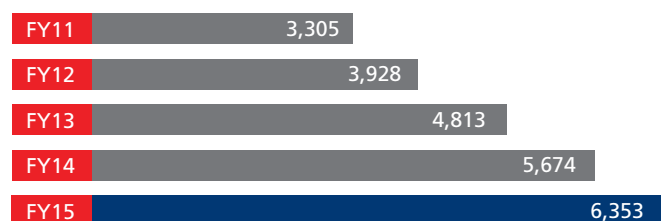
	(Nos.)
Banking	1,261
Car Finance	77
Life Insurance	211
Securities	1,128
Mutual Fund	79
Total	2,756

*As on 1st April, 2015

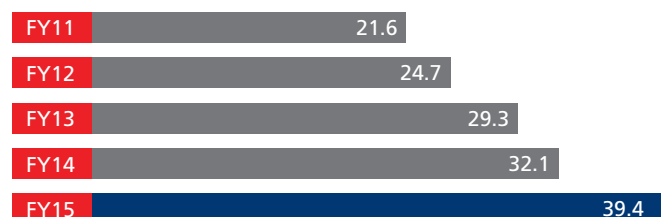
Financial Momentum

Stable and sustainable growth

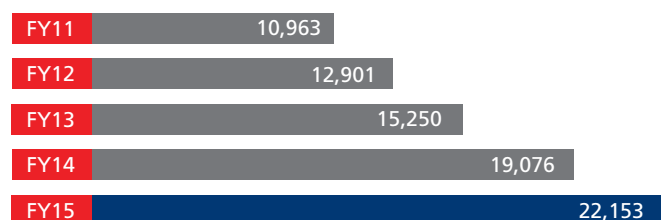
NET INTEREST INCOME (₹ CR)



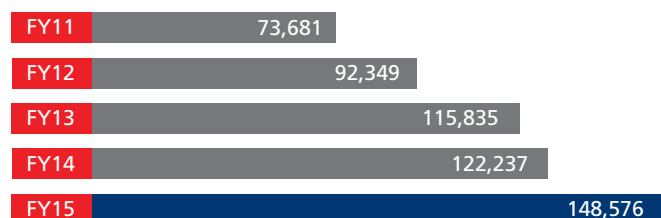
EARNINGS PER SHARE (₹)



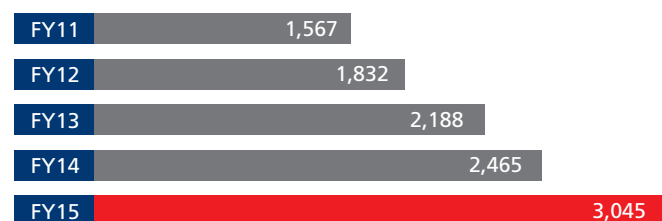
NET WORTH (₹ CR)



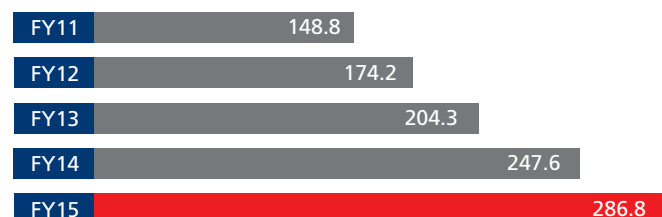
TOTAL ASSETS (₹ CR)



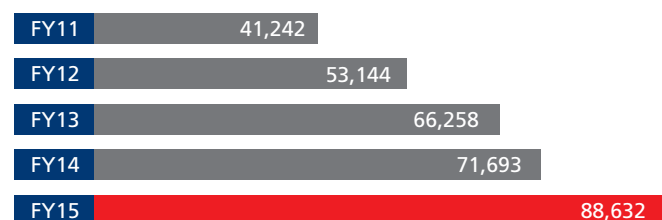
NET PROFIT (₹ CR)



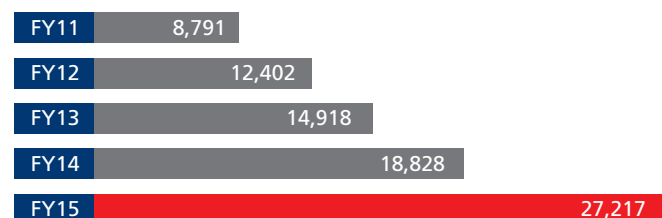
BOOK VALUE PER SHARE (₹)



ADVANCES (₹ CR)



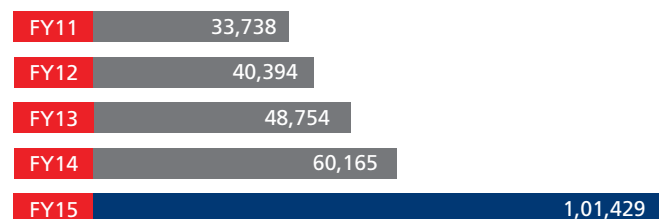
CURRENT ACCOUNT AND SAVINGS ACCOUNT (₹ CR)



Financial Momentum

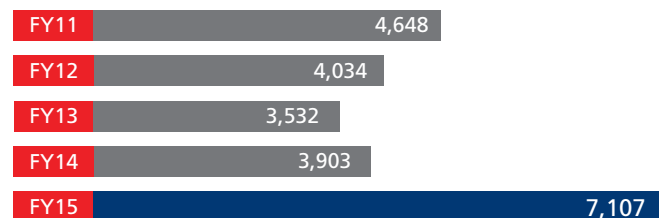
MARKET CAPITALISATION

(₹ CR)



KOTAK SECURITIES AVERAGE DAILY VOLUME

(₹ CR)



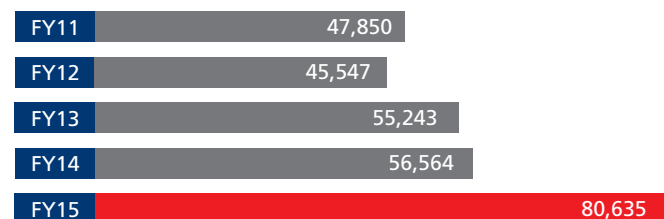
NET INTEREST MARGIN

(%)



TOTAL ASSETS UNDER MANAGEMENT

(₹ CR)



RETURN ON ASSETS

(%)



All figures are consolidated except CASA, which is bank standalone.

Business Review

Robust growth engines



GROUP BUSINESS OVERVIEW



Consumer Banking

(Kotak Mahindra Bank Limited)

- Provides bouquet of liabilities and assets products to retail customers and small businesses
- Offers variety of products and services, ranging from savings accounts, innovative digital solutions, to investment services, transactional conveniences and loan products
- Delivers comprehensive business solutions to the business community, such as current accounts, trade services, cash management services and credit facilities



Commercial Banking

(Kotak Mahindra Bank Limited)

- Plays a significant role in fulfilling the mission of funding deep into 'Bharat' through an expanding network of branches and associates
- Meets a substantial portion of the priority sector lending requirement including agricultural and tractor financing
- Offers a range of products for purchase and operations of commercial vehicles and construction equipment and contributes to India's development
- Participates in India's growth by partnering small and medium enterprises (SMEs) in the country



Corporate Banking

(Kotak Mahindra Bank Limited)

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



Wealth Management

(Kotak Mahindra Bank Limited)

- One of the largest and the most respected wealth management businesses in India
- Provides customised financial solutions to high net worth families (covers 44% of India's top 100 families featuring in Forbes India Rich List 2014)



Car Loan

(Kotak Mahindra Prime Limited)

- Offers finance options in the form of lease and loans for the entire range of passenger cars and multi-utility vehicles
- Provides finance to car dealers for their working capital requirements towards inventory funding and term loans

Business Review

**Life Insurance**

(Kotak Mahindra Old Mutual Life Insurance Limited)

- Among the early private life insurers to break even, reflecting robust management practices and customer-centric philosophy
- Combines international strengths and local advantages to offer customers a wide range of innovative insurance products
- Demonstrates consistent growth in a challenging and competitive environment through sustained value creation, efficient use of capital and improved productivity of distribution channels; focused on enhancing the value proposition for customers through a meaningful product suite, combining protection and long-term savings, multimodal outreach and superior services

**Asset Management**

(Kotak Mahindra Asset Management Company Limited)

- Offers schemes catering to investors with varying risk-return profiles, across a wide products range in the equity, debt and exchange traded funds (ETFs) spaces

**Brokerage**

(Kotak Securities Limited)

- Offers investment opportunities in equities, derivatives, distribution of IPOs, Gold ETFs and mutual funds
- Has emerged as India's leading institutional broker
- Offers secondary market broking services and Indian equity offerings to domestic and foreign institutional investors. It has a full-fledged, highly-ranked research division, engaged in macro-economic studies, and industry and company-specific equity research

**Investment Banking**

(Kotak Mahindra Capital Company Limited)

- A leading full-service investment bank in India, offering integrated solutions encompassing high-quality financial advisory services and financing solutions
- Services include Equity Capital Market issuances, M&A Advisory and Private Equity Advisory

**Alternate Assets**

(Kotak Investment Advisors Limited)

- Building its business successfully across three verticals – Private Equity, Realty Fund and Infrastructure Fund – all led by independent investment teams

**International Business**

(Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Inc., Kotak Mahindra Financial Services Limited)

- Operates in overseas markets through international subsidiaries
- Provides investment solutions to international investors, seeking investment opportunities in India with a dedicated fund management team overseas
- Offers one of the widest range of Indian investment products for international investors

GROUP BUSINESS HIGHLIGHTS**Consumer Banking**

- Launched KayPay – world's first bank agnostic instant funds transfer platform using Facebook
- Launched Jifi Saver - pioneering savings bank account with secure and seamless transactions on popular social networks
- Launched Grand - Savings bank account for persons above 55 years of age
- Launched Mail Money and Message Money - innovative fund transfer solutions
- Tied up with South Africa's fourth largest banking group Nedbank, offering end-to-end banking solutions in India and South Africa to non-resident Indians and persons of Indian origin
- Entered into exclusive partnership with NIIT IFBI and NIIT University to offer Post Graduate Diploma in Banking & Relationship Management

Commercial Banking

- Added depth to the Bank's financial inclusion programme for people engaged in agriculture and allied activities through direct lending to Joint Liabilities Group (JLGs)
- Increased the agri loans portfolio (including tractor loans) from ₹ 10,468 crore in FY 2013-14 to over ₹ 12,000 crore in FY 2014-15
- Gold loan products offered through 150 liability branches and rural housing finance offered across 50 locations
- Increased Emerging Corporate Group's portfolio by 26% with a well-diversified client base across industries through increased presence, especially in tier II cities
- Increased disbursements in the commercial vehicles and construction equipment space

Business review (Contd.)

Corporate Banking

- To serve diverse financial needs Corporate Banking has 9 dedicated commercial branches and 135 Corporate Service Manager (CSM) teams, including cluster heads across 47 locations
- Consistently added value to clients across Cash Management and Trade Services through specialised product solutions that are steered by innovation and robust technology
- Helped clients optimise working capital and liquidity management
- Proactive competition benchmarking, advanced processes and product parameters, continuous client feedback and customised solutions have helped us cater to the requirements of this evolving industry
- Introduced key initiatives like comprehensive statutory payment solution, online EPF payment, Kotak Sarvartha prepaid card and Kotak Bill Pay among many others to serve customers better

Life Insurance

- Launched five new products to cater to guaranteed annual income and protection needs of customers. One micro insurance product was also launched to cater to the rural segment of the population
- Revamped and re-launched the customer portal as Online Policy Manager with emphasis on customer convenience and ease, ensuring that any transaction is processed within three clicks
- Implemented an improved out-calling system at contact centres to improve agent productivity and efficiency, along with reducing data leakage risks associated with earlier system
- Continued effort in migrating from paper-based communication to electronic mode with Think Green initiative, to reduce carbon footprint and to ensure effective customer communication
- Implemented tab-based sales solution named 'Genie' to handle requirements from lead management and pre-sales to sales fulfilment
- Implemented a new and responsive E-insurance portal with a simplified form and a simple process aided by a virtual agent

Asset Management

- The AMC had seen a market share of 5% on the net equity inflows during the year, backed by a very good performance of the equity funds; done exceedingly well in the equity

arbitrage category and has seen a market share of around 19% on average assets under management (AAUM) for FY 2014-15

- The AMC with the approval of SEBI and other regulatory authorities acquired the asset management rights of the domestic schemes of PineBridge Mutual Funds on 31st January, 2015; the acquisition added an AUM of ₹ 507 crore

Brokerage

- Launched Good Till Cancelled Order facility (GTC) for ease and convenience of customers. With this facility, customers have longer validity period (365 days) for limit orders. They don't need to place repeat orders and can experience automatic execution of orders. The customers can also place GTC orders at multiple exchanges – BSE and NSE
- The revamped website, launched in November 2014, features one click trade, seamless navigation and smart bar for quick access, which makes trading on Kotak Securities website a convenient experience for its customers
- The upgraded mobile app now enables customers to place order in MCX-SX, OFS and IPO with a facility to get their queries addressed through a live chat with the customer service desk, without having to log on to the trading platform
- Launched a privilege desk for premium customers, Kotak Preferred Service (KPS); which offers priority query resolution and continuous category engagement
- Inked a strategic alliance with United Bank of India (UBI) – first tie up with a PSU, offering customers of UBI new age trading platforms from Kotak Securities. This alliance, strengthens Kotak Securities' foothold in the East due to UBI's strong presence and this collaboration opens doors for more such alliances in future

Investment Banking

- Completed a diverse set of marquee transactions across various product formats in the Indian equity capital markets, raising a total of ₹ 34,784 crore in FY 2014-15
- Ranked the #1 Book Running Lead Manager across all equity offerings (IPOs, FPOs, QIPs, OFS, IPPs, Rights issue and block deals) in FY 2014-15
- Advised on a wide array of 19 M&A transactions across a wide range of products and sectors, for a total deal value of US\$ 4.8 billion

International Business

- Mobilised over US\$ 1 billion through various debt offerings

Flight Ready

On the growth trajectory

Kotak listed new equity shares of the merged entity on the stock exchanges. As per the scheme of the merger, shareholders of ING Vysya Bank received 725 shares of Kotak Mahindra Bank for 1,000 shares of ING Vysya Bank.

“

It is heartening that shareholders of both the organisations approved this merger with overwhelming support. As a result, with this auspicious bell ringing ceremony, we delightfully welcome all shareholders of ING Vysya Bank into the Kotak family. The merger brings two strong players, with deep Indian roots and global standards of service. I am confident that the merged entity will tap the immense growth potential the country has to offer, and contribute to India's transformation.”

Uday Kotak

Executive Vice Chairman and Managing Director,
Kotak Mahindra Bank



Ms. Chitra Ramkrishna, MD & CEO, National Stock Exchange (NSE), Mumbai, Kotak Mahindra Bank's Mr. Uday Kotak, Executive Vice Chairman & Managing Director and Mr. C. Jayaram, Joint Managing Director rang the ceremonial bell at NSE, Mumbai, to mark the listing of new Kotak Mahindra Bank shares.

Message from Uday Kotak

Growing India. Stronger Kotak



Uday Kotak

Executive Vice Chairman and Managing Director,
Kotak Mahindra Bank

We have completed the merger of ING Vysya Bank with Kotak Mahindra Bank, one of the biggest mergers in the Indian banking system.

Dear Friend,

It has been a year since the Narendra Modi-led NDA government came into power. In this euphoric phase, we have seen some action. While the euphoria may have faded, the country has made progress. India's macroeconomic signals have become stronger and stable. Crucial parameters such as current account deficit, fiscal deficit and levels of inflation have improved.

Message from Uday Kotak

Against this backdrop what are the thoughts that cross our minds? There is a perception that expectations are ahead of reality. This perception stems from excessive exuberance, which needs to be moderated. However, in reality, I am confident that growth will be steady, stable and upwards.

I am convinced that the India Marathon story is already playing out. The watchers of the Indian economy as well as the markets should not look for steroids. India is always going to have challenges; it is unlikely to be a great snapshot, but certainly will make for a wonderful movie. India is poised to witness stable and sustainable growth in the long term.

One of the biggest challenges is the history of excessive leverage by India Inc. This has slowed down parts of the Indian banking system. As these events unfold and unravel, I sincerely hope that it does not create any accidents and challenge the capacity of the financial system in supporting the growth of the Indian economy.

If we look at the fundamentals of the Indian banking system, public sector banks account for about 70% of the savings and deposits, and private sector banks account for the rest. With new issues challenging the banking system, it is time for us to ponder how we structure the future of Indian banking.

I believe that over the next 10 years the ratio will be equitable between public and private sector banks. What is more critical is that both have the capacity to support and sustain the growth of the Indian economy at a faster pace.

In this context, I see significant challenges and opportunities for us at Kotak. When I think about our future, there are two phrases that come to my mind, which I have shared with my colleagues. One, we need to build an institution that has the capacity to defy gravity. Second, our vision for a 'Bigger, Bolder, Better Kotak'. These aspirations steered us to take five important steps in FY 2014-15.

The first is a big one. We have completed the merger of ING Vysya Bank with Kotak Mahindra Bank, one of the biggest mergers in the Indian banking system. This merger has created significant capacity for the combined firm as the total employee base crosses 40,000 and the combined consolidated balance sheet has increased to around ₹ 2 lakh crore.

I believe that over the next 10 years the ratio will be equitable between public and private sector banks. What is more critical is that both have the capacity to support and sustain the growth of the Indian economy at a faster pace.

₹ 2 lakh crore CONSOLIDATED
BALANCE SHEET SIZE

Message from Uday Kotak (Contd.)



Our brand campaign 'Kona Kona Kotak' signifies our expanded reach across hundreds of towns and cities of the country.

We can now harness the power of complementarities and synergies between our networks. In the next five to ten years, we see long-term opportunities and huge distribution potential that will accelerate the pace of our growth.

The second strategic decision was the acquisition of domestic schemes of PineBridge Mutual Fund. Third, we took a 15% stake in India's largest commodity exchange - MCX. Fourth, we are foraying into the general insurance business, which will be a 100% subsidiary of the Bank. And finally, we have agreed to invest up to 20% in a proposed payments bank by Airtel M Commerce Services Limited - an area where we see immense potential.

Organically, the different arms of Kotak have shown healthy growth. Before the merger we saw a growth of about 25% in advances, and profits grew by 24%. Our asset quality has been top notch, riding on low gross NPAs and net NPAs, and lowest restructured assets in the Indian banking sector.

We expect our fee income from foreign exchange business, equities, brokerage, or distribution of products in the mutual fund space to grow further, as we build our franchise. We are also emerging stronger on account of our robust liabilities and assets. Further, we have deepened and widened our customer base, which is growing steadily. With the merger of ING Vysya Bank, our national footprint has grown. Our brand campaign 'Kona Kona Kotak' signifies our expanded reach across hundreds of towns and cities of the country.

As I evaluate our 'Concentrated India, Diversified Financial Services' business model, I am excited about all segments of our business. After the merger, our banking and finance business has further strengthened. I also see tremendous growth potential in our capital markets and investment banking businesses. While the capital markets business was once a dominant part of our pie, today it is a smaller but an extremely valuable piece that generates high ROEs for our shareholders.

The other two promising businesses are life insurance and asset management. I see a turnaround in both the businesses as we leverage the additional distribution network. There is also some traction in our alternate asset businesses. Therefore, banking and financing, capital markets and investment banking, life

Message from Uday Kotak

insurance and asset management give us a complete menu of diversified financial services, which we believe will help us leapfrog to significantly higher growth rates in the coming years.

As we continue to grow, we will always adhere to our principles of humility, prudence and simplicity.

I am a great believer in creating long-term shareholder value. I welcome all erstwhile shareholders of ING Vysya Bank as Kotak Mahindra Bank shareholders. Long-term value is about building institutions beyond the immediate present. If you look at the Kotak story, an investor who invested ₹ 1 lakh in Kotak in November 1985 - when we just started the company, would today have a shareholding worth over ₹ 1,100 crore. This has been one of the most exciting periods of our journey. We have announced 1:1 bonus issue to all our shareholders. This is our way of saying that we would like to see our investors' investments grow in Kotak. For me, this is long-term value creation for every stakeholder and shareholder of Kotak Mahindra Bank.

There comes a time when you sit back and ask a question how things look from here. The journey has been enjoyable so far and I am looking forward to an even more exciting time in the context of India's Marathon story. I am confident that brand India and the potential that it promises will provide us the platform to build an institution of global repute, size and stature.

My aspiration is to build an institution that every Indian will be proud of. I would love to come back and report to you about our growth story in a year's time.

I thank you all for your continued support and look forward to frequent interactions with you.

Best wishes,



22nd May, 2015

An investor who invested ₹ 1 lakh in Kotak in November 1985 - when we just started the company, would today have a shareholding worth over ₹ 1,100 crore.

Board of Directors

Strategic vision and direction



Dr. Shankar Acharya
Chairman



Uday Kotak
Executive Vice Chairman
& Managing Director



C. Jayaram
Joint Managing Director



Dipak Gupta
Joint Managing Director



Asim Ghosh
Director



Amit Desai
Director



Prakash Apte
Director



N.P. Sarda
Director



Prof. S. Mahendra Dev
Director



Farida Khambata
Director



Mark Edwin Newman
Additional Director

Board of Directors

Multiple Value Streams

Multiple Value Streams

Flexible, agile and robust business model



Proud to be in Panjim

Ab kona kona Kotak

Kotak is diversifying into multiple business verticals with a deep India focus as part of its continuing agenda to partner the aspirations of a rapidly transforming society. It is now more flexible, agile and focused on creating long-term value.

ENTRY INTO GENERAL INSURANCE

Kotak has announced its plan to foray into the general insurance business. It has received approval from Reserve Bank of India (RBI) and in-principle approval from Insurance Regulatory and Development Authority (IRDA) for incorporation of a General Insurance company. Once all regulatory approvals are in order, the Group will be able to offer complete range of financial products and services in this space.

The Group's knowledge and experience across the BFSI spectrum generates excellent cross synergies that it hopes to leverage in the general insurance business to the benefit of its customers and stakeholders.

STRENGTHENING THE MUTUAL FUND SPACE

Kotak acquired the domestic schemes of PineBridge Mutual Fund (PBI MF). The assets included equity oriented schemes, which further enriched its equity base. Both fund houses (Kotak and PBI MF) share common investment philosophies of selecting robust companies with good management quality. This provides an optimal platform for smooth and efficient integration of the

schemes. Kotak Mahindra Mutual Fund's cumulative asset under management stood at ₹ 39,008 crore as on 31st March, 2015.

INVESTMENT IN MCX

The Bank has bought 15% equity stake in Multi Commodity Exchange of India Ltd (MCX), from Financial Technologies (India) Ltd (FTIL), for a consideration of ₹ 459 crore. The intent is to leverage the potential in the Indian financial infrastructure space.

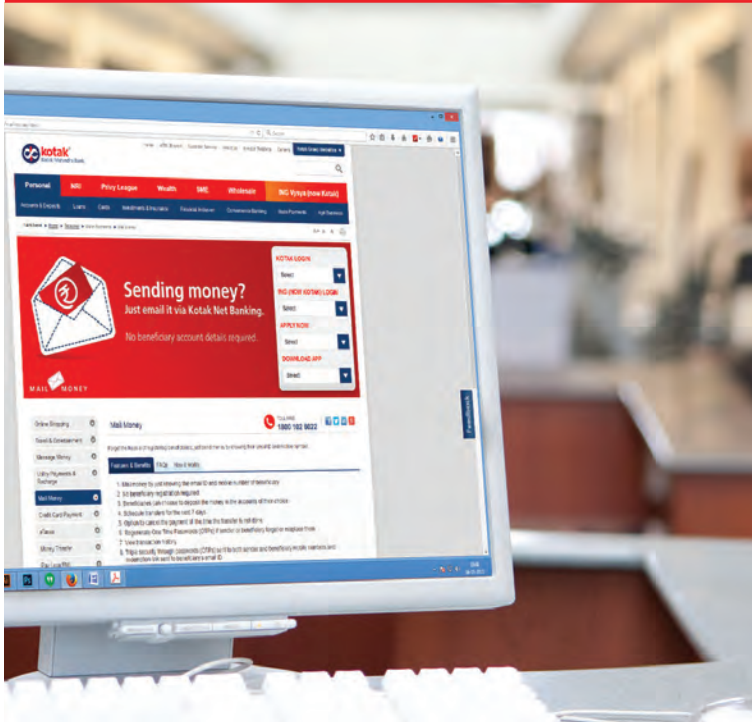
ENTRY INTO PAYMENT BANK

The Bank has announced that it has agreed to invest 19.90% in Airtel M Commerce Services Limited (AMSL) for setting up a Payment Bank on AMSL, obtaining the Payment Bank license from Reserve Bank of India (RBI). Payment banks have the potential to boost India's financial inclusion agenda. Crucial services (small savings accounts, remittances, and so on) will bring a large number of low income households and small businesses under the formal banking network.

With 30 crore subscribers, Bharti Airtel has the fourth largest telecom base globally. It enjoys 31% market share across India and has a strong nation-wide presence, reaching 14 lakh retail points. Its technology, physical infrastructure, rural distribution network and large telecom customer base in India, coupled with Kotak's banking expertise is a definite win-win for Airtel and Kotak.

Carefully Crafted Bespoke Solutions

Something for everyone



The Bank has tailored offerings for a wide customer cross-section, from people having an active digital life to those looking for hassle-free banking, financial independence and personal attention.

MAIL MONEY

MAIL YOUR MONEY

'Mail Money' allows customers to transfer funds simply by entering an email id and mobile number of a beneficiary and initiate a fund transfer through Kotak's secure net banking platform. The sender is not required to know the recipient's bank account details for initiating the transfer.

jifi

BANKING GOES SOCIAL

'Jifi Saver' is a social savings bank account, which can be managed via Twitter and Facebook. It seamlessly integrates popular social media platforms with conventional banking. The account also has a rewards programme, and over 23 services, including mobile and DTH recharge, which can be availed under its Hashtag Banking proposition.

Carefully Crafted Bespoke Solutions



kaypay

CONNECTING 250 MILLION BANK ACCOUNT HOLDERS

'KayPay' is the world's first bank agnostic, real-time funds transfer platform, connecting over 250 million bank account holders from 29 Indian banks. One can transfer funds to contacts on Facebook and Google+, or by simply entering the email id of the beneficiary. The platform has seen rapid adoption since its launch in October 2014. It has also been rated among the most innovative payment platforms in India and globally.



LIFE IS GRAND AFTER 55

'Grand' is a unique savings bank account tailored exclusively for customers who are 55 years and above. Customers get priority service and a first aid card, which contains essential information and emergency contacts details. It also offers queue privileges at the branch. In addition, customers will get a health card from Indian Health Organisation (IHO), offering up to 50% discount on treatments, consultation and procedures. Customers can also avail of special lifestyle offers from various brands.

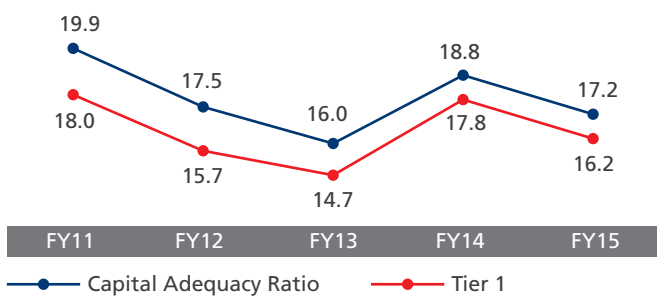
MUCH MORE THAN A SAVINGS ACCOUNT

Kotak Savings Bank Account goes beyond the traditional role of savings, and provides a wide range of services through a comprehensive suite of investment services and other transactional conveniences like Online Shopping, Bill Payments, ASBA, Netc@rd and ActivMoney (Automatic TD sweep-in and Sweep-out), among others.

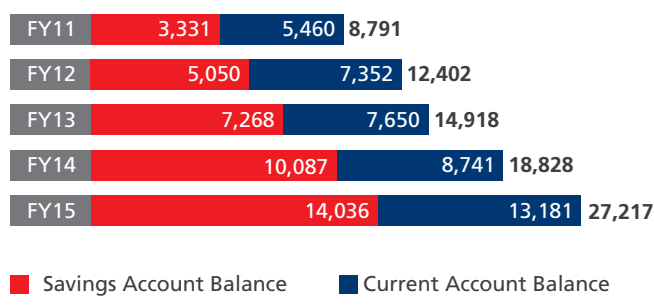
Fundamentally Prudent

360-degree insight into business mix

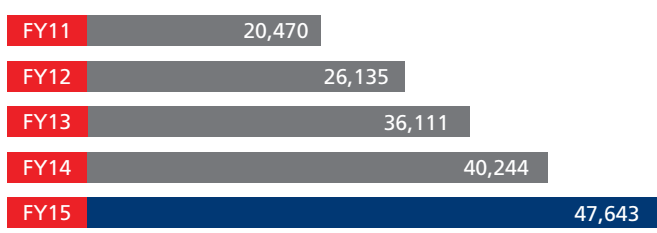
CAPITAL ADEQUACY RATIO AND TIER 1 CAPITAL (%)



CASA MIX (₹ CR)



TERM DEPOSIT (₹ CR)



All above figures are bank standalone.

CURRENT ACCOUNT AND SAVINGS ACCOUNT (%)

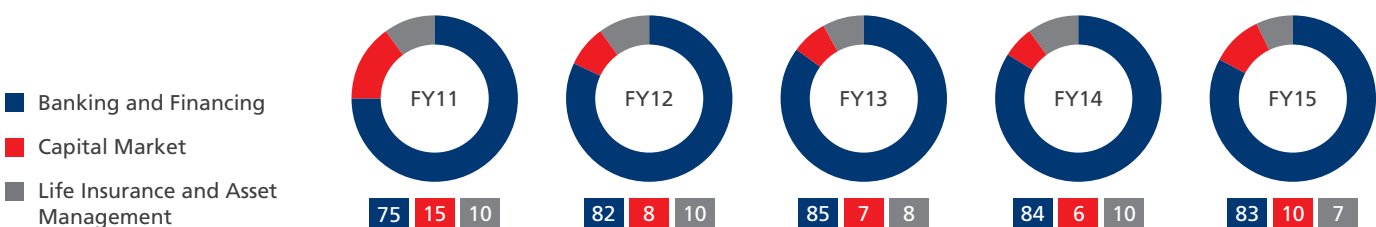


ADVANCE MIX (₹ CR)

Branches	FY15	FY14	FY13	FY12	FY11
Consumer	35,859	30,162	27,334	21,608	17,169
Commercial	27,737	24,003	24,130	19,028	14,512
Corporate	25,036	17,528	14,794	12,508	9,561
Total	88,632	71,693	66,258	53,144	41,242

All figures are consolidated

GROWING GROUP BUSINESS MIX (%)



Fundamentally Prudent
ESG Practices

ESG Practices

Doing Business Responsibly

Kotak Mahindra Bank continually strives to intertwine Environmental, Social and Governance (ESG) aspects with all facets of business operations and stakeholder dealings. This is implemented through the Bank's Business Responsibility (BR) agenda.

Guided by its Code of Conduct, the Bank strives incessantly to conduct operations in a responsible and ethical manner. The core ingredient to the growth and success are its employees. They are an intrinsic element to the business operations and the Bank has charted programmes and policies for their welfare and growth. The Bank took numerous initiatives, including special programmes for women, to augment the talents and skills of its workforce.

The Bank's Fair Policy Code believes in upholding the rights of every individual by making products and services available without discrimination on the basis of caste, race, colour, religion, gender, and so on. Kotak also reaches out to the unbanked rural areas of India and equips them with financial solutions that will help alleviate poverty. Under Pradhan Mantri Jan Dhan Yojana (PMJDY), the Bank has conducted camps every week, where over 660 branches participated in this activity. More than one lakh savings accounts were opened.

Climate change and global warming pose adverse effects on the continuity of any business. The Bank believes in acting with responsibility towards the environment. It has undertaken numerous initiatives directed at reducing the ecological impact of its operations, such as reducing the amount of paper used, installation of sensors that minimise energy consumption and similar other initiatives.

In an effort to promote education among the underprivileged sections of the society, Kotak Education Foundation (KEF) helps children and youth through different interventions. These interventions are designed to empower recipients and provide employable skills, which will enable them to live with dignity. Through the Foundation, KEF is able to provide livelihood support to children and youth from Below the Poverty Line (BPL) families in Mumbai, Thane and Raigad regions.

KEY HIGHLIGHTS

- Astra: Initiative to enhance interactivity among women employees to help them understand apprehensions and challenges of other women colleagues
- Corporate Social Responsibility spend of ₹ 1,197 lakh in FY 2014-15
- 15 lakh A4 size papers saved through M Collection, a mobile based application used for collection of dues from retail loan / credit card customers in remote branches
- 7 tonnes of paper saved through e-statements and optimisations in FY 2014-15

15 lakh A4 SIZE PAPERS SAVED

₹ 1,197 lakh CORPORATE SOCIAL
RESPONSIBILITY
SPEND

Awards and Accolades

Recognised for excellence

World Entrepreneur of the Year Award 2014

Uday Kotak, Executive Vice Chairman and Managing Director, won the world's most prestigious business award - Ernst & Young (EY) World Entrepreneur of the Year Award 2014



Banker of the Year

Uday Kotak, Executive Vice Chairman and Managing Director recognised as 'Banker of the Year 2014' by Businessworld



Entrepreneur of the Decade

Uday Kotak, Executive Vice Chairman and Managing Director receives Bombay Management Association (BMA) Entrepreneur of the Decade award 2013-14 from Shailesh Haribhakti, Chairman, Desai Haribhakti & Company, Ratan Tata and Niteen Bhagwat, President, BMA



ICAI Awards 2015

The Institute of Chartered Accountants of India (ICAI) awarded and recognised the following five: 1) TV Raghunath – CA Business Leader (Financial Services) Award, 2) Krishnan Ramachandran – CA CFO (Others) Award, 3) Kaushal Shah – CA Professional Achiever (Others) Award, 4) Sudha Balakrishnan – CA Professional Achiever (Women) Award and 5) Nimesh Kampani – CA for contribution to the industry

Awards and Accolades

**Most Imminent Bank Award**

Dipak Gupta receives 'Most Imminent Bank Award 2014' from Shri Yashwant Sinha, former Union Minister of Finance at Outlook Money Awards

**League of Excellence**

Jaimin Bhatt receives CFO India's 'The League of Excellence' award from Shri U K Sinha, Chairman, Securities & Exchange Board of India

**Woman of the Year**

Shanti Ekambaram receives IMC Ladies Wing's Woman of the Year 2013-14 award for Banking and Financial Services from GN Bajpai, Chairman, Future Generali India Life Insurance Co. Ltd.

**Highest Pledge Raisers**

Kotak Mahindra Bank received 'Second Highest Fundraiser Award' in the Corporate Challenge category of Mumbai Marathon 2015. KVS Manian and Shanti Ekambaram were also recognised as the highest and second highest individual pledge raisers, respectively, in the category

**Excellent in Security**

Agnelo D'Souza and Jaypaul Reddy received the award for excellence in security under 'Security in Bank' category at the Data Security Council of India Excellence Awards 2014 from R Chandrashekar - President, NASSCOM & Former Union Telecom Secretary

- Shanti Ekambaram recognised among Business Today's Most Powerful Women in Indian Business
- Manoj Mauni, VP - Information Technology, was chosen among the top 100 IT professionals in the ITNEXT 100, an initiative of the ITNEXT magazine that recognises and awards senior IT professionals who stand out as CIOs in the years to come
- Amit Jain (KMBL), Gaurav Sarayan (KMBL) and Prateek Diwan (KMCC) made it to The Economic Times Young Leaders List. They were among the top 37 talented people from across some 20,000 executives, chosen through formidable rounds of evaluation

Awards and Accolades (Contd.)

- Adjudged the Best Bank in 2014 by Business India
- Awarded # 2 best mid-sized and #3 fastest growing mid-sized bank in the Businessworld - PWC Best Bank Survey 2014
- Rated amongst the top 3 Most Innovative Banks at Finnoviti 2015: KayPay – Outstanding innovation and Insta Balance – Outstanding innovation
- Kotak Jifi won the following awards at the Indian Digital Media Awards 2014: Gold Award for the Best Innovation-World's first socially powered bank account and Gold award for the best app developed - World's first banking application using Twitter
- Kotak Jifi won the following awards at Campaign India Digital Crest Awards: Platinum for Innovation - World's first Twitter enabled Banking Product. Gold for Best Usage Viral Marketing, Gold for Best Usage of Social Media, Gold for Best Usage of Digital Marketing, Gold for Best Digital Strategy and received special award for Innovation (IMPS) at National Payments Excellence award 2014
- Amul Samridhi won the 'Best Prepaid Card Programme' at Financial Inclusion & Payments System (FIPS) 2014
- Recognised as the best in various categories at the Global Custodian Agent Banks, the Emerging Markets Survey 2014: Global Out Performer and Market Out Performer, Category Out Performer
- Won the Best Local Cash Management Bank in India (6th year in a row) in the Asiamoney Cash Management Poll 2014 (For small and medium enterprises)
- Received EMC Transformers award for innovative use of storage technology by implementation of three way disaster recovery solution
- Awarded Best performer in Demat Account Growth Rate (Top DPs) by National Securities Depository Limited (NSDL)

KOTAK WEALTH MANAGEMENT

- Best Private Bank – India by FinanceAsia Country Awards 2014
- By Euromoney Private Banking Survey 2015: Best Private Banking Services Overall, Global Top 30, Best Private Banking Services Overall, Asia Top 10, Best Private Banking Services Overall, India and Best in Succession Planning Advice and Trust*

*Kotak Mahindra Trusteeship Services Ltd.

KOTAK INSTITUTIONAL EQUITIES

- Best Brokerage House - India - The Asset Triple A Country Awards 2014
- Ranked #1 on a weighted formula basis in Institutional Investor's 2014 All-India Research Team
- Best Local Brokerage in Asiamoney's Brokers Poll 2014
 - Ranked #2 for Most Independent Research Brokerage among all domestic and foreign brokerages
 - Ranked #2 for Best Overall Country Research among all domestic and foreign brokerages
 - Ranked #2 for Best Execution among all domestic and foreign brokerages

KOTAK MAHINDRA CAPITAL COMPANY

- Best Investment Bank in India, FinanceAsia Country Awards for Achievement 2014
- Best ECM House in India, FinanceAsia Country Awards for Achievement 2014
- Best Domestic Equity House by Asiamoney – 2014
- Best Domestic Investment Bank - The Asset Triple A Country Awards 2014
- Securities Advisory Firm of the Year in India – CorporateINTL Global Awards 2014

KOTAK SECURITIES

- Best Broker in India, FinanceAsia Country Awards for Achievement 2014
- Broker of the Year in India in The Asian Banker Financial Markets Awards 2014
- Best Research as Research Showcase Partner at ResearchBytes IC Awards 2014
- Awarded Top Performer in New Accounts Opening (Non-Bank Category - 2nd Position) at Star Performer Awards by NSDL
- Awarded My FM - Stars of the Industry Award for Excellence in Online Demat
- Awarded for Smart Order Routing by Banking Frontiers at FINNOVITI 2015

KOTAK MAHINDRA ASSET MANAGEMENT

- Awarded ETF Manager of the Year (India) under Country Category Awards by ETFI Asia -ETF & Indexing Awards 2015

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Financial Statements

Consolidated Financial Highlights 2014-2015

(₹ in crore)

FINANCIAL HIGHLIGHTS	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Advances	41,242	53,144	66,258	71,693	88,632
Investments*	18,279	23,261	31,340	27,788	33,672
Total Assets	73,681	92,349	115,835	122,237	148,576
Net Profit	1,567	1,832	2,188	2,465	3,045
KEY FINANCIAL INDICATORS					
Net Interest Margin (NIM)	5.23%	4.83%	4.70%	4.97%	4.93%
Return on Average Assets (RoAA)	2.4%	2.2%	2.1%	2.1%	2.3%
Book Value Per Share (₹)	149	174	204	248	287
Earnings Per Share (EPS) Face Value ₹ 5 per share	21.6	24.7	29.3	32.1	39.4
Return on Equity (RoE)	16.4%	15.4%	15.6%	14.0%	14.8%
Capital Adequacy Ratio**	19.5%	17.9%	17.0%	18.9%	17.6%
Gross NPA (₹ crore)	712	700	848	1,178	1,392
Net NPA (₹ crore)	243	273	361	634	697
Gross NPA Ratio	1.7%	1.3%	1.3%	1.6%	1.6%
Net NPA Ratio	0.6%	0.5%	0.6%	0.9%	0.8%

* Excludes Policyholders' investments

** For the Year 2014 & 2015 Capital Adequacy Ratio and Tier I Ratio is computed on the basis of BASEL III Norms issued by RBI and for previous period based on BASEL II Norms.

MARKET RELATED RATIOS	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Market Price (₹)	457	545	653	781	1313
Market Capitalisation (₹ crore)	33,738	40,394	48,754	60,165	101,429
Price to Book Ratio	3.1	3.1	3.2	3.2	4.6
Price to Earnings Ratio	21.2	22.0	22.3	24.3	33.3

Highlights

Standalone Financial Highlights 2014-2015

(₹ In crores)

Financial Highlights	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Deposits	29,261	38,537	51,029	59,072	74,860
Advances	29,329	39,079	48,469	53,028	66,161
Investments	17,121	21,567	28,873	25,485	30,421
Total Assets	50,851	65,666	83,694	87,585	106,012
Net Interest Income	2,097	2,512	3,206	3,720	4,224
Fee Income	467	578	737	853	1,226
Other Non Interest Income	314	400	424	547	802
Operating profit	1,325	1,655	2,157	2,577	2,997
Provisions and Contingencies	137	55	185	304	164
Tax Provision	370	515	611	770	967
Net Profit	818	1,085	1,361	1,503	1,866
Key Financial Indicators					
Net Interest Margins	5.2%	4.7%	4.6%	4.9%	4.9%
Cost to Income Ratio	54%	53%	51%	50%	52%
Return on Average Assets	1.8%	1.8%	1.8%	1.8%	2.0%
Fee / NII Plus other Income	16.2%	16.6%	16.9%	16.7%	19.6%
NII / NII Plus other Income	72.9%	72.0%	73.4%	72.7%	67.6%
Capital Adequacy Ratio*	19.9%	17.5%	16.0%	18.8%	17.2%
Tier I *	18.0%	15.7%	14.7%	17.8%	16.2%
Gross NPA Ratio	2.0%	1.6%	1.6%	2.0%	1.9%
Net NPA Ratio	0.7%	0.6%	0.6%	1.1%	0.9%

*For the Year 2014 & 2015 Capital Adequacy Ratio and Tier I Ratio is computed on the basis of BASEL III Norms issued by RBI & for previous period based on BASEL II Norms.

Consolidation at a Glance

	2014-2015		2013-2014		March 31, 2015	March 31, 2014
	Profit before Tax	Profit after Tax	Profit before Tax	Profit after Tax	Networth	Networth
Kotak Mahindra Bank Limited	2,832.96	1,865.98	2,272.45	1,502.52	14,141.09	12,275.08
Subsidiaries						
Kotak Mahindra Prime Limited	773.95	507.36	751.66	491.18	3,349.72	2,842.73
Kotak Securities Limited	441.40	289.58	234.27	160.17	2,384.02	2,094.44
Kotak Mahindra Capital Company Limited	16.39	12.42	17.60	14.22	415.22	402.80
Kotak Mahindra Old Mutual Life Insurance Limited	261.22	228.89	261.40	239.13	1,291.03	1,041.80
Kotak Mahindra General Insurance Limited	(0.27)	(0.27)	-	-	0.78	-
Kotak Mahindra Investments Limited	158.20	106.35	64.40	42.05	617.22	435.89
Kotak Mahindra Asset Management Company Limited	(35.91)	(36.18)	49.56	33.39	51.13	78.17
Kotak Mahindra Trustee Company Limited	10.77	7.14	10.16	6.97	50.55	47.93
Kotak Mahindra (International) Limited	38.28	35.34	42.52	39.32	353.10	304.21
Kotak Mahindra (UK) Limited	12.02	11.63	(22.60)	(23.04)	104.82	89.09
Kotak Mahindra, Inc.	(1.85)	(1.87)	(6.24)	(6.29)	14.92	16.13
Kotak Investment Advisors Limited	30.02	26.03	25.27	17.36	266.27	240.24
Kotak Mahindra Trusteeship Services Limited	0.29	0.28	1.49	1.07	6.31	6.03
Kotak Forex Brokerage Limited	(0.28)	(0.28)	(0.08)	(0.08)	0.05	0.33
Kotak Mahindra Pension Fund Ltd	(0.25)	(0.25)	(0.17)	(0.17)	25.26	25.51
Kotak Mahindra Financial Services Ltd	6.17	6.17	(3.11)	(3.11)	7.01	0.68
Total	4,543.11	3,058.32	3,698.58	2,514.69	23,078.50	19,901.06
Add : Associates		39.88		15.62	585.90	549.11
Less : Dividend, Minority interest, Inter company and other adjustment		52.75		65.33	1,511.80	1,374.18
Consolidated Profit After Tax / Networth		3,045.45		2,464.98	22,153.32	19,075.99
Consolidated Earnings per Share (₹)		39.40		32.14		
Consolidated Book Value per Share (₹)					286.83	247.64

Independent Auditor's Report

TO THE MEMBERS OF

KOTAK MAHINDRA BANK LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **KOTAK MAHINDRA BANK LIMITED** ("the Bank"), its Subsidiaries (the Bank and its subsidiaries together referred to as "the Group") and Associates comprising of the Consolidated Balance Sheet as at 31st March, 2015, 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 (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Bank's Management and Board of Directors are responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, 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. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31st March, 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

- a) We did not audit the financial statements of thirteen subsidiaries whose financial statements reflect total assets of ₹ 70,707,366 (thousands) as at 31st March, 2015, total revenues of ₹ 15,511,639 (thousands) and net cash inflows amounting to ₹ 224,891 (thousands) for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 372,392 (thousands) for the year ended 31st March, 2015 as considered in the consolidated financial statements, in respect of one associate whose financial statements have not been audited by us. These financial statements have been audited by other auditors, whose report has 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-sections (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of the other auditors.
- b) The consolidated financial statements also include the Group's share of net loss of ₹ 66,142 (thousands) for the year ended 31st March, 2015, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements are unaudited and 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 associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.
- c) The auditors of a subsidiary of the Bank, Kotak Mahindra Old Mutual Life Insurance Limited ("the Company"), have reported in their audit opinion "the actuarial valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31st March, 2015 is the responsibility of the Company's Appointed Actuary ("the Appointed Actuary"). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31st March, 2015 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ("the IRDA"/"Authority") and the Institute of Actuaries of India in concurrence with the Authority." The auditors of the Company have relied upon the Appointed Actuary's certificate 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 on financial statements of the Company.

Our opinion 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 certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, 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 purposes of our audit of the aforesaid consolidated financial statements.
- b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- c. The Consolidated Balance Sheet, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of the written representations received from the directors of the Bank as on 31st March, 2015 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiary companies and associate companies incorporated in India, none of the directors of the Group companies and its associate companies incorporated in India is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.

Auditors' Report

- f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us :
- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates – Refer Schedule 12, Schedule 17-Note 2V and Schedule 17-Note 8 to the consolidated financial statements.
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 17-Note 2V and Schedule 17-Note 6 to the consolidated financial statements in respect of such items as it relates to the Group, and its associates.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank, its subsidiary companies and associate companies incorporated in India.

For S. B. Billimoria & Co.

Chartered Accountants
(Firm's Registration No. 101496W)

Kalpesh J. Mehta

Partner
(Membership No.48791)

Mumbai, 5th May, 2015
KJM/RND

Consolidated Balance Sheet

as at 31st March, 2015

(₹ in thousands)

	Schedule	As at 31st March, 2015	As at 31st March, 2014
CAPITAL AND LIABILITIES			
Capital	1	3,861,763	3,851,555
Reserves and Surplus	2	217,671,387	186,908,479
Minority Interest	2A	3,356,912	2,708,921
Employees' Stock Options (Grants) Outstanding		29,969	85,315
Deposits	3	728,434,592	569,297,535
Borrowings	4	314,148,793	290,071,364
Policyholders' Funds		137,926,095	110,145,582
Other Liabilities and Provisions	5	80,328,109	59,297,587
Total		1,485,757,620	1,222,366,338
ASSETS			
Cash and Balances with Reserve Bank of India	6	39,451,165	29,605,075
Balances with Banks and Money at Call and Short Notice	7	29,583,250	36,825,986
Investments	8	473,508,682	387,910,461
Advances	9	886,322,146	716,925,240
Fixed Assets	10	13,815,528	12,606,700
Other Assets	11	43,042,655	38,458,682
Goodwill on Consolidation		34,194	34,194
Total		1,485,757,620	1,222,366,338
Contingent Liabilities	12	664,470,942	458,067,267
Bills for Collection		44,199,924	30,155,988
Significant Accounting Policies and Notes to the Consolidated Financial Statements	17		

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

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Uday Kotak
Executive Vice Chairman
and Managing Director

Bina Chandarana
Company Secretary

Balance Sheet
Profit and Loss Account**Consolidated Profit And Loss Account** for the year ended 31st March, 2015

(₹ in thousands)

	Schedule	For the year ended 31st March, 2015	For the year ended 31st March, 2014
I. INCOME			
Interest earned	13	133,188,886	119,859,041
Other Income	14	81,521,957	52,823,853
Total		214,710,843	172,682,894
II. EXPENDITURE			
Interest expended	15	69,661,022	63,121,199
Operating expenses	16	97,492,643	69,516,988
Provisions and Contingencies (Refer Note 6 - Schedule 17)		16,906,389	14,929,307
Total		184,060,054	147,567,494
III. PROFIT			
Net Profit for the year		30,650,789	25,115,400
Less : Share of Minority Interest		595,122	621,747
Add : Share in profit / (loss) of Associates		398,835	156,243
Consolidated Profit for the year attributable to the Group		30,454,502	24,649,896
Add : Balance in Profit and Loss Account brought forward from previous year		97,191,920	78,820,658
Total		127,646,422	103,470,554
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		4,665,000	3,756,300
Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		1,227,800	1,066,600
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		280,000	320,000
Transfer to General Reserve		940,500	791,700
Transfer to Capital Reserve		59,100	4,000
Transfer (from) / to Investment Reserve Account		866,500	(411,014)
Proposed Dividend		820,654	630,789
Corporate Dividend Tax		145,559	120,259
Balance carried over to Balance Sheet		118,641,309	97,191,920
Total		127,646,422	103,470,554
V. EARNINGS PER SHARE [Refer Note 9 - Schedule 17]			
Basic (₹)		39.49	32.19
Diluted (₹)		39.40	32.14
Face value per share (₹)		5.00	5.00
Significant Accounting Policies and Notes to the Consolidated Financial Statements	17		

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

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Uday Kotak
Executive Vice Chairman
and Managing Director

Bina Chandarana
Company Secretary

Consolidated Cash Flow Statement

for the year ended 31st March, 2015

(₹ in thousands)

	Year ended 31st March, 2015	Year ended 31st March, 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit for the year	30,650,789	25,115,400
Add : Provision for tax	14,849,035	11,839,645
Net Profit before taxes	45,499,824	36,955,045
Adjustments for :-		
Employee Stock Options expense	22,594	46,858
Depreciation on Group's property	2,368,933	2,078,572
Amortisation of Premium on Investments	838,179	882,834
Diminution / (write back) in the value of investments	(1,165,700)	1,460,685
Profit on revaluation of investments (net)	(6,771,482)	(3,305,082)
Profit on sale of Investments (net)	(17,620,174)	(2,865,374)
Provision for Non Performing Assets, Standard Assets and Other Provisions	3,223,054	1,628,977
Profit on sale of fixed assets	(150,781)	(21,385)
Increase in Foreign Currency Translation Reserve [Refer Note 2 (G) (xi) - Schedule 17]	192,957	376,174
	26,437,404	37,237,304
Adjustments for :-		
(Increase) / Decrease in investments [other than HTM and Long Term investment]	(11,704,181)	32,108,489
Increase in Advances	(171,827,971)	(56,001,435)
Increase in Other Assets	(6,146,634)	(7,502,008)
Increase in Deposits	159,137,057	75,406,128
Increase in Policyholders' Funds	27,780,513	9,372,865
Increase in Other Liabilities and Provisions	20,111,436	11,797,665
	17,350,220	65,181,704
Direct Taxes Paid (net of refunds)	(14,183,023)	(11,738,636)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	29,604,601	90,680,372
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(2,919,067)	(4,423,281)
Proceeds from sale of Fixed assets	240,625	91,011
Proceeds from sale of investment in Associates	26,580	2,099
Investments in Associates	(485,339)	(32,358)
Increase in HTM and Long Term Investments	(48,120,975)	(6,933,124)
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	(51,258,176)	(11,295,653)

Cash Flow Statement

Consolidated Cash Flow Statement for the year ended 31st March, 2015 (Contd.)

(₹ in thousands)

	Year ended 31st March, 2015	Year ended 31st March, 2014
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid including corporate dividend tax	(699,288)	(641,513)
Money received on issue of shares / exercise of stock options	878,788	14,155,019
Share issue expenses	-	(1,355)
Increase / (Decrease) in borrowings	24,077,429	(71,648,271)
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)	24,256,929	(58,136,120)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	2,603,354	21,248,599
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	66,431,061	45,182,462
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	69,034,415	66,431,061
Note :		
Balance with banks in India in Fixed Deposit (As per Schedule 7 I (i) (b))	3,569,367	3,431,278
Balance with banks in India in Current Account (As per Schedule 7 I (i) (a))	1,683,476	1,471,361
Money at call and short notice in India (As per Schedule 7 I (ii))	17,639,173	7,516,907
Cash in hand (As per Schedule 6 I)	5,431,071	4,484,204
Balance with RBI in Current Account (As per Schedule 6 II)	34,020,094	25,120,871
Balance with banks Outside India :		
(i) In Current Account (As per Schedule 7 II (i))	1,429,759	1,655,652
(ii) In Other Deposit Accounts (As per Schedule 7 II (ii))	5,261,475	22,750,788
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	69,034,415	66,431,061

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 "Cash Flow Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules, 2014.
- The corresponding amounts of previous year have re-grouped, wherever necessary.

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Uday Kotak
Executive Vice Chairman
and Managing Director

Bina Chandarana
Company Secretary

Schedules forming part of Consolidated Balance Sheet as at 31st March, 2015

	As at 31st March, 2015	As at 31st March, 2014
(₹ in thousands)		
SCHEDULE 1 - CAPITAL		
Authorised Capital		
1,400,000,000 Equity Shares of ₹ 5/- each (31st March, 2014 : 1,000,000,000 Equity Shares of ₹ 5 each)	7,000,000	5,000,000
Issued, Subscribed and Paid-up Capital		
772,352,664 Equity Shares of ₹ 5/- each (31st March, 2014 : 770,311,001 Equity Shares of ₹ 5 each) fully paid-up (Refer Note 22 - Schedule 17)	3,861,763	3,851,555
Total	3,861,763	3,851,555
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	16,387,000	12,630,700
Add : Transfer from Profit and Loss Account	4,665,000	3,756,300
Total	21,052,000	16,387,000
II. Capital Reserve		
Opening Balance	293,303	289,303
Add : Transfer from Profit and Loss Account	59,100	4,000
Total	352,403	293,303
III. General Reserve		
Opening Balance	5,238,804	4,758,904
Add : Transfer from Profit and Loss Account	940,500	791,700
Add : Transfer on ESOPs lapsed	751	-
Less : Utilised for creation of Deferred tax liability on Special Reserve (Refer Note 19 - Schedule 17)	-	311,800
Total	6,180,055	5,238,804
IV. Securities Premium Account		
Opening Balance	58,987,381	44,815,352
Add : Received during the year	945,767	14,173,384
Less : Utilised for Share Issue Expenses	-	1,355
Less : Adjustment for Associate's Share issue expenses	7,051	-
Total	59,926,097	58,987,381
V. Special Reserve under Section 45IC of the RBI Act, 1934		
Opening Balance	4,742,756	3,676,156
Add : Transfer from Profit and Loss Account	1,227,800	1,066,600
Total	5,970,556	4,742,756
VI. Debenture Redemption Reserve		
Opening Balance	250	250
Add : Transfer from Profit and Loss Account	-	-
Total	250	250
VII. Capital Reserve on Consolidation		
Opening Balance	1,474,546	1,474,546
Additions during the year	-	-
Total	1,474,546	1,474,546
VIII. Foreign Currency Translation Reserve		
(Refer Note 2(G)(xi) - Schedule 17)		
Opening Balance	1,040,719	656,259
Increase during the year	184,677	384,460
Total	1,225,396	1,040,719

Schedules

Schedules forming part of Consolidated Balance Sheet as at 31st March, 2015

(₹ in thousands)

	As at 31st March, 2015	As at 31st March, 2014
IX. Investment Reserve Account		
Opening Balance	-	411,014
Add : Transfer from / (to) Profit and Loss Account	866,500	(411,014)
Total	866,500	-
X. Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961		
Opening Balance	1,545,000	1,225,000
Add : Transfer from Profit and Loss Account	280,000	320,000
Total	1,825,000	1,545,000
XI. Capital Redemption Reserve		
Opening Balance	6,800	6,800
Add : Transfer from Profit and Loss Account	-	-
Total	6,800	6,800
XII. Revaluation Reserve - Investment Property		
(Refer Note 16 - Schedule 17)		
Opening Balance	-	-
Additions during the year	203,344	-
Less : Transfer to Minority interest	52,869	-
Total	150,475	-
XIII. Balance in the Profit and Loss Account	118,641,309	97,191,920
Total	217,671,387	186,908,479
SCHEDULE 2A - Minority Interest		
Minority Interest at the date on which parent subsidiary relationship came into existence	396,700	396,700
Subsequent Increase	2,960,212	2,312,221
Total	3,356,912	2,708,921
SCHEDULE 3 - DEPOSITS		
A.		
I. Demand Deposits		
i. From Banks	2,551,379	1,709,993
ii. From Others	127,562,598	82,570,463
Total	130,113,977	84,280,456
II. Savings Bank Deposits	140,361,089	100,870,498
III. Term Deposits		
i. From Banks	10,575,512	6,103,554
ii. From Others	447,384,014	378,043,027
Total	457,959,526	384,146,581
Total Deposits (I + II + III)	728,434,592	569,297,535
B.		
i. Deposits of Branches in India	728,434,592	569,297,535
ii. Deposits of Branches Outside India	-	-
Total Deposits (I + II)	728,434,592	569,297,535
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	17,634,500	41,533,200
(ii) Other Banks	98,641,382	76,573,409
(iii) Institutions, Agencies and others (Refer Note 11 - Schedule 17)	150,278,583	147,363,244
Total	266,554,465	265,469,853

Schedules forming part of Consolidated Balance Sheet as at 31st March, 2015

	As at 31st March, 2015	As at 31st March, 2014
(₹ in thousands)		
II. Borrowings outside India		
Banks, Institutions, Agencies and others (Refer Note 11 - Schedule 17)	47,594,328	24,601,511
Total	47,594,328	24,601,511
Total Borrowings (I + II)	314,148,793	290,071,364
Secured Borrowings included in I & II above	141,107,333	134,440,213
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	9,716,565	7,105,404
II. Interest Accrued	10,532,468	7,964,627
III. Others (including provisions) (Refer Note 5 and 19 - Schedule 17)	59,089,772	43,505,177
IV. Proposed Dividend (includes tax on dividend)	989,304	722,379
Total	80,328,109	59,297,587
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	5,431,071	4,484,204
II. Balances with RBI in current account	34,020,094	25,120,871
Total	39,451,165	29,605,075
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks [Refer Note 4(a) - Schedule 17]		
(a) In Current Accounts	1,683,476	1,471,361
(b) In Other Deposit Accounts	3,569,367	3,431,278
Total	5,252,843	4,902,639
(ii) Money at Call and Short Notice		
(a) With Banks	17,639,173	7,516,907
Total	17,639,173	7,516,907
Total (i + ii)	22,892,016	12,419,546
II. Outside India		
(i) In Current Accounts	1,429,759	1,655,652
(ii) In Other Deposit Accounts	5,261,475	22,750,788
Total	6,691,234	24,406,440
Total (I + II)	29,583,250	36,825,986
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in [Refer Note 4(b), (c) and (d) - Schedule 17]		
i. Government Securities	278,689,801	211,052,231
ii. Other approved Securities	-	-
iii. Shares	69,557,572	42,090,863
iv. Debentures and Bonds	79,700,479	89,769,710
v. Associates *	7,347,037	6,507,207
vi. Others [Units, Certificate of Deposits, Commercial Paper (CP), Security Receipts, RIDF Deposit and Pass Through Certificates (PTC)]	37,004,808	38,268,628
Total	472,299,697	387,688,639
II. Investments Outside India in		
i. Shares	6,789	3,332
ii. Others [Venture, Private Equity and other similar funds]	1,202,196	218,490
Total	1,208,985	221,822
Total Investments (I + II)	473,508,682	387,910,461

Schedules

Schedules forming part of Consolidated Balance Sheet as at 31st March, 2015

	(₹ in thousands)	
	As at 31st March, 2015	As at 31st March, 2014
* Investment in Associates		
Equity Investment in Associates	1,470,555	992,324
Add : Goodwill on acquisition of Associates (Share of pre-acquisition losses)	20,856	27,210
Less : Adjustment for Group's share in Associate's Share issue expenses	7,051	-
Less : Capital reserve on Consolidation (Share of pre-acquisition profits)	3,447	3,447
Cost of Investment in Associates	1,480,913	1,016,087
Add : Post-acquisition profit / loss of Associates (Equity method)	5,866,124	5,491,120
Total	7,347,037	6,507,207
SCHEDULE 9 - ADVANCES		
A.		
(i) Bills purchased and discounted #	19,723,762	11,753,149
(ii) Cash Credits, Overdrafts and Loans repayable on demand	150,328,609	123,913,952
(iii) Term Loans @	716,269,775	581,258,139
# Bills purchased and discounted is net of Bills Rediscounted ₹ 1,258.05 crore (previous year ₹ 1,681.10 crore)		
@ net of borrowings under Inter Bank Participatory certificates of Nil (previous year ₹ 600.00 crore)		
Total	886,322,146	716,925,240
B.		
(i) Secured by tangible assets *	726,542,833	596,242,718
(ii) Unsecured	159,779,313	120,682,522
Total	886,322,146	716,925,240
* including advances secured against book debts		
C.		
Advances in India		
(i) Priority Sector	204,959,648	179,578,057
(ii) Public Sector	7,149,036	1,481,457
(iii) Banks	-	-
(iv) Others	674,213,462	535,865,726
Total	886,322,146	716,925,240
SCHEDULE 10 - FIXED ASSETS		
A. Premises (Including Land)		
Gross Block		
At cost on 31st March of the preceding year	7,829,943	3,186,399
Additions during the year	943,927	4,643,544
Deductions during the year	13,415	-
Total	8,760,455	7,829,943
Depreciation		
As at 31st March of the preceding year	642,936	545,465
Charge for the year	133,110	97,471
Deductions during the year	9,493	-
Depreciation to date	766,553	642,936
Net Block	7,993,902	7,187,007
B. Other Fixed Assets (including furniture and fixtures)		
Gross Block		
At cost on 31st March of the preceding year	16,021,727	12,524,809
Additions during the year	2,723,678	3,946,588
Deductions during the year	790,023	449,670
Total	17,955,382	16,021,727

Schedules forming part of Consolidated Balance Sheet as at 31st March, 2015

	(₹ in thousands)	
	As at 31st March, 2015	As at 31st March, 2014
Depreciation		
As at 31st March of the preceding year	10,602,034	9,000,977
Charge for the year	2,235,823	1,981,101
Deductions during the year	704,101	380,044
Depreciation to date	12,133,756	10,602,034
Net Block (Refer Note 20 - Schedule 17)	5,821,626	5,419,693
Total (A) + (B)	13,815,528	12,606,700
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	14,856,467	14,056,915
II. Advance tax (net of provision for tax)	537,951	588,792
III. Stationery and Stamps	12,558	16,991
IV. Cheques in course of collection	224,787	156,105
V. Non Banking assets acquired in satisfaction of claims	67,824	67,824
VI. Others (Refer Note 19 - Schedule 17)	27,343,068	23,572,055
Total	43,042,655	38,458,682
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims not acknowledged as debts	14,282,519	12,613,552
II. Liability on account of outstanding forward exchange contracts	298,744,982	179,720,927
III. Guarantees on behalf of constituents in India	121,100,798	83,879,086
IV. Guarantees on behalf of constituents outside India	91,256	95,459
V. Acceptances, Endorsements and Other Obligations	63,711,640	42,559,956
VI. Other items for which the Group is contingently liable :		
Liability in respect of interest rate, currency swaps and forward rate agreements	129,284,088	110,574,482
Liability in respect of other Derivative contracts	32,082,653	27,051,035
Unclaimed Customer balances transferred to RBI DEAF Scheme	24,199	-
Capital commitments not provided	5,148,807	1,572,770
Total	664,470,942	458,067,267

Schedules

Schedules forming part of Consolidated Profit and Loss Account for the year ended 31st March, 2015

(₹ in thousands)

	For the year ended 31st March, 2015	For the year ended 31st March, 2014
SCHEDULE 13 - INTEREST EARNED		
I. Interest / discount on advances / bills	101,211,916	90,295,696
II. Income from investments	30,505,510	28,417,655
III. Interest on balances with RBI and other Inter-Bank funds	610,184	685,469
IV. Others	861,276	460,221
Total	133,188,886	119,859,041
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	22,902,910	16,958,918
II. Profit on sale of Investments (net)	17,620,174	2,865,374
III. Profit on revaluation of investments of Insurance business	6,771,482	3,305,082
IV. Profit on sale of building and other assets (net)	150,781	21,385
V. Profit on exchange on transactions (net) (including derivatives)	2,050,975	2,238,730
VI. Premium on Insurance business	29,750,560	26,495,651
VII. Profit on recoveries of non-performing assets acquired	1,356,477	256,317
VIII. Miscellaneous Income	918,598	682,396
Total	81,521,957	52,823,853
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	43,998,499	36,420,246
II. Interest on RBI / Inter-Bank Borrowings	10,187,691	13,563,455
III. Others (Refer Note 12 - Schedule 17)	15,474,832	13,137,498
Total	69,661,022	63,121,199
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provision for employees [Refer Note 3 and 10 - Schedule 17]	23,754,643	19,151,155
II. Rent, taxes and lighting [Refer Note 15A - Schedule 17]	3,994,215	3,315,312
III. Printing and Stationery	674,783	602,008
IV. Advertisement, Publicity and Promotion	2,181,713	1,647,841
V. Depreciation on Group's property	2,368,933	2,078,572
VI. Directors' fees, allowances and expenses	9,315	6,870
VII. Auditors' fees and expenses	54,252	51,810
VIII. Law Charges	230,429	189,559
IX. Postage, telephones etc.	1,172,465	1,144,130

Schedules forming part of Consolidated Profit and Loss Account for the year ended 31st March, 2015

(₹ in thousands)

	For the year ended 31st March, 2015	For the year ended 31st March, 2014
X. Repairs and maintenance	2,532,050	2,027,593
XI. Insurance	644,403	518,610
XII. Travel and Conveyance	1,107,702	1,032,729
XIII. Professional Charges	3,723,686	2,906,859
XIV. Brokerage	4,382,999	2,925,804
XV. Stamping Expenses	417,731	303,045
XVI. Policyholders' Reserves	27,869,901	9,432,353
XVII. Insurance Business Expenses (Claims and benefits paid)	17,852,154	18,542,229
XVIII. Other Expenditure	4,521,269	3,640,509
Total	97,492,643	69,516,988

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

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

1. BASIS OF CONSOLIDATION :

- a. The consolidated financial statements comprising of the financial statements of Kotak Mahindra Bank (“the Bank” or “KMBL”, its subsidiaries, which constitute “the Group”) and its associates are prepared in accordance with Accounting Standard 21 (AS-21), “Consolidated Financial Statements” and Accounting Standard 23 (AS-23), “Accounting for Investments in Associates in Consolidated Financial Statements” specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 / losses, if any, are eliminated in full. 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, jointly controlled entities and associates used in consolidation are drawn up to the same reporting date as that of the holding company i.e. 31st March, 2015.
- b. The list of subsidiaries is as under :

Name of the Subsidiary	Country of Origin	% Shareholding of group (31st March, 2015)	% Shareholding of group (31st March, 2014)
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 Old Mutual Life Insurance Limited	India	74.00	74.00
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	U.K	100.00	100.00
Kotak Mahindra, Inc.	USA	100.00	100.00
Global Investments Opportunities Fund Limited (GIOFL) * (till 12th May, 2014)	Mauritius	-	100.00
Kotak Investment Advisors Limited	India	100.00	100.00
Kotak Mahindra Trusteeship Services Limited	India	100.00	100.00
Kotak Forex Brokerage 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. Ltd. [§]	Singapore	100.00	100.00
Kotak Mahindra General Insurance Limited # (Incorporated on 20th December, 2014)	India	100.00	-

* During the year, the Group divested its entire stake in Global Investments Opportunities Fund Limited. Accordingly it ceases to be a subsidiary.

§ The Company is awaiting license approval from Monetary Authority of Singapore and is yet to commence operations.

The Company is awaiting license approval from Insurance Regulatory and Development Authority of India (IRDAI) and is yet to commence operations.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

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

Name of the Associate	Country of Origin	% Shareholding of group (31st March, 2015)	% Shareholding of group (31st March, 2014)
Infina Finance Private Limited	India	49.99	49.99
Phoenix ARC Private Limited	India	49.00	49.00
ACE Derivatives & Commodity Exchange Limited (ACE) (Unaudited)	India	40.00	40.00
Matrix Business Services India Private Limited (Unaudited) *	India	19.77	31.26

* During the year, the Group partially divested its stake in Matrix Business Services India Private Limited. However, the Group continues to account for the investment in accordance with AS-23.

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. The Financial Statements comply in all material aspects with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the 2013 act") / Companies Act, 1956 ("the 1956 act"), in so far as they apply, guidelines issued by the Reserve Bank of India ("RBI"), Insurance Regulatory and Development Authority of India ("IRDAI") from time to time as applicable to relevant companies 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.

B. USE OF ESTIMATES

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

C. REVENUE RECOGNITION

a. Banking / Investing Activity :

- i. Interest income (other than in respect of retail advances) is recognised on accrual basis except in case of non-performing assets (NPAs) where the income accrued gets reversed, and then recognised, only upon realisation, as per RBI guidelines. Penal interest is recognised as income on realisation.
- 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 net investment 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 for guarantee commission and letter of credit commission which is recognised over the period of the guarantee / letter of credit respectively, except as indicated in para iv above. 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.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

- vii. 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.
- viii. 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.
- ix. Dividend income is accounted on an accrual basis when the right to receive the dividend is established.
- x. 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.
- b. Investment Banking Activity :**
- i. Issue management fees and placement fees, underwriting commission and financial advisory fees are accounted on completion of milestones specified in the contract.
- c. Insurance Activity :**
- i. Premium is recognised as income when it is due from policyholders except on unit linked policies, where the premium is recognised when associated units are created.
- ii. In accordance with the terms of insurance policies, uncollected premium on lapsed policies is not recognised as income until revived.
- iii. Top Up / Lump sum contributions are accounted as a part of the single premium.
- iv. Income from linked policies, which include fund management fees, policy administration charges, mortality charges and other charges, if any, are recovered from the linked fund in accordance with the terms and conditions of the insurance contracts and is accounted for as income when due.
- v. Re-insurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Commission on re-insurance ceded is accounted in accordance with the terms and conditions of the re-insurance treaties in the year in which re-insurance is ceded. Profit commission on re-insurance ceded is accounted as income in the year of final determination of profit.
- vi. The lending fee (net of brokerage) earned on equity securities lent under Security Lending & Borrowing (SLB) is accrued over the contract period on a straight line basis.
- d. Broking Activity :**
- i. Placement and other fee based income are accounted for on the basis of the progress of the assignment.
- ii. Brokerage Income (net of service tax) :
- On fixed deposit is accounted on completion of the transaction.
 - On primary market subscription / mobilisation is accounted on receipt of intimation of allotment.
 - On secondary market transaction is recognised on the date of the transaction.
- iii. Incentive on primary market subscription / mobilisation is accounted on the basis of receipt of intimation of allotment received by the Company.
- In respect of depository activity, transaction fees (net of service tax) are recognised on completion of transaction. Account maintenance charges are recognised on time basis over the period of contract.
- iv. Portfolio management fees are accounted on accrual basis as follows :
- a. In case of fees based on fixed percentage of the corpus / fixed amount, income is accrued over the period of the agreement.
 - b. 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.
 - c. In case of upfront non-refundable fee, income is accounted in the year of receipt.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

- v. Funds received from Portfolio Management Services (PMS) Investors and corresponding investments made on their behalf are not forming part of these financial statements.

e. Asset Management :

- i. Investment management fees are recognised net of service tax on an accrual basis after deducting actual and estimated expenses from total expense accruals in scheme books (adjusted for exclusions as required by SEBI guidelines), such that it does not exceed the rates prescribed by the Securities and Exchange Board of India ('SEBI') (Mutual Fund) Regulations, 1996 (the 'SEBI Regulations') on an annual basis.
- ii. Management fee 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.
- iii. Portfolio Advisory Service fees are recognised net of service tax on accrual basis in accordance with the terms of agreement.

D. FIXED ASSETS AND INTANGIBLE ASSETS

Fixed assets / Intangible assets have been stated at cost less accumulated depreciation / amortisation. 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. A rebuttable presumption that the useful life of an Intangible asset will not exceed 10 years from the date the asset is available for use is considered by the Management. Gain or losses arising from the retirement or disposal of a Fixed asset / Intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Profit on sale of premises of the Bank, if any, is transferred to Capital Reserve as per the 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 higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. The estimates of useful lives of the assets are based on a technical evaluation, taking into account the nature of the asset, the estimated usage of the asset, and the operating conditions surrounding the use of the asset, etc. Based on the above, the useful life of the assets have not undergone a change on account of transition to the Companies Act, 2013. Estimated useful lives over which assets are depreciated / amortised are as follows :

Asset Type	Useful life in years
Premises	58
Improvement to leasehold premises	Over the period of lease subject to a maximum of 6 years
Office equipments (chillers, transformers, UPS, DG set, Elevators)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
Vehicles	4
ATMs	5
Software (including development) expenditure	3
Forex Broking Business Rights	10
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.

For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Group.

Assets costing less than ₹ 5,000 are fully depreciated in the year of purchase.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

E. EMPLOYEE BENEFITS

i Provident Fund – Defined Contribution Plan :

Contribution as required by the Statute made to the Government Provident Fund is debited to the Profit and Loss Account when incurred. The Group has no further obligations.

ii Gratuity – Defined Benefit Plan :

The Group provides for Gratuity, a defined benefit plan covering employees in accordance with the Payment of Gratuity Act, 1972. The Group's liability is actuarially determined (using Projected Unit Credit Method) at the Balance Sheet date. The Bank and four of its subsidiaries make contributions to a Gratuity Fund administered by trustees and managed by a life insurance company. In other subsidiaries gratuity obligation is wholly unfunded. The contribution made to the trusts 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.

iii Actuarial gains / losses are recognised immediately in the Profit and Loss Account in the year they are incurred.

iv Superannuation Fund – Defined Contribution Plan :

The Group contributes a sum equivalent to 15% of eligible employees' salary subject to a maximum of ₹ 0.01 crore per eligible employee per annum, to the Superannuation Funds administered by trustees and managed by a Life Insurance Company. The Group recognises such contributions as an expense in the year they are incurred.

v New Pension Scheme - Defined Contribution Plan :

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 they are incurred.

vi 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 based on 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.

vii 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 / carrying value / 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.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

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.

2. 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 charged to Profit and Loss Account.

3. Disposal of investments :

- **Investments classified as HFT or AFS** - Profit or loss on sale / redemption is included in the Profit and Loss Account.
- **Investments classified as HTM** - Profit on sale / redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to the Profit and Loss Account.

4. Valuation :

The valuation of investments is performed in accordance with the RBI guidelines as follows :

- a. **Investments classified as HTM** – These are carried at their acquisition cost. Any premium on acquisition of debt instruments / government securities are 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 this category 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 diminution other than temporary is made for, at the individual security level. Except in cases where provision for diminution other than temporary is created, the book value of the individual securities is not changed as a result of periodic valuations.
- c. The market / 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 / quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA') as at the year end.
- d. Treasury Bills, Exchange Funded Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- e. Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.
- f. Market value of investments where current quotations are not available, is 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 YTM 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 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;

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

- 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 Company;
 - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
 - Security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company / Securitisation Company.
- g. Non-performing investments are identified and valued based on the RBI guidelines.
- h. **Repurchase and reverse repurchase transactions** - Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are accounted as collateralised borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo is recognised as interest income / interest expense over the period of the transaction.

For the 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 service tax on brokerage where cenvat 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 / sale of securities is the difference between the transfer / sale price and the net amortised cost / book value which is computed on a weighted average basis as on the date of transfer / sale. Sale consideration for the purpose of realised gain / loss is net of brokerage and taxes, if any.

Valuation – Shareholders' Investments and non-linked policy-holders' investments

- d. All debt securities are considered as "held to maturity" for the purpose of valuation and are accordingly recorded at historical cost (excluding interest paid, if any). Debt securities including Government securities are stated at net amortised cost. Money market instruments are valued at historical cost subject to accretion of discount. The premium / discount, if any, on purchase of debt securities is amortised / accreted over the period to maturity on an internal rate of return.
- e. Listed equity shares as at the Balance Sheet date 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. Equity shares awaiting listing are stated at historical cost subject to provision for diminution, if any.

In case of impairment in the value of investment as at the Balance Sheet date which is other than temporary, the amount of loss 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 is recognised as expense 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 previous day's Net Asset Value (NAV) of the funds in which they are invested. Investments in Alternative Investment Funds are valued at the NAV.
- g. Unrealised gains due to change in the fair value of the investments is taken to a fair value change account and is adjusted in the carrying value of investment. The unrealised loss due to change in the fair value of investments, other than due to reversal of the gains recognised in fair value change account, is accounted in the Profit and Loss Account. The profit or loss on sale of investments includes the accumulated changes in the fair value change account.
- h. Real estate investment property represents land or building held for investment purpose to earn rental income or for capital appreciation and is not occupied by the company. Such Investment property is initially valued at cost including any direct attributable cost. Investment

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

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. Impairment loss, if any, exceeding revaluation reserve is recognised as expenses in the Profit and Loss Account.

Valuation – Unit linked Business

- i. All Government securities, except treasury bills, for 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 are amortised over the period to maturity on an internal rate of return basis.
- j. Listed equity shares 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 investment determined separately for each individual investment. Unrealised gains and losses are recognised in the Profit and Loss Account.
- k. Mutual Fund Units are valued at the previous day's closing Net Asset Value (NAV) of the fund in which they are invested.
- l. All redeemable preference shares are considered as held to maturity and stated at historical cost, subject to amortisation of premium or accretion of discount over the period of maturity / holding on a straight line basis.
- m. 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. Transfer of Investments between unit-linked funds are done at prevailing market price.

For other entities :

As required by Accounting Standard 13 (AS-13) "Accounting for Investments" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules, 2014, investments are classified into long term investments and current 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 / fair value whichever is lower. In case of investments in units of a mutual fund, the NAV of units is considered as market / fair value. The Securities acquired with the intention to trade are considered as Stock-in-Trade. Investments classified as "Stock-in-Trade" by some of the subsidiaries are valued at cost (calculated by applying weighted average cost method) or market price, whichever is lower. Brokerage, stamping and additional charges paid are included in the cost of investments. The profit or loss on sale of securities is recognised on trade date in the statement of 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 stock which are released on final settlement / squaring – up of the underlying contracts, are disclosed under Other Assets.
- b) The marked to market on securities lending and borrowing instrument is determined on a portfolio basis with net unrealised losses being recognised in the Profit and Loss Account. Net unrealised gains are not recognised in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard – 1 (AS-1) Disclosure of Accounting Policies specified under Section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.
- c) On final settlement or squaring up of contracts for equity stocks the realised profit or loss after adjusting the unrealised loss already accounted, if any, is recognised in the Profit and Loss Account.
- d) The Lending and borrowing fees are recognised on pro-rata basis on the tenure of the contract.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

G. FOREIGN CURRENCY AND DERIVATIVE TRANSACTIONS

For the Bank :

- i. Foreign currency monetary assets and liabilities are translated 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 expenses which are translated at the monthly average rate of exchange.
- iii. Outstanding forward exchange contracts (other than deposit and placement swaps) and spot contracts outstanding at the Balance Sheet date are revalued at rates notified by FEDAI for specified maturities and at 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 resulting profits or losses are included in the Profit and Loss Account as per the regulations stipulated by the RBI / FEDAI.
- 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 / 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 foreign exchange contracts, letters of credit, bank guarantees and acceptances and endorsements outstanding as at the Balance Sheet date on account of outstanding foreign exchange contracts are restated 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 or reporting dates. 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 / received is accounted for in the Profit and Loss Account on expiry of the option. Option contracts are marked to market on every reporting date.

For other entities :

- viii. On initial recognition, all foreign 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.
- ix. Monetary assets and liabilities denominated in foreign currencies are restated at the closing rate of exchange as on the Balance Sheet date.
- x. Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with 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 on forward exchange contracts is amortised as expense or income over the life of the contract. Any profit / loss on cancellation or renewal of such a forward exchange contract is recognised as income or as expense.
- xi. The financial statements of all subsidiaries incorporated outside India which are in the nature of non-integral foreign operations are converted on the following basis : (a) Income and expenses are converted at the average rate of exchange applicable for the year and (b) All assets and liabilities are translated at the closing rate as on the Balance Sheet date. The exchange difference arising out of year end translation is debited or credited as "Foreign Currency Translation Reserve" forming part of "Reserves and Surplus".

Interest rate / Currency swaps :

- xii. 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

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

cost / income of the underlying liability / asset. The foreign currency balances on account of principal of currency swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

Currency options :

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

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

- xiv. 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.
- xv. The marked to market on derivative contracts is determined on a portfolio basis with net unrealised losses being recognised in the Profit and Loss Account. Net unrealised gains are not recognised in the Profit and Loss Account on grounds of prudence as enunciated in Accounting Standard – 1 (AS-1) Disclosure of Accounting Policies specified under Section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.
- 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 / (Loss) on exchange transactions (net).
- 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 / 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, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as non-performing advances and provisions in lieu of diminution in the fair value of restructured assets. Also, NPAs are classified into sub-standard, doubtful and loss assets. Interest on NPAs is transferred to an interest suspense account and not recognised in the Statement of Profit and Loss 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 overdue. If the overdue is in excess of 90 days, the Bank 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.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

Provisioning :

For Bank :

- iv. Provision for non-performing assets comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines. In addition, the Group 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.
- 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. Restructuring of an account is done at a borrower level.
- vi. 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 - direct advances to sectors agricultural & SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.
- vii. Further to provisions required as per the asset classification status, provisions are held for individual country exposure (except for home country) as per the RBI guidelines. Exposure is classified in the seven risk categories as mentioned in the Export Credit Guarantee Corporation of India Ltd. ('ECGC') guidelines and provisioning is done for that country if the net funded exposure is one percent or more of the Bank's total assets based on the rates laid down by the RBI
- viii. Provision for Unhedged Foreign Currency Exposure of borrowers are made as per the RBI guidelines.

For other entities :

- ix. The Non-Banking Finance Company (NBFC) subsidiaries provide general provision on standard assets at 0.25% in accordance with the RBI guidelines.
- x. Life insurance subsidiary provides general provision on standard assets at 0.40% in accordance with the IRDAI guidelines.

I. STRUCTURED LIABILITIES

The Group has issued structured liabilities wherein the return on these liabilities is linked to non-interest benchmarks; these liabilities are stated at net present value. 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)(xiv)).

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 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.

K. ACTUARIAL METHOD – LIFE INSURANCE

- i. Actuarial method and assumptions : The actuarial liabilities have been calculated in accordance with generally accepted actuarial principles, the requirements of the Insurance Act 1938, IRDAI regulations and the prescribed guidance notes of the Institute of

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

Actuaries of India by appointed actuary. In respect of unit linked policies, a unit reserve equal to the value of units as on the Balance Sheet date and an additional non-unit reserve calculated on gross premium prospective valuation method is created. The method adopted for par policies (accumulation contracts) is the value of the accumulated fund and an additional non-unit reserve calculated on gross premium prospective valuation method. In respect of individual conventional business / Group 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 conservative 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 expense and mortality.
- iv Reserve for freelook cancellation is held to meet any premium refunds from policy freelook cancellations.

L. DISCOUNTED INSTRUMENTS

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

M. 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.

N. 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 / lending as the case may be in accordance with the RBI guidelines and the interest paid / received classified as interest expense / income and is accounted on an accrual basis.

O. 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 expense relating to overseas subsidiaries are determined in accordance with the tax laws applicable in countries where such subsidiary is 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 for which MAT credit is allowed to be carried forward.

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, 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.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

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.

P. SEGMENT REPORTING

In accordance with guidelines issued by the RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated 18th April, 2007 and Accounting Standard 17 (AS-17) on "Segment Reporting" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules, 2014, the Group's business has been segregated into the following segments whose principal activities are as under :

Segment	Principal activity
Treasury, Investments and BMU	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.
Retail Banking	Includes : (1) Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards : A Revised Framework" (2) Branch Banking Retail borrowings covering savings, current and term deposit accounts and Branch Banking network and services including distribution of financial products. (3) Credit cards Receivables / loans relating to credit card business.
Corporate / Wholesale Banking	Wholesale borrowings and lendings and other related services to the corporate sector which are not included in Retail Banking.
Vehicle Financing	Retail vehicle finance and wholesale trade finance
Other Lending Activities	Financing against securities, securitisation and other loans / services not included under Retail Banking and Corporate / Wholesale Banking
Broking	Brokerage income on market transactions done on behalf of clients, interest on delayed payments, distribution of financial products and forex broking.
Advisory and Transactional Services	Providing financial advisory and transactional services such as mergers and acquisition advice and equity / debt issue management services and revenue from being a professional clearing member.
Asset Management	Management of investments on behalf of clients and funds.
Insurance	Life insurance and General Insurance (Incorporated on 20th December, 2014)

A transfer pricing mechanism between segments has been established to arrive at interest cost on the borrowings of the segments based on borrowing costs, maturity profile of assets / liabilities etc. and which is disclosed as part of segment revenue.

Segment revenues consists 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.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

Q. EMPLOYEE SHARE BASED PAYMENTS

Equity-settled :

The Bank has formulated Employee Stock Option Schemes (ESOSs) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Group to acquire the equity shares of the Bank that vest in cliff vesting or in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share-based payments" issued by The Institute of Chartered Accountants of India, the excess, if any, of the fair market price of the share preceding the date of grant of the option 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 options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion 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, prior to the date of grant, 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) 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 settlement date with changes in intrinsic value recognised in the Profit and Loss Account in 'Payments to and provision for employees'.

R. CLAIMS / BENEFITS

Benefits paid comprise of policy benefit amount, surrenders, claim investigation fees and specific claims settlement costs where applicable and change in the outstanding provision for claims at the year end. Surrender and claims by death 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.

S. LOSS ON SALE OF ADVANCES TO ASSET RECONSTRUCTION COMPANY

Loss on sale of Advances sold to Asset Reconstruction Company are recognised immediately to the Profit and Loss Account.

T. 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 Pass Through Certificate (PTC) 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" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules, 2014.

In accordance with the RBI guidelines, the profit / 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.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

U. LEASES

As Lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership, 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

Assets subject to operating leases are 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 immediately in the Profit and Loss Account.

The Group leases certain tangible assets and such leases where the Group has substantially transferred all the risks and rewards incident to legal ownership are classified as finance leases. Such assets are recognised as a receivable at an amount equal to the net investment in the lease. The lease payment is apportioned between finance income and the repayment of principle i.e. the net investment in the lease.

V. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provision is recognised when there is a present obligation as a result of past event; 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.

Contingent Liabilities are not recognised but are disclosed in the notes unless the outflow of resources is remote. 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.

W. SCHEME EXPENSES

Annual recurring expenses relating to schemes of Kotak Mahindra Mutual Fund which are in excess of internal expense limits are borne by the Group. The internal expense limits are within the overall expense limits prescribed by the SEBI. Further, scheme expenses also includes new fund offer expenses, and other expenses relating to the schemes which do not fall under regulation 52(4) of the SEBI (Mutual Funds) regulation 1996.

X. SHARE ISSUE EXPENSES

Share issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

Y. 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.

Z. 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 of carrying amount of assets exceeds their estimated recoverable amount.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

AA. 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	₹ 85.91 crore (Previous Year ₹ 75.38 crore)
Superannuation Fund	₹ 0.75 crore (Previous Year ₹ 0.75 crore)
New Pension Fund	₹ 3.03 crore (Previous Year ₹ 1.94 crore)

- b. In accordance with Indian regulations, the Group provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or on termination of employment based on the respective employee's salary and the years of employment with the Group subject to maximum of ₹ 0.10 crore. There is no ceiling on gratuity payable to Directors.

The gratuity benefit is provided to the employees of the Bank and four of its subsidiaries through a fund administered by a Board of Trustees and managed by a life insurance subsidiary. The Bank and its four subsidiaries are responsible for settling the gratuity obligation through contributions to the fund. The plan is fully funded.

In respect of other subsidiaries in the Group, the gratuity obligation is wholly unfunded.

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

	As on 31st March, 2015		As on 31st March, 2014	
	Funded	Others	Funded	Others
Change in benefit obligations				
Liability at the beginning of the year	96.10	6.36	91.67	5.87
Transfer of liabilities funded during the year	-	-	-	-
Current Service cost	17.32	0.63	18.91	0.74
Interest cost	9.97	0.62	8.66	0.51
Actuarial (gain) / loss on obligations	16.71	1.64	(10.97)	(0.12)
Past Service cost	-	-	-	-
Liability assumed on transfer of employees	(0.13)	0.04	(0.49)	0.52
Benefits paid	(16.12)	(1.64)	(11.68)	(1.16)
Liability at the end of the year	123.85	7.65	96.10	6.36
Change in plan assets				
Fair value of plan assets at the beginning of the year	101.27	-	88.87	-
Expected return on plan assets	7.47	-	6.68	-
Actuarial Gain / (loss)	20.30	-	4.04	-
Benefits paid	(16.12)	(1.64)	(11.68)	(1.16)
Employer contributions	7.64	1.64	13.36	1.16
Fair value of plan assets as at the end of the year	120.56	-	101.27	-

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

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

(₹ in crore)

	As on 31st March, 2015		As on 31st March, 2014	
	Funded	Others	Funded	Others
Fair value of plan assets as at the end of the year	120.56	-	101.27	-
Liability at the end of the year	123.85	7.65	96.10	6.36
Net Asset / (Liabilities) included in "Others" under "Other Assets" and "Other Liabilities"	(3.29)	(7.65)	5.17	(6.36)
Expenses recognised for the year				
Current service cost	17.32	0.63	18.91	0.74
Interest cost	9.97	0.62	8.66	0.51
Expected return on plan assets	7.47	-	(6.68)	-
Actuarial (gain) / loss	(3.59)	1.64	(15.01)	(0.12)
Effect of the limit in Para 59(b)	-	-	-	-
Net gratuity expense included in "[payments to and provision for employees]" under "Operating Expenses" [Schedule 16.I]	16.23	2.89	5.88	1.13
Actual return on plan assets	27.78	-	10.72	-

(₹ in crore)

	As on 31st March, 2015		As on 31st March, 2014	
	Funded	Others	Funded	Others
Reconciliation of the Liability recognised in the Balance Sheet				
Net (Asset) / Liability at the beginning of the year	(5.17)	6.36	2.80	5.87
Transfer of liabilities funded during the year	-	-	-	-
Expense recognised	16.23	2.89	5.88	1.13
Liability assumed on transfer of employees	(0.13)	0.04	(0.49)	0.52
Employer contributions / Transfers	(7.64)	(1.64)	(13.36)	(1.16)
Effect of the limit in Para 59(b)	-	-	-	-
Net (Asset) / Liability is included in "Others" under "Other Assets" and "Other Liabilities"	3.29	7.65	(5.17)	6.36

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 :

	31st March, 2015	31st March, 2014
	%	%
Government securities	27.66	29.60
Bonds, debentures and other fixed income instruments	14.68	12.19
Money market instruments	8.85	11.29
Equity shares	48.81	46.92
Total	100.00	100.00

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

Actuarial assumptions used

	As on 31st March, 2015	As on 31st March, 2014
Discount rate	7.98% p.a.	9.34% p.a.
Salary escalation rate	8.50% p.a.	8.50% p.a.
Expected rate of return on plan assets	7.50% p.a.	7.50% 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 :

Gratuity	Year ended 31st March				
	2015	2014	2013	2012	2011
Defined benefit obligation	131.50	102.46	97.54	76.94	66.65
Plan assets	120.56	101.27	88.87	56.54	34.66
Surplus / (deficit)	(10.94)	(1.19)	(8.67)	(20.40)	(31.99)
Experience adjustments on plan liabilities	4.25	1.84	(4.72)	(0.30)	2.11
Experience adjustments on plan assets	20.30	4.04	1.66	(2.61)	0.64

(₹ in crore)

The Group expects to contribute ₹ 10.10 crore to gratuity fund in financial year 2015-2016

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

Compensated absences

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

	31st March, 2015	31st March, 2014
Total actuarial liability	86.14	70.26
Assumptions :		
Discount rate	7.98% p.a.	9.34% p.a.
Salary escalation rate	8.50% p.a.	8.50% p.a.

(₹ in crore)

Long Service Award

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

	31st March, 2015	31st March, 2014
Total actuarial liability	6.70	0.75
Assumptions :		
Discount rate	7.98% p.a.	9.34% p.a.

(₹ in crore)

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

4. LIEN AND ENCUMBRANCES :

- (a) Balance with Banks in other deposit accounts include ₹ 66.90 crore (previous year ₹ 107.02 crore) which are under lien.
- (b) Investments include Government Securities with face Value of ₹ 1,905.24 crore (previous year ₹ 3,971.48 crore) pledged and encumbered for avilment of fund transfer facility, clearing facility, margin requirements and RBI for liquidity adjustment facility (LAF).
- (c) Stock in Trade pledged with National Securities Clearing Corporation Limited towards Exposure in Derivatives Segment as on 31st March, 2015 is ₹ 230.00 crore (previous year NIL).
- (d) In order to meet the requirement of IRDAI, the Life insurance subsidiary has earmarked securities relating to 7.17% Government of India, 2015 having face value of ₹ 150,000 in constituent SGL Account with its Bankers (2014 – 7.17% Government of India, 2015 having face value of ₹ 150,000)
5. "Others" in Other Liabilities and Provisions (Schedule 5) include the following items shown as "Provision for Contingencies", which have been recognised in the accounts in respect of obligations arising from past event, the settlement of which is expected to result in an outflow embodying economic benefits.

Provision for Contingencies :

Description	(₹ in crore)			
	Balance as on 1st April, 2014	Addition during the year	Reversed/ paid during the year	Balance as on 31st March, 2015
Stamp duty on Trades	3.21	-	-	3.21
Total	3.21	-	-	3.21
Previous year	3.21	-	-	3.21

6. PROVISIONS AND CONTINGENCIES :

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

Year ended 31st March,	(₹ in crore)	
	2015	2014
Provision for taxation (Refer Note 7 below)	1,484.90	1,183.96
Provision for Non-performing Assets and Contingencies (including write-offs and net of recoveries)	225.29	165.21
Provision for Standard Assets	73.77	16.77
Provision for UFC Exposure	17.82	-
Provision for Diminution in value of Investments	(116.57)	146.07
Provision Others	5.43	(19.08)
Total	1,690.64	1,492.93

7. PROVISION MADE FOR TAXES DURING THE YEAR :

Year ended 31st March,	(₹ in crore)	
	2015	2014
Current tax	1,414.51	1,153.00
Deferred tax	70.18	30.78
Wealth Tax	0.21	0.18
Total	1,484.90	1,183.96

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

8. DESCRIPTION OF CONTINGENT LIABILITIES :

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of income tax, interest 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	As a 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 includes Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Group, contingent liabilities on account of bills re-discounted by the Group and cash collateral provided by the Group on assets which have been securitised.
5.	Other items for which the Group is contingently liable	These include liabilities in respect of interest rate swaps, currency swaps, forward rate agreements, futures and options 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 / 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. This also includes liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

* Also refer Schedule 12 – Contingent Liabilities

9. EARNINGS PER EQUITY SHARE :

Particulars	As on 31st March, 2015	As on 31st March, 2014
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	771,140,159	765,821,581
Effect of potential equity shares for stock options outstanding	1,854,016	1,251,038
Weighted average number of equity shares used in computation of diluted earnings per share	772,994,175	767,072,619
Following is the reconciliation between basic and diluted earnings per share :		
Nominal value per share (₹)	5.00	5.00
Basic earnings per share (₹)	39.49	32.19
Effect of potential equity shares for stock options (₹)	0.09	0.05
Diluted earnings per share (₹)	39.40	32.14
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	3,045.45	2,464.99

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

10. EMPLOYEE SHARE BASED PAYMENTS :

At the General Meetings of the holding company, Kotak Mahindra Bank Limited, the shareholders of the Bank had unanimously passed Special Resolutions on 28th July, 2000, 26th July, 2004, 26th July, 2005, 5th July, 2007 and 21st August, 2007, to grant options to the eligible employees of the Bank and its subsidiary companies. Pursuant to these resolutions, the following four 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; and
- (d) Kotak Mahindra Equity Option Scheme 2007.

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 62,399,000 options as on 31st March, 2015 (previous year 61,348,520).

Stock appreciation rights

The Management has approved the grant of stock appreciation rights (SARs) to eligible employees as and when deemed fit. 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 1.14 to 3.65 years.

Details of activity under SARs is summarised below :

	Year Ended 31st March, 2015	Year Ended 31st March, 2014
Outstanding at the beginning of the year	1,342,810	1,523,706
Granted during the year	991,765	812,948
Settled during the year	1,268,614	854,962
Lapsed during the year	102,834	138,882
Outstanding at the end of the year	963,127	1,342,810

Equity-settled options

The Bank has granted options to employees of the Group vide various employee stock option schemes. During the year ended 31st March, 2015, the following schemes were in operation :

	Plan 2007
Date of grant	Various Dates
Date of Board Approval	Various Dates
Date of Shareholders' approval	5th July, 2007 as amended on 21st August, 2007
Number of options granted	32,508,800
Method of Settlement (Cash / Equity)	Equity
Vesting Period	1 – 4.14 years
Exercise Period	0.30 – 1.08 years
Vesting Conditions	Graded / Cliff vesting

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

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

	Year ended 31st March, 2015		Year ended 31st March, 2014	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	5,353,670	544.55	8,419,532	419.49
Granted during the year	1,077,480	800.99	1,141,160	711.19
Forfeited during the year	231,311	597.02	479,724	467.19
Exercised during the year	2,041,663	430.43	3,701,975	322.81
Expired during the year	7,217	324.68	25,323	357.56
Outstanding at the end of the year	4,150,959	664.70	5,353,670	544.55
Out of the above exercisable at the end of the year	248,090	407.72	308,891	295.25
Weighted average remaining contractual life (in years)	1.55		1.77	
Weighted average fair value of options granted	247.36		215.96	

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,126.03 (previous year ₹ 710.33).

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

31st March, 2015

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
101-200	-	-	-
201-300	1,038	-	250.00
301-400	72,430	0.65	332.14
401-500	217,652	0.25	421.00
501-600	667,705	1.14	549.96
601-700	1,440,000	1.59	640.00
701-800	799,804	1.64	726.57
801-900	952,330	2.05	812.00

31st March, 2014

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
101-200	64,849	0.28	173.00
201-300	163,220	0.99	250.00
301-400	441,993	0.92	316.73
401-500	1,197,204	1.00	421.00
501-600	1,006,264	1.55	545.42
601-700	1,490,000	2.59	640.00
701-800	990,140	2.31	724.00

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

Stock Options granted

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 the each Balance Sheet date. The following table lists the inputs to the model used for equity-settled and cash-settled options :

Year ended 31st March,	2015		2014	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	600-812	5-812	550-724	5-724
Weighted Average Share Price ₹	818.51	874.36	729.33	730.45
Expected Volatility	28.13%-31.11%	24.19%-29.62%	27.68%- 31.56%	26.05%- 34.00%
Historical Volatility	28.13%-31.11%	24.19%-29.62%	27.68%- 31.56%	26.05%- 34.00%
Life of the options granted (Vesting and exercise period) in years				
- At the grant date	1.41-3.90		1.31-4.15	
- As at 31st March		0.08-3.08		0.08-2.76
Risk-free interest rate	8.31%-8.89%	7.97%-8.28%	7.47%-8.97%	8.61%-8.72%
Expected dividend rate	0.09%-0.10%	0.06%	0.10%	0.09%

The expected volatility was determined based on historical volatility data and the Bank expects the volatility of its share price may reduce as it matures. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

The above information has been prepared by the Group and relied upon by the auditors.

Effect of the employee share-based payment plans on the Profit and Loss Account and on the financial position :

Year ended 31st March,	(₹ in crore)	
	2015	2014
Total Employee compensation cost pertaining to share-based payment plans	141.46	72.13
Compensation cost pertaining to equity-settled employee share-based payment plan included above	2.26	4.69
Liability for employee stock options outstanding as at year end	4.75	11.15
Deferred Compensation Cost	1.76	2.62
Closing balance of liability for cash-settled options	71.51	61.94
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	55.33	7.89

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 ₹ 31.35 crore (previous year ₹ 33.83 crore) and the profit after tax would have been lower by ₹ 20.69 crore (previous year ₹ 22.33 crore). Consequently the basic and diluted EPS would have been ₹ 39.22 (previous year ₹ 31.90) and ₹ 39.13 (previous year ₹ 31.84) respectively.

In computing the above information, certain estimates and assumptions have been made by the Management which have been relied upon by the auditors.

11. TIER II BONDS

- Lower Tier II Bonds outstanding as on 31st March, 2015 ₹ 664.80 crore (previous year ₹ 664.80 crore).
- Upper Tier II Bonds outstanding as on 31st March, 2015 ₹ 417.25 crore (previous year ₹ 405.62 crore) of which bonds issued outside India ₹ 281.25 crore (previous year ₹ 269.62 crore).

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

12. Interest Expended-Others {Schedule 15.III} includes interest on subordinated debt (Lower and Upper Tier II) ₹ 81.89 crore (previous year ₹ 82.61 crore).
13. 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. KMPL, 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 ₹ 113.05 crore (previous year ₹ 93.86 crore) is carried forward in the Balance Sheet under "Other Assets".

14. Segment reporting

The Summary of the operating segments of the Group for the year ended 31st March, 2015 are as given below :

31st March,	(₹ in crore)	
	2015	2014
Segment Revenues :		
Treasury, Investments and BMU	2,958.43	2,855.82
Retail Banking	8,193.53	6,115.13
Corporate Banking	4,438.80	3,646.86
Vehicle Financing	1,887.70	1,768.69
Other Lending Activities	1,101.81	886.74
Broking	820.41	492.94
Advisory and Transactional Services	100.11	74.77
Asset Management	384.36	375.38
Insurance	5,708.04	3,776.76
Sub-total	25,593.19	19,993.09
Add : Unallocated Income	13.62	6.26
Less : inter-segment revenues	(4,135.72)	(2,731.06)
Total Income	21,471.09	17,268.29
Segment Results :		
Treasury, Investments and BMU	675.62	352.38
Retail Banking	957.01	793.35
Corporate Banking	1,402.11	1,300.65
Vehicle Financing	426.62	428.73
Other Lending Activities	473.43	362.30
Broking	278.81	92.74
Advisory and Transactional Services	13.17	(1.79)
Asset Management	52.43	100.00
Insurance	257.59	261.43
Sub-total	4,536.79	3,689.79
Add : Unallocated Income / (Expense)	13.20	5.71
Total Profit before tax, minority interest and associates	4,549.99	3,695.50
Segment Assets		
Treasury, Investments and BMU	39,803.12	32,231.19
Retail Banking	79,499.41	61,655.43
Corporate Banking	38,386.95	32,025.82
Vehicle Financing	15,436.91	14,349.34
Other Lending Activities	8,418.03	6,312.55
Broking	1,675.66	1,150.19
Advisory and Transactional Services	35.81	32.40
Asset Management	1,360.73	1,433.72
Insurance	15,527.08	12,365.76
Sub-total	200,143.70	161,556.40
Less : inter-segment assets	(51,749.64)	(39,576.40)
Total	148,394.06	121,980.00
Add : Unallocated Assets	181.70	256.63
Total Assets as per Balance Sheet	148,575.76	122,236.63

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

	(₹ in crore)	
31st March,	2015	2014
Segment Liabilities		
Treasury, Investments and BMU	37,559.14	30,044.63
Retail Banking	73,859.51	56,373.88
Corporate Banking	33,458.01	27,508.31
Vehicle Financing	12,327.16	11,189.01
Other Lending Activities	4,131.82	3,981.68
Broking	1,368.06	893.93
Advisory and Transactional Services	21.62	23.13
Asset Management	566.48	706.35
Insurance	14,319.53	11,515.63
Sub-total	177,611.33	142,236.55
Less : inter-segment liabilities	(51,749.64)	(39,576.40)
Total	125,861.69	102,660.15
Add : Unallocated liabilities	225.06	229.59
Add : Share Capital, Reserves and Surplus and Minority Interest	22,489.01	19,346.89
Total Capital and Liabilities as per Balance Sheet	148,575.76	122,236.63
Capital Expenditure		
Treasury, Investments and BMU	157.89	664.85
Retail Banking	124.64	129.46
Corporate Banking	16.69	14.06
Vehicle Financing	1.77	1.66
Other Lending Activities	0.71	0.44
Broking	16.74	18.16
Advisory and Transactional Services	2.07	2.58
Asset Management	21.67	6.12
Insurance	24.58	21.68
Total	366.76	859.01
Depreciation / Amortisation		
Treasury, Investments and BMU	77.86	60.81
Retail Banking	105.85	96.17
Corporate Banking	10.48	9.51
Vehicle Financing	2.25	2.56
Other Lending Activities	0.40	0.38
Broking	12.84	10.93
Advisory and Transactional Services	1.70	1.77
Asset Management	5.23	5.35
Insurance	20.28	20.38
Total	236.89	207.86

Segment information is provided as per the MIS available for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

15. Leased Assets :

A - 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 ₹ 302.92 crore (previous year ₹ 247.26 crore).
- (ii) The future minimum lease payments under non-cancelable operating lease not later than one year is ₹ 275.51 crore (previous year ₹ 224.72 crore), later than one year but not later than five years is ₹ 784.97 crore (previous year ₹ 878.79 crore) and later than five years ₹ 687.99 crore (previous year ₹ 454.18 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.

B - Assets given on lease

The lease income recognised in the Profit and Loss Account in respect of premises and equipment under operating lease is ₹ 0.03 crore (previous year ₹ 0.04 crore).

The future minimum lease payments under non-cancelable operating lease – not later than one year is Nil (previous year Nil), later than one year but not later than five years is Nil (previous year Nil).

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

As on 31st March,	2015	2014
(₹ in crore)		
Gross Investments :		
(i) Not later than 1 year	87.52	91.85
(ii) Between 1-5 years	136.30	146.87
Total	223.82	238.72
Unearned Finance Income :		
(i) Not later than 1 year	20.12	21.74
(ii) Between 1-5 years	19.43	20.52
Total	39.55	42.26
Present Value of Rentals :		
(i) Not later than 1 year	67.41	70.11
(ii) Between 1-5 years	116.85	126.35
Total	184.26	196.46
Accumulated provision on the Gross Investments	1.65	1.60

16. In accordance with the IRDAI Regulations, 2002 (Preparation of Financial Statements and Auditors' Report of Insurance Companies), the Life Insurance subsidiary's investment property has revalued at the market value of the property being the lower of valuation performed by two independent valuers as at 31st March, 2015. The real estate investment property is accordingly valued at ₹ 69.8 crore at 31st March, 2015 (previous year ₹ 49.1 crore). The historical cost of the property is ₹ 49.5 crore (previous year ₹ 49.1 crore).

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

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

Derivative instrument outstanding as on 31st March, 2015

As on 31st March, Particulars of Derivatives	2015 Quantity	2014 Quantity	Purpose
Futures			
S&P CNX Nifty Futures	85,375	20,950	Trading
S&P CNX Nifty Futures	400	1,000	Hedging
Bank Nifty Futures	3,600	6,925	Trading
Stock Futures	10,606,890	5,740,625	Trading
Stock Futures	-	24,000	Hedging
Commodity Futures	200	900	Hedging
Options			
S&P CNX Nifty Options Long	470,275	594,900	Trading
S&P CNX Nifty Options Long	-	150,000	Hedging
S&P CNX Nifty Options Short	713,600	825,200	Trading
S&P CNX Nifty Options Short	-	185,000	Hedging
Stock Options Long	148,750	746,000	Trading
Stock Options Short	20,750	620,250	Trading
Bank Nifty Options Long	15,150	12,000	Trading
Bank Nifty Options Short	11,200	20,700	Trading
Credit Default Swaps	USD 35,000,000	USD 16,000,000	Trading
Forward Exchange Contracts			
USD-INR Long	USD 13,500,000	USD 11,531,509	Hedging
USD-INR Short	USD 1,500,000	-	Hedging
USD-INR Short	-	USD 1,239,000	Trading
USD-INR Short	-	USD 3,006,000	Trading
USD-SGD Long	-	USD 1,590,457	Hedging
USD-SGD Short	-	USD 1,590,457	Hedging
Interest Rate Swap	USD 37,000,000	USD 35,000,000	Hedging
Total Return Swap	USD 8,003,978	USD 8,003,978	Trading

Unhedged forex exposure outstanding as on the Balance Sheet date

Particulars	(₹ in crore)	
	As on 31st March, 2015	As on 31st March, 2014
Amount Receivable in foreign currency	8.76 (USD 1,401,598)	0.91 (USD 152,507) 8.58 (JPY 147,853,846)
Amount Payable in foreign currency	0.00 (GBP 100)	0.60 (GBP 60,000)

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

18. Additional information to consolidated accounts at 31st March, 2015, (Pursuant to Schedule III of the Companies Act, 2013)

(₹ in crore)

Name of the Entity	Net Assets (i.e. Total Assets minus Total Liabilities)		Share in the Consolidated Profit or Loss	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount
Kotak Mahindra Bank Limited	63.83%	14,141.09	61.27%	1,865.98
Indian Subsidiaries :				
Kotak Mahindra Prime Limited	15.12%	3,349.72	16.66%	507.36
Kotak Securities Limited	10.76%	2,384.02	9.51%	289.58
Kotak Mahindra Capital Company Limited	1.87%	415.22	0.41%	12.42
Kotak Mahindra Old Mutual Life Insurance Limited	5.83%	1,291.03	7.52%	228.89
Kotak Mahindra Investments Limited	2.79%	617.22	3.49%	106.35
Kotak Mahindra Asset Management Company Limited	0.23%	51.13	(1.19%)	(36.18)
Kotak Mahindra Trustee Company Limited	0.23%	50.55	0.23%	7.14
Kotak Investment Advisors Limited	1.20%	266.27	0.85%	26.03
Kotak Mahindra Trusteeship Services Limited	0.03%	6.31	0.01%	0.28
Kotak Forex Brokerage Limited	0.00%	0.05	(0.01%)	(0.28)
Kotak Mahindra Pension Fund Limited	0.11%	25.26	(0.01%)	(0.25)
Kotak Mahindra General Insurance Limited	0.00%	0.78	(0.01%)	(0.27)
Foreign Subsidiaries :				
Kotak Mahindra (International) Limited	1.59%	353.10	1.16%	35.34
Kotak Mahindra (UK) Limited	0.47%	104.82	0.38%	11.63
Kotak Mahindra, Inc.	0.07%	14.92	(0.06%)	(1.87)
Kotak Mahindra Financial Services Limited	0.03%	7.01	0.20%	6.17
Minority Interests in subsidiary	(1.52%)	(335.69)	(1.95%)	(59.51)
Associate :				
Infina Finance Private Limited			1.22%	37.24
Phoenix ARC Private Limited			0.30%	9.26
ACE Derivatives & Commodity Exchange Limited (ACE)			(0.27%)	(8.13)
Matrix Business Services India Private Limited			0.05%	1.51
Inter-company and Other adjustments	(2.64%)	(589.49)	0.24%	6.76
Total	100.00%	22,153.32	100.00%	3,045.45

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

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

Particulars	(₹ in crore)	
	Year ended 31st March, 2015	Year ended 31st March, 2014
Deferred Tax Assets		
Provision for non-performing and doubtful debts, standard advances and contingencies	117.70	176.16
Depreciation on assets	32.71	23.74
Unabsorbed capital losses / business losses / provision for investments	2.72	2.64
Unamortised Income	0.18	0.42
Expenditure allowed on payment basis and others	82.85	30.74
Total Deferred Tax Assets	236.16	233.70
Deferred Tax Liabilities		
Deferred expenses	39.12	31.90
Depreciation on assets	9.46	1.47
Others	63.43	6.00
Total Deferred Tax Liabilities	112.01	39.37
Net Deferred Tax Assets / (Liabilities)	124.15	194.33

For the previous year ended 31st March 2014, in accordance with RBI communication RBI/2013-14/412 DBOD. No.BP.BC.77/21.04.018/2013-14 dated 20th December, 2013 on Deferred Tax Liability (DTL) on Special Reserve created under Section 36(1) (viii) of the Income Tax Act, 1961, the Bank had reduced ₹ 31.18 crore from general reserves of the previous year towards DTL on special reserves created till year ended 31st March, 2013.

20. Fixed Assets

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

Particulars	(₹ in crore)	
	Year ended 31st March, 2015	Year ended 31st March, 2014
PURCHASED SOFTWARE		
Gross Block		
At cost on 31st March of the preceding year	307.97	261.57
Additions during the year	32.41	46.58
Deductions during the year	14.04	0.18
Total	326.34	307.97
Amortisation		
As on 31st March of the preceding year	251.81	214.41
Charge for the year	38.82	37.41
Deductions during the year	14.04	0.01
Amortisation to date	276.59	251.81
Net Block	49.75	56.16

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

(₹ in crore)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
MEMBERSHIP CARDS OF STOCK EXCHANGE		
Gross Block		
At cost on 31st March of the preceding year	4.66	4.66
Total	4.66	4.66
Amortisation		
As on 31st March of the preceding year	3.82	3.62
Charge for the year	0.21	0.20
Amortisation to date	4.03	3.82
Net Block	0.63	0.84
GOODWILL		
Gross Block		
At cost on 31st March of the preceding year	1.88	1.88
Total	1.88	1.88
Amortisation		
As on 31st March of the preceding year	1.88	1.88
Charge for the year	-	-
Amortisation to date	1.88	1.88
Net Block	-	-
FOREX BROKING BUSINESS RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	3.83	3.83
Total	3.83	3.83
Amortisation		
As on 31st March of the preceding year	3.83	3.83
Charge for the year	-	-
Amortisation to date	3.83	3.83
Net Block	-	-
ASSET MANAGEMENT RIGHTS		
Gross Block		
At cost on 31st March of the preceding year	-	-
Additions during the year	15.90	-
Deductions during the year	-	-
Total	15.90	-
Amortisation		
As on 31st March of the preceding year	-	-
Charge for the year	0.52	-
Deductions during the year	-	-
Amortisation to date	0.52	-
Net Block	15.38	-

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

21. Related Party Disclosures :

	Nature of relationship	Name of Related Party
A	Individual having significant influence over the enterprise	Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 39.95% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2015.
B	Other Related Parties :	
	Associates	ACE Derivatives and Commodity Exchange Limited Infina Finance Private Limited Phoenix ARC Private Limited Matrix Business Services India Private Limited
	Investing Party of the subsidiaries	Old Mutual Plc. Old Mutual Life Assurance Company (South Africa) Limited
	Enterprises over which relatives of Key Management Personnel have control / significant influence	Aero Agencies Limited Allied Auto Accessories Private Limited Business Standard Private Limited (earlier Business Standard Limited) Business Standard Online Limited (From 27th March, 2015) Kotak and Company Limited Kotak Commodity Services Limited Komaf Financial Services Limited Asian Machinery & Equipment Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Harisiddha Trading and Finance Private Limited Kotak Trustee Company Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Limited Insurekot Sports Private Limited (earlier Insurekot Investments Private Limited) Puma Properties Private Limited
	Key Management Personnel	Mr. Uday S. Kotak – Executive Vice Chairman and Managing Director - KMBL Mr. C. Jayaram - Joint Managing Director - KMBL Mr. Dipak Gupta - Joint Managing Director - KMBL
	Relatives of Key Management Personnel	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Usha Jayaram Ms. Anita Gupta Ms. Urmila Gupta

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

C. Details of related party transactions :

Items/Related Party	(₹ in crore)				
	Associates	Investing Party of the subsidiaries	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Other Liabilities	0.03 (0.25)	0.62 (0.69)	0.16 (0.11)	0.01 (0.01)	
Deposits	231.23 (253.65)		110.02 (70.11)	26.17 (1.47)	10.44 (1.59)
Interest Payable	1.78 (1.97)		0.59 (0.58)	0.42 (0.02)	0.18 (0.01)
II. Assets					
Investments -Gross	149.95 (102.76)		0.03 (#)		
Diminution on Investments			# (-)		
Others	0.58 (3.49)		- (0.53)		
III. Expenses					
Salaries / fees (Include ESOP cost)*				9.48 (9.81)	
Others	0.90 (1.93)		4.32 (3.56)	0.08 (0.08)	
Interest Paid	27.81 (37.81)		5.72 (8.68)	1.70 (0.35)	0.47 (0.07)
IV. Income					
Others	2.43 (2.16)		2.19 (2.32)	0.02 (0.02)	0.06 (-)
V. Other Transactions					
Dividend paid				24.60 (23.40)	0.16 (0.14)
Reimbursement to companies	0.30 (0.24)		0.87 (1.25)		
Reimbursement from companies	0.73 (0.74)		1.54 (1.99)		
Purchase of Investments	48.54 (-)				

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

(₹ in crore)

Items/Related Party	Associates	Investing Party of the subsidiaries	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
Loan disbursed during the year	31.00 (-)				
Loan repaid during the year	30.00 (-)				
Purchase of Fixed Assets	- (0.16)		0.01 (-)		
Sale of Fixed Assets	0.20 (-)		0.02 (-)		
Deposits taken during the year			0.02 (0.02)		
Deposits given during the year	0.02 (-)				
Deposits repaid during the year			# (0.32)		
Guarantees / Lines of credit	2.13 (2.13)				

D. Material transactions with related parties :

(₹ in crore)

Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
I. Liabilities :						
Other liabilities						
Old Mutual Life Assurance Company (South Africa) Limited		0.62 (0.69)				0.62 (0.69)
Aero Agencies Limited			0.10 (0.05)			0.10 (0.05)
Kotak Commodity Services Limited			0.06 (0.05)			0.06 (0.05)
Infinia Finance Private Limited	- (#)					- (#)
Others	0.03 (0.25)		- (0.01)	0.01 (0.01)		0.04 (0.27)

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

(₹ in crore)						
Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
II. Assets :						
Investments						
ACE Derivatives and Commodity Exchange Limited	47.62 (45.39)					47.62 (45.39)
Phoenix ARC Private Limited	98.91 (52.61)					98.91 (52.61)
Others	3.42 (4.76)		0.03 (#)			3.45 (4.77)
Diminution on investments			# (-)			# (-)
Others						
Kotak Commodity Services Limited			- (0.53)			- (0.53)
ACE Derivatives and Commodity Exchange Limited	0.02 (3.38)					0.02 (3.38)
Infina Finance Private Limited	0.48 (0.11)					0.48 (0.11)
Others	0.08 (#)					0.08 (#)
III. Expenses :						
Salaries (Includes ESOP cost)						
Mr. Uday Kotak*				2.47 (2.38)		2.47 (2.38)
Mr. C. Jayaram*				3.00 (3.45)		3.00 (3.45)
Mr. Dipak Gupta*				4.01 (3.98)		4.01 (3.98)
Interest Paid						
Infina Finance Private Limited	25.38 (28.76)					25.38 (28.76)
Phoenix ARC Private Limited	1.44 (7.92)					1.44 (7.92)
Kotak Commodity Services Limited			5.35 (7.89)			5.35 (7.89)
Others	0.99 (1.12)		0.37 (0.80)	1.70 (0.35)	0.47 (0.07)	3.53 (2.34)

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

(₹ in crore)						
Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
Others						
Aero Agencies Limited			4.30 (3.18)			4.30 (3.18)
Kotak and Company Limited			0.01 (0.39)			0.01 (0.39)
Matrix Business Services India Private Limited	0.90 (1.93)					0.90 (1.93)
Others			0.01 (-)	0.08 (0.08)		0.09 (0.08)
IV. Income :						
Others						
Fee Income						
Phoenix ARC Private Limited	0.52 (-)					0.52 (-)
ACE Derivatives and Commodity Exchange Limited	0.22 (0.31)					0.22 (0.31)
Infina Finance Private Limited	0.01 (-)					0.01 (-)
Kotak Commodity Services Limited			2.16 (2.32)			2.16 (2.32)
Others	# (-)		# (#)			# (#)
Premium Income						
Phoenix ARC Private Limited	# (#)					# (#)
Kotak Commodity Services Limited			0.02 (#)			0.02 (#)
Others				0.01 (0.01)	0.06 (-)	0.07 (0.01)
Brokerage Income						
Infina Finance Private Limited	1.68 (1.85)					1.68 (1.85)
Others			# (-)	0.01 (0.01)		0.01 (0.01)

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

(₹ in crore)						
Items / Related Party	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
V. Other Transactions :						
Dividend Paid						
Mr. Uday Kotak				24.50 (23.32)		24.50 (23.32)
Mr. C Jayaram				0.05 (0.04)		0.05 (0.04)
Mr. Dipak Gupta				0.05 (0.04)		0.05 (0.04)
Ms. Pallavi Kotak					0.04 (0.04)	0.04 (0.04)
Ms. Indira Kotak					0.10 (0.08)	0.10 (0.08)
Others					0.02 (0.01)	0.02 (0.01)
Reimbursements made						
Infina Finance Private Limited	0.21 (0.02)					0.21 (0.02)
Kotak Commodity Services Limited			0.48 (1.25)			0.48 (1.25)
Others	0.09 (0.21)		0.39 (-)			0.48 (0.21)
Reimbursements received						
Kotak Commodity Services Limited			1.54 (1.99)			1.54 (1.99)
ACE Derivatives and Commodity Exchange Limited	0.51 (0.57)					0.51 (0.57)
Others	0.22 (0.17)					0.22 (0.17)
Purchase of Investments						
Phoenix ARC Private Limited	46.31 (-)					46.31 (-)
ACE Derivatives and Commodity Exchange Limited	2.23 (-)					2.23 (-)
Loan Disbursed during the year						
Phoenix ARC Private Limited	30.00 (-)					30.00 (-)

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

Items / Related Party						(₹ in crore)
	Associates	Investing Party of the subsidiary	Enterprises over which relatives of Key Management Personnel have control / significant influence	Key Management personnel	Relatives of Key Management Personnel	Total
ACE Derivatives and Commodity Exchange Limited	1.00 (-)					1.00 (-)
Loan Repaid during the year						
Phoenix ARC Private Limited	30.00 (-)					30.00 (-)
Purchase of Fixed Assets						
Kotak Commodity Services Limited			0.01 (-)			0.01 (-)
ACE Derivatives and Commodity Exchange Limited	- (0.16)					- (0.16)
Sale of Fixed Assets						
Phoenix ARC Private Limited	0.20 (-)		0.02 (-)			0.22 (-)
Deposits taken during the year						
Kotak Commodity Services Limited			0.02 (0.02)			0.02 (0.02)
Deposits given during the year						
ACE Derivatives and Commodity Exchange Limited	0.02 (-)					0.02 (-)
Deposits repaid during the year						
Kotak Commodity Services Limited			# (0.32)			# (0.32)
Guarantees/Lines of credit	2.13 (2.13)					2.13 (2.13)

* includes incentive paid during the year

In the above table denotes amounts less than ₹ 50,000.00

Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account

E. Maximum balance outstanding

(₹ in crore)

Items/Related Party	Associates	Investing Party of the Subsidiary	Enterprise over which relative of Key Management Personnel have control / significant influence	Key Management Personnel	Relatives of Key Management Personnel
I. Liabilities					
Deposits	2,771.59 (648.61)		161.93 (167.54)	34.25 (20.62)	17.65 (9.99)
Other Liabilities	0.25 (0.25)	0.69 (0.72)	0.16 (2.36)	0.01 (0.01)	
II. Assets					
Investments-Gross	149.95 (114.80)				
Advances	30.00 (-)				
Others	0.57 (1.32)		0.53 (0.55)		

Note : Figures of previous year are given in bracket.

22. The Board of Directors of Kotak Mahindra Bank Ltd ("Kotak") and the Board of Directors of ING Vysya Bank Ltd ("ING Vysya") at their respective meetings held on 20th November, 2014 have approved an amalgamation of ING Vysya with Kotak in the ratio of 725 shares of Kotak for every 1,000 shares of ING Vysya. Subsequently, the shareholders of Kotak and ING Vysya have approved the scheme of amalgamation at their respective Extra Ordinary General Meetings held on 7th January, 2015. The amalgamation is approved by the Reserve Bank of India (the "RBI") under the Banking Regulation Act and the Competition Commission of India. The amalgamation is effective from 1st April, 2015.
23. Figures for the previous year have been regrouped / reclassified wherever necessary to conform to current year's presentation.

For and on behalf of the Board of Directors

Dr. Shankar Acharya

Chairman

Dipak Gupta

Joint Managing Director

Jaimin Bhatt

President and
Group Chief Financial Officer

Mumbai, 5th May, 2015

Uday Kotak

Executive Vice Chairman
and Managing Director

Bina Chandarana

Company Secretary

Accounting Policies & Notes

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

Particulars	Kotak Mahindra Prime Limited	Kotak Securities Limited	Kotak Mahindra Capital Limited	Kotak Mahindra Mutual Insurance Limited	Kotak Mahindra Old Life Insurance Limited	Kotak Mahindra General Insurance Limited	Kotak Mahindra Investments Limited	Kotak Mahindra Asset Management Company Limited	Kotak Mahindra Trustee Company Limited	Kotak Mahindra (International) Limited	Kotak Mahindra (UK) Limited	Kotak Mahindra, Inc.	Kotak Investment Advisors Limited	Kotak Mahindra Trusteeship Services Limited	Kotak Forex Brokerage Limited	Kotak Mahindra Pension Fund Ltd	Kotak Mahindra Financial Services Ltd
Share Capital	3.50	1.60	3.44	510.29	780.74	1.05	4.64	29.80	0.05	16.16	7.01	0.07	4.59	0.05	4.10	28.00	8.45
Reserves & Surplus	3,346.22	2,382.42	411.78	780.74	780.74	(0.27)	612.58	21.33	50.50	336.94	97.81	14.85	261.68	6.26	(4.05)	(2.74)	(1.43)
Total Assets	20,714.28	4,366.73	431.62	15,763.50	15,763.50	1.06	3,632.80	103.28	55.51	782.72	245.99	15.54	274.48	6.83	1.12	25.55	12.00
Total Liabilities	17,364.56	1,982.71	16.40	14,472.47	14,472.47	0.28	3,015.58	52.15	4.96	429.62	141.17	0.62	8.21	0.52	1.07	0.29	4.98
Investments (excluding investment in subsidiaries)	869.60	537.97	111.61	14,697.40	14,697.40	-	253.24	0.70	54.24	601.21	-	4.47	223.54	5.72	-	25.21	-
Turnover	2,640.43	959.84	89.12	5,712.79	5,712.79	-	391.24	125.43	11.62	67.27	89.38	13.97	80.54	2.81	0.54	1.36	21.17
Profit before taxation	773.95	441.40	16.39	261.22	261.22	(0.27)	158.20	(35.91)	10.77	38.28	12.02	(1.85)	30.02	0.29	(0.28)	(0.25)	6.17
Provision for taxation	266.59	151.82	3.97	32.33	32.33	-	51.85	0.27	3.63	2.94	0.39	0.02	3.99	0.01	-	-	-
Profit after taxation	507.36	289.58	12.42	228.89	228.89	(0.27)	106.35	(36.18)	7.14	35.34	11.63	(1.87)	26.03	0.28	(0.28)	(0.25)	6.17
Proposed Dividend (Equity)	0.21	NIL	NIL	NIL	NIL	NIL	NIL	NIL	3.76	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
% of Shareholding	100.00	100.00	100.00	74.00	74.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note:

- (1) Share Capital does not include Preference Share capital.
- (2) Total liabilities include current liabilities and provision, Preference Share Capital and excludes Equity Share Capital and Reserves.
- (3) Investments include investments and stock-in-trade reported by the above entities and also include investments held to cover policy holders' liabilities and unit linked liabilities.
- (4) Turnover is the total income reported by each of the entities in their financial statements.
- (5) Dividend excludes corporate dividend tax.
- (6) % of Shareholding includes direct and indirect holding through subsidiary.
- (7) Kotak Mahindra General Insurance Limited (KMGI) was incorporated on 20th December, 2014. KMGI is awaiting license approval from IRDAI and is yet to commence operations.
- (8) The figures in respect of Kotak Mahindra, Inc., Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited and Kotak Mahindra Financial Services Limited are based on the accounts prepared under Indian Accounting Standards. The reporting currency of these subsidiaries is US\$ and exchange rate as on the last day of the financial year ending 31st March, 2015 is 1 USD = INR 62.50
- (9) Kotak Mahindra Asset Management (Singapore) Pte. Limited is yet to commence operations.
- (10) Global Investments Opportunities Fund Limited (GIOFL) ceased to be subsidiary from 12th May, 2014.

Statement containing salient features of the financial statement of subsidiaries/associate companies (Contd.)

PART "B" : Associates

(₹ in Crore)

Particulars	Infina Finance Private Limited	Phoenix ARC Private Limited	ACE Derivatives and Commodities Exchange Limited ^{1 & 5}	Matrix Business Services India Private Limited ^{1 & 4}
Latest Audited Balance Sheet date	31-Mar-15	31-Mar-15	31-Mar-14	31-Mar-14
Shares of Associate held by the Group on the year end				
Nos.	1,100,240	82,320,000	43,795,700	103,255
Amount of Investment in Associates	1.10	97.76	47.62	2.32
Extend of Holding %	49.99%	49.00%	40.00%	19.77%
Description of how there is significance influence	Ownership of 20% or more of the voting power	Ownership of 20% or more of the voting power	Ownership of 20% or more of the voting power	Significance influence through Board representation
Reason why the associate is not consolidated	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board	Ownership of less than 50% of the Voting Power and no control over the Board
Networth attributable to Shareholding as per latest audited Balance Sheet^{4 & 5}	590.87	130.03	5.73	6.30
Profit / Loss for the year¹	74.49	18.89	(20.32)	6.61
i) Considered in the Consolidation	37.24	9.26	(8.13)	1.51
ii) Not considered in the Consolidation	37.25	9.63	(12.19)	5.10

Note:

- (1) For the purpose of preparation of consolidation financial statements, the group has considered unaudited financial statement.
- (2) Significant influence has been determined as per Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (3) During the year, the Group partially divested its stake in Matrix Business Services India Private Limited.
- (4) Share of audited Networth based on share holding as on 31 March, 2014 of 31.26 % is ₹ 7.90 Crs
- (5) Share of audited Networth based on share holding as on 31 March, 2014 of 40.00 % is ₹ 11.63 Crs

For and on behalf of the Board of Directors

Dr. Shankar Acharya

Chairman

Dipak Gupta

Joint Managing Director

Jaimin Bhatt

President and
Group Chief Financial Officer

Uday Kotak

Executive Vice Chairman
and Managing Director

Bina Chandarana

Company Secretary

Basel III (Pillar 3) Disclosures (Consolidated) as at 31st March, 2015

In accordance with RBI circular DBOD.No.BP.BC.2/21.06.201/2013-14 dated 1st July, 2013, banks are required to make half yearly Pillar 3 disclosures under Basel III capital requirements with effect from 30th September, 2013.

The Bank has made these disclosures which are available on its website at the following link: http://ir.kotak.com/downloads/pdf/pillar3_disclosures_mar_15.pdf.

The disclosures have not been subjected to review by the statutory auditors of the Bank.

Directors' Report

To the Members of

KOTAK MAHINDRA BANK LIMITED

The Directors present their Thirtieth Annual Report together with the audited accounts of your Bank for the year ended 31st March 2015.

FINANCIAL HIGHLIGHTS

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

	31st March 2015 ₹ crore	31st March 2014 ₹ crore
Total income	21,471.08	17,268.29
Total expenditure, excluding provisions and contingencies	16,715.37	13,263.82
Operating Profit	4,755.71	4,004.47
Provisions and contingencies, excluding provision for tax	205.73	308.97
Profit before tax	4,549.98	3,695.50
Provision for taxes	1,484.90	1,183.96
Profit after tax	3,065.08	2,511.54
Less: Share of minority interest	59.51	62.17
Add: Share in profit of Associates	39.88	15.62
Consolidated profit for the Group	3,045.45	2,464.99
Earnings per Equity Share:		
Basic (₹)	39.49	32.19
Diluted (₹)	39.40	32.14

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

	31st March 2015 ₹ crore	31st March 2014 ₹ crore
Total Income	11,748.32	10,166.83
Total expenditure, excluding provisions and contingencies	8,750.86	7,589.68
Operating Profit	2,997.46	2,577.15
Provisions and contingencies, excluding tax provisions	164.50	304.70
Profit before tax	2,832.96	2,272.45
Provision for taxes	966.98	769.93
Profit after tax	1,865.98	1,502.52
Add: Surplus brought forward from the previous year	4,005.29	3,016.60
Amount available for appropriation	5,871.27	4,519.12
Appropriations:		
Statutory Reserve under Section 17 of the Banking Regulation Act, 1949	466.50	375.63
General Reserve	93.30	75.13
Transfer to / (from) Investment Reserve Account	86.65	(41.10)
Transfer to Capital Reserve	5.91	0.40
Transfer to Special Reserve	28.00	32.00
Proposed Dividend	82.07	63.08
Corporate Dividend Tax	13.58	8.69
Surplus carried to Balance Sheet	5,095.26	4,005.29

INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that there are internal controls in place with reference to the Financial Statements and that such controls are operating effectively.

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 0.90 per equity share (previous year ₹ 0.80 per equity share), entailing a payout of ₹ 95.65 crore including dividend distribution tax (previous year ₹ 71.77 crore). The dividend would be paid to all the shareholders (including the shareholders of the erstwhile ING Vysya Bank Ltd.), whose names appear on the Register of Members/Beneficial Holders list on the Book Closure date.

BONUS ISSUE OF SHARES

Your Directors recommend an issue of bonus shares, subject to the approval of the members at the Annual General Meeting to be held on 29th June 2015, in the ratio of 1:1 i.e. one additional equity share for every one equity share held by the members on a date to be fixed by the Board, by capitalizing a part of the reserves.

AMALGAMATION OF ING VYSYA BANK WITH THE BANK

The Board of Directors of your Bank and the Board of Directors of ING Vysya Bank Ltd. ('IVBL') at their respective meetings held on 20th November 2014, had approved a Scheme of Amalgamation of IVBL with the Bank under Section 44A(4) of the Banking Regulation Act, 1949, subject to approval of the shareholders of both the Banks, Reserve Bank of India (RBI) and other regulatory authorities. On 7th January 2015, the shareholders of the Bank accorded their consent to the Scheme of Amalgamation of IVBL with the Bank. Further, RBI approved the Scheme of Amalgamation of IVBL with the Bank effective 1st April 2015. Consequently, on 21st April 2015, the shareholders of the erstwhile IVBL were allotted 13,92,05,159 equity shares of ₹5/- each fully paid up of the Bank, as on the record date of 17th April 2015, in the ratio of 725 equity shares of face value of ₹5/- each of the Bank for every 1000 equity shares of ₹10/- each held by the shareholders of IVBL.

CAPITAL

During the year, your Bank has allotted 10,77,480 equity shares arising out of the exercise of Employees Stock Options granted to the employees and whole-time directors of your Bank and its subsidiaries.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of your Bank stands at ₹ 3,86,17,63,320 comprising of 77,23,52,664 equity shares of ₹ 5 each as on 31st March 2015.

Further, upon allotment of 13,92,05,159 equity shares to the shareholders of erstwhile ING Vysya Bank Ltd. pursuant to the scheme of amalgamation in April 2015, the issued, subscribed and paid-up share capital of your Bank stands at ₹ 4,55,77,42,615 comprising of 91,15,48,523 equity shares of ₹ 5 each. On account of cross holding 9300 equity shares of ₹5 each have been cancelled.

Your Bank is well capitalised and has a Capital Adequacy Ratio ('CAR') under Basel III as at 31st March 2015 of 17.17% with Tier I being 16.18%. At a consolidated level the CAR was 17.56% under Basel III.

During the year, your Bank has not issued any capital under Tier II. As on 31st March 2015, outstanding Unsecured, Redeemable Non-Convertible, Subordinated Debt Bonds were ₹ 482 crore and outstanding Unsecured, Non-Convertible, Redeemable Debt Capital Instruments Upper Tier II stood at ₹ 417.25 crore.

In August 2014, your Bank had sought approval of its shareholders through Postal Ballot for issuance of securities in the nature of non-convertible debentures, in Indian/foreign currencies in the domestic and/or overseas market for an amount upto ₹ 5000 crore on private placement basis. Accordingly, your Bank raised around ₹962 crore in the financial year under review through issuance of infrastructure bonds.

TERMINATION OF GDS PROGRAM

In April 2006, your Bank had issued and allotted 1,50,00,000 equity shares of ₹ 10 each (post subdivision 3,00,00,000 equity shares of ₹ 5 each) to The Bank of New York, in its capacity as Depository for registered Global Depository Receipts (GDR) holders. The GDRs were listed on Luxembourg Stock Exchange.

The average daily trading volume was 2,449 and the number of outstanding Depository Receipts as on 31st March 2015 was 10,37,075. Due to low trading/conversion volume in GDR, the Board of Directors of the Bank at its meeting held on 5th May 2015 has decided to terminate the GDS program. The requisite notice of termination is being issued to the Custodian and the Depository.

OPERATIONS**Consumer Banking**

Your Bank consolidated its network presence through a measured expansion of its footprint across the country and as of 31st March 2015 had 684 branches and 1273 ATMs, covering 379 locations. Of the 79 new branches commissioned this year, 21 were in rural and semi-urban locations. Your Bank added about eight hundred thousand new customers this year across core banking products of savings and checking accounts, term deposits, overdrafts and non-resident accounts.

Your Bank rolled out several initiatives aimed at offering a superior and differentiated customer experience. Some key ones are:

Digital Initiatives

Enabling availing products and services through digital channels was a key focus area for your Bank in this year. Some of the highlights being:

- Building onto the new digital account JIFI, launched last year, your Bank introduced its interest bearing variant, JIFI Saver, this year in January 2015. The account offers up to 6% interest and has a slew of distinguishing features like Hashtag Banking, Loyalty Rewards, Credit Bureau Score and Money Watch to appeal the tech savvy Gen Y segment.
- Marked by the rise of e-commerce in the country and with a view to staying ahead of competition, your Bank introduced a loyalty rewards platform, Kotakrewards.com in January, 2015. The platform is powered by 100+ ecommerce partners and 7000+ hotels completely funding the points earned by Kotak customers while shopping on their portals. The platform offers extra points to JIFI & JIFI Saver customers.
- In sync with the lifestyle of today's social media savvy generation, with the launch of Hashtag banking in January 2015, your Bank took banking to a new high. With Hashtag banking, for the JIFI and JIFI Saver account holders, now Mobile & DTH recharge, account updates, cheque book request and many more account activities are just a tweet away.
- Your Bank ventured into the burgeoning digital payments arena with the launch of Kaypay in October 2014. It's a bank agnostic person-to-person payments application which allows funds transfer to about 250 million customers of 28 banks in the country. Kaypay is a web based application optimized for use on mobile and allows funds transfer in real time 24X7 for free.
- Your Bank also launched an easy and hassle free person-to-person payment feature in Net Banking and Mobile Banking called Mail Money & Message Money. Mail Money, launched in September 2014, allows the Net Banking users to send money to anyone just by using their email addresses. On the same lines, for all Mobile Banking users, Message Money was launched in December 2014, to enable money transfer to any mobile number without the hassle of knowing the recipient's account details.
- Your Bank introduced Kotak Money Watch, a 360 degree personal finance management tool within Net banking, in March 2015. It enables all the Net Banking users to track expenses, set budgets and track cash out from ATM.

Products & Services

- Your Bank launched Grand, a new savings bank proposition tailored exclusively for customers above 55 years, deriving features & benefits from their needs of healthcare, convenience and personalized attention. Under the proposition, customers are provided with priority service for their transactions at the branch & a first aid card, which details a customer's health status and emergency contacts for easy reference. Further, Grand customers are offered a health card from Indian Health Organization (IHO), offering discount on treatments, consultation and procedures. Also, available are services like customized cash delivery, courtesy call back, etc.
- Your Bank launched SANMAN savings bank account in unbanked rural locations. The product is customized to cater to the banking needs of rural/unbanked India such as farmers, small time traders, self-employed, low income group individuals, works etc. It offers key features like reduced Average Quarterly Balance (AQB) requirement and enhanced cash deposit limits to suit the seasonality of rural India apart from standard features.
- Your Bank launched on-line PIN (for debit and credit card) generation feature through net-banking, mobile banking and IVR. On one end, this feature has provided a huge convenience to customers and on the other end, significant cost saving to the bank.
- Your Bank has introduced differentiated cards with additional features. These include the RuPay Debit Card, for customers opening accounts under PMJDY scheme. Associate Card for representatives of customers whereby non-financial transactions can be made through ATMs within Kotak network.
- Your Bank introduced electronic platform for KYC. Customers can walk in to the branch only with Aadhar number and with the help of biometric impression of customer or OTP, the KYC details can be downloaded from UIDAI database through eKYC application. This has enabled faster on boarding of new customers.

Business Lines**a) Non Resident Business**

Your Bank continues to deliver innovative products and services in its endeavor to become a preferred banker amongst the NRI community globally. Some of the key initiatives taken this year are:

1. Extended C2R money transfer mode for Australia. Your Bank's NRI clients can now use this medium to transfer money from Australia to their Kotak Bank account in India.
 2. Your Bank has further expanded the network of exchange house relationships and the count now stands at 20.
 3. Launched a unique proposition for Indian IT professionals deputed to overseas assignments.
 4. Your Bank has signed an MOU with NED Bank South Africa. This alliance would address the needs of the Indians migrating to South Africa and those already present there. South Africa has one of the strongest Indian diaspora which include both the NRI and PIO.
 5. As a platform to reach out to the overseas Indian community, your Bank participated in various international business forums such as Pravasi Bhartiya Diwas (PBD)-2015 and Vibrant Gujarat, the annual convention of AAPI-2014 (American Association of Physicians of Indian origin) at San Antonio (Houston.), AIA (Association of Indian Americans)-Annual Convention at New York, 2014.
- b) **Priority Banking Business**
- Privy League, the premium banking program of the Bank, now services more than 2.75 lakh customers. The segmental offering in Privy League was re-enforced with the launch of Trader current accounts and Grand savings accounts for senior citizens, under the Privy League program umbrella. An exclusive Privy League branch was launched in Hauz Khas, Delhi to create a differentiated service experience for the HNI customers with amenities like valet parking, private meetings rooms with video conference facility and a coffee lounge.
- c) **Consumer Assets Business**
- Your Bank has continued to grow the product lines under the Consumer Assets business.
- Credit Card: Your Bank's credit card business has issued 4.80 lac cards by March 2015 and is in its seventh year of operations. The premium range of our products – VISA Signature and VISA Platinum have driven the spends growth in the portfolio and it contributes to 47% of spends, while accounting for 27% of customer base. The Credit card business has clocked total spends of ₹3204 crore for the year at 31% growth Y-o-Y with a book size of ₹643.5 crore. As per RBI data on electronic payments released for November 2014, total credit card spends for the industry has grown by 23% for April to November 2014 period over last year.
- Salaried Personal Loan: Your Bank's Salaried Personal Loan business offers salaried individuals personal loans with a tenure of upto 60 months. This year the business has grown by 68% with a SOH of ₹ 840 crore as of March 2015. The total customer base stands at 34000 customers.
- Home Finance: Home Finance business clocked high growth of 37% in disbursements with loan book growth of 20% during the year with strong demand from both Tier I and Tier II Cities. Your Bank has expanded its home finance business further in Tier II Cities. Cross Sell through Bank Branches, Corporate Salary, Privy, and Wealth Teams contributed to around 30% of total volume. This year also witnessed very low losses on account of efficient and effective recovery and collection processes and policies adopted and we were able to resolve NPA cases.
- d) **Business Banking Assets (BBA):** Your Bank through its BBA division offers secured and unsecured Business loans, Loans against Property & Working Capital Finance to self-employed professionals / non-professionals and Small & Medium Enterprises. This has been a landmark year for your Bank's BBA business with its book growing by 27%. Your Bank continues to maintain its best in class portfolio quality through its effective and efficient risk management and recovery policies and practices. Capitalizing on the growing retail branch network, your Bank managed to expand its BBA product offering in over 400 branches.

Wholesale Banking

Your Bank through its consolidated franchise has focussed on serving customers' requirements across segments with its wide array of customized financial products and services that are driven through best-in-class technology platforms.

Your Bank has also ensured a healthy portfolio with its continuous efforts through both volatile economic situation and tough credit environment in the last financial year. This has led to a stable credit growth.

The Transaction Banking Group has focussed on reinforcing your Bank as the Best Domestic Bank during the past year. Your Bank has been able to consistently add value to clients across Cash Management & Trade Services through its specialized product solutions that are steered by innovation and robust technology. This has helped clients optimize working capital & liquidity management. Proactive competition benchmarking, advanced processes and product parameters, continuous client feedback and customized solutions have helped the bank in catering to needs of this ever changing challenging industry. Your Bank has introduced the following key initiatives to serve customers better:

- **Service Support:** To serve diverse financial needs your Bank has nine dedicated commercial branches & 135 CSM teams including cluster heads across 47 locations.
- **Tax Payment:** Your Bank offers a 'Comprehensive Statutory Payment Solution' to its customers via direct integration with Tax authorities, payment aggregators and various partner banks. Your Bank has developed a Government Business Module (GBM) for its customers to process payment of Direct (CBDT)/ Indirect Taxes (CBEC) through Net Banking and Branch channel. Currently, your Bank has been empanelled as Agency Bank for

collecting tax for a) Delhi VAT & CST, Gujarat Commercial Tax, b) Andhra Pradesh Commercials Taxes, c) Punjab VAT & CST, Telengana Commercial Taxes d) an aggregator bank for Bihar VAT & CST and e) Odisha VAT & CST.

- Online EPF Payment: Employees' Provident Fund Organization has enabled online EPF payment for employers through payment aggregator with SBI as their primary banker. Your Bank has successfully integrated GBM module with concerned solution provider to enable all Kotak account holders to make EPF payment online using maker-checker workflow.
- IFC: Your Bank has signed an agreement with International Finance Corporation (IFC) under Global Trade Finance Programme (GTFP) as a confirming bank. Under this arrangement IFC will issue us payment guarantees/ SBLC for letter of credit favouring Kotak Mahindra Bank Ltd., thereby mitigating the payment risk on the underlying banks.
- Kotak Sarvartha Prepaid Card: Your Bank has initiated a comprehensive Prepaid Card program that will enable corporate clients to make payments to their employees, customers, affiliates, and vendors etc. and address their diverse payout needs like incentive payments, petty cash reimbursements, contract staff payouts, FI payouts etc.
- Kotak Bill Pay: To ensure convenient & secure way of managing bill payments, your Bank introduced Kotak BillPay that offers customers the flexibility of making regular payments by one time registration.

Your Bank's in-depth understanding of clients' requirement and ability to deliver tailored solutions in both Trade & Cash Management businesses has been acknowledged by industry's leading agencies. Your Bank has been adjudged the "Best Domestic Trade Bank in India" by Trade & Forfeiting Review and "Best Local Cash Management Bank in India" 6th year in a row by Asiamoney. The Asiamoney awards are based on scores formed from a corporate survey conducted by Asiamoney (turnover less than or equal to USD 100mn). Your Bank won the Best Prepaid Card Programme at Financial Inclusion & Payments Systems Award 2014 for Amul Samriddhi. Your Bank has also received the Special Award for Innovation at the National Payments Excellence Award 2014 and was also recognised by NPCI for its role in launch of the RuPay Prepaid Card. Your Bank also received an award from the Honorable President of India Shri. Pranab Mukherjee at Rashtrapati Bhawan for its role in the launch of RuPay prepaid card leading to automation of the payout process for milk procurement by milk unions. These awards stand testimony to your Bank's focussed approach towards Transaction Banking and client centric solutions.

Commercial Banking

The Commercial Banking business has registered a reasonable growth in FY 2014-15 despite subdued market sentiments and erratic monsoon.

Commercial Vehicles (CV) and Construction Equipment (CE) sectors, which have been witnessing slowdown since 2011, showed signs of recovery. The CV situation seems to have improved slightly in the last two quarters of the previous year, especially in the case of Medium Commercial Vehicle (MCV) & Heavy Commercial Vehicle (HCV) sales across segments, which was driven by replacement demand. Decrease in energy prices and all around improvement of load factors have improved viability for transport operations and also reduced levels of delinquency. However, the recovery of Light Commercial Vehicle (LCV) segment is still weak. Further, de-growth is seen in the Small Commercial Vehicles (SCV) segment. Your Bank has started increasing exposure to this sector in the second half of FY 2014.

At a macro level, GDP growth in FY 2015-16 is expected to be better than the previous year. MCV and HCV sectors are expected to grow in the next fiscal year, whereas the LCV segment could grow with a lag of 6 months towards the latter half of FY 2015-16. Further, project clearances should pave the way for action in infrastructure, which in turn will lead to revival in the CE sector. Your Bank is well positioned to accelerate growth in these segments should a sustainable turnaround be seen.

After continuous growth in the last four years, the tractor industry was in the negative by 13.5% during FY 2014-15 as a result of late and deficit monsoon in the first half of the last fiscal year followed by unseasonal rain fall. Losses in Kharif and Rabi crops, drop in prices of major commodities and reduction in yields have led to more than 25% percent fall in tractor industry growth post January 2015. Your Bank's fresh disbursement for tractors in FY 2014-15 was marginally lower than previous year but better than the industry de-growth. However, the slowdown in rural economy has led to marginal deterioration of portfolio quality.

Although the monsoon also had an impact on the agri business industry, your Bank inched closer to the RBI target of 18% of the Bank's advances in the agri loan portfolio. Your Bank has set up new branches in the tier two to tier six towns and villages. This is in keeping with the Banks philosophy of borrowing (deposits) from India (metro/urban cities) and lending (light on liabilities, heavy on assets) to Bharat (rural and semi-urban). Even though the portfolio quality of agri loans continues to remain satisfactory, there could be incremental stress in the next fiscal year, given the unpredictable weather patterns.

The total agri portfolio of your Bank crossed ₹ 12,000 crore in the last fiscal. The Agri business is now offering new non-urban small ticket loan products in smaller towns and rural pockets. Under the micro loan segment, your Bank commenced direct lending in the state of Uttar Pradesh, specifically in and around Varanasi. Close to 4,000 women customers were added through this initiative. Further, your Bank has acquired by assignment a large portfolio of micro loans given to women borrowers under the Joint Liability Group setup in the states of West Bengal, Bihar and Tripura.

Emerging Corporate Group's (ECG) strategy continues to focus on balanced growth and maintain asset quality. Further, its growth has been driven

by new customer acquisition along with increasing product penetration to existing customers. In the last financial year, the ECG business expanded its operations to 19 locations across 13 states. While the portfolio has witnessed stress due to slow down in the economy majority of them are in advanced stage of resolution.

Your Bank also diversified its gold loans and rural housing finance operations. Gold loan products are now available across 150 bank branches and Rural Housing finance is now offered at 50 locations.

Asset Reconstruction

This year your Bank received and invested in several proposals of special situation and last mile financing. This scenario is expected to continue for the next few years as well. However, recoveries from sale of large assets continues to be challenging.

The retail recoveries of the assets purchased from other banks and NBFC's continues to be robust. The retail portfolio sale from other banks and NBFC's is expected to increase in the coming few years.

Treasury

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

- **Proprietary Trading:** The various proprietary trading desks actively trade in products such as Fixed Income, Money Markets, Derivatives, Foreign Exchange and Bullion. Primary Dealer Desk – part of the proprietary trading desk, actively participates in the primary auctions of government securities, makes market in government securities and engages in retailing of government securities.
- **Customer Transactions:**
 - o Facilitating access to foreign currency markets through cash & derivatives products and providing fine market rates to clients for remittance and trade transactions.
 - o Client solutions - standardised and structured, pertaining to Debt Capital Markets including Syndication of Loans, Bonds, Mezzanine financing, Promoter funding and acquisition financing and Securitisation.
- **Balance Sheet Management:** The Balance Sheet Management Unit (BMU) manages the Asset Liability mismatches, Interest rate & Liquidity gaps and implementation of Funds Transfer Pricing between various business units. The Correspondent Banking Division within treasury actively builds on relationships with offshore banks towards improving quality and international reach for its customers.

Human Resources

Investment in Human Capital continues to be significant as in earlier years. Programs related to Talent Attraction, Talent Development and Talent Management have been institutionalized basis our architectural framework of Value creation and Best employment Experience.

Pre-trained manpower acquisition channels such as Kotak Probationary Officer (KPO) and Junior Probationary Officer (JPO) programs have been further strengthened to create a sustainable pipeline of quality and timely manpower who become specialist bankers with requisite managerial skills.

Talent management continues to be an integral part of overall performance management process in the Bank. Your Bank believes in driving businesses through its core values and our talent management process aims to provide long term, sustained and meaningful career to employees across the organization.

Cultural integration of people is a very key focus area and in this context our organizational learning initiatives are designed around assimilation and development of individuals and team competencies, on aspects such as people management, productivity and service quality. Your Bank has partnered with top academic institutions as well as renowned industry experts for the same

Your Bank recognises that functional training is key to equip employees with strong domain knowledge and it continues the commitment of developing strong functional competencies in its employees through its robust e-learning platform as well as classroom trainings. The organization learning team runs around 350 plus unique functional and developmental programs in the above context.

Specialized certifications for specific roles continue to be run as mandatory programs to ensure employee awareness of various regulatory norms in this dynamic external environment.

Technology

This year, your Bank increased emphasis on digital products. Three major upgrades on the mobile banking application saw a large increase in adoption of usage. Several new "native digital" products were launched including Kaypay, Message Money and Hashtag Banking. On the loans management side, mobility has been introduced for collections on personal loans and credit card payments.

Customer connect was improved by leveraging the Unica platform launched the previous year. Further automation of the marketing operations enabled your Bank to increase its ability to increase scale in offers to customers, tailored to their needs.

A new system was introduced for the Bank's Wealth Management customers, enabling them to get a consolidated, single view of all their investments. This will serve as the foundation for portal and mobile access to customer dashboards and alerts in the coming year.

To ensure customer data security, technology programs in the area of information security kept pace with the digital innovation. Customers are now given an option to login using digital certificates. New technology to prevent leakage of customer data has been implemented across the Bank and a new initiative for fraud detection on channels has been started.

Governance and control continued to be an area of concentration, with new systems being deployed for internal audit automation, anti-money laundering, asset-liability management and compliance management.

SUBSIDIARIES & ASSOCIATES

Your Bank's subsidiaries are established players in the different areas of financial services, viz. car finance, investment banking, stock broking, asset management and life insurance.

As at 31st March 2015, your Bank has seventeen (17) subsidiaries as listed below:

Domestic Subsidiaries

Kotak Mahindra Prime Limited
Kotak Securities Limited
Kotak Mahindra Capital Company Limited
Kotak Mahindra Old Mutual Life Insurance Limited
Kotak Mahindra Investments Limited
Kotak Mahindra Asset Management Company Limited
Kotak Mahindra Trustee Company Limited
Kotak Investment Advisors Limited
Kotak Mahindra Trusteeship Services Limited
Kotak Forex Brokerage Limited
Kotak Mahindra Pension Fund Limited
Kotak Mahindra General Insurance Limited

International Subsidiaries

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

During the year, Global Investment Opportunities Fund Limited, ceased to be a subsidiary of your Bank with effect from 13th May 2014.

Further, a new subsidiary of the Bank viz. Kotak Mahindra General Insurance Limited was incorporated in December 2014, with principal objective of carrying on business of general insurance. It is awaiting approval from Insurance Regulatory and Development Authority of India (IRDAI) to commence the business of general insurance.

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: <http://ir.kotak.com/governance/policies.html>

As at 31st March 2015, your Bank has following four (4) Associate companies:

ACE Derivatives & Commodity Exchange Limited
Infina Finance Private Limited
Matrix Business Services India Private Limited
Phoenix ARC Private Limited

The Annual Report which consists of the financial statements of your Bank on standalone basis as well as consolidated financial statements of the group for the year ended 31st March 2015, has been sent to all the members of your Bank. It does not contain Annual Reports of your Bank's subsidiary companies. Your Bank will make available full Annual Report (including the Annual Reports of all subsidiaries) upon request by any member of your Bank.

These Annual Reports will be available on your Bank's website viz. URL : <http://ir.kotak.com/annual-reports> and will also be available for inspection by any member at the Registered Office of your Bank.

EMPLOYEE STOCK OPTION SCHEME

The stock options granted to the employees currently operate under Kotak Mahindra Equity Option Scheme 2007 ("Scheme 2007"). The disclosures below are in respect of the year ended 31st March 2015.

Options granted during the year	Series	No. of Options granted	Grant Price
	Series 44	9,96,070	812
	Series 45	54,410	600
	Series 46	27,000	800
Pricing Formula	<p>The Exercise Price shall be a price, as may be determined by the Board / ESOP / Compensation Committee, equivalent to or discounted up to 50% of the 'Average Market Price'. The 'Average Market Price' for this purpose would mean the average of the closing price of Equity Shares of your Bank, during two weeks period prior to the date of the meeting of Board/ESOP/Compensation Committee at which 'Plan Series' under the Scheme is approved, on the Stock Exchange, where there was highest trading volume during the said two week period, on which the Equity Shares of your Bank are listed.</p> <p>'Plan Series' means a documented plan framed by Board / ESOP / Compensation Committee for each tranche of grant of Options, to all Eligible Employees, at a specific Exercise Price (which is determined by the Board / ESOP / Compensation Committee for the purpose of that particular Plan Series) and other terms and conditions as mentioned in that Plan Series.</p> <p>The Board / ESOP / Compensation Committee under special circumstances decides that the Exercise Price shall be ₹ 5 per share. In such cases, the immediately succeeding Directors' Report / Corporate Governance Report shall carry details of the same.</p>		
Options in force at the beginning of the year	53,53,670 options		
Options Vested during the year	23,67,193 options		
Options exercised during the year	20,41,663 options		
Total number of shares arising as a result of exercise of options	20,41,663 equity shares of ₹ 5 each		
Options lapsed	2,38,528 options		
Options granted during the year	10,77,480 options		
Variation of terms of options	No variations made in the terms of the options granted under Scheme 2007.		
Money realized by exercise of options	Exercise amount received: ₹ 87,87,88,493/-		
Total number of options in force	Outstanding options – 41,50,959 options		
Details of options granted during the year to :		Name of Senior Management Personnel	No. of options granted
(i) Senior management personnel	Series 45	Mr. Dipak Gupta	54,410
	Series 46	Mr. C. Jayaram	27,000
(ii) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year	Nil		
(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil		
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with AS-20 Earnings Per Share.	* The diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with AS-20 is ₹ 39.40 (Consolidated) and ₹ 24.14 (Standalone).		

<p>Where the company has calculated the employee compensation cost using the intrinsic value of stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.</p>	<p>* Had your Bank (on Consolidated basis) followed the fair value method for accounting the stock option compensation expense would have been higher by ₹ 31.35 crore with consequent lower Consolidated profits before tax. On account of the same the diluted EPS of your Bank (Consolidated) would have been less by ₹ 0.27 per share.</p> <p>* Had your Bank (on Standalone basis) followed the fair value method for accounting the stock option compensation expense would have been higher by ₹ 23.70 crore with consequent lower Standalone profits before tax. On account of the same the diluted EPS of your Bank (Standalone) would have been less by ₹ 0.20 per share.</p>
<p>Weighted – average exercise prices and weighted – average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.</p>	<p>* The weighted average price of the stock options exercised is ₹ 430.43 and the weighted average fair value is ₹ 247.36.</p>

*Note: Above figures are derived by considering the options granted and exercised by employees of your Bank and its subsidiaries.

<p>A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted – average information:</p>	<p>A. Stock price It is the closing market price on the National Stock Exchange of India Limited prior to the meeting of the Board in which the options are granted.</p> <p>B. Volatility Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes option-pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time. Accordingly, daily volatility of your Bank's stock price on the NSE for the period corresponding to the respective expected live of the different vesting, prior to the grant date has been considered.</p> <p>C. Risk free interest rate The risk-free interest rate being considered for the calculation is the interest rate applicable for maturity equal to the expected life of the options based on the zero-coupon yield curve for Government Securities as on the date of the respective grant.</p> <p>D. Time to Maturity/Expected Life of options The minimum life of a stock option is the vesting period and the maximum life is vesting period plus the exercise period. The Expected life of the options has been calculated as the average of the two extremes – the minimum life and the maximum life. Since each vest has been considered as a separate grant, the expected life has been calculated for each vesting separately.</p> <p>E. Dividend yield The dividend yield for each grant has been derived by dividing the dividend per share by the market price per share. Weighted average information in respect of above assumptions has been provided in note 10 of Schedule 17 - Notes to Accounts of the Consolidated financial statements of your Bank. Weighted average information in respect of above assumptions has been provided in note 9 of Schedule 17 - Notes to Accounts of the Standalone financial statements of your Bank.</p>
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The Board of Directors of the Bank at its meeting held on 3rd April 2015, pursuant to the Scheme of Amalgamation of ING Vysya Bank (IVBL) with the Bank, adopted and approved the ESOP Schemes of the erstwhile IVBL, which have been renamed as follows

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

The Bank has received in-principle approvals from the Stock Exchanges for the above schemes.

Further, the Board of Directors of the Bank at its meeting held on 5th May 2015 has approved and adopted, subject to the shareholders approval and other necessary approvals, a new Scheme under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 for the purposes of granting options and stock appreciation rights to the employees of the Bank, its subsidiaries and its associate companies, as applicable. viz. Kotak Mahindra Share Based Employee Benefit Scheme 2015 comprising of:

- Part A - Kotak Mahindra Equity Option Scheme 2015
- Part B - Kotak Mahindra Stock Appreciation Rights Scheme 2015

Approval of the shareholders in this regard is being sought at the ensuing Annual General Meeting of the Bank.

CORPORATE GOVERNANCE AND BUSINESS RESPONSIBILITY REPORT

Pursuant to Clause 49 and 55 of the Listing Agreement with the Stock Exchanges, separate sections entitled 'Report on Corporate Governance' and 'Business Responsibility Report' have been included in this Annual Report. The Report of Corporate Governance also contains certain disclosures required under the Companies Act, 2013.

DIRECTORS & KEY MANAGERIAL PERSONNEL

Directors retiring by rotation

Dr. Shankar Acharya, Chairman - Non-Independent Director of the Bank, retires by rotation at the Thirtieth Annual General Meeting and is eligible for re-appointment.

Directors appointed during the year

The Board of Directors of the Bank, at its meeting held on 7th September 2014 had appointed Ms. Farida Khambata as an Additional Director of the Bank.

The shareholders of the Bank at their Extraordinary General Meeting held on 7th January 2015 pursuant to Section 149, 150 (2) & 152 of the Companies Act, 2013 and Section 10-A(2-A) of the Banking Regulation Act, 1949, appointed the following directors as Independent Directors, not liable to retire by rotation:

- Mr. Asim Ghosh (DIN : 00116139) for a term upto 8th May 2016
- Mr. Amit Desai (DIN : 00310510) for a term upto 17th March 2019
- Prof. S. Mahendra Dev (DIN : 06519869) for a term upto 14th March 2018
- Mr. Prakash Apte (DIN : 00196106) for a term upto 17th March 2019
- Ms. Farida Khambata (DIN : 06954123) for a term upto 6th September 2019

Further, the shareholders at the same meeting re-appointed Mr. C. Jayaram (DIN : 00012214) as Whole-time Director of the Bank designated as Joint Managing Director for the period from 1st January 2015 to 30th April 2016, subject to the approval of the Reserve Bank of India.

The Board of Directors of the Bank, at its meeting held on 5th May 2015, has re-appointed Dr. Shankar Acharya (DIN : 00033242) as the Chairman of the Bank subject to the approval of the shareholders and of the Reserve Bank of India. The approval of the shareholders in this regard is being sought at the ensuing Annual General Meeting of the Bank.

Mr. Mark Newman (DIN : 03518417) was appointed as an Additional Director of the Bank with effect from 5th May 2015. Mr. Newman holds office as a Director up to the date of this Annual General Meeting and is eligible to be appointed as a Director. In terms of Section 160 of the Companies Act, 2013, your Bank has received notice in writing from a member along with requisite deposit of ₹ 1,00,000/- proposing candidature of Mr. Newman for his appointment as a Director.

The details of the Directors appointed are set out in the Corporate Governance Report annexed to this Report.

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 as mentioned in Section 149(6) of the Companies Act, 2013.

Board Evaluation

The Independent Directors of the Bank at their meeting held on 6th September 2014, had advised the management to appoint an external agency

specialized in HR and management consultancy to finalise the criteria for performance evaluation of Non-Executive directors, Whole-time Directors and the Chairperson. Accordingly, the management has identified and shortlisted one external agency for finalizing the criteria for the performance evaluation of the Directors and would be presenting the proposal to the Independent Directors at their next meeting for their consideration and approval.

Key Managerial Personnel (KMPs)

The Board of Directors of the Bank at its meeting held on 30th April 2014 confirmed and approved the appointment of the following officials of the Bank as "Key Managerial Personnel" pursuant to the provisions of Section 203 of the Companies Act, 2013:

- Mr. Uday Kotak, Executive Vice Chairman and Managing Director
- Mr. C. Jayaram, Joint Managing Director
- Mr. Dipak Gupta, Joint Managing Director
- 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 and Remuneration Committee recommends to the Board the appointment of Directors. The Committee considers the qualifications, fit & proper status, positive attributes as per the suitability of the role and independent status as may be required of the candidate before such appointment.

The Reserve Bank of India ('RBI') vide its circular no.DBOD.No.BC.72/29.67.001/2011-12 dated 13th 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 31st March 2015 is provided in the Corporate Governance Report annexed to this Report.

The Non-Executive Directors of the Bank receive remuneration only by way of sitting fees for attending meetings of the Board or Committees thereof.

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

Sr. No.	Disclosure Requirement	Disclosure Details																												
1	Ratio of the remuneration of each director to the median remuneration of the employees for the financial year	<table border="1"> <thead> <tr> <th data-bbox="735 348 943 375">Directors</th> <th data-bbox="943 348 1326 375">Title</th> <th data-bbox="1326 348 1468 375">Ratio</th> </tr> </thead> <tbody> <tr> <td data-bbox="735 375 943 401">Mr. Uday Kotak</td> <td data-bbox="943 375 1326 401">Vice Chairman & Managing Director</td> <td data-bbox="1326 375 1468 401">43.40X</td> </tr> <tr> <td data-bbox="735 401 943 428">Mr. C. Jayaram</td> <td data-bbox="943 401 1326 428">Joint Managing Director</td> <td data-bbox="1326 401 1468 428">43.01X</td> </tr> <tr> <td data-bbox="735 428 943 455">Mr. Dipak Gupta</td> <td data-bbox="943 428 1326 455">Joint Managing Director</td> <td data-bbox="1326 428 1468 455">42.90X</td> </tr> <tr> <td data-bbox="735 455 943 482">Dr. Shankar Acharya</td> <td data-bbox="943 455 1326 482">Part time Chairman</td> <td data-bbox="1326 455 1468 482">4.61X</td> </tr> </tbody> </table>	Directors	Title	Ratio	Mr. Uday Kotak	Vice Chairman & Managing Director	43.40X	Mr. C. Jayaram	Joint Managing Director	43.01X	Mr. Dipak Gupta	Joint Managing Director	42.90X	Dr. Shankar Acharya	Part time Chairman	4.61X													
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2	Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	<table border="1"> <thead> <tr> <th data-bbox="735 530 943 557">Directors/KMP</th> <th data-bbox="943 530 1134 557">Title</th> <th data-bbox="1134 530 1294 586">% increase in remuneration</th> <th data-bbox="1294 530 1468 613">% increase in remuneration excluding SARs</th> </tr> </thead> <tbody> <tr> <td data-bbox="735 586 943 613">Mr. Uday Kotak</td> <td data-bbox="943 586 1134 642">Vice Chairman & Managing Director</td> <td data-bbox="1134 586 1294 613">2.10%</td> <td data-bbox="1294 586 1468 613">2.10%</td> </tr> <tr> <td data-bbox="735 642 943 669">Mr. C. Jayaram</td> <td data-bbox="943 642 1134 698">Joint Managing Director</td> <td data-bbox="1134 642 1294 669">2.04%</td> <td data-bbox="1294 642 1468 669">2.04%</td> </tr> <tr> <td data-bbox="735 698 943 725">Mr. Dipak Gupta</td> <td data-bbox="943 698 1134 754">Joint Managing Director</td> <td data-bbox="1134 698 1294 725">2.28%</td> <td data-bbox="1294 698 1468 725">2.28%</td> </tr> <tr> <td data-bbox="735 725 943 752">Dr. Shankar Acharya</td> <td data-bbox="943 725 1134 752">Part time Chairman</td> <td data-bbox="1134 725 1294 752">14.29%</td> <td data-bbox="1294 725 1468 752">14.29%</td> </tr> <tr> <td data-bbox="735 752 943 779">Mr. Jaimin Bhatt</td> <td data-bbox="943 752 1134 779">Group CFO</td> <td data-bbox="1134 752 1294 779">42.90%</td> <td data-bbox="1294 752 1468 779">7.67%</td> </tr> <tr> <td data-bbox="735 779 943 806">Ms. Bina Chandarana</td> <td data-bbox="943 779 1134 806">Company Secretary</td> <td data-bbox="1134 779 1294 806">12.19%</td> <td data-bbox="1294 779 1468 806">0.55%</td> </tr> </tbody> </table>	Directors/KMP	Title	% increase in remuneration	% increase in remuneration excluding SARs	Mr. Uday Kotak	Vice Chairman & Managing Director	2.10%	2.10%	Mr. C. Jayaram	Joint Managing Director	2.04%	2.04%	Mr. Dipak Gupta	Joint Managing Director	2.28%	2.28%	Dr. Shankar Acharya	Part time Chairman	14.29%	14.29%	Mr. Jaimin Bhatt	Group CFO	42.90%	7.67%	Ms. Bina Chandarana	Company Secretary	12.19%	0.55%
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Ms. Bina Chandarana	Company Secretary	12.19%	0.55%																											
3	Percentage increase in the median remuneration of employees in the financial year	11.05% considering employees who were in employment for the whole of FY 13-14 and FY 14-15.																												
4	Number of permanent employees on the rolls of Bank at the end of the year	18,335																												
5	Explanation on the relationship between average increase in remuneration and Bank performance	<p>Recommendation for increase in remuneration is based on the following factors:</p> <ul style="list-style-type: none"> • Compensation trends based on industry benchmarking • Compensation positioning vis-à-vis market trend • Alignment between risks and remuneration • Applicable regulatory guidelines <p>For employees who were in employment for the whole of FY 13-14 and FY 14-15, average increase in remuneration for FY14-15 is 14.27% and 8.97% excluding SARs.</p>																												
6	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Bank	For FY 2014-15, KMPs were paid approximately 0.39% in aggregate of the Profit Before Tax of the Bank on standalone basis and 0.24% on consolidated basis.																												
7	Variations in the market capitalisation of the Bank, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase or decrease in the market quotations of the shares of the Bank in comparison to the rate at which the Bank came out with the last public offer	The market capitalisation of the Bank has increased from ₹ 60,165 crore as of 31st March 2014 to ₹ 101,429 crore as of 31st March 2015. Over the same period, the price earnings ratio on consolidated profits moved up from 24.26 to 33.26. Kotak Bank stock price as at 31st March 2015 has increased by 17,410% to ₹ 1,313.25 over the last public offering i.e. IPO in February 1993 at the price of ₹ 150 per share (post bonuses & subdivision adjusted price ₹ 7.5).																												
8	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	<p>For employees other than managerial personnel who were in employment for the whole of FY 13-14 and FY 14-15 the average increase is 14.29% and 9.04% excluding SARs.</p> <p>Average increase for managerial personnel is 13.02% and 3.18% excluding SARs.</p>																												
9	Comparison of each remuneration of the Key Managerial Personnel against the performance of the Bank	<table border="1"> <thead> <tr> <th data-bbox="735 1653 943 1680">Directors/KMP</th> <th data-bbox="943 1653 1150 1680">Title</th> <th colspan="2" data-bbox="1150 1653 1468 1680">Remuneration - FY 2014-15</th> </tr> <tr> <td></td> <td></td> <th data-bbox="1150 1680 1294 1736">%PBT (Standalone)</th> <th data-bbox="1294 1680 1468 1736">%PBT (Consolidated)</th> </tr> </thead> <tbody> <tr> <td data-bbox="735 1736 943 1763">Mr. Uday Kotak</td> <td data-bbox="943 1736 1150 1792">Vice Chairman & Managing Director</td> <td data-bbox="1150 1736 1294 1763">0.08%</td> <td data-bbox="1294 1736 1468 1763">0.05%</td> </tr> <tr> <td data-bbox="735 1763 943 1790">Mr. C Jayaram</td> <td data-bbox="943 1763 1150 1790">Joint Managing Director</td> <td data-bbox="1150 1763 1294 1790">0.08%</td> <td data-bbox="1294 1763 1468 1790">0.05%</td> </tr> <tr> <td data-bbox="735 1790 943 1817">Mr. Dipak Gupta</td> <td data-bbox="943 1790 1150 1817">Joint Managing Director</td> <td data-bbox="1150 1790 1294 1817">0.08%</td> <td data-bbox="1294 1790 1468 1817">0.05%</td> </tr> <tr> <td data-bbox="735 1817 943 1844">Mr. Jaimin Bhatt</td> <td data-bbox="943 1817 1150 1844">Group CFO</td> <td data-bbox="1150 1817 1294 1844">0.12%</td> <td data-bbox="1294 1817 1468 1844">0.08%</td> </tr> <tr> <td data-bbox="735 1844 943 1871">Ms. Bina Chandarana</td> <td data-bbox="943 1844 1150 1871">Company Secretary</td> <td data-bbox="1150 1844 1294 1871">0.03%</td> <td data-bbox="1294 1844 1468 1871">0.02%</td> </tr> </tbody> </table>	Directors/KMP	Title	Remuneration - FY 2014-15				%PBT (Standalone)	%PBT (Consolidated)	Mr. Uday Kotak	Vice Chairman & Managing Director	0.08%	0.05%	Mr. C Jayaram	Joint Managing Director	0.08%	0.05%	Mr. Dipak Gupta	Joint Managing Director	0.08%	0.05%	Mr. Jaimin Bhatt	Group CFO	0.12%	0.08%	Ms. Bina Chandarana	Company Secretary	0.03%	0.02%
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Sr. No.	Disclosure Requirement	Disclosure Details
10	Key parameters for any variable component of remuneration availed by the directors	The key parameters for variable component of remuneration availed by the directors are: <ul style="list-style-type: none"> • Overall Performance • Achievement of budgets • Various risks • Variable pay will not exceed 70% of the fixed pay • Cash component of the variable pay will not exceed 50% of the Fixed Pay • If variable pay is higher than 50% of fixed pay, atleast 40% of the variable pay will be deferred over a period of 3 years or longer on a pro-rata basis • ESOPs are not considered as variable pay for this purpose
11	Ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	There are 11 employees who are not directors but received remuneration in excess of the highest paid director during the year. Considering the average remuneration of these employees, the ratio works out to 1:1.47
12	Affirmation that the remuneration is as per the remuneration policy of the Bank	The Bank is in compliance with its Compensation Policy.

Note:

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.

Stock Appreciation Rights (SARs) are awarded as variable pay. These are settled in cash and are linked to the average market price of the Bank's stock on specified value dates. Cash paid out during the year is included for the purposes of remuneration.

AUDITORS

Messrs S. B. Billimoria & Co., Chartered Accountants, auditors of your Bank, retire on the conclusion of the Thirtieth Annual General Meeting.

In terms of Section 139 of the Companies Act, 2013, every Company is required to appoint auditors for a term of five years subject to their appointment being ratified at every Annual General Meeting. However, pursuant to the guidelines issued by the Reserve Bank of India (RBI), an audit firm is allowed to continue as the statutory auditor of a bank for a continuous period of four years only.

Accordingly, it is proposed to appoint, subject to the regulatory approvals, Messrs S. R. Batliboi & Co. LLP, Chartered Accountants, as the statutory auditors of the Bank in place of Messrs S. B. Billimoria & Co., Chartered Accountants, who have completed four years as the statutory auditors. The appointment of Auditors is proposed to the members in the Notice of the current i.e. the Thirtieth Annual General Meeting for a period of four years from the conclusion of the Thirtieth Annual General Meeting until the conclusion of the Thirty fourth Annual General Meeting of the Bank, subject to the annual approval of RBI and ratification by the members every year.

SECRETARIAL AUDITOR

Pursuant to Section 204 of the Companies Act, 2013, your Bank has appointed Ms. Rupal D. Jhaveri, a Company Secretary in Practice, as its Secretarial Auditor. The Secretarial Audit Report for the financial year ended 31st March 2015 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.

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 transactions to be reported under Section 188(1) of the Companies Act, 2013.

All Related Party Transactions as required under Accounting Standards AS-18 are reported in Note 21 of Schedule 17 - Notes to Accounts of the Consolidated financial statements and Note 8 of Schedule 17 - 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: <http://ir.kotak.com/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, raise genuine concern or report evidence of activity by the Bank or its employee or director 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 same option has now been extended to the vendors of the Bank also. The concerns can be reported on the website viz. URL: <https://cwiportal.com/kotak>.

Currently an online mechanism enabling aforementioned reporting has been implemented over and above other modes of communication like e-mail, or a letter sent by mail, courier or fax to designated persons.

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 exception circumstances.

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Bank has constituted a Corporate Social Responsibility (CSR) Committee consisting of the following Directors:

- Mr. C Jayaram Joint Managing Director and Chairman of CSR Committee
- Mr. Dipak Gupta, Joint Managing Director
- Prof S. Mahendra Dev, Independent Director

Your Bank's CSR Committee drives the CSR programme of the Bank. Your Bank has a Board approved CSR policy, charting out its CSR approach, and is available on the Bank's website viz. URL: <http://www.kotak.com/corporate-responsibility.html>.

The CSR expenditure incurred for the period 1st April 2014 to 31st March 2015 under Section 135 of Companies Act, 2013 in the financial year 2014-15 amounts to ₹ 1,197 lac as against ₹ 363 lac CSR spent in the financial year 2013-14.

Your Bank is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years. 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 company.

The details of CSR activities and report under Section 135 of the Companies Act, 2013, are provided on pages 145-146 and 152-161 of the annual report FY 2014-15.

RISK MANAGEMENT POLICY

Your Bank has in place a comprehensive Enterprise wide Risk Management (ERM) framework supported by detailed 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. However, your Bank has been increasingly using information technology in its operations.

EMPLOYEES

The employee strength of your Bank, standalone, was 18,335 and along with its subsidiaries was 31,432 as of 31st March 2015. Upon the merger, 10,314 employees have been added up in the Bank and 514 employees in the subsidiaries.

191 employees employed throughout the year and 30 employees employed for part of the year were in receipt of remuneration of ₹ 60 lacs or more per annum.

With an average age of 31 years your Bank continues to attract talent across all its businesses and hierarchy and has put in place various processes and systems to ensure alignment of employee behaviors with the organization's core values.

Organizational culture aspects like trust & inclusiveness were also reiterated through 113 cross functional meets conducted by senior business leaders for employees at mid management level under the "Meet 5" initiative.

In a very short span of two years, your Bank has crossed several milestones in its Gender Diversity agenda.

- A differentiated talent acquisition strategy to increase women employee base across various suitable roles has helped us to continue adding 20% women amongst all new hires in the Bank.
- Your Bank's top senior women professionals (around forty women across Kotak) have been brought together under our diversity initiative "Astra" and these women leaders now play a pivotal role in guiding and mentoring other mid-level women employees to sustain and grow in the careers.
- Your Bank's internal women's cell Strisangini continues to address women issues at workplace and facilitates mass-mentoring programs with senior women leaders.
- POSH: Prevention Of Sexual Harassment (POSH) Policy has been formally instituted with 3 Regional Internal Complaints Committees (ICC). 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 2014-15:

o	No. of complaints received	:	5
o	No. of complaints disposed off	:	4

As part of the Leadership Transformation program, new promotes are now put through an intensive two day intervention to orient them on expected skill-sets and competencies and create a leadership mindset apart from other managerial and leadership development program.

As your Bank enters in its next phase of growth and expansion of footprint across urban and rural India, your 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 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 at the Registered Office of your Bank. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of your Bank.

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:

- your Bank has, in the preparation of the annual accounts for the year ended 31st March 2015, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Bank as at 31st March 2015 and of the profit of your Bank for the financial year ended 31st March 2015;
- 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;
- the annual accounts have been prepared on a going concern basis;
- 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
- 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 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 (Annexure-A).
- Secretarial Audit Report pursuant to Section 204 of the Companies Act, 2013 (Annexure-B).

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

Dr. Shankar Acharya
Chairman

Place: Mumbai,

Date: 5th May 2015

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March 2015

[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	21st 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) 61660000 Fax No. : (022) 67132403
vi)	Whether listed company (Yes / No)	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad - 500032, Tel : (040) 67161559 Fax : (040) 23001153

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
Domestic Subsidiaries					
1	Kotak Mahindra Prime Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U67200MH1996PLC097730	Subsidiary	100.00	2(87)
2	Kotak Securities Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U99999MH1994PLC134051	Subsidiary	100.00	2(87)
3	Kotak Mahindra Capital Company Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U67120MH1995PLC134050	Subsidiary	100.00	2(87)
4	Kotak Mahindra Old Mutual Life Insurance Limited 4th Floor, Vinay Bhavya Complex, 159 A, CST Road, Kalina, Santacruz (East), Mumbai - 400 098	U66030MH2000PLC128503	Subsidiary	74.00	2(87)

Directors' Report

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
5	Kotak Mahindra Investments Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U65900MH1988PLC047986	Subsidiary	100.00	2(87)
6	Kotak Mahindra Asset Management Company Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051	U65991MH1994PLC080009	Subsidiary	100.00	2(87)
7	Kotak Mahindra Trustee Company Limited 27BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051	U65990MH1995PLC090279	Subsidiary	100.00	2(87)
8	Kotak Investment Advisors Limited 27BKC, 7th Floor, Plot No. C-27, "G" Block, Bandra- Kurla Complex, Bandra (East), Mumbai - 400 051	U65990MH1994PLC077472	Subsidiary	100.00	2(87)
9	Kotak Mahindra Trusteeship Services Limited 27BKC, 6th Floor, Plot No. C-27, "G" Block, Bandra- Kurla Complex, Bandra (East), Mumbai - 400 051	U65991MH2000PLC125008	Subsidiary	100.00	2(87)
10	Kotak Forex Brokerage Limited Bakhtawar, 1st Floor, 229, Nariman Point, Mumbai 400 021.	U65910MH1988PLC048450	Subsidiary	100.00	2(87)
11	Kotak Mahindra Pension Fund Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U67200MH2009PLC191144	Subsidiary	100.00	2(87)
12	Kotak Mahindra General Insurance Limited 27BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	U66000MH2014PLC260291	Subsidiary	100.00	2(87)
International Subsidiaries					
13	Kotak Mahindra (International) Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius.	-	Subsidiary	100.00	2(87)
14	Kotak Mahindra (UK) Limited 55 Baker Street, London, W1U 7EU, UK	-	Subsidiary	100.00	2(87)
15	Kotak Mahindra Inc. 2711 Centreville Road, Suite 400, Wilmington DE 19808 USA	-	Subsidiary	100.00	2(87)
16	Kotak Mahindra Financial Services Limited Office No.703, Level 7, Office Tower – 2, Al Fattan Currency House, Dubai International Financial Centre Post Box 16498, Dubai, UAE	-	Subsidiary	100.00	2(87)
17	Kotak Mahindra Asset Management (Singapore) Pte. Limited 16, Raffles Quay, #35-02, Hong Leong Building, Singapore - 048581	-	Subsidiary	100.00	2(87)
Associate Companies					
18	ACE Derivatives & Commodity Exchange Limited Rawat Ni Wadi, Near Central Bank of India, Gandhi Road , Ahmedabad - 380001	U67100GJ1956PLC000597	Associate	40.00	2(6)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held *	Applicable Section
19	Infina Finance Private Limited 7th Floor, Dani Corporate Park, 158, CST Road, Kalina, Santacruz (E), Mumbai 400 098.	U67120MH1996PTC098584	Associate	49.99	2(6)
20	Matrix Business Services India Private Limited New No 10, Kuppaswamy Street, T. Nagar, Chennai - 600017	U74140TN2003PTC051482	Associate	19.77	2(6)
21	Phoenix ARC Private Limited Dani Corporate Park, 7th floor, 158, CST Road, Kalina, Santacruz(E), Mumbai 400098	U67190MH2007PTC168303	Associate	49.00	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 Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1) Indian									
a) Individual / HUF	308,784,064	-	308,784,064	40.09	308,784,064	-	308,784,064	39.98	-0.11
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp	26,897,060	-	26,897,060	3.49	312,278	-	312,278	0.04	-3.45
e) Banks/Fl	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
Sub total (A) (1)	335,681,124	-	335,681,124	43.58	309,096,342	-	309,096,342	40.02	-3.56
2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / Fl	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
Sub total (A) (2)	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	335,681,124	-	335,681,124	43.58	309,096,342	-	309,096,342	40.02	-3.56
B. Public Shareholding as per classification given by Depository									
1. Institutions									
a) Mutual Funds	12,530,964	19,000	12,549,964	1.63	12,714,378	19,000	12,733,378	1.65	0.02
b) Banks / Fl	1,657,976	13,600	1,671,576	0.22	1,636,563	13,600	1,650,163	0.21	0.00
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-

Directors' Report

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
g) FIs	244,014,081	43,700	244,057,781	31.68	284,544,297	42,900	284,587,197	36.85	5.16
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Qualified Foreign Investor	150	-	150	-	-	-	-	-	-
Sub-total (B)(1):-	258,203,171	76,300	258,279,471	33.53	298,895,238	75,500	298,970,738	38.71	5.18
2. Non-Institutions									
a) Bodies Corp.	25,877,435	61,690	25,939,125	3.37	25,392,669	59,190	25,451,859	3.30	-0.07
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	25,122,723	5,212,764	30,335,487	3.94	24,904,500	4,871,973	29,776,473	3.86	-0.08
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	55,236,913	200,180	55,437,093	7.20	49,393,733	146,430	49,540,163	6.41	-0.78
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	2,881,678	1,063,278	3,944,956	0.51	2,043,485	1,033,546	3,077,031	0.40	-0.11
Overseas Bodies Corporate	4,358,480	200	4,358,680	0.57	4,358,480	200	4,358,680	0.56	0.00
Foreign Bank	32,800,000	-	32,800,000	4.26	32,800,000	-	32,800,000	4.25	-0.01
Foreign Bodies	20,000,000	-	20,000,000	2.60	15,724,002	-	15,724,002	2.04	-0.56
Foreign Bodies-DR	17,260	-	17,260	0.00	40,677	-	40,677	0.01	0.00
Trust	345,460	-	345,460	0.04	612,573	-	612,573	0.08	0.03
HUF	1,021,374	-	1,021,374	0.13	1,132,776	-	1,132,776	0.15	0.01
Clearing Members	893,404	-	893,404	0.12	774,952	-	774,952	0.10	-0.02
Qualified Foreign Investor	75	-	75	0.00	-	-	-	-	0.00
Sub-total(B)(2):-	168,554,802	6,538,112	175,092,914	22.73	157,177,847	6,111,339	163,289,186	21.14	-1.59
Total Public Shareholding (B)=(B)(1)+ (B)(2)	426,757,973	6,614,412	433,372,385	56.26	456,073,085	6,186,839	462,259,924	59.85	3.59
C. Shares held by Custodian for GDRs & ADRs	1,257,492	-	1,257,492	0.16	996,398	-	996,398	0.13	-0.03
	1,257,492	-	1,257,492	0.16	996,398	-	996,398	0.13	-0.03
Grand Total (A+B+C)	763,696,589	6,614,412	770,311,001	100.00	766,165,825	6,186,839	772,352,664	100.00	

(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 Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Uday Suresh Kotak	306,263,550	39.76	-	306,263,550	39.65	-	-0.11
2	Kotak Trustee Company Pvt. Ltd Beneficial Owner Mr. Uday S Kotak	26,897,060	3.49	-	312,278	0.16	-	-3.33
3	Indira Suresh Kotak	1,213,360	0.16	-	1,213,360	0.07	-	-0.09
4	Pallavi Kotak	555,790	0.07	-	555,790	0.05	-	-0.02
5	Dinkarra Kalidas Desai	396,754	0.05	-	396,754	0.04	-	-0.01
6	Kusum Dinkarra Desai	149,130	0.02	-	149,130	0.02	-	-
7	Suresh Amritlal Kotak	100,000	0.01	-	100,000	0.01	-	-
8	Suresh A Kotak (Huf)	55,000	0.01	-	55,000	0.01	-	-
9	Aarti Suresh Kotak	28,680	-	-	28,680	-	-	-
10	Janak Dinkarra Desai	21,800	-	-	21,800	-	-	-
Total		335,681,124	43.58	-	309,096,342	40.02	-	-3.56

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

Sl. No.			Cumulative Shareholding during the year			
			No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year		335,681,124	43.58	335,681,124	43.58
	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	KOTAK TRUSTEE COMPANY PVT. LTD BENEFICIAL OWNER MR. UDAY S KOTAK	Sale on 30th May 2014	(24,984,782)	(3.24)	310,696,342	40.33
2	KOTAK TRUSTEE COMPANY PVT. LTD BENEFICIAL OWNER MR. UDAY S KOTAK	Sale on 21st Aug 2014	(1,600,000)	(0.21)	309,096,342	40.10
	The above sale of shares has been undertaken pursuant to RBI's requirement to reduce the promoter shareholding in the Bank.					
	At the End of the year		309,096,342	40.02	309,096,342	40.02

Directors' Report

(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 share	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
1	SUMITOMO MITSUI BANKING CORPORATION	32,800,000	4.26	0	0		31/3/2014	32,800,000	4.26
				0	0		31/3/2015	32,800,000	4.25
2	EUROPACIFIC GROWTH FUND	31,467,137	4.08	0	0		31/3/2014	31,467,137	4.08
				1,400,000	0	Market Sale	20/6/2014	30,067,137	3.90
				0	633,523	Market Purchase	5/12/2014	30,700,660	3.98
				0	829,959	Market Purchase	12/12/2014	31,530,619	4.09
				0	783,527	Market Purchase	19/12/2014	32,314,146	4.19
				0	3,927,991	Market Purchase	31/12/2014	36,242,137	4.70
				0	1,101,580	Market Purchase	16/1/2015	37,343,717	4.84
				0	843,059	Market Purchase	23/1/2015	38,186,776	4.95
3	CALADIUM INVESTMENT PTE LTD	20,000,000	2.60	0	0		31/3/2015	38,186,776	4.94
				3,600,000	0	Market Sale	31/3/2014	20,000,000	2.60
				675,998	0	Market Sale	6/3/2015	16,400,000	2.12
							13/3/2015	15,724,002	2.04
4	ANURADHA MAHINDRA	13,920,648	1.81	0	0		31/3/2015	15,724,002	2.04
				119,777	0	Market Sale	31/3/2014	13,920,648	1.81
				121,425	0	Market Sale	25/4/2014	13,800,871	1.79
				62,700	0	Market Sale	16/5/2014	13,679,446	1.78
				107,500	0	Market Sale	20/6/2014	13,616,746	1.77
				52,500	0	Market Sale	25/7/2014	13,509,246	0.02
				32,000	0	Market Sale	1/8/2014	13,456,746	0.02
				71,300	0	Market Sale	31/12/2014	13,424,746	1.74
				60,500	0	Market Sale	16/1/2015	13,353,446	1.73
				14,400	0	Market Sale	27/2/2015	13,292,946	1.72
		13,900	0	Market Sale	6/3/2015	13,278,546	1.72		
				Market Sale	13/3/2015	13,264,646	1.72		

SI 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 share	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
				14,950	0	Market Sale	20/3/2015	13,249,696	1.72
				1,407	0	Market Sale	27/3/2015	13,248,289	1.72
				0	0		31/3/2015	13,248,289	1.72
5	MATTHEWS PACIFIC TIGER FUND	12,150,816	1.58	0	0		31/3/2014	12,150,816	1.58
				0	200,000	Market Purchase	18/7/2014	12,350,816	1.60
				525,000	0	Market Sale	30/1/2015	11,825,816	1.53
				810,000	0	Market Sale	06/2/2015	11,015,816	1.43
				500,000	0	Market Sale	13/2/2015	10,515,816	1.36
				0	0		31/3/2015	10,515,816	1.36
6	GENESIS ASSET MANAGERS, LLP A/C THE GENESIS EMERGING	10,910,174	1.42	0	0		31/3/2014	10,910,174	1.42
				6,128	0	Market Sale	30/6/2014	10,904,046	1.42
				0	38,383	Market Purchase	29/8/2014	10,942,429	0.01
				0	99,542	Market Purchase	12/9/2014	11,041,971	0.01
				240,494	0	Market Sale	30/9/2014	10,801,477	0.01
				43,305	0	Market Sale	3/10/2014	10,758,172	0.01
				1,018,182	0	Market Sale	10/10/2014	9,739,990	0.01
				228,373	0	Market Sale	17/10/2014	9,511,617	0.01
				412,174	0	Market Sale	24/10/2014	9,099,443	0.01
				768,129	0	Market Sale	31/10/2014	8,331,314	0.01
				10,775	0	Market Sale	7/11/2014	8,320,539	0.01
				237,387	0	Market Sale	14/11/2014	8,083,152	0.01
				171,393	0	Market Sale	21/11/2014	7,911,759	0.01
				263,185	0	Market Sale	28/11/2014	7,648,574	0.01
				137,513	0	Market Sale	19/12/2014	7,511,061	0.01
				851,719	0	Market Sale	31/12/2014	6,659,342	0.01

Directors' Report

SI 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 share	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
				30,962	0	Market Sale	9/1/2015	6,628,380	0.01
				226,049	0	Market Sale	23/1/2015	6,402,331	0.01
				47,863	0	Market Sale	13/2/2015	6,354,468	0.01
				84,709	0	Market Sale	6/3/2015	6,269,759	0.01
				12,904	0	Market Sale	20/3/2015	6,256,855	0.01
				73,785	0	Market Sale	27/3/2015	6,183,070	0.01
							31/3/2015	6,183,070	0.80
7	CANADA PENSION PLAN INVESTMENT BOARD - MANAGED BY IM2	10,869,425	1.41	0	0		31/3/2014	10,869,425	1.41
				0	25,000,000	Market Purchase	6/6/2014	35,869,425	4.66
				0	0		31/3/2015	35,869,425	4.64
8	THE GENESIS GROUP TRUST FOR EMPLOYEE BENEFIT PLANS	9,974,053	1.29	0	0		31/3/2014	9,974,053	1.29
				12,653	0	Market Sale	6/6/2014	9,961,400	1.29
				24,240	0	Market Sale	30/6/2014	9,937,160	1.29
				92,246	0	Market Sale	1/8/2014	9,844,914	1.28
				26,590	0	Market Sale	5/9/2014	9,818,324	1.27
				207,189	0	Market Sale	30/9/2014	9,611,135	1.25
				37,308	0	Market Sale	3/10/2014	9,573,827	1.24
				830,641	0	Market Sale	10/10/2014	8,743,186	1.13
				196,749	0	Market Sale	17/10/2014	8,546,437	1.11
				372,023	0	Market Sale	24/10/2014	8,174,414	1.06
				692,617	0	Market Sale	31/10/2014	7,481,797	0.97
				9,715	0	Market Sale	7/11/2014	7,472,082	0.97
				136,489	0	Market Sale	14/11/2014	7,335,593	0.95
				154,546	0	Market Sale	21/11/2014	7,181,047	0.93
				237,318	0	Market Sale	28/11/2014	6,943,729	0.90

SI 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 share	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
				123,413	0	Market Sale	19/12/2014	6,820,316	0.88
				764,390	0	Market Sale	31/12/2014	6,055,926	0.78
				199,417	0	Market Sale	23/1/2015	5,856,509	0.76
				129,654	0	Market Sale	6/3/2015	5,726,855	0.74
				0	0		31/3/2015	5,726,855	0.74
9	NATIONAL WESTMINSTER BANK PLC AS DEPOSITARY OF FIRST STATE ASIA PACIFIC LEADERS FUND A SUB FUND OF FIRST STATE INVESTMENTS ICVC	8,932,646	1.16	0	0		31/3/2014	8,932,646	1.16
				0	1,344,002	Market Purchase	30/6/2014	10,276,648	1.33
				0	3,243,495	Market Purchase	4/7/2014	13,520,143	1.75
				0	1,865,722	Market Purchase	11/7/2014	15,385,865	2.00
				0	1,613,122	Market Purchase	18/7/2014	16,998,987	2.21
				0	258,485	Market Purchase	25/7/2014	17,257,472	2.24
				0	415,767	Market Purchase	15/8/2014	17,673,239	2.29
				0	736,539	Market Purchase	22/8/2014	18,409,778	2.39
				0	956,713	Market Purchase	29/8/2014	19,366,491	2.51
				0	490,337	Market Purchase	19/9/2014	19,856,828	2.58
				0	179,877	Market Purchase	28/11/2014	20,036,705	2.60
				1,697,071	0	Market Sale	30/1/2015	18,339,634	2.38
				0	157,430	Market Purchase	13/3/2015	18,497,064	2.40
				0	0		31/3/2015	18,497,064	2.39
10	AVION AEROSOLS PRIVATE LIMITED	7,604,050	0.99	0	0		31/3/2014	7,604,050	0.99
				0	0		31/3/2015	7,604,050	0.98

Notes:

- 1) Top ten shareholders of the Bank at the beginning of the year has been considered for the above disclosure.
- 2) Date of change is the date of the shareholding statement i.e. the date on which the beneficiary position is downloaded.

Directors' Report

(v) Shareholding of Directors and Key Managerial Personnel:

Sl No.	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of change	Cumulative Shareholding during the year	
		No. of share	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
DIRECTORS									
1	DIPAK GUPTA	35,000	0.00					35,000	0.00
				10,000	0	Market Sale	6/6/2014	25,000	0.00
				10,000	0	Market Sale	13/6/2014	15,000	0.00
				0	145,000	DP transfer	20-06-2014	160,000	0.02
				10,000	0	Market Sale	25/7/2014	150,000	0.02
				10,000	0	Market Sale	29/8/2014	140,000	0.02
				10,000	0	Market Sale	5/9/2014	130,000	0.02
				0	0		31/3/2015	130,000	0.02
	DIPAK GUPTA	662,668	0.09	0	0		31/3/2014	662,668	0.09
				150,000	0	DP transfer and 5000 Market Sale	20-06-2014	512,668	0.07
				0	11,002	ESOP Allotment	1/8/2014	523,670	0.07
				0	53,750	ESOP Allotment	10/10/2014	577,420	0.07
				0	9,500	ESOP Allotment	27/3/2015	586,920	0.08
				0	0		31/3/2015	586,920	0.08
2	C JAYARAM	37,500	0.00	0	0		31/3/2014	37,500	0.00
				0	0		31/3/2015	37,500	0.00
	C JAYARAM	576,804	0.07	0	0		31/3/2014	576,804	0.07
				30,000	0	Market Sale	6/6/2014	546,804	0.07
				0	10,206	ESOP Allotment	20/6/2014	557,010	0.07
				0	21,250	ESOP Allotment	1/ 8/2014	578,260	0.08
				25,000	0	Market Sale	22/8/2014	553,260	0.07
				0	14,000	ESOP Allotment	12/9/2014	567,260	0.07
				0	7,920	ESOP Allotment	10/10/2014	575,180	0.07
				0	21,250	ESOP Allotment	31/3/2015	596,430	0.08

SI No.	Name of the Share Holder	Shareholding at the beginning of the year		Increase/Decrease in Shareholding			Date of change	Cumulative Shareholding during the year	
		No. of share	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
3	AMIT K DESAI	681,250	0.09	0	0		31/3/2014	681,250	0.09
				0	0		31/3/2015	681,250	0.09
	AMIT K DESAI	65,000	0.01	0	0		31/3/2014	65,000	0.01
				0	0		31/3/2015	65,000	0.01
	AMIT K DESAI	12,500	0.00	0	0		31/3/2014	12,500	0.00
				0	0		31/3/2015	12,500	0.00
		12,500	0.00	0	0		31/3/2014	12,500	0.00
				0	0		31/3/2015	12,500	0.00
	AMIT K DESAI								
	AMIT K DESAI	3,000	0.00	0	0		31/3/2014	3,000	0.00
			3,000	0	Market Sale	6/3/2015	0	0	
			0	0		31/3/2015	0	0.00	
4	FARIDA DARA KHAMBATA	9,000	0.00				7/9/2014	9,000	0.00
					3,000	Market Purchase	28/3/2015	12,000	0.00
							31/3/2015	12,000	0.00

SI 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 share	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
	KMP								
1	JAIMIN MUKUND BHATT	645,328	0.08						
				15000	0	Market Sale	22/8/2014	630,328	0.08
					10,801	ESOP Allotment	1/9/2014	641,129	0.08
					19,640	ESOP Allotment	30/9/2014	660,769	0.09
					3,250	ESOP Allotment	16/2/2015	664,019	0.09
					4,000	ESOP Allotment	17/3/2015	668,019	0.09
							31/3/2015	668,019	0.09

Directors' Report

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 share	% of total shares of the company	No. of shares - Decrease	No. of shares - Increase	Reason		No. of shares	% of total shares of the company
2	BINA RAMESHCHANDRA CHANDARANA	37084	0.00						
					1613	ESOP Allotment	30/9/2014	38,697	0.01
					250	ESOP Allotment	2/12/2014	38,947	0.01
					779	ESOP Allotment	28/1/2015	39,726	0.01
							31/3/2015	39,726	0.01

V. INDEBTEDNESS

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

(₹ in crore)

	Secured Loans excluding deposits	Unsecured Loans @	Deposits @@	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	12,895.57	59,072.33	71,967.90
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	140.93	321.49	462.42
Total (i+ii+iii)	-	13,036.50	59,393.82	72,430.32
Change in Indebtedness during the financial year				
· Addition				
· Reduction				
Net Change	-	-760.37	15,876.26	15,115.89
Indebtedness at the end of the financial year				
i) Principal Amount	-	12,149.71	74,860.31	87,010.02
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	126.42	409.77	536.19
Total (i+ii+iii)	-	12,276.13	75,270.08	87,546.21

Notes:

@ 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 Lacs)

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. C. Jayaram (WTD designated as Joint MD)	
1.	Gross salary*				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	225.63	223.00	223.55	672.18
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961 @	0.40	539.45	548.60	1088.45
	(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	-	-	-	-
	Total (A)	226.03	762.45	772.15	1760.63
	Ceiling as per the Act **				

Notes:

@ The perquisite value towards stock options includes the difference between exercise price & market price on the date of exercise. The same is not paid by the Bank. This amounts to Nil for Mr. Uday Kotak, ₹ 539.05 Lacs for Mr. Dipak Gupta and ₹ 548.20 Lacs for Mr. C. Jayaram.

* Gross salary includes Basic salary, Drivers Allowance, Professional Allowance, Reimbursement of Medical expenses, Leave Travel Allowance and Annual Incentives.

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

B. Remuneration to other directors

(₹ in Lacs)

Sl. no.	Particulars of Remuneration	Name of Directors					Total Amount
		Mr. Amit Desai	Mr. Asim Ghosh	Prof. S. Mahendra Dev	Mr. Prakash Apte	Ms. Farida Khambata	
1	Independent Directors						
	Fee for attending board / committee meetings	4.80	3.20	7.75	9.55	2.00	27.30
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (1)	4.80	3.20	7.75	9.55	2.00	27.30
2	Other Non-Executive Directors	Dr. Shankar Acharya	Mr. N. P. Sarda				
	Fee for attending board / committee meetings	4.90	6.55				11.45
	Commission	-	-				-
	Others - Remuneration	24.00	-				24.00
	Total (2)	28.90	6.55				35.45
	Total (B)=(1+2)						62.75
	Total Managerial Remuneration						
	Overall Ceiling as per the Act *						

Note:

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

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

(₹ in Lacs)

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	87.46	346.00	433.46
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	17.23	227.14	244.37
	(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	-	-	-
	Total	104.69	573.14	677.83

Notes:

@ The perquisite value towards stock options includes the difference between exercise price & market price on the date of exercise. The same is not paid by the Bank. This amounts to ₹ 17.00 Lacs for Company Secretary and ₹ 226.85 Lacs 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)
A. COMPANY			NIL		
Penalty					
Punishment					
Compounding					
B. DIRECTORS			NIL		
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT			NIL		
Penalty					
Punishment					
Compounding					

Secretarial Audit Report

Form No. MR-3

**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2015**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies

(Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,

KOTAK MAHINDRA BANK LIMITED

I 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 me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the KOTAK MAHINDRA BANK LIMITED's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Bank has, during the audit period covering the financial year ended on 31st March 2015, generally 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.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by KOTAK MAHINDRA BANK LIMITED for the financial year ended on 31st March 2015, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Companies Act, 1956 and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) 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;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993;
 - (d) The Securities and Exchange Board of India (Bankers to an issue) Regulations, 1994;
- (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 Borrowing;
- (v) The Banking Regulation Act, 1949;
- (vi) Foreign Contribution Act, 1976;
- (vii) The Employees Provident Fund Act, 1952;
- (viii) The Employees State Insurance Act, 1948;
- (ix) The Payment of Bonus Act, 1965;
- (x) Maternity Benefit Act, 1961;
- (xi) Payment of Gratuity Act, 1972;
- (xii) Profession Tax;
- (xiii) Minimum Wages Act, 1948;
- (xiv) Workmen's Compensation Act, 1923;
- (xv) Employment Exchanges (Compulsory Notification of vacancies) Act, 1959;
- (xvi) Contract Labour Act, 1970;

- (xvii) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- (xviii) Power of Attorney Act;
- (xix) Recovery of Debts Due to Banks and Financial Institutions Act;
- (xx) Income Tax Act, 1961;
- (xxi) The RBI, 1934;
- (xxii) The Banking Regulation (Companies) Rule, 1949;
- (xxiii) The Negotiable Instruments Act, 1881;
- (xxiv) The Bankers Book Evidence Act, 1891;
- (xxv) The Deposit Insurance Credit Guarantee Corporation 1961;
- (xxvi) The Banking Companies (Nomination) Rules, 1985;
- (xxvii) The Banking Companies (Preservation of Period of Records), 1985;
- (xxviii) The Insurance Regulatory & Development Authority Act, 1999;
- (xxix) Indian Stamp Act, 1899;
- (xxx) Depositories Act, 1996;
- (xxxi) Service Tax Act;
- (xxxii) Prevention of Money Laundering Act, 2002;
- (xxxiii) Information Technology Act, 2000;
- (xxxiv) Securities Contract Regulation Act, 1956;
- (xxxv) Wealth Tax Act, 1957;
- (xxxvi) Central Sales Tax, 1956;
- (xxxvii) Customs Act, 1962;
- (xxxviii) Equal Remuneration Act, 1976;
- (xxxix) Shops and Establishment Act;
- (xl) Employers Liability Act, 1938;
- (xli) The Child Labour (Prohibition and Regulation) Act, 1986;

I have also examined compliance with the applicable clauses of the following:

- (i) The Listing Agreements entered into by the Bank with Bombay Stock Exchange and National Stock Exchange.

The Secretarial Standards issued by The Institute of Company Secretaries of India are not applicable since the Standards are not approved by the Central Government till date.

During the period under review the Bank has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc.

The Bank has incurred a total expenditure of Rupees Eleven Crore Ninety Seven Lakhs only towards corporate social responsibility activities. We further report that on the basis of the information available with us the requisite disclosure pertaining to Corporate Social Responsibility is being made in the Directors' Report of the Bank.

I 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 is given to all directors to schedule the Board Meetings which was sent at least 7 days in advance. The agenda and detailed notes on agenda were also sent before the meeting, 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 through on the basis of majority. There were no dissenting views by any member of the Board of Directors during the period under review.

I 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.

I further report that during the audit period:

1. A special resolution was passed at the Extra Ordinary General Meeting of the Bank held on 7th January, 2015 at 4.00 p.m. by the Members of the Bank according their consent to the Amalgamation of ING Vysya Bank Limited ("Transferor Bank") with Kotak Mahindra Bank Limited ("Transferee Bank"). The Reserve Bank of India has also granted its approval for the said amalgamation vide its order no. DBR No. PSBD14476/16.01.136/2014-15 dated 31st March, 2015.
2. A special resolution was passed at the Extra Ordinary General Meeting held on 7th January, 2015 at 1.30 p.m. by the Members of the Bank for increasing the ceiling limit on total holdings of Foreign Institutional Investors (FIIs)/ SEBI approved sub-account of FIIs, Foreign Portfolio Investors (FPIs), Qualified Foreign Investors (QFIs), Non Resident Indians (NRIs) and Persons of India Origin (PIOs) under the Portfolio Investment Scheme up to 42% of the paid up equity share capital of the Bank with the final number to be decided by the Board of Directors within this limit.
3. An Ordinary resolution was passed at the Extra Ordinary General Meeting held on 7th January, 2015 at 1.30 p.m. by the Members of the Bank according their consent for increase in the Authorised share capital from ₹ 500,00,00,000 (Rupees Five Hundred Crore Only) to ₹ 700,00,00,000 (Rupees Seven Hundred Crore Only).

Signature:

Name of Company Secretary in practice: Rupal D. Jhaveri
FCS No: 5441
CP No.: 4225

Place: MUMBAI

Date: 5th May 2015

Management's Discussion & Analysis

MACRO-ECONOMIC ENVIRONMENT

FY 2014-15 began with the much awaited Union Elections, which led to the formation of the new BJP-led NDA government at the Centre. This markedly improved business sentiment with visible enthusiasm in the economy. Introduction of certain domestic policies and the sudden and sharp drop in crude oil prices internationally has boosted the Indian economy, side lining significant vulnerabilities that it suffered in FY 2013-14. Further, inflation appears to have been contained with current account deficit within comfortable limits and increased inflows to the economy. There are also some signs of growth pick-up in recent months while attempts have been made to contain fiscal deficit.

The growth environment

Central Statistical Organisation (CSO) has recently revised national accounts aggregates by shifting to the new base of 2011-12 from the earlier base of 2004-05. The scenario presented by this new series shows some perceptible improvement in growth, whereby the economy is estimated to have grown at 6.9% in FY 2014 compared to 5.1% in FY 2013 in constant price terms at market prices. However, ground realities, such as the drop in imports, lower savings and investment ratios make the new growth estimates somewhat puzzling. Under the new series, real growth at market prices for FY 2015 is estimated at 7.4%. While on a nominal basis, the growth seems to have slowed down from 13.6% to 11.5%. Sharp downward correction in the GDP deflator in FY 2015 also appears to have lent support to real Gross Domestic Product (GDP) growth. The deflator in FY 2015 is estimated to have grown at 3.8% against 6.3% in FY 2014.

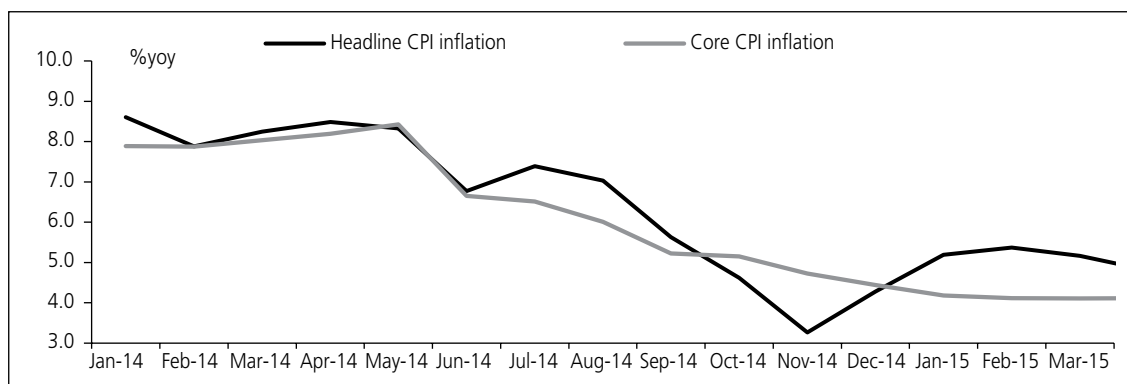
Some of this upside bias in the GDP also stems from a conceptual change in the movement to Gross Value Added (GVA) at basic prices-based calculation from a factor-cost-based one. The biggest changes in growth on the upside were seen with respect to (1) mining and manufacturing, where under the new methodology a larger dataset of private corporate performances was taken into account, and (2) trade and other services, where quarterly information on sales tax and service tax was used for computing this information.

The estimated GVA growth in the 'Manufacturing', 'Mining and Quarrying', 'Electricity, Gas and Water supply', and 'Construction' is at 6.8%, 2.3%, 9.6% and 4.5%, respectively, in FY 2015 as against growth of 5.3%, 5.4%, 4.8% and 2.5%, respectively, in FY 2014. In the services sector, 'Trade Hotels etc.' was estimated to grow by 8.4% in FY 2015 (11.1% in FY 2014), 'Finance', 'Real estate' and 'Professional services' at 13.7% in FY 2015 (7.9% in FY 2014) while 'Public Administration', 'Defence' and 'Other services' were expected to grow at 9.0% in FY 2015 (7.9% in FY 2014).

Domestic price dynamics

The measurement yard-stick for retail inflation also changed in February 2015. The change in the base year from 2004-05 to 2010-12, led to a change in the weighting diagram while the statistical method of computation of the index changed from arithmetic mean in the previous series to geometric mean in the new series. Under the old series, headline retail inflation remained high in FY 2014, averaging at around 9.5%. After having remained firm in the first quarter of the current FY 2015 at 8.1%, it dropped to 7.4% in the second quarter.

Under the new series, similar softening in retail prices was evident. Headline retail inflation, which was as high as 8.5% in April 2014, came down sharply to a floor of 3.3% in November 2014 before rising again to 4.9% in March 2015. The drop in the inflation levels were much faster than was anticipated and this led to the Reserve Bank of India (RBI) now being more open about a softer stance in monetary policy. One of the significant contributors was the fall in food and beverage item to 2% in November from 9.2% in April 2014, before picking up on a seasonal basis to 6.2% in March 2015. Within this category vegetable prices were lower by 16.8% in November 2014, down from 14.4% at the start of the financial year. The other big drop in inflation was in the housing sector, where it decreased to 4.8% by March 2015 compared to 13.3% at the beginning of the year. Global factors such as the persistent decline in the crude oil prices also played its part; the reflection of this can be found in the 'Transport and Communications' segment in the retail inflation. Further, the tight monetary policy stance of RBI (along with moderation in wage growth) also helped reduce demand pressures, leading to a drop in inflation. Core CPI inflation came down from 8.2% at the beginning of the financial year to 4.3% in March 2015.



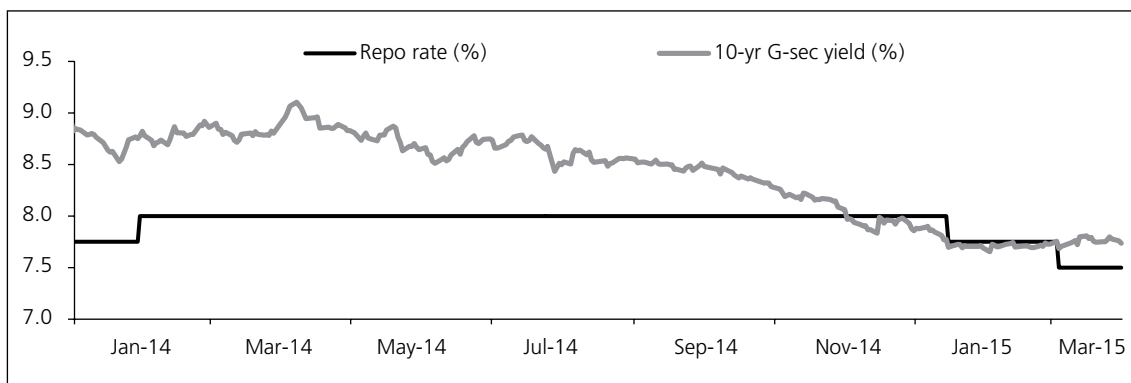
With RBI adopting Consumer Price Index (CPI) as the measure of the nominal anchor for policy communication in April 2014, the relevance of Wholesale Price Index (WPI) as a policy tool has been reduced. However, the reflection of global soft commodity prices is found more in the WPI inflation as it contains more of tradeable items. Headline WPI inflation, which averaged at 6.0% in FY 2014, stood at an average 2.1% in FY 2015, with the last five consecutive readings from November 2014 to March 2015 in the negative zone. Core WPI inflation ended in March 2015 at (0.4%), dropping off sharply from November 2014 after the bearish trend in global commodity prices was sharply felt. In April 2014, core WPI inflation was reported at 3.9%.

Monetary policy and interest rates

On 28th January, 2014, RBI increased the repo rate to 8.0% and kept policy rates unchanged during the year till 15th January, 2015. RBI had also adopted the new CPI as the measure of the nominal anchor for monetary policy starting from April 2014. RBI had been communicating to the market that it would shift its monetary policy stance once the Headline CPI inflation eases by more than it had expected. The December 2014 CPI number did surprise on the lower side and RBI cut the repo rate by 25 bps to 7.75% on 15th January, 2015. Subsequently, RBI had also reduced the Statutory Liquidity Ratio (SLR) by 50 bps from 22.0% of Net Demand and Time Liabilities (NDTL) to 21.5%. The next repo rate cut was on 4th March 2015 by 25 bps, bringing the repo rate down to 7.50%. This was again an action taken away from the scheduled policy date and RBI explained that this was due to its acknowledgement of the government's commitment to improve the quality of fiscal adjustment and relied on the government's emphasis to clean up legacy issues. The transmission effect of these policy changes were however muted both on the deposit rate as well as lending rates offered by the banks. This was due to structural rigidities in the credit market, weak pricing power of banks and asset quality concerns (thus leading banks to charge higher risk premiums). Weighted Average Lending Rate (WALR) of scheduled commercial banks (on fresh rupee loans sanctioned) dropped to 11.59% as on 31st December 2014, down from 11.64% as at end-March 2014.

There have been a few landmark developments in the monetary policy framework in FY 2015. RBI and the government finalized the monetary policy framework that targets CPI inflation at 4% (+/-) 2% for FY 2017 and beyond after aiming to bring inflation to below 6% by January 2016. Once every six months, RBI is required to publish documents explaining sources of inflation and inflation forecasts for the next 6-18 months. This agreement notes that RBI will have failed to meet the inflation target if inflation is more than 6% or if inflation is less than 2% for three consecutive quarters in FY 2016 and subsequent years. Further, with a view to ensure flexibility, transparency and predictability in liquidity management framework, RBI introduced a new structure for liquidity management on 5th September, 2014. RBI would provide upto 1% of NDTL as liquidity (a) 0.25% of individual banks NDTL to be provided under LAF and (b) remaining portion to be provided through frequent auction of variable rate 14-day term repos (4 times in a reporting fortnight).

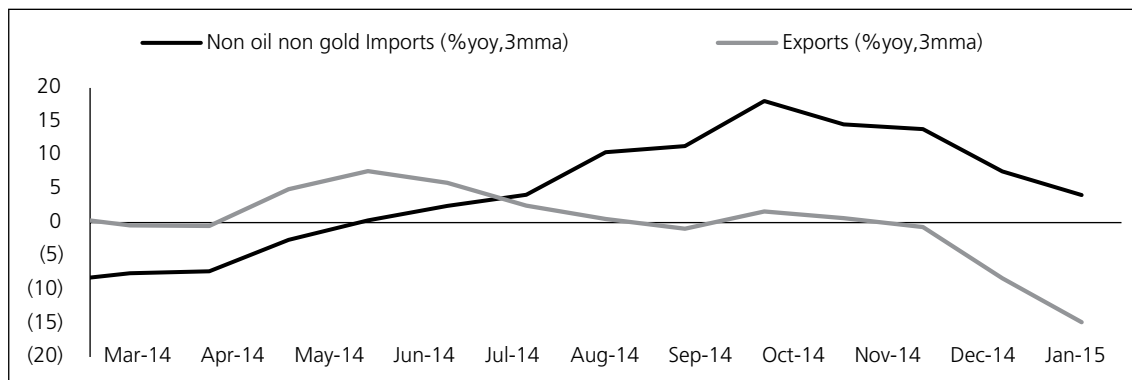
Liquidity conditions have remained broadly balanced in FY 2015, except for transient tight conditions. The initial part of the year until August witnessed a relatively tighter liquidity condition. However this eased in the latter part of the year as pace of credit growth compared to deposit mobilisation was slow and the government drew down its cash balances. Under the new scheme of liquidity management, the weighted average cut-off rates in the 14-day term repo auctions as also the overnight variable repo rate auctions remained close to the repo rate. Benchmark 10-year G-sec yield started to witness a downward momentum starting from the early part of the year as the markets started to factor in expectations of a new stable government at the centre and hence increased foreign flows on the debt side. The pace of drop in the yields picked up more in the second half of the financial year as CPI inflation started to surprise on the lower side, building expectations that RBI would sooner than later bring down the repo rate. The sharp drop in global commodity prices (especially oil) also helped. 10-year benchmark yield at the start of FY 2015 hovered at around 9%, and broke through the 8% mark in the initial part of December 2014 as sentiments started to get stronger on an expected shift in monetary policy stance by RBI. The range for the 10-year benchmark G-sec was at 9.10-7.65% in the last financial year.



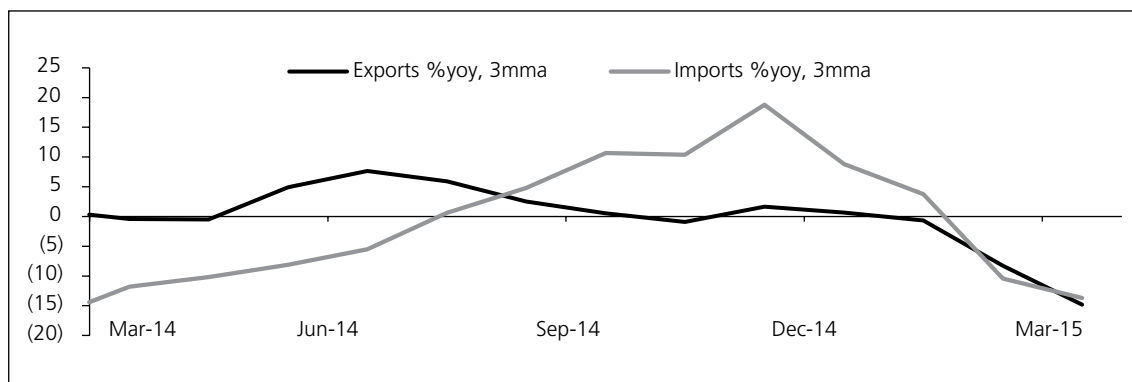
External sector dynamics and the USD / INR

A significant stress area for the Indian economy was the weak external sector when the Current Account Deficit (CAD) rose to 4.7% in FY 2013 on account of large dependency on crude oil imports (with prices remaining elevated till recently), large gold imports and other imports as a result of strong domestic demand. The policy responses to restrict gold imports (increase in the customs duty on gold and also quantitative restrictions on imports via

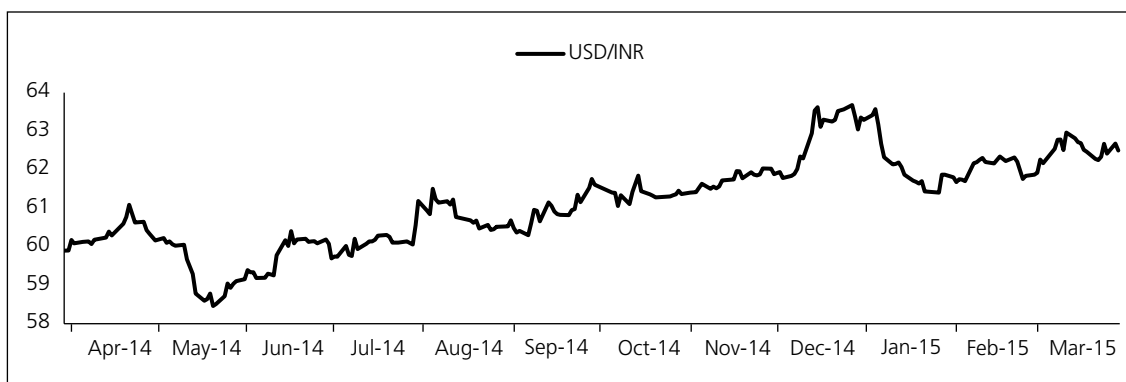
the 20:80 rule) helped resort normalcy in the external accounts. Further, as indicated earlier, oil prices dropped sharply, especially from September 2015 onwards, that led to the correction in the CAD. Thus in the first three quarters of FY 2015, CAD was quite comfortable at US\$26.3 billion or 1.8% of GDP compared to the first three quarters of FY 2014 when CAD was at US\$31.1 billion or 2.3% of GDP. However, the fall in the CAD has been restricted by the fact that exports have performed poorly in this financial year due to the global demand slump. In April-March 2015, exports on a Directorate General of Commercial Intelligence and Statistics (DGCI&S) basis were at US\$308.3 billion, against US\$314.4 billion in the same period last year, registering a de-growth of 1.9%. The real comfort came from the oil imports that were valued at US\$138.3 billion in April-March 2015, 16% lower than US\$164.8 billion in the same period last year. Non-oil imports were 8.3% higher in this FY compared to the last. In the first 9 months of FY 2015, invisible flows were reported to have maintained the same pace as in the previous fiscal with a pickup in software receipts but a higher interest outgo.



While CAD was comfortable, the Balance of Payment (BoP) boost came via capital inflows into the economy, backed by confidence that foreign investors showed on India's reforms-backed growth process under the new government. Consequently, in FY 2015, the inflows through equity were at US\$18.1 billion (US\$14.2 billion in FY 2014) while the inflows through debt route were at US\$27.3 billion in FY 2015 (against outflows of US\$4.1 billion in FY 2014 on Fed QE taper tantrums). The inflows through debt were significantly on the back of global liquidity hunting for yield differentials. Thus, the cumulative flows into the economy through FPI route were at a humongous US\$45 billion in FY 2015 against just US\$10.2 billion in FY 2014. With respect to the other components of capital flows, while FDI flows were better by around US\$3 billion in the first 9 months of FY 2015, most of the other flows were stable or have lagged behind. Key laggards in the first 9 months were banking capital (as last fiscal received a huge inflow through FCNR (B) window), ECB flows and short-term trade credit. BoP surplus in the first 9 months of FY 2015 works out to US\$62 billion compared to US\$39.6 billion in the same period last year. The developments on the external accounts provided the confidence to the government to do away with the 80:20 rule on gold imports in November 2014 and also allow for a consignment basis import of gold.



Due to the significant build-up in the positivity on the external accounts, USD/INR maintained a mild depreciation bias over the FY 2015 but was relatively much milder than the other Asian currencies. Between 1st September, 2014 till 31st March, 2015 - against the USD / INR had depreciated by 3.3%, Malaysian Ringgit had depreciated by 14.8%, Yen by 13.1% and Indonesian Rupiah by 10.4%. From the beginning of January 2015, INR has actually appreciated against the USD by 1.3% while Malaysian Ringgit and Indonesian Rupiah depreciated by 5.6% and 5.3% respectively. USD / INR was at ₹ 60.10 on 28th March, 2014 and closed on 31st March, 2015 at ₹ 62.50, implying a point-to-point depreciation of roughly 4% over the year. USD / INR reached its low of ₹ 58.43 on 31st March, 2015, immediately after the election results that led to a significant popular mandate for the present government. On the other hand, the highest for the USD/INR was at around ₹ 63.68 in end-December as all currencies of the world went on a depreciation bias post strong employment data in the US – suggesting that the US Fed could start hiking its policy rate sooner than later. With inflows being strong, RBI continued to mop up foreign exchange to guide the currency on a depreciation path, leading to accumulation of around US\$38 billion in Foreign Currency Assets till 20th March, 2015.



CONSOLIDATED FINANCIAL PERFORMANCE

The Bank along with its subsidiaries (the Group), offers a wide range of financial products and services to its customers. The key businesses are commercial banking, investment banking, stock broking, car finance, asset management and life insurance.

The Group has seen a steady and sustainable shift in its overall business mix to relatively stable lending businesses from capital markets-driven revenue streams. The financing business now contributes to 83% of the consolidated PBT mix as compared to 43% in FY2008. The capital market business now contributes to around 10% of the consolidated PBT mix as compared to 53% in FY2008. The Insurance and Asset management contribution has increased to 7% in the current year consolidated PBT mix as compared to 4% in FY2008. The diversified business profile of the Group allows it to sustain healthy profitability despite cyclicality in some of its businesses. With the improved macro-economic conditions, the capital market business contribution to the profits of the Group can increase drastically.

The Group had a net worth of ₹ 22,153.3 crore as on 31st March, 2015 (₹ 19,076.0 crore as on 31st March, 2014) and book value per share at ₹ 286.8 (₹ 247.6 as on 31st March, 2014). The Group has healthy earning profile and earned a healthy Return on Average Assets (RoAA) of 2.3% in FY 2015 (2.1% in FY 2014).

The entity wise net worth of the Group is as follows:

	(₹ in crore)	
	31 March, 2015	31 March, 2014
Kotak Mahindra Bank	14,141.1	12,275.1
Kotak Mahindra Prime	3,349.7	2,842.7
Kotak Mahindra Investments	617.2	435.9
Kotak Securities	2,384.0	2,094.4
Kotak Mahindra Capital Company	415.2	402.8
Kotak Mahindra Old Mutual Life Insurance	1,291.0	1,041.8
Kotak Mahindra AMC & Trustee Co	101.7	126.1
International subsidiaries	479.9	410.1
Kotak Investment Advisors	266.3	240.2
Other entities*	32.4	31.9
Total	23,078.5	19,901.0
Add: Share in associates	585.9	549.1
Less: Minority, inter-company and other adjustments	(1,511.1)	(1,374.1)
Consolidated Net worth	22,153.3	19,076.0

*Includes Kotak Mahindra General Insurance Limited, incorporated on 20th December, 2014.

The consolidated performance for FY 2015 is as follows:

Particulars	(₹ in crore)	
	FY 2015	FY 2014
Total income (net interest earned + other income)	21,471.1	17,268.3
Consolidated network	22,153.3	19,076.0
Earnings per share (diluted) (₹)	39.4	32.1
Book-value per share (₹)	286.8	247.6
Net interest margin (NIM) %	4.93%	4.97%
Return on average network %	14.8%	14.0%
Net NPA %	0.8%	0.9%
Consolidated capital adequacy ratio (CAR) % *	17.6%	18.9%
Tier I*	16.8%	18.0%

* Capital Adequacy Ratio and Tier I Ratio is computed as per Basel III norms issued by RBI.

The financial results of the material 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)			
	FY 2015		FY 2014	
	PBT	PAT	PBT	PAT
Kotak Mahindra Bank	2,833.0	1,866.0	2,272.5	1,502.5
Kotak Mahindra Prime	773.9	507.4	751.7	491.2
Kotak Mahindra Investments	158.2	106.3	64.4	42.1
Kotak Securities	441.4	289.6	234.3	160.2
Kotak Mahindra Capital Company	16.4	12.4	17.6	14.2
Kotak Mahindra Old Mutual Life Insurance	261.2	228.9	261.2	239.1
Kotak Mahindra AMC & Trustee Co	(25.1)	(29.0)	59.7	40.4
International subsidiaries	54.6	51.3	10.6	6.9
Kotak Investment Advisors	30.0	26.0	25.3	17.4
Others*	(0.5)	(0.5)	1.3	0.7
Total	4,543.1	3,058.4	3,698.6	2,514.7
Minority Interest, Equity Affiliates and Others		(12.9)		(49.7)
Consolidated PAT		3,045.5		2,465.0

*Includes Kotak Mahindra General Insurance Limited, incorporated on 20th December, 2014.

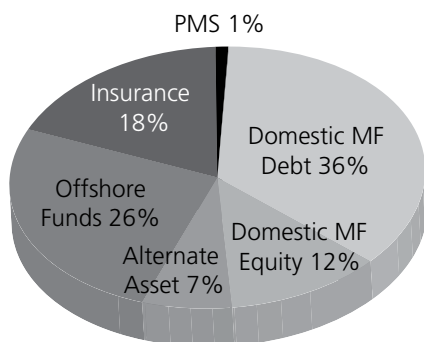
The contribution of the Associates to the net profit of the Group is as follows:

Name of the Company	Investment by Kotak Group (₹ crore)	% shareholding of the Group	PAT contribution for FY 2015
ACE Derivatives and Commodity Exchange Ltd	47.6	40.00%	(8.1)
Infina Finance Pvt Ltd	1.1	49.99%	37.2
Phoenix ARC Pvt Ltd	97.1	49.00%	9.3
Matrix Business Services India Pvt Ltd*	2.3	19.77%	1.5

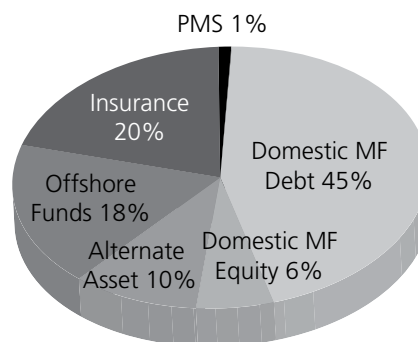
* During FY 2015, the Group has partially divested its stake in the Company.

Assets Under Management (AUM) as on 31st March, 2015 were ₹ 80,635 crore (previous year ₹ 56,564 crore), comprising assets managed and advised by the Group. The split of the AUM is as follows:

AUM - ₹ 80,635 crore – 31st March 2015



AUM - ₹ 56,564 crore – 31st March 2014



As on 31st March 2015, the Group has a distribution network of branches, franchisees, representative offices in India and overseas offices in New York, London, Dubai, Abu Dhabi, Mauritius and Singapore.

Bank, Its Subsidiaries and Its Associates: Financial and operating performance

Bank Highlights

Kotak Mahindra Bank is the flagship company of the Kotak Group, and has a diversified business profile covering consumer loans, corporate finance and commercial vehicle financing.

Profit before tax of the Bank for FY 2015 was ₹ 2,833.0 crore as against ₹ 2,272.5 crore for FY 2014. Profit after tax of the Bank was ₹ 1,866.0 crore in FY 2015 compared with ₹ 1,502.5 crore in FY 2014.

PROFIT AND LOSS ACCOUNT

A synopsis of the Profit and loss account is presented below:

Particulars	₹ in crore)	
	FY 2015	FY 2014
Net interest income	4,223.7	3,720.1
Other income	2,028.5	1,399.7
Net total income	6,252.2	5,119.8
Employee cost	1,449.7	1,159.1
Other operating expenses	1,805.0	1,383.5
Operating expenditure	3,254.7	2,542.6
Operating profit	2,997.5	2,577.2
Provision & contingencies (net)	164.5	304.7
- Provision on advances	323.8	256.1
- Recoveries	(47.8)	(108.8)
- Provision on other receivables	(0.2)	(19.2)
- Provision on investments	(111.3)	176.6
PBT	2,833.0	2,272.5
Provision for tax	967.0	770.0
PAT	1,866.0	1,502.5

The Net Interest Income (NII) of the Bank grew by 13.5% YoY and the non-interest income of the Bank grew by 44.9%. The Bank was able to maintain its Net Interest Margin (NIM) at similar level as last year at 4.9%.

Non-interest income:

The Bank registered a healthy growth in the non-interest income of 44.9% to ₹ 2,028.5 crore as compared to ₹ 1,399.7 crore last year. The growth was primarily due to higher commission, exchange and brokerage, profit on sale of investments and income from recovery of bought out stressed assets as can be seen from the table below:

(₹ in crore)			
Particulars	FY 2015	FY 2014	% change
Commission, exchange and brokerage	1,226.3	853.1	43.7%
Income from recovery of bought out stressed assets	134.6	25.4	-
Profit on sale of investments	314.8	181.8	73.2%
- Security Receipts	105.0	115.8	(9.3%)
- Govt. Securities	122.8	48.6	-
- Non-SLR Securities	87.0	17.4	-
Profit on exchange/ derivative transactions	206.4	211.8	(2.5%)
Income from subsidiaries/associates	72.2	59.5	21.5%
Dividend from subsidiaries	5.0	21.1	(76.8%)
Others	69.2	47.0	47.0%
Total other income	2,028.5	1,399.7	44.9%

Commission, exchange and brokerage increased by 43.7% primarily due to increase in mutual fund commission income, credit card fees and loan processing fees.

Employee cost

The expenses of the Bank have increased by 28.0% YoY with the employee cost increasing by 25.1% and other operating expenses increasing by 30.5%. The employee expenses have increased primarily due to increased incentive expense in the current year and additional payment on account of stock appreciation rights (related to market rate of the Bank shares, which had shown a marked increase in the second half of the year).

Other operating expenses

Other operating expenses increased by 43.6% primarily on account of:

- Increase in professional fees due to merger related expenses
- Increase in premises cost, repairs and maintenance, depreciation cost due to increase in branch and ATM network
- Increase in brokerage expenses primarily due to additional incentive paid to direct marketing agents on advances and loans
- Other merger related expenses

Provisions and contingencies

The provisions and contingencies have decreased by 46.0% to ₹ 164.5 crore primarily due to write back of provision on investments which was partially offset by increase in provision on standard assets, higher specific provisions and provision for unhedged foreign currency exposure.

The RoAA held at 2.0% for FY 2015 as compared to 1.8% in the previous year.

The break-up of segmental results as per RBI classification were as follows:

(₹ in crore)			
Segment	FY 2015	FY 2014	% change
Treasury and BMU	467.8	175.6	166.4%
Corporate/ Wholesale Banking	1,402.1	1,300.7	7.8%
Retail Banking	957.0	793.3	20.6%
Sub-total	2,826.9	2,269.6	24.6%
Unallocated income/ (expense)	6.1	2.9	110.3%
Profit before tax	2,833.0	2,272.5	24.7%

BALANCE SHEET

The assets and liabilities composition of the Bank is as follows:

	(₹ in crore)	
	31 March, 2015	31 March, 2014
Liabilities		
Networth	14,141.1	12,275.1
Deposits	74,860.3	59,072.3
- CA	13,181.3	8,740.8
- SA	14,036.1	10,087.1
- Certificate of deposits	3,784.8	5,725.7
- Term deposits	43,858.1	34,518.7
Borrowings	12,149.7	12,895.6
Other liabilities and provisions	4,861.0	3,342.3
Total	106,012.1	87,585.3
Assets	31 March, 2015	31 March, 2014
Cash, bank and call	6,262.4	5,979.9
Investments	30,421.1	25,484.5
- Government securities	22,881.7	17,465.4
- Other securities	7,539.4	8,019.1
Advances	66,160.7	53,027.6
Fixed assets and other assets	3,167.9	3,093.3
Total	106,012.1	87,585.3

The Bank's capitalisation levels remain one of the strongest in the industry with overall CRAR at 17.2% (Tier I ratio of 16.2%) as compared to 18.8% as on March 2014 (Tier I ratio of 17.8%).

Deposits

The core of the Bank's strategy is to build low cost and stable liability on which the Bank has been working over the past few years. The momentum has been continued in the current year as well because of which the rate at which Bank's CA, SA and TD have grown is significantly higher than the industry average. Our CASA plus term deposits below ₹ 5 crore account for more than 69.8% of the total deposits. Sweep Deposits make up for 7.3% of the overall deposits of the Bank. The deposits of the Bank grew by 26.7% from ₹ 59,072.3 crore as on 31st March 2014 to ₹ 74,860.3 crore as on 31st March 2015. Current account deposits have grown at a healthy rate of 50.8% to ₹ 13,181.3 crore from ₹ 8,740.8 crore. Savings account deposits increased by 39.1% from ₹ 10,087.1 crore to ₹ 14,036.1 crore with an average cost of around 5.5%.

Advances

Advances increased by 24.8% YoY primarily driven by Corporate Banking, Small business, Personal Loans and Credit Cards. The Bank continued to degrow the Construction Equipment (CE) and Commercial Vehicles (CV) loans for the first half of the year and started lending in this sector once the macro factors showed some sign of improvement. As a result, the Bank has a net degrowth of only 4.4% in CE / CV in FY 2015.

The restructured advances considered standard as on 31st March, 2015 are ₹ 158.1 crore which is 0.3% of our advances book, one of the lowest in the banking industry. Further, the Bank has not done any CDR participation; has not sold any of its loans to Asset Reconstruction Companies and has not converted any on-balance sheet advances to off-balance sheet exposures.

The classification of advances of the Bank is as follows:

	(₹ in crore)		
Segment	31 March, 2015	31 March, 2014	Y-o-Y growth
Corporate Banking	20,299.5	14,377.3	41.2%
Home Loans and LAP	14,708.7	12,099.4	21.6%
Agriculture Division	12,105.8	10,468.1	15.6%
Commercial Vehicles & Construction equipment (CV/CE)	5,204.0	5,441.2	(4.4%)
Business Banking	6,421.6	5,387.9	19.2%
Small Business, Personal Loans & Credit cards	6,262.8	4,632.0	35.2%
Other Loans	1,158.3	621.7	86.3%
Total Advances	66,160.7	53,027.6	24.8%

Advances as per RBI segmental classification:

Segment	(₹ in crore)		
	31 March, 2015	31 March, 2014	Y-o-Y growth
Retail	29,112.8	23,681.9	22.9%
Corporate	37,047.9	29,345.7	26.2%
Total	66,160.7	53,027.6	24.8%

Asset Quality

While there has been some stress in segments such as Agriculture division, Corporate accounts and Commercial Real Estate (CRE), the Bank has an overall healthy asset quality. Restructured loans considered standard at ₹ 158.1 crore (0.24% of advances) are lowest in the industry.

Particulars	(₹ in crore)	
	31 March, 2015	31 March, 2014
Gross NPA	1,237.2	1,059.4
Gross NPA %	1.85%	1.98%
Net NPA	609.1	573.6
Net NPA %	0.92%	1.08%

Merger of ING Vysya Bank with Kotak Mahindra Bank Limited

ING Vysya Bank, a private sector bank, merged with the Bank with the effect from 1st April, 2015. On the date of acquisition, ING Vysya Bank had over 577 branches and 10 extension counters. The merger is expected to strengthen Kotak Bank's market position, provide wider distribution and enable the Bank to take a giant leap against competition. The regional presence of the combined entity will enable the Bank to cover wider areas with balanced footprint.

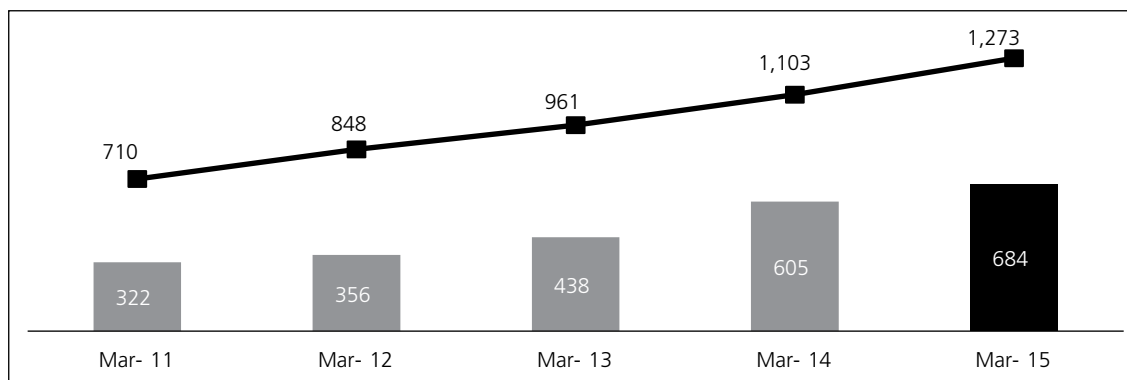
The branch coverage as on 1st April, 2015 is as below :

Branches	ING Vysya	Kotak	Kotak (Merged)
West	13%	46%	31%
North	22%	33%	28%
South	61%	15%	36%
East	4%	6%	5%
Total	577	684	1,261
ATMs	657	1,273	1,930

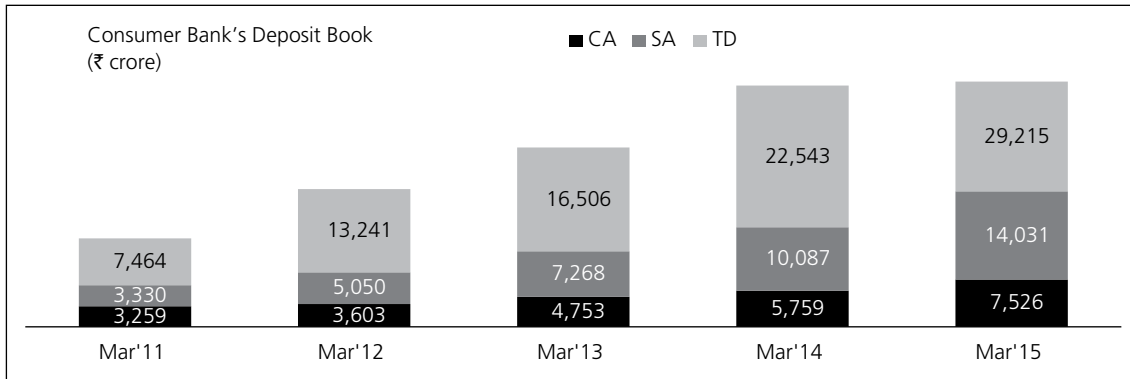
A brief analysis of the performance of various divisions of the Bank is as follows:

Consumer Banking

In line with the Bank's vision of Bigger, Bolder and Better Kotak that was laid out at the start of FY 2014-15, the Consumer Banking business delivered a robust performance with a larger network, increased deposit base, higher focus on segmental banking and cross dimensional qualitative initiatives. The Bank expanded its footprint with addition of 79 branches during the year, reaching a total of 684 branches. Further, the ATM network has increased to 1,273 ATMs across 379 locations as on 31st March, 2015.



Further, this growth is also reflected in the Consumer Bank's deposit book, which grew by 32.3% with term deposits at ₹ 29,215.1 crore and demand deposits at ₹ 21,557.3 crore.



During FY 2014-15, the Bank continued to expand its portfolio of customised products targeted at specific customer segments. Kotak Grand, a new savings bank proposition tailored exclusively for customers above 55 years, offers features like healthcare, convenience and personalised attention. Customers are provided with priority service for transactions at the branch and a first aid card, which details their health status and emergency contacts for easy reference. The product also comes with a health card from Indian Health Organization (IHO), and discounts on treatments, consultation and procedures, as well as services like customised cash delivery, courtesy call back, etc. As on 31st March, 2015, the product's portfolio reached a size of over 4,500 customers.

Emphasising its thrust on digital banking for young and tech-savvy customers, the Bank increased products in this line of business with Jifi Saver, a unique social savings bank account with secure and seamless transactions on popular social networks. The account bundles up a higher savings interest rate of up to 6% with features like Hashtag Banking, Loyalty Rewards, Credit Bureau Score and Money Watch.

The digital product canvas of the Bank also includes KayPay, the world's first bank agnostic instant funds transfer platform. The other services introduced for seamless, on-the-go fund transfer include mail money and message money. The Bank also launched online PIN (for debit and credit card) generation feature, enabling customers to easily change their PIN using net-banking and mobile banking.

Keeping in view the needs of customers in rural / unbanked areas of the country, the Bank launched Sanman savings bank account. The product is customised to cater to the banking needs of farmers, small time traders, self-employed, low income group individuals, works etc. It offers key features like lower Average Quarterly Balance (AQB) requirement and enhanced cash deposit limits to suit the seasonality of rural India apart from standard features.

The Bank's Privy League program for affluent and mass affluent customers now services more than 2.75 lakh customers. An exclusive Privy League branch was launched in Hauz Khas, Delhi to offer a differentiated service experience. The segmental offering in Privy League has been reinforced with the launch of trader current accounts and 'Grand' savings account for senior citizens, under the Privy League program umbrella.

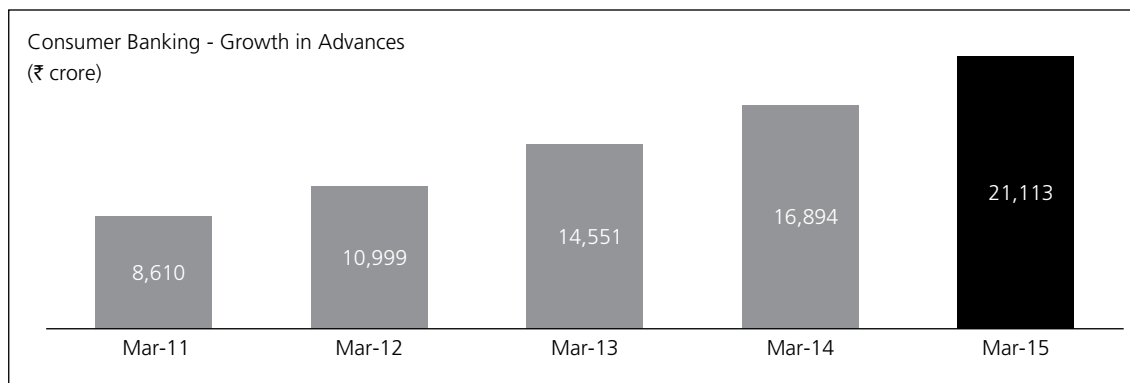
On the international front, the Bank built on its service platform, opening up Australia corridor under C2R facility and taking the count of Exchange House relationships to 20.

During the year, the Bank also supported the Prime Minister Jan Dhan Yojana (PMJDY) with full vigour to bring the unbanked population of the country under the organised banking umbrella. Further, it introduced Associate Debit Card for representatives of customers, enabling non-financial transactions through ATMs within the Kotak network.

In terms of customer service and convenience, the Bank enabled KYC on the electronic platform. Customer KYC details can be downloaded from UIDAI database basis their aadhar number, biometric impression or OTP for faster on-boarding.

The Bank is also extensively using Twitter to address customer queries and complaint resolution.

On the assets side, the consumer banking business grew by 21.6% with a wide range of products including credit cards and business loans offered by the Bank.



Credit card business has 4.9 lac cards in force as on 31st March, 2015 in the seventh year of its operations. YoY spends have grown at 31.4%.

The Bank's business loans portfolio offers a wide range of products from secured and unsecured loan products to loans against properties and working capital finance. This business has grown its book by 36.9% in FY 2015 with significant business coming from active engagement with existing liability customers of the Bank.

During the year, our ATM network serviced 5.1 crore transactions, 26.2% more than last year. Of this, 4.2 crore were cash withdrawals.

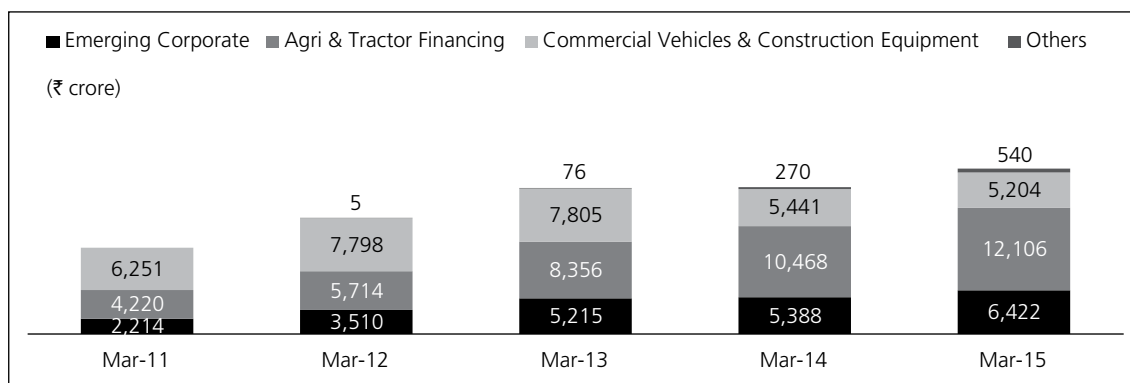
Point of Sale (POS) spends for the year grew by 42.1% (including E-Commerce) with overall spends at ₹ 11.0 crore. Further, the total spends through payment gateway for online shopping stood at ₹ 1,995.3 crore, a jump of 51.3% over last year. Transactions through Bill pay and Visa Money Transfer have increased by 50.7% for a value of ₹ 566.1 crore.

Commercial banking

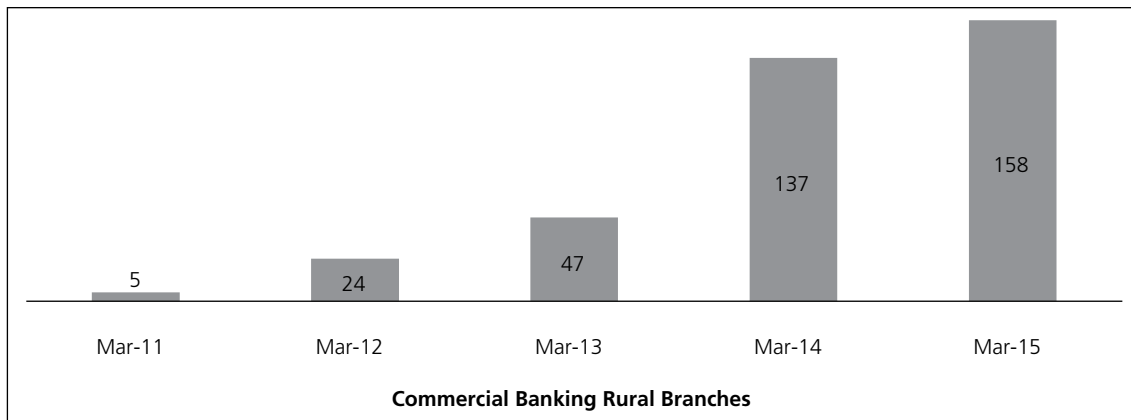
The Bank's business model of 'concentrated India, diversified financial services', caters to both India and Bharat. The Bank by and large borrows (deposits) from India (metro/urban cities) and lends (light on liabilities, heavy on assets) to Bharat (rural, semi-urban and mid-India). The Commercial Banking business caters to customers of Bharat, and plays a pivotal role in meeting substantial portion of the priority sector lending obligations. It offers a range of products for agriculture (agri) and tractor finance, purchase and operations of commercial vehicles and construction equipment, rural housing finance and gold loans. Further, Emerging Corporate Group (ECG), a division within the business, caters specifically to the needs of small and medium enterprises.

Economic environment of semi-urban and rural areas influences the business' operations and performance. Monsoon plays a large role in shaping up the Indian economy. Last monsoon was erratic, which adversely impacted crops, related activities and also the purchasing power of the rural Indian. Our calibrated de-risking business strategy helped us tide over the situation and register positive growth in terms of both topline and bottom line.

Split of commercial advances over the years is as below:



Despite the gloom in Bharat last year, the Bank maintains a positive outlook, which is reflected in our expanding network of rural branches in Tier II to Tier VI towns. The number of rural branches has increased from 137 in FY 2014 to 158 in FY 2015. The Bank will continue to increase its network in rural regions to provide products and services to a larger customer base.



Our commitment to Bharat (rural India) has yielded positive results with consistent growth of portfolio. In FY 2014-15, our agri and tractor finance portfolio increased by 16%. However, the slowdown in the rural economy has led to marginal deterioration of portfolio quality. Further, our tractor disbursements slowed down during the year but were lower than industry de-growth of 13%.

Further, our focus on small and medium enterprises has led to the growth of the ECG portfolio by 26%, now offering services across an expanded geography covering 13 states. The Bank continues to focus on balanced growth, maintaining asset quality and providing exceptional service to customers.

Our CV and CE businesses registered slowdown because of decelerated growth in the economy, specifically in the infrastructure sector over the past few years. Decrease in energy prices has led to the recovery of the economy in the last six months and also reduced levels of delinquency.

The Bank started increasing exposure to this sector in the second half of FY 2014. The CV portfolio is showing positive signs of growth after coming down by 28% in FY 2014. Sales of Medium Commercial Vehicles (MCV) and Heavy Commercial Vehicles (HCV) grew by 16% and the Bank increased exposure during this period. Light Commercial Vehicles (LCV) sales, however, continued to decline, falling by more than 11%.

The government's focus on the infrastructure sector and faster environmental clearances has led to buoyant environment. Green shoots are being seen in core sectors like mining, port and road construction. This has improved order book position of customers compared to earlier periods. After attenuation of the portfolio by 36% in FY 2014, the Bank will increase lending in this sector.

The business also diversified its operations in two areas – gold loans and rural housing finance. Gold loan products are now available across 150 branches and Rural Housing finance is offered at 50 locations.

Corporate banking

The Corporate banking business caters to various customer and industry segments in the wholesale space such as Large Corporates, Mid-market Corporates, Financial Institutions, Commercial 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 core focus of the business has been to acquire quality customers on a consistent basis and ensure value add through cross sell of the varied products and services.

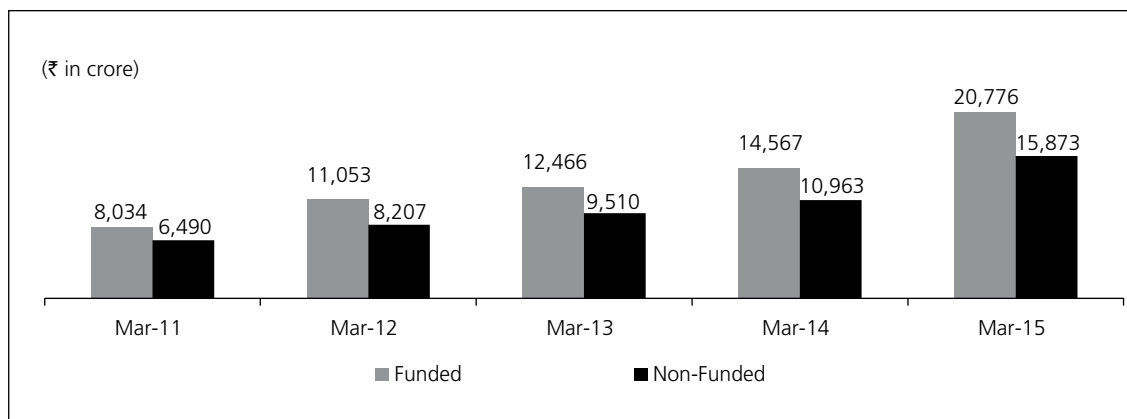
The business strategy in the large corporate segment has been to build franchise with top tier corporates as well as deepen the existing relationships with synergies across business verticals. The mid-market strategy is clearly driven by targeted client acquisition and becoming one of the preferred bankers to the corporates.

The Bank has focused on increasing its share of the large and mid corporate space. In view of the macroeconomic scenario, exposure was confined to segments with credit comfort in terms of better rated exposure and industries with a positive outlook.

The Transaction Banking Group continued to focus on acquiring clients through in-depth understanding of client requirements and ability to deliver tailored solutions in both Trade & Cash Management businesses. Driven by innovation, leveraged on robust technology and specialized product solutions, the Bank has been able to consistently add value to transaction banking clients across Cash Management & Trade Services. This has helped its clients achieve optimized working capital and liquidity management benchmarks. We are active participants in the Global Trade Finance Program (GTFP) programme offered by IFC, Washington.

The Bank has been able to improve its share of fee based services and to improve current account deposits. The product offering includes Documentary Credits, Bank Guarantees, Export Credit and Supply Chain Financing amongst others. The growth in fee based income was a result of higher trade, foreign exchange and debt syndication services. The growth in current account balances was driven by products like cash management services, supply chain management services, escrow account services and other transaction banking services.

The Bank also provides a range of fund based and non-fund based services to capital market intermediaries and custody and derivative clearing services to domestic and foreign institutional investors. Product innovation and risk management through efficient technology platforms backed by high quality service has been the key focus. The mix between funded and non-funded for last five years is as follows:



The risk appetite of the Bank mandates a well-diversified portfolio. The Bank has laid down exposure limits for various industries. These are reviewed periodically based on industry performance. The Bank has an industry research group that rates industries on an internal scale and defines the outlook towards various industries which forms an input to management in defining industry strategies.

The Bank continually monitors portfolio diversification through tracking of industry, group and company specific exposure limits. The entire portfolio is rated based on internal credit rating tool, which facilitates appropriate credit selection and monitoring. The corporate banking portfolio continued to show robust characteristics throughout the year.

Treasury

While market sentiment – echoed by buoyant equity markets and an accommodative interest rate, shifted to a positive territory, the deposit and loan markets remained largely unaffected by green shoots of sentiments. The Bank's Treasury department carefully strategized for optimal cost of funds, stability and liquidity as primary drivers. Prudential liquidity norms as required by BIS - Liquidity Coverage Ratio (LCR) were introduced from January 2015. The Balance Sheet Management Unit (BMU) of Treasury – in addition to optimal funding mix of the Bank, successfully met the regulatory requirements of CRR, SLR and LCR.

Yield on 10yr G-Sec decreased from about 8.8% in March 2014 to about 7.8% in March 2015. While the direction of interest rates seems to be southbound, the route is not necessarily one way on account of various geo-political factors, expectations of US Fed hiking policy interest rates and sticky consumer inflation. In this environment, the Fixed Income Trading desk of Treasury adopted a positively cautious approach in FY 2015 by increasing the portfolio duration within the risk appetite stipulated by the Bank's Asset Liability Committee (ALCO), which also functions as the Investment Committee.

The Primary Dealer (PD) desk of Treasury, in addition to gainful positioning on the trading portfolio, also increased its levels of distribution and retailing of sovereign securities. The PD desk also surpassed on its RBI obligations of bidding and success in auctions and trading volumes in the secondary market for government securities.

As mentioned at the start of this discussion, the currency markets also witnessed volatility spurred by developments in respective geographies. Broadly, the USD gained vis-à-vis major currencies on the back of a recovering economy in USA. While INR lost about 5%, EUR depreciated about 22% against the greenback. The relative strengthening of INR against major non-USD currencies led to some slowing of export flows at an economy level.

In this background, Treasury successfully continued its focus on expanding the foreign exchange flows from client businesses. The Bank added new customers and achieved a healthy growth in the number of transactions and volumes in the foreign exchange merchant business. Treasury continued its endeavours in technology led initiatives for transparency and convenience in FX transactions for the Bank's customers. Trading operations in foreign exchange markets also contributed to revenues done with a measured and calibrated approach.

Policy led import restrictions on bullion of FY 2014 continued for significant part of FY 2015, with some easing towards the later part of the year. Bullion desk – in continuation of its import allocations, catered to the requirements of its customer base.

With interest rate markets responding to improved sentiments and increased inflows from Foreign Institutional Investors (FII), the market yields reduced significantly ahead of the deposit markets. Consequent improvement in issuances of debt in the form of bonds and debentures saw increased activity in the Debt Capital Markets (DCM) business. DCM desk of Treasury also continued with its focus on bond and loan syndication.

Correspondent Banking Division of Treasury continued to build and leverage upon relationships with offshore banks for improving quality and international reach for its customers.

The ALCO continued to maintain constant and close vigil on the market risk, interest rate and liquidity gaps, counterparty and country exposures.

Technology

The Bank increased its emphasis on digital products in the current year. Three major upgrades on the mobile banking application saw a large increase in adoption of usage. Several new 'native digital' products were launched including 'Kaypay', 'Message Money' and 'Hashtag Banking'. On the loans management side, mobile application is being used for collections of personal loans and credit card payments.

Customer connect was improved by leveraging the Unica platform launched in the previous year. Unica, a world class system from IBM was implemented last year and leveraged to launch several customer campaigns for cross sell and targeted various product offers. Further, automation of marketing operations enabled the Bank to enhance its ability to increase scale in its offers to customers, tailored to their needs.

A new system was introduced for the Bank's wealth management customers, enabling them to get a consolidated, single view of all their investments. This will serve as the foundation for portal and mobile access to customer dashboards and alerts in the coming year.

To ensure customer data security, technology programs in the area of information security were kept in pace with the digital innovation. Customers are now given an option to login using digital certificates. New technology to prevent leakage of customer data has been implemented across the Bank and a new initiative for fraud detection on channels has been started.

Governance and control continued to be an area of focus, with new systems being deployed for internal audit automation, anti-money laundering, asset-liability management and compliance management.

Subsidiaries Highlights

Kotak Mahindra Prime Limited ('KMP')

KMP is primarily engaged in car 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.

The main stream of income for KMP is from car financing to customers and dealers. KMP also receives income from loans against securities, personal loans, corporate loans and developer funding, securitization / assignment transactions and recovery of acquired non-performing assets.

Financial highlights

	(₹ in crore)		
Particulars	FY 2015	FY 2014	Y-o-Y growth
Gross income	2,640.4	2,524.6	4.6%
PBT	773.9	751.7	3.0%
PAT	507.4	491.2	3.3%

	(₹ in crore)	
Particulars	31 March, 2015	31 March, 2014
Net advances	19,707.0	17,948.2
- Car advances	14,726.1	13,273.5
Net NPA excluding acquired stress assets	84.1	56.5
Net NPA %	0.4%	0.3%
ROA %	2.5%	2.6%
ROE %	16.4%	18.9%

The passenger car market in India saw growth of 3.2% for FY 2015 as compared to a degrowth of 5.9% for FY 2014. Total unit sales of cars and MUV's crossed 26.1 lakh units in FY 2015 versus 25.3 lakh units in FY 2014. KMP added 120,001 contracts in FY 2015 compared to 113,287 in FY 2014.

Gross NPA for the year was ₹ 147.6 crore (0.7% of gross advances) while net NPA was ₹ 84.1 crore (0.4% of net advances). Further, the CAR as on 31st March, 2015 was 18.3%.

Kotak Mahindra Investments Limited ('KMIL')

Financial highlights

Particulars	(₹ in crore)		
	FY 2015	FY 2014	Y-o-Y growth
Total income	391.2	155.2	152.1%
PBT	158.2	64.4	145.7%
PAT	106.3	42.1	152.9%
Particulars	31 March, 2015	31 March, 2014	
Net NPA	4.2	7.2	(41.7%)
Net NPA %	0.1%	0.5%	

KMIL is primarily engaged in finance against securities, lending to real estate and other activities such as holding long-term strategic investments. During the year, the Company also ventured into structured finance to corporate clients. KMIL enables its customers to pursue ambitious growth strategies and execute value-creating transactions for mutual growth. KMIL's strategy has been of relationship management and penetration, continuous product innovation coupled with tight control on credit quality and effective risk monitoring and management. It is well positioned to harness all opportunities that may be offered in the current economic environment.

During the financial year, the customer advances more than doubled to ₹ 3,268.4 crore as on 31st March 2015 as compared to ₹ 1,604.5 crore as on 31st March 2014. This resulted in the Company reporting a total PBT of ₹ 158.2 crore (P.Y. ₹ 64.4 crore) for FY 2015, a growth of close to 250.0% YoY.

Gross NPA to overall advances were at 0.2% (₹ 7.5 crore) as on 31st March, 2015 as compared to 0.9% (₹ 15.0 crore) as on 31st March, 2014 due to effective credit control and efficient recoveries. Further, the CAR as at 31st March, 2015 was 18.3%.

Kotak Securities Limited ('KS')

Financial highlights

Particulars	(₹ in crore)	
	FY 2015	FY 2014
Gross income	959.8	626.9
PBT	441.4	234.3
PAT	289.6	160.2

The Sensex which closed at 22,386 at the end of FY 2014 closed at 27,957 at the end of the current financial year with a high of 30,024 and low of 22,197. Similarly, the benchmark Nifty which closed at 6,704 at the end of FY 2014 closed at 8,491 at the end of the current financial year with a high of 9,119 and low of 6,638.

Market average daily volumes in cash segment nearly doubled to ₹ 21,423.5 crore from ₹ 13,411.9 crore in FY 2014, and increased to ₹ 229,778.1 crore from ₹ 154,020.3 crore in FY 2014 for derivatives segment, with cash segment being less than 10.0% of the total traded market volumes. The overall market share of KS (excluding BSE derivative segment) increased from 2.3% in FY 2014 to 2.8% in FY 2015.

The overall institutional cash and derivatives market volume grew by about 48.5% and 11.1% respectively, however industry yield remained under pressure. Derivatives market volume mix was largely in favour of Option segment. The division remained focused on derivatives segment while continuing consolidation in the cash segment. The institutional equity research continued to be recognized for its in-depth high quality financial modeling, width of stock coverage and valuable investment insights, winning valuable votes from its clients.

In the retail segment, the focus was on the increasing market share in the cash segment, where the margins are higher than other segments. The mobile trading application of the Company continued its market leadership and the Company has launched its new website to meet changing customer requirements. Customer acquisition resulted in an addition of about 123,626 customers with a majority of them being online trading customers. The total outlets stood at 1,128 at the end of the financial year. The number of registered sub brokers/authorised persons stood at 1,878 for NSE and 1,344 for BSE.

Kotak Mahindra Capital Company Limited ('KMCC')

Financial highlights

Particulars	(₹ in crore)	
	FY 2015	FY 2014
Gross income	89.1	84.9
PBT	16.4	17.6
PAT	12.4	14.2

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.

Equity Capital Markets

The Indian equity capital markets saw robust activity in FY 2015. A total of ₹ 37,616 crore was raised across Initial Public Offerings (IPOs), Qualified Institutional Placements (QIPs), Institutional Placement Programs (IPPs) and Rights Issues, while ₹ 26,935 crore was raised from the secondary market through Offers for Sale (OFS) (Source: Prime Database).

KMCC successfully completed thirteen marquee transactions across various product formats. On the equity side, KMCC successfully completed two IPOs, two government disinvestments, one IPP and eight QIPs, raising a total of ₹ 29,451 crore. (Source: Prime Database).

The Equity Deals that were concluded by the Company during the year include:

Coal India OFS – ₹ 22,558 crore; SAIL OFS – ₹ 1,720 crore; IDFC Limited QIP – ₹ 1,000 crore; Dewan Housing Finance QIP – ₹ 810 crore; Ashok Leyland QIP – ₹ 667 crore; CESC Limited QIP – ₹ 491 crore; Muthoot Finance IPP – ₹ 418 crore; SKS Microfinance QIP – ₹ 400 crore; Adlabs Entertainment IPO – ₹ 375 crore; City Union Bank QIP – ₹ 350 crore; HSIL Ltd QIP – ₹ 250 crore; Astral Polytechnik QIP – ₹ 241 crore; Ortel Communications IPO – ₹ 174 crore.

KMCC was ranked the #3, Book Running Lead Manager across all Equity Offerings (IPOs, FPOs, QIPs, OFS, IPPs and Rights) in FY 2015 (Source: PRIME Database).

Mergers & Acquisitions

FY 2015 saw two distinct trends in M&A Advisory – i) significant increase in the confidence level of domestic companies leading to increased consolidation and ii) increase in interest amongst global players to enter or expand their presence in India

- Domestic transactions increased in value terms to US\$43.5 billion in FY 2015 from US\$9.8 billion in FY 2014
- Inbound transactions increased in value terms to US\$29.5 billion in FY 2015 from US\$14.4 billion in FY 2014

(Source: Bloomberg, as on 1st April, 2015)

In FY 2015, KMCC was ranked #3 by volume of deals and #9 by value of deals in the M&A league tables (Source: Bloomberg, amongst investment banks only). KMCC advised on a wide array of nineteen transactions:

- Across products, ranging from Acquisitions & India Entry, Divestments, Mergers, Private Equity investments, Restructuring, Delisting and Open Offers; and
- Across sectors, ranging from Financial Services, Technology, Industrials, Telecom, Real Estate, Pharmaceuticals/Healthcare

Some of the key Advisory deals that were announced/concluded by the Company during the year include:

- Merger of ING Vysya Bank with Kotak Mahindra Bank – ₹ 15,044 crore
- Vodafone Group's acquisition of stake from minority shareholders in Vodafone India Limited – ₹ 10,140 crore
- Investment in Manipal Health Enterprises Private Limited by TPG Capital – ₹ 900 crore
- Open Offer to the shareholders of Nirlon Limited by Reco Berry Private Limited, an affiliate of GIC (Singapore) – ₹ 568 crore
- Investment in Cholamandalam Investment & Finance Company Ltd by Apax Partners – ₹ 500 crore
- Acquisition of 15% stake in MCX by Kotak Mahindra Bank Ltd – ₹ 459 crore
- Divestment of SVB India by SVB, USA to Temasek – ₹ 280 crore
- Acquisition of controlling stake in Seamless Stainless Steel Tube business of Prakash Steelage Ltd by Tubacex SA, Spain – ₹ 254 crore
- Demerger of insurance business of Mastek Limited into a new company, Majesco Ltd

With improvement in economy, the pace of M&A activity is expected to pick up in FY 2016. Cross-border transactions will continue to account for an

increasingly larger proportion of overall M&A volumes as

- i. Companies in developed markets chase growth outside their own geographies, and
- ii. Indian firms venture overseas in search of new markets, resources and expertise.

Kotak Mahindra Old Mutual Life Insurance ('KLI')

KLI is a 74:26 joint venture partnership between Kotak Mahindra Group and Old Mutual Plc, an international savings, wealth management and insurance company based in UK.

KLI is in the business of life insurance, annuity, and providing employee benefit products to its individual and group clientele. The Company has developed a multi-channel distribution network to cater to its customers and markets through tied, alternate, group, direct marketing and online channels on a pan-India basis.

Private insurance industry as a whole registered a growth of 16.0% on total new business premium on APE basis (single premium considered on 1/10th basis), whereas the Company registered a growth of 32.0% on total new business premium on APE basis. KLI market share stood at 4.4% of private insurance industry. The financial performance of KLI for the current and previous financial year is given below:

Financial highlights

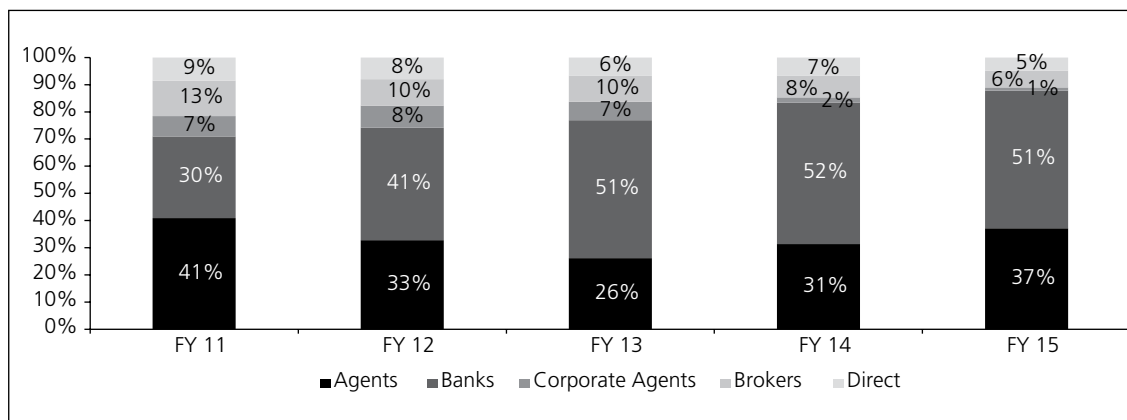
Particulars	₹ in crore)	
	FY 2015	FY 2014
Gross premium income	3,038.1	2,700.8
First-year premium (incl. group and single)	1,540.2	1,271.8
PBT – Shareholders' account	261.2	261.2
PAT – Shareholders' account	228.9	239.1

Revenue Performance:

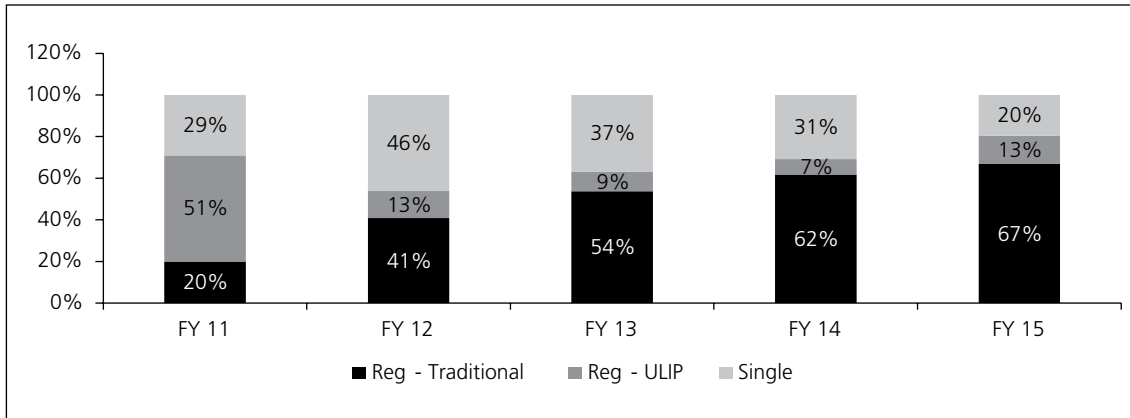
The Company has recorded a growth of 32.0% on the total new business premium- APE terms (single premium considered on 1/10th basis), same coming mainly from individual regular premium. The summary of premium income is as under:

Particulars	₹ in crore)	
	FY 2015	FY 2014
Individual regular premium	602.3	444.8
Individual single premium	147.1	198.2
Group regular premium	459.1	344.3
Group single premium	331.7	284.5
Total new business premium	1,540.2	1,271.8
Renewal premium	1,497.9	1,429.0
Gross premium	3,038.1	2,700.8

Distribution Mix (Individual business)



Individual Product Mix



Agency channel has gained distribution share in FY 2015 with growth of 38% over previous year. The Company's product mix has moved towards traditional products, from 20% in FY 2011 to 67% in FY 2015 of total individual premium.

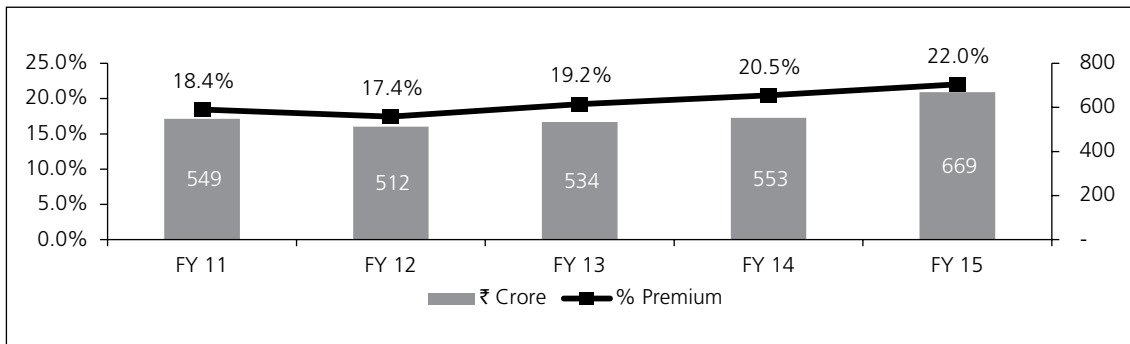
Profits and Solvency

The networth of the Company increased by 22.0% to ₹ 1,270.6 crore from ₹ 1,041.8 crore. The Company has a solvency ratio (including Funds Not Required for Solvency Margin (FNRS)) of 3.13 against requirement of 1.50.

Further, conservation ratio is 79.9% in FY 2015 compared to 70.6% in FY 2014. The Company has set up a dedicated retention team to further improve the retention of the premiums of the Company.

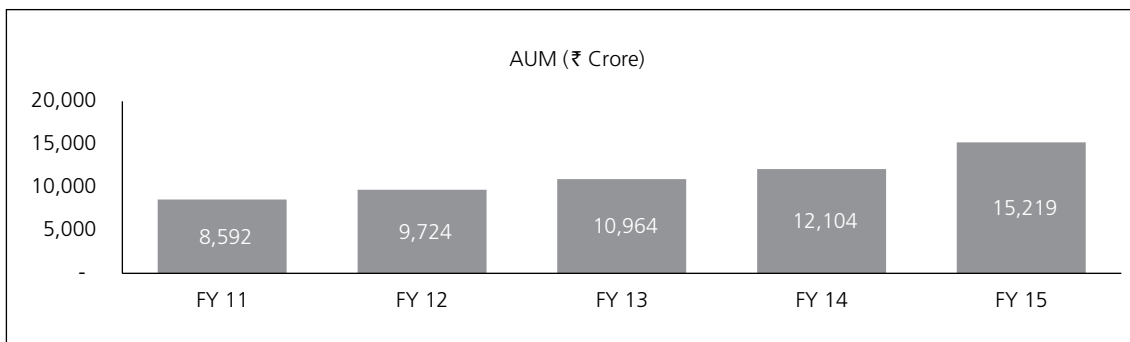
Cost Analysis

Operating expense ratio (net of service tax) has increased to 22.0% as against 20.5% in previous year. The Company is putting in efforts to bring in variabilization of cost so as to bring down the overall cost ratio down.



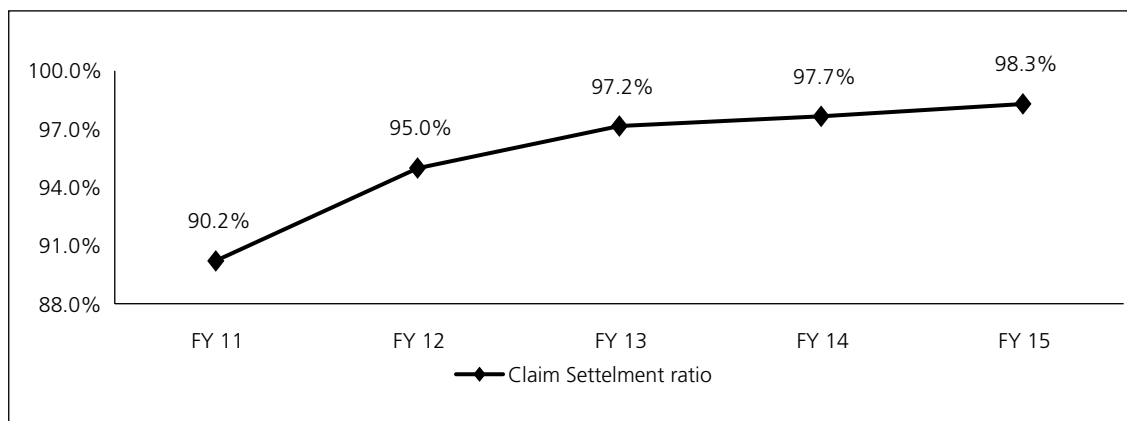
Assets Under Management:

AUM of the Company crossed ₹ 15,000 crore landmark in FY 2015, which is a 25.7% growth over previous year.



Claims Settlement Ratio:

Claims settlement ratio in FY 2015 stood at 98.3%, which is one of the best in the industry.

**Network:**

The Company has a network of 211 branches across 159 locations. The Company has 55,548 life advisors, 34 corporate agents and a network of 146 empanelled brokers.

Social and Rural Obligations:

The Company has written 40,861 rural policies (FY 2014 – 33,944) representing 21.9% of total policies against regulatory requirement of 20.0%. Further, the Company has covered 1,276,441 social lives against the regulatory requirement of 55,000. The Company 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 Limited ('KMGI')

In November 2014, the Bank received an approval from RBI to form a subsidiary to enter the General Insurance business. The Bank had earlier received an in-principle approval from Insurance Regulatory and Development Authority of India (IRDA) for incorporation of a General Insurance company. In December 2014, the Company has been incorporated under Companies Act, 2013. The Bank would now be required to apply and complete the registration process with IRDA to act as a General Insurance Company, subject to the provisions of Insurance Act, 1938.

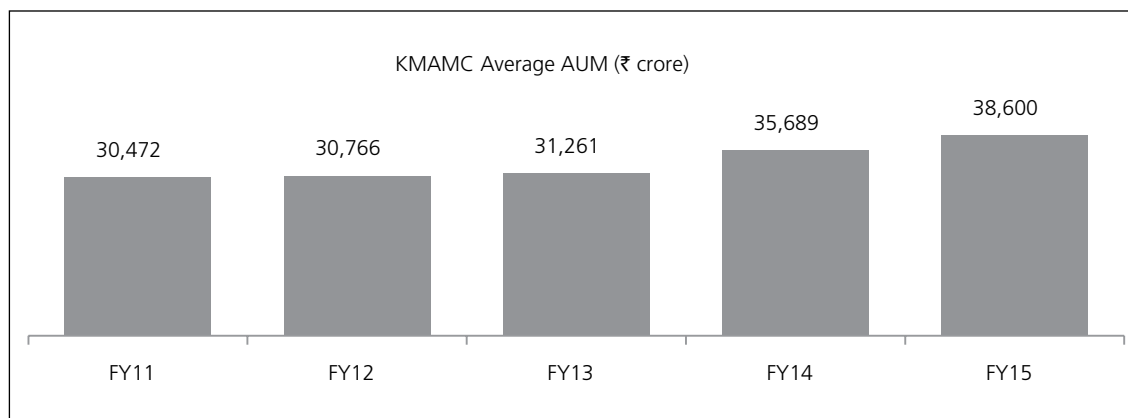
Kotak Mahindra Asset Management Company Limited ('KMAMC')**Kotak Mahindra Trustee Company Limited ('KMTCL')**

KMAMC is the asset manager of Kotak Mahindra Mutual Fund ('KMMF') and KMTCL is the trustee company.

Financial highlights

	(₹ in crore)	
	FY 2015	FY 2014
KMAMC		
Income	125.4	166.1
Profit(loss) before tax	(35.9)	49.6
Profit(loss) after Tax	(36.2)	33.4
KMTCL	FY 2015	FY 2014
Income	11.6	10.9
PBT	10.8	10.2
PAT	7.1	7.0

AUM of KMAMC has increased over the years as shown in the chart below:



KMAMC achieved a market share of 5% on the net equity inflows (excluding arbitrage funds) during the year, largely due to a significantly better performance of some of the funds. Resultantly the equity market share increased from 1.3% in March' 14 to 1.8% in March' 15. The Company also has done exceedingly well in the equity arbitrage category and saw a market share of around 19% on average AUM for FY 2015.

This increase in the market share resulted in a substantive increase in the upfront brokerages and other distribution expenses. The upfront brokerages itself were up ₹ 55 crore compared to last financial year. This is the principal reason for the drop in the PBT of AMC.

Increase in revenues and profits of KMTCL is on account of increase in the AUM during the year as compared to the previous year.

The overall industry AAUM increased from ₹ 864,900 crore for FY 2014 to ₹ 1,091,500 crore for FY 2015, a growth of 26.2%. During the same period, average AUM with KMAMC increased from ₹ 35,689 crore to ₹ 38,587 crore, a growth of 8.1%.

The total industry folios as on 31st March, 2015 were at 41.7 million up from 39.5 million as on 31st March, 2014. KMAMC also saw its total live folio count increased to 0.8 million as on 31st March, 2015 from 0.6 million as on 31st March, 2014.

The funds managed by KMAMC continued to strive for consistent risk-adjusted returns to their investors over the long term. The snapshot of the performance has been presented as under:-

Equity Scheme	Benchmark	FY 2015 Returns (%)	Benchmark Returns (%)
Kotak 50	CNX Nifty Index	42.2	26.7
Kotak Opportunities Fund	CNX 500 Index	49.4	33.6
Kotak Balance	Crisil Balanced Fund Index	26.7	22.5
Kotak Classic Equity	CNX 500 Index	34.6	33.6
Kotak Emerging Equity Scheme	S&P BSE MID CAP	83.3	49.6
Kotak Equity Arbitrage Fund	Crisil Liquid Fund Index	8.9	8.9
Kotak Midcap Fund	CNX Midcap	65.6	51.0
Kotak Select Focus Fund	CNX 200	51.5	31.5
Debt Scheme	Benchmark	FY 2015 Returns (%)	Benchmark Returns (%)
Kotak Gilt - Investment Regular Plan	ISEC Composite Index	18.3	9.8
Kotak Banking and PSU Debt Fund	Crisil Liquid Fund Index	9.2	8.9
Kotak Bond Scheme - Plan A	Crisil Composite Bond Fund Index	15.9	14.4
Kotak Bond Short Term Plan	Crisil Short Term Bond Fund Index	9.9	10.1
Kotak Income Opportunities Fund	Crisil Short Term Bond Fund Index	10.8	10.1
Kotak Treasury Advantage Fund	Crisil Liquid Fund Index	9.3	8.9

Debt Scheme	Benchmark	FY 2015 Returns (%)	Benchmark Returns (%)
Kotak Floater - ST - Growth	Crisil Liquid Fund Index	9.1	8.9
Kotak Liquid Scheme - Plan A	Crisil Liquid Fund Index	9.0	8.9
Kotak Flexi Debt Scheme - Plan A	Crisil Composite Bond Fund Index	9.8	14.4

During FY 2015, KMAMC undertook around 500 investment awareness programmes covering about 12,500 investors.

Kotak International Subsidiaries

Financial highlights for international entities:

Particulars	₹ in crore)	
	FY 2015	FY 2014
Total income	191.8	134.5
PBT	54.6	10.6
PAT	51.3	6.9

Kotak International subsidiaries consist of following entities:-

1. Kotak Mahindra (UK) Limited
2. Kotak Mahindra International Limited
3. Kotak Mahindra, Inc.
4. Kotak Mahindra Financials Services Limited
5. Kotak Mahindra Asset Management (Singapore) PTE. Limited

The overseas subsidiaries have offices in Mauritius, London, Dubai, Abu Dhabi, Singapore and New York.

The international subsidiaries are mainly engaged in investment advisory, management of funds, equity and debt trading, management of GDR/FCCB issuances, broker and broker dealer activities and investments.

FY 2015 has witnessed a marked change in India's macro-economic environment. Recognizing these changes in India, Foreign Institutional Investors ("FIIs") brought in US\$ 26.7 billion into the Indian debt market and US\$ 18.3 billion into the equity market during the current financial year. The overall positive sentiment in India and Indian capital markets was also reflected in the growth in the AuM and hence the investment management income earned.

Assets managed/ advised by the international subsidiaries were at ₹ 21,187.5 crore (US\$3.4 billion) as on 31st March, 2015 compared to ₹ 10,001.1 crore (US\$ 1.7 billion) of the previous year.

The Bank had set-up a subsidiary in Singapore in March 2014 namely, Kotak Mahindra Asset Management (Singapore) PTE. Ltd to exclusively undertake asset management activities. The Company is in process of obtaining regulatory approvals from the Monetary Authority of Singapore.

Kotak Investment Advisors Limited (Alternate asset management & advisory)

Kotak Investment Advisors Limited ('KIAL') is in the business of managing and advising funds across three asset classes namely (a) Private Equity (b) Real Estate and (c) Infrastructure.

Financial Highlights

Particulars	₹ in crore)	
	FY 2015	FY 2014
Total income	80.5	82.7
PBT	30.0	25.3
PAT	26.0	17.4

The aggregate alternate assets managed /advised by KIAL as on 31st March, 2015 were ₹ 5,918.9 crore (~US\$ 0.95 billion). It managed / advised seven domestic and five offshore funds during the year.

Private Equity Funds

(a) India Growth Fund (IGF)

IGF was set up as a unit scheme of Kotak SEAF India Fund with investors from select institutional and high net worth investors, from both India and abroad. IGF has made fifteen investments across diversified sectors such as logistics, technology services, retail, media and entertainment, engineering, bio-technology, textiles, aviation, telecom and power infrastructure and financial exchanges.

(b) Kotak India Venture Fund I (KIVF-I)

KIVF-I is a domestic fund with the objective of making investments primarily in companies operating in Biotechnology and Life Sciences sector. The Fund has made five investments till date.

(c) Kotak India Growth Fund II (KIVF-II)

KIVF-II is a domestic fund aimed at investing in mid-sized corporates with a growth orientation. KIVF-II has made eleven investments till date across sectors.

Realty Funds

(a) Kotak Mahindra Realty Fund (KMRF)

The primary objective of KMRF is to invest in the real estate sector and allied services sectors in India. Kotak India Real Estate Fund-I (KIREF-I), Kotak India Real Estate Fund-IV and Kotak India Real Estate Fund-V have been set up as unit schemes of KMRF.

KIREF-I had fully committed its capital in ten investments, while KIREF-IV has made six investments and KIREF-V has made five investments.

(b) Kotak Alternate Opportunities (India) Fund (KAOIF)

KAOIF was set up with an objective of investing in the securities of companies operating in real estate, infrastructure and allied services sectors in India with an intention to provide long-term capital appreciation to its investors. KAOIF has till date made twenty two investments in a diversified portfolio.

Kotak Forex Brokerage Limited ('KFBL')

KFBL is engaged in foreign exchange broking business.

Financial Highlights

	(₹ in crore)	
	FY 2015	FY 2014
Income	0.5	0.6
Loss for the year	(0.3)	(0.1)

The loss of the Company has increased on account of decrease in revenue and increase in employee expenses.

Associates Highlights

Infina Finance Private Limited

Infina Finance Private Limited, an associate of KMCC, is a non-banking financial company engaged in the business of investments, trading in securities and providing finance against securities.

Financial Highlights

	(₹ in crore)	
	FY 2015	FY 2014
Income	206.5	62.0
PBT	121.6	18.1
PAT	74.5	23.5
Share of Kotak Group	37.2	11.8

The increase in profit was primarily on account of trading in equities. The Company's strategy has been of continuous product innovation coupled with tight control on credit quality and effective risk management.

Phoenix ARC Private Limited

Phoenix ARC Private Limited, an associate of KMIL, is in the asset reconstruction business and provides recovery service to banks and NBFCs.

Financial Highlights

	(₹ in crore)	
	FY 2015	FY 2014
Income	56.3	36.4
PBT	28.8	27.0
PAT	18.9	17.8
Share of Kotak Group	9.3	8.7

PBT of the Company remained flat YoY. The increase in income of the Company was offset by provision for diminution in value of investments and higher finance costs in FY 2015 YoY.

Matrix Business Services India Private Limited

Matrix Business Services India Private Limited is into verification and risk mitigation business where it verifies people and products under two major domains:

- i. People: Employee Background Check – Verification and validation of the credentials of employees coming on board like residence, academic, prior employment, drug, court, database, etc.
- ii. Products: Audit and Assurance – Verification and validation of the products right from the Depot level to the Retailer level. It also does claim processing and distributor due diligence under this domain.

Financial Highlights

	(₹ in crore)	
	FY 2015	FY 2014
Income	48.2	42.1
PBT	9.9	6.9
PAT	6.6	4.7
Share of Kotak Group	1.5	1.5

The income of the Company grew by around 15.0%. FY 2014 is inclusive of Process outsourcing division revenue which was hived off effective November 2013, excluding which the growth would have been around 25.0% YoY. During the year, the Group has partially divested its stake in the Company.

ACE Derivatives and Commodity Exchange Limited

ACE Derivatives and Commodity Exchange Limited provides a trading platform to the commodity market. Further, it also provides clearing and settlement infrastructure that supports the complete process of trade intermediation – including registration of trades, settlement of contracts and mitigation of counter-party risk.

Financial Highlights

	(₹ in crore)	
	FY 2015	FY 2014
Income	3.7	4.7
Loss for the year	(20.3)	(15.9)
Share of Kotak Group	(8.1)	(6.4)

Risk Management

Managing risk is fundamental to banking and the key to sustained profitability and stability. The Bank believes in taking measured risks, built on a culture of doing what's right. Risk is managed in the Group 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 framework lays down the following components for effective Risk Management across the Group

- Risk organization 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 within the Bank

The Bank has the three lines of defence model towards risk management. 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 assurance, challenge and oversight of the activities conducted by the first line and provides 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 function provides an independent and integrated assessment of risks across various business lines. The independent Risk function is headed by the Group Chief Risk Officer (CRO) who reports directly to the Vice Chairman and Managing Director of the Group. The Risk function also participates in activities that support business development such as new product approvals and post implementation reviews.

The Bank's risk management process is the responsibility of the Board of Directors which approves risk policies and the delegation matrix. The Board is supported by various management committees as part of the Risk Governance framework. These committees include Risk Management Committee (RMC), Asset Liability Committee (ALCO), Credit Committee, Audit Committee etc. 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 Group CRO reports to the Board, on the risk appetite levels and the risk profile. Besides this, formal updates on various portfolios are provided to the Board periodically. Such regular reporting enables the Board to monitor whether risk is managed within the overall risk policies.

During the year, external rating of the Bank and the major entities of the Group were upgraded to "AAA", by all the three major rating agencies reflecting the group's strong financial risk profile, successful scale-up of the group's lending business while maintaining strong asset quality and strong capital adequacy.

A. Capital Adequacy

The Group manages its capital position to maintain strong capital ratios well in excess of regulatory and Board approved minimum capital adequacy at all times. The strong Tier I capital position of the Group is a source of competitive advantage and provides assurance to regulators, credit rating agencies, depositors and shareholders.

In accordance with the RBI guidelines on NCAF (New Capital Adequacy Framework under Basel norms), the Bank adopts the standardized approach for credit risk, basic indicator approach for operational risk and standardised duration approach for market risk.

Each legal entity within the group, manages its capital base to support planned business growth and meet regulatory capital requirements. The Bank and each legal entity in the Group are adequately capitalised above regulatory requirements.

Capital management practices are designed to maintain a risk reward balance, while ensuring that businesses are adequately capitalised to absorb the impact of stress events.

B. Risk Appetite

The risk appetite is an expression of the risks, the Bank is willing to take in pursuit of its financial and strategic objectives. The Risk appetite thus sets the outer boundaries for risk taking at the Bank. The risk appetite is a top-down process and consists of specific risk appetite statements, which are approved by the Board and reviewed quarterly. 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.

Risk appetite at the Bank is defined both quantitatively and qualitatively and covers key risk parameters.

The framework is operational at the consolidated level as well as for key legal entities thereby ensuring that our aggregate risk exposure is within our desired risk bearing capacity.

C. Credit Risk

Of the various types of risks which the Bank 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 fulfill their contractual obligations. These obligations arise from wholesale, retail advances and off balance sheet items. Credit risks also emanate 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 primary responsibility for credit risk management rests with business lines supported by the independent credit risk function. The ERM framework ensures that a consistent approach is applied to identify, measure, monitor and manage credit risk. The Bank has framed Credit policies & Standards that sets out the principles and control requirements under which the Bank is prepared to assume credit risk in various business divisions to ensure smooth & timely flow of credit to the Bank's customers while ensuring prudent credit growth. The policies and standards cover all stages of the credit cycle and cover the following elements: Origination; client ratings, risk assessment; credit approval; risk mitigation; documentation, administration, monitoring and recovery. The Bank 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 Credit Policy and delegation of authority are linked to customer ratings. Appropriate credit appraisal standards are enforced consistently across business lines. These include mandatory internal credit ratings for customers above a certain threshold, standardized content in credit risk assessment notes and consistent assessment criteria. 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.

Wholesale and retail portfolios are managed separately owing to difference in the risk profile of the assets. Wholesale lending tends to be larger and is managed on a client-by-client basis for each type of counterparty. Retail advances being mainly schematic lending (for e.g. vehicle loans, mortgage loans etc.) within pre-approved parameters for smaller value, are managed on a portfolio basis. Business-specific credit risk policies and procedures including client acceptance criteria, approving authorities, frequency of reviews, as well as portfolio monitoring framework 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 within respective businesses 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 of the borrower, industry in which the borrower operates and its prospects and management quality. The Bank has operationalized various rating models depending upon the borrower size and segment.

Each credit rating assigned maps into a borrower's probability of default. Currently, there are 18 obligor grades in the internal credit rating model.

The borrower rating is supplemented by the facility rating system, which considers mitigants, such as collateral and guarantees. At a minimum, two independent credit officers are involved in the rating decisions and the ratings are finalized by a senior credit officer. Based on the independent credit risk assessment, appropriate credit decisions are taken by the sanctioning authorities. The Bank has a multi-tier credit sanction process where credit approvals are reported to the next higher level. Client accounts and ratings are reassessed atleast once a year.

As part of the post sanction process, the Credit Administration team processes documentation, on the completion of which, credit is disbursed. In accordance with credit policies, the borrowers are subject to an annual review with updated information on financial position, market position, industry and economic condition and account conduct.

Borrowers are monitored regularly, commensurate with their level of risk. Credit managers use a variety of measures to conduct follow-up on accounts. An independent loan review team conducts reviews of credit exposures. The Bank has implemented an enterprise wide Early Warning Signal (EWS) framework that through regularly updated watch lists and review meetings helps identify signs of credit weakness at an early stage for the Bank to work closely with the borrowers and take suitable remedial actions.

In case of loans where there is significant deterioration, the Bank employs various recovery mechanisms, including transferring the account to an internal unit specialized in managing problem accounts, to maximize collection from these accounts.

There is regular reporting on portfolio distribution by risk grades, monitoring of covenants prescribed as part of sanction and pending documentation if any. A dedicated Industry Research Group (IRG) monitors sectoral outlook and performance of borrower within the sector and places its report to senior management.

Besides the credit rating system, the Bank has a central database that covers substantially all direct client exposures across the Group and is linked to the transaction and risk rating systems. This system aims at accurate classification of customers, timely registration of collateral and values, details about credit facilities and a single view of customer exposure across all segments.

D. Collateral and Credit Risk Mitigation

Mitigating risks is a key element of internal credit policies. Risk mitigation in the Bank, begins with proper customer selection through assessment of the borrower, along financial and non-financial parameters, to meet commitments. The Bank uses a number of methods to mitigate risk in its credit portfolio, depending on suitability of the mitigant for the credit, legal enforceability, type of customer and the Bank's experience in managing the particular risk mitigation technique. Common credit risk mitigation techniques are facility structuring, obtaining security / collateral, guarantees and lending covenants. The credit policies lay down parameters for acceptable level of credit risk. When granting credit facilities, the sanctioning authorities base their decision on credit standing of the borrower, source of repayment and debt servicing ability. Lending decisions are made based on the character and repayment capacity of the borrower. Based on the risk profile of the borrower, 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 extent of risk mitigation provided by collateral depends on the amount, type and quality of the collateral.

The Bank has an approved collateral management policy that sets out the acceptable types of collateral and the hair cut applicable on their valuation for lending. The haircut applied depends on collateral type and reflects the risk that the Bank will not be able to sell collateral at a price equal to the expected market value due to price volatility, time taken to liquidate the asset and realization costs. The main types of collateral / security taken include cash & cash equivalents, immovable property, movable fixed assets, inventory and receivables. Guarantees from higher rated entities are also obtained in cases where credit worthiness of the standalone borrower is not sufficient to extend credit.

Legal enforceability of any collateral obtained is critical in risk mitigation. The Bank has specific requirements in its internal policies with regards to appropriate legal documentation. The Credit Administration and Legal function ensure that there is adequate legal documentation, in line with internal policies, to establish our recourse to any collateral, security or other credit enhancements.

E. Credit Risk Concentration

Risk concentrations arise in the credit portfolio as a consequence of the Bank business strategy. The Bank differentiates between desired and undesired concentrations. Desired concentrations are where the Bank sees a favourable risk return trade-off to build its credit portfolio. To avoid undue concentration in credit exposures and maintain diversification, the Bank operates within Board approved limits or operational controls in its loan portfolio.

Some of the key portfolio limits to mitigate concentration risk include:

- Single borrower limits
- Exposure to borrower groups
- Substantial exposure limits
- Sector and Industry limits
- Exposure limits on below investment grade accounts

Exposures are monitored against approved limits to guard against unacceptable risk concentrations and appropriate actions are taken in case of any excess.

The risk appetite of the Bank also has suitable metrics for avoiding excessive concentration of credit risk.

F. Market Risk in Trading Book

Market Risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, foreign exchange rates, volatilities, credit spreads, commodity and equity prices. The Bank's positions in debt, foreign exchange, derivatives, and equity are subject to Market Risk.

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 oversees the Market Risks in the Trading Book and the Banking Book. This committee approves the market risk & limit framework, allocation of limits to countries, counterparties, banks and desks and reviews the risk monitoring systems and risk control procedures.

Risk limits are monitored and utilizations are reported by the Market Risk Management unit. Market Risk Management unit is independent of the dealing function and the settlements function and reports directly to the Group Chief Risk Officer. The unit is responsible for identifying and escalating any limit excesses on a timely basis. This unit ensures that all market risks are identified, assessed, monitored and reported for management decision making.

The Bank's limit-framework is comprehensive and effectively controls market risk. Limits on sensitivity measures like PV01, Duration, Delta, Gamma, Vega etc. and other limits like loss-limits, value-limits, gap-limits, deal-size limits, holding-period limits constitute the Bank's limit framework.

The Bank uses Value-at-Risk (VaR) to quantify the potential price risk in the portfolio. VaR is a statistical measure that estimates, at a certain confidence level, the potential decline in the value of a position or a portfolio under normal market conditions assuming a holding period. The Bank's VaR model is based on historical simulation and a confidence level of 99%. VaR limits have been set on all trading portfolios. The VaR model of the Bank has been independently validated by an external agency. The VaR model is periodically validated through a process of back testing.

The Bank also uses metrics like stressed VaR and periodically performs stress testing & scenario analysis to measure the exposure of the Bank to extreme, but plausible market movements. The Market Liquidity Risk of the trading portfolio is also periodically assessed.

G. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due without adversely affecting its financial condition. Liquidity is also bank's capacity to fund increase in assets and has the potential to constrain growth through depletion of resources available for lending and investment.

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. Bank actively manages its liquidity risk covering both funding risk and market liquidity risk.

The Bank maintains a diversified funding profile with emphasis on building retail franchise to increase stable deposits. The Bank also ensures that there is sufficient liquidity headroom available, including stock of liquid assets, at all times to manage any contingency.

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 liquidity risk. Bank has also set prudential internal limits in addition to regulatory limits on liquidity gaps, call borrowing, interbank liabilities, etc. The Bank also manages its intra-day liquidity positions so that payments and settlement obligations are met on a timely basis.

Bank follows scenario based approach for liquidity stress testing wherein hypothetical but plausible scenarios are employed to evaluate the impact of stress on the liquidity position. During the year, the Bank implemented the RBI guidelines on Liquidity Coverage Ratio (LCR). The LCR measures the extent to which a Bank's High-quality liquid assets are sufficient to cover short-term cash outflows in a stressed scenario, over the next 30 calendar days, as defined by the regulator. The LCR guidelines provide phased timelines for compliance, starting with a minimum of 60% coverage by January 2015 and increasing by 10% annually to 100% in 2019. The Bank is currently well above the minimum regulatory requirement for the LCR.

Besides the 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 BIS, in October 2014, released the final guidelines for NSFR and aims for an NSFR of at least 100% as of 2018. For banks in India, final guideline on the NSFR is expected to be issued by RBI.

Bank's contingency liquidity plan (CLP) approved by ALCO and the Board plays an important role in its liquidity risk management framework. It incorporates early warning indicators (EWIs) to forewarn emerging stressful liquidity conditions. The plan also defines actions in the event of liquidity crisis to minimise adverse impact on the Bank.

The Bank factors liquidity risk as part of its ICAAP and stress testing.

H. Interest Rate Risk in Banking Book (IRRBB)

In the Bank, interest rate risk results from both trading book and banking book. Interest Rate Risk in Banking Book (IRRBB) risk mainly arises through 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. Bank assesses and manages interest rate risk in its banking book as well as trading book. Interest rate risk is a part of the Bank risk appetite statements.

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. BMU uses Funds Transfer Pricing (FTP) to transfer risk from business units to centralized treasury. As a policy, no interest rate risk is retained within any business other than treasury.

Bank manages and controls the interest rate risk from two different perspectives, namely the earnings perspective and the economic value perspective. It uses earnings at risk (EaR) as a short term risk indicator to assess the sensitivity of NII and NIM 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.

I. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel III risk management framework and best practices, operational risk in the Bank; is composed of the following risk types: operations risk, legal risk, regulatory compliance risk, financial crime risk, people risk, property, technology, vendor, financial and environmental risk.

The objective of operational risk management at the Bank is to manage and control operational risk in a cost effective manner within targeted levels of operational risk as defined in the risk appetite. The centralized and independent operational risk management function manages this risk as guided by the Board approved operational risk management policy.

The operational risk management function assists businesses by defining standardized tools and techniques such as monthly update to management on critical events, real time incidence reporting of Unusual Events, Risk and Control Self-Assessment (RCSA) to identify and assess operational risks and the controls in place to manage those risks. Key Risk Indicators (KRIs) are also defined and tracked to monitor trends of operational risk parameters. Further, in accordance with Bank policy, for new products, the operational risk management function does an assessment of the risks generated by the new product and required measures are taken to mitigate the risks.

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. External operational events are also collated to identify potential risks and high impact events are analysed as this helps in strengthening our systems.

The operational risk strategy of the Bank, aims to reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques.

The Board of Directors, Risk Management Committee and the Operational Risk Executive Council (OREC) in the business units have overall oversight function for operational risk management. The Business Units and the support functions are the first line of defence in our operational risk management process. They own, manage and are accountable for the operational risks and controls in their respective areas. The independent operational risk management function lays down the operational risk management policies, standards, processes, procedures and operational risk management framework under which the business units and support functions operate. Internal audit and Internal Control teams provide oversight over business control activities and assurance that activities are conducted as per laid down guidelines.

J. Internal Capital Adequacy Assessment Process ('ICAAP')

ICAAP is an assessment of all significant risks (Pillar II), other than Pillar I risks, to which the Bank is exposed. As part of this process, the Group identifies risks to which it is exposed, in order to assess its risk profile. 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 Bank has methodologies that help in capital allocation towards quantifiable Pillar II risks. The capital required thus identified are additive and represent a conservative assessment.

Capital planning under ICAAP takes into account the demand for capital from businesses for their growth plans and ensures that the Group is adequately capitalised for the period ahead and holds sufficient buffers to withstand stress conditions. The ICAAP framework thus assists in aligning capital levels with the risks inherent in the business and growth plans.

The business growth plans factor in the need to maintain the target credit rating, threshold return ratio and other key parameters specified in the Risk Appetite. The budgeting process under ICAAP thus ensures that the overall risk and rewards are aligned with Risk Appetite.

During the year, the Group ICAAP was strengthened and externally validated. The annual Group ICAAP outcome was approved by the Board and submitted to the regulator. Based on the ICAAP outcome, the Group was well capitalized to cover Pillar I & Pillar II risks.

K. 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 an important tool for analyzing the Bank's risk profile.

The Bank supplements capital adequacy computation by performing stress tests, across key risk factors, guided by a comprehensive Board approved stress testing policy, which is aligned to regulatory guidelines. The Bank tests its portfolio across a range of historical and hypothetical stress scenarios that provide for severe shocks to various risk parameters. Impact of the stress scenarios is then assessed on profit and loss and capital levels to determine the level of additional capital if any that will be needed to absorb losses experienced during a stress condition. 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. Results of stress tests are reported to management and the Board.

The stress testing exercise provides an opportunity to the Bank to develop suitable mitigating response prior to onset of actual conditions exhibiting the stress scenarios. During the year, the Bank was above regulatory and internal target capital ratios under all approved stress scenarios.

L. Leverage Ratio

The Basel III rules have introduced leverage ratio as a non-risk-based backstop measure, to supplement risk-based capital requirements. The leverage ratio is a volume-based measure and is calculated as Basel III Tier I capital divided by total on and off-balance sheet exposures. As part of the monetary policy statement in September 2014, RBI governor indicated that revised guidelines on leverage ratio framework and attendant disclosure requirements, drawing on the BCBS's January 2014 paper, will be issued to enable public disclosure of the leverage ratio. Accordingly, in January 2015, the revised framework for leverage ratio was introduced. These guidelines will come into effect from 1st April, 2015 and the first disclosure of leverage ratio and its components will be effective from the first quarter of FY 2016. RBI has prescribed a minimum leverage ratio of 4.5%. Monitoring and reporting leverage ratio has been part of our internal Risk Management since April 2011 and is more conservative than the regulatory requirement. The Bank is above the internal leverage ratio target at the Standalone and Group level.

Compliance

An independent and comprehensive compliance structure addresses the Bank's compliance and reputation risks. All key subsidiaries of the Bank have an independent compliance function. The Compliance officials across the Group interact on various issues including the best practices followed by the respective companies.

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 compliance manuals.

To meet with the changes in the regulatory environment, the Compliance will be rolling out shortly a new tool, which helps in obtaining confirmation from each of the business about its adherence to the various regulatory requirements. This tool would assist the management in determining the compliance risk of the Bank.

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 advice on regulatory issues.

The Compliance team supports top management and manages and supervises the compliance framework alongwith providing compliance assistance to various businesses / support functions. The Bank has a new product/process approval policy and all new products/processes or modifications to the existing product/processes are approved by the Compliance so as to satisfy that these products are compliant with the RBI regulations.

The Compliance division works with business units to develop procedures to implement the requirements of the various regulations and policies. It also works closely with other support functions including the legal department and outside counsels.

The Bank uses the knowledge management tools for monitoring new and changes in existing regulations. 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.

The Bank was levied with a penalty of ₹ 0.1 crore in view of certain deficiencies noted by the RBI with regard to the opening of a current account and facilities extended to Deccan Chronicle Holding Ltd. The Bank has strengthened the existing controls to avoid such gaps.

Internal Controls

The Bank's internal audit department assesses business and control risks of all branches and businesses to formulate a risk-based internal audit plan, as recommended by the RBI. The audit process followed is as below:

An annual risk-based internal audit plan is drawn up on the basis of risk profiling of the Bank's branches and businesses/ departments which is approved by the audit committee.

The audit plan is prioritised based on areas and branches which pose a higher risk to the Bank and such areas and branches are targeted for more frequent audits. The Internal Audit policy includes the risk assessment methodology which provides for coverage of all auditable areas once in three years.

After assessing the overall risk of a branch or business or department, the Bank takes corrective measures to minimize the risk. Most businesses have an internal Risk Containment Unit or Internal Controls Cell to assess the efficacy of the controls put in place to mitigate identified risks and to identify new risks. Senior officers also assess and evaluate the mitigating measures taken by the branch during their visits.

Post issue of audit reports there is a detailed process for monitoring of progress on implementation of action plans.

Status of resolution tracking as well as pending issues is reported to senior management and audit committee of the Board on a regular basis and a formal report on pending issues is issued once every half-year.

Human Resources

As on 31st March 2015, the employee strength of the Bank along with its subsidiaries was over 31,400 as compared to around 26,700 employees a year ago. The Bank standalone had over 18,000 employees as on 31st March 2015. The average age of the employees is around 32 years. Average gender diversity is 19% women to 81% male employees.

To enhance the active engagement, development and productivity of front line sales force, structured sales force engagement interventions have been done for line managers in branch banking and acquisition. There has also been a major thrust on building sales and functional competencies and over 11,000+ employees have gone through training interventions for the same in the last one year.

The Bank continues to leverage the pre-trained manpower channels through tie ups with educational institutions for good quality manpower at frontline roles in branch banking.

To cater to the growing employee base and keep ourselves ahead on technology, substantial investment has been made in a cloud-based Human Resources Management System with full suite of modules which cover all aspects of the employee life cycle. This system is more user-friendly, has increased mobility and caters to decision support through options for dashboards analytics.

This year there has been significant focus and leadership mindshare on the gender diversity agenda to attract women employees amongst fresh hires, provide a nurturing and enabling environment and develop women leaders across all management levels.

The Bank and its subsidiaries continued to provide a framework that enables learning, skill-building and growth to a pool of highly committed employees aligned to the firm's vision and engaged in delivering best in class products and services in our next phase of growth.

Opportunities and Threats

Opportunities

- Being part of the India's growth story. Being part of the "Make in India" opportunities
- Participate in growth in non-urban India – "The Bharat"
- Focus on digital customer
- Financial inclusion
- Realizing the synergies envisaged in the merger with ING Vysya Bank

Threats

- Fiscal deficit and current account deficit
- Volatile environment
- Competition
- Handling people, IT and process related changes due to the merger
- Attracting and retaining talent and training them for the right culture

Outlook

Macro economy outlook for FY 2016 remains positive

Global growth is still fragile and uneven while the outlook on growth differs significantly across regions. Within the advanced economies, growth appears to have rebounded in the US leading to a belief that the US Fed would soon tighten monetary policy in the country. This can have some ramifications for flows into emerging market economies such as India. However, in light of the government's commitment to reforms, along with an anticipation that the outlook for international crude oil prices and other commodity prices in the international markets remain benign, the overall macro constellation for India is likely to remain healthy into FY 2016. The pick-up in the real sector could be a bit more drawn out and in this context the government's ability to continue to move ahead with major decisions and reform bills (in light of the superior numbers for the opposition in the Rajya Sabha) could remain relevant. On the domestic front, key challenges could be relating to the massive requirements of skill creation and infrastructural up-gradation.

Outlook for Kotak Group

Kotak Mahindra Group's results for the financial year demonstrate the strong fundamental growth in the India story. However, concerns remain on inflation and the twin deficits – fiscal and current account. The Group believes with sound risk management and strong capital adequacy ratio, India of the future offers opportunities for growth.

The merger of ING Vysya Bank with Kotak Mahindra Bank is effective from 1st April, 2015. Both the banks have complementary branch networks with Kotak Bank having a significantly stronger presence in the west and north of India, and ING Vysya having a stronger presence in the south. The merger gives the combined entity over 1,260 branches with a good balance between the west, north and south. The combined entity will have a significantly wider suite of products. The merger should also help in rationalization of the operational cost base and result in savings for the combined entity. The combined entity will also have to deal with challenges like HR, IT, operations etc.

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 and life 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.

Business Responsibility Report

At Kotak Mahindra Bank Limited (KMBL), sustainability forms an integral part of the Bank's business functions and has established mechanisms for environmental and social compliance in its operations. This has helped the Bank in providing solutions that not only meet customer requirements, but also create a positive social and environmental impact.

KMBL's policies, code of conduct and its stringent checks and balance ensure that the Bank conducts its operations in an ethical and transparent manner. By adopting tenets of Environmental Social Governance (ESG) in its operations, the Bank has been able to fulfill its responsibilities towards its internal and external stakeholders.

The disclosures in this Business Responsibility Report (BRR), covering the Bank's operations, are aligned to National Voluntary Guidelines on Social, Environmental and Economic responsibilities of Business (NVG-SEE) released by the Ministry of Corporate Affairs in 2011, and is in accordance with Securities and Exchange Board of India's (SEBI) Clause 55 of the Listing Agreement with stock exchanges. The report is also compliant to Section 135, Schedule VII of the Companies Act, 2013, and the subsequent relevant notifications issued by the Ministry of Corporate Affairs.

PRINCIPLE 1: ETHICS, TRANSPARENCY AND ACCOUNTABILITY

At KMBL, corporate governance is practiced in letter and spirit and is at the core of the Bank's business operations. It is within this robust framework, that the Bank conducts its business in an ethical and transparent manner. Details of KMBL's corporate governance standards can be found in the 'Report on Corporate Governance' section of this annual report.

KMBL has a whistleblower policy which allows its employees to report any unusual incidents or activities observed at their workplaces without any fear of reprisals. The whistleblower mechanism is also extended to the Bank's customers.

Business Responsibility Committee

KMBL constituted a Business Responsibility Committee (BRC) in FY 2012-13, which has been entrusted with the responsibility of overseeing the Bank's BR agenda and initiatives. The committee comprises of four senior executives and is chaired by a whole time director. A senior executive - Head of Business Responsibility & CSR, reports to this Committee.

1	Mr. C. Jayaram	Joint Managing Director & Chairman of BR Committee
2	Ms. Shanti Ekambaram	President - Consumer Banking
3	Mr. Karthi Marshan	Senior Executive Vice President, Head – Group Marketing & Principal Nodal Officer
4	Mr. Rohit Rao	Executive Vice President, Head – Group Corporate Communications, Business Responsibility and CSR

During FY 2014-15, two meetings of the BR Committee were held, on April 28, 2014 and March 30, 2015. The meetings were attended by all members of the Committee.

CSR Committee

The Bank has a Board approved CSR policy, charting out its CSR approach, and is available on the Bank's website <http://www.kotak.com/corporate-responsibility.html>. The CSR Policy Statement is in accordance with Section 135, Schedule VII requirements of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014 and the relevant notifications issued by the Ministry of Corporate Affairs.

In FY 2014-15, the Bank established a CSR Board Committee (CSR Committee) to guide it in effective implementation of its Policy Statement on Corporate Social Responsibility. The committee comprises of three directors, of which one is an independent director. A senior executive, Head of Business Responsibility & CSR, reports to this committee. The CSR Committee confirms that the Bank is compliant with its CSR objectives and policy.

1	Mr. C. Jayaram	Joint Managing Director & Chairman of CSR Committee
2	Mr. Dipak Gupta	Joint Managing Director
3	Prof. S. Mahendra Dev	Independent Non-Executive Director

The Bank's CSR Committee held three meetings in FY 2014-15, and the director's attendance is as follows:

	April 29, 2014	September 4, 2015	March 13, 2015
Mr. C Jayaram Jt-MD & Chairman of CSR Committee	Present	Present	Present
Mr. Dipak Gupta, Jt-MD	Present	Present	Present
Prof S. Mahendra Dev, Independent Director	Absent	Present	Present

Policy Framework

The Bank has a robust policy framework which is led by its code of ethics and values.

- **Code of Conduct:** In order to ensure compliance and promote good banking practices, KMBL has in place mechanisms supported by policies that help delineate and echo the Bank's stance towards upholding principles such as honesty, integrity and transparency within the workplace.
- **Ethical Conduct:** KMBL believes in acting with professionalism, utmost care, skill, diligence and conducting its business in a fair and transparent manner by upholding moral and ethical standards.
- **Fair Practice Code:** KMBL's fair policy code believes in making its products available without discrimination on the basis of caste, race, colour, religion, sex, etc.

The Bank focuses on ensuring that new joiners are aware of KMBL's orientation towards transparency, integrity and their role in living up to ethical standards. The Bank has a dedicated session in their induction programs (classroom and online) on "Being a Compliant Employee".

Sl. No.	Business Responsibility Principles	Relevant Policies
1	Ethics, Transparency and Accountability	Code of Conduct (Directors, Employees; Direct selling agents); Ethical Conduct Policy; Vigilance Policy; Whistleblower Policy; Code for Banking Practice; Compliance Policy; Internal Audit Policy; Fraud Risk Management Policy; Operational Risk Management Policy; Stress Testing Framework Policy; Group Enterprise Risk Management Policy; Disclosure Policy, Protected Disclosure Scheme; Policy Statement on Business Responsibility; Intellectual Property Rights Policy; Know Your Customer Policy & Anti Money Laundering Policy
2	Products Life Cycle Sustainability	Financial Inclusion Plan; Social Environmental Management System Plan; Policy Statement on Business Responsibility
3	Employees' Well-Being	Recruitment and Separation Policies; Employee Benefits Policies; Leave Policy; Training Policy; Prevention of Sexual Harassment Policy, Policy Statement on Human Rights and Anti-Discrimination; Policy Statement for Health, Safety & Welfare at Work Place; Policy Statement for Environment; Policy Statement on Business Responsibility, Part-time Working Policy
4	Stakeholder Engagement	Group Corporate Responsibility Policy; Policy Statement on Business Responsibility, Group Corporate Communications Policy
5	Human Rights	Policy Statement on Human Rights and Anti-Discrimination; Policy Statement on Business Responsibility
6	Environment	Policy Statement for Health, Safety & Welfare at Work Place; Policy Statement for Environment; Policy Statement on Business Responsibility
7	Policy Advocacy	Policy Statement on Public-Policy Advocacy; Policy Statement on Business Responsibility
8	Inclusive Growth	Group Corporate Responsibility Policy; Policy Statement on Corporate Social Responsibility; Policy Statement on Business Responsibility
9	Customer Value	Fair Practice Code; Code for Banking Practice; Fair Practices Code for Lenders; Group Corporate Communications Policy; Third Party Distribution Policy; Protected Disclosures Scheme; Disclosure Policy; Grievance Redressal Policy; Customer's Compensation Policy; Waiver Policy; Policy Statement on Business Responsibility; Intellectual Property Rights Policy; Information Security Management Policy (Apex)

PRINCIPLE 2: PRODUCTS AND SERVICES DESIGNED WITH ENVIRONMENTAL AND SOCIAL OPPORTUNITIES

Towards Value Creation

Developing the right products that provide customers with viable solutions determines the success of any organisation. The Bank believes that in order to build a more sustainable future, it needs to develop products and provide services that enable a positive economic and social change. The Bank has gone the extra mile to develop solutions that not only add to customer delight, but also contribute to the economic prosperity of the marginalised and the needy.

Financial Inclusion

Over the past decade the government has made remarkable strides by reaching out to the under-banked and unbanked areas by offering newer products with the help of innovative service delivery mechanisms and technology. While the earlier focus was at village level, the government has

now set the agenda of opening a savings account in each household. The government has taken key initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY) - opening savings account for each household with benefits like life cover of ₹ 30,000/-, personal accident insurance cover worth Rupees one lakh, overdraft facility of up to ₹ 5,000, etc.

This initiative has encouraged KMBL to set up camps across the country to open bank accounts for this segment. The Bank has conducted camps every week where over 660 branches participated in this activity. Insta-kits containing deliverables like cheque book, RuPay card, etc. were handed over to the customers to expedite account activation. More than one lakh savings accounts were opened under PMJDY. KMBL has received a certificate of appreciation from the government for the exemplary work by its branches in Ahmedabad, Sarangpur and Maninagar.

KMBL till date has opened 4.47 lakh bank accounts using in-house resources and Business Correspondents (BC). Under the BC model, the Bank has opened over 2.34 lakh bank accounts issuing smart cards. It has covered 838 villages by providing them with basic banking services through 220 Customer Service Points (CSP) till March 2015. Under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREG) project in Chhattisgarh, the Bank has disbursed over ₹ 20 crore, in FY 2014-15.

The other key agendas include issuance / activation of RuPay card, issuance of pass book under the PMJDY, E-KYC for account opening, simplified KYC, interoperability of RuPay card in micro-ATMs, Aadhaar Enabled Payment System (AEPS) for withdrawal of cash based on biometric authentication from Unique Identification Authority of India (UIDAI) data base, setting up of Bank Mitras / BC, financial literacy campaigns, etc. Even the State Level Bankers Committee (SLBC) has allotted Sub Service Areas (SSAs) to banks for expediting the agenda of Financial Inclusion and rigorous follow-up is being done on the action taken by banks in servicing these areas basis regular reporting to SLBC. UIDAI along with NPCI has come up with E-KYC facility wherein the customer can share his Aadhaar number with the bank to facilitate faster account opening.

Further, the Bank is implementing the two schemes - Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) launched by the Hon'ble Prime Minister Shri Narendra Modi in May 2015. These schemes will further the agenda of financial independence, helping to build a universal social security system for India.

Engagement with Micro Borrowers

Over the past few years KMBL has been reaching out to the rural and urban poor through intermediation arrangements with several Micro Finance Institutions (MFI). After gaining significant experience of micro lending, the Bank took a step ahead and started developing micro loans through a BC arrangement. As part of this initiative undertaken in FY 2014-15, the Bank disbursed loans to women belonging to economically disadvantaged sections of the society in backward areas of Uttar Pradesh. These women borrowers are engaged in activities like agricultural and allied activities, rearing of livestock, dairy, cottage industries etc.

It has been observed that women borrowers manage their finances prudently and for the purpose for which the same has been lent. Including the women folk into the financial mainstream has given them a sense of empowerment. This has enabled them to avoid loans from non-formal sources at usurious rates.

As a measure of the Bank's commitment to the cause of financial inclusion, the Bank has entered into a lending relationship with women borrowers located largely in rural eastern and north eastern India. This outreach covered over seven lakh women engaged in

agriculture, micro and small enterprises displaying a keen spirit of entrepreneurship. The Bank conducted detailed onsite due diligence in rural areas and far flung villages in the states of West Bengal, Bihar, Assam, Tripura etc. These women have the abilities and aspirations of scaling up their business for which availability of timely finance is key. KMBL's endeavour is to fulfill this need.



PMJDY camp organised by Kotak Mahindra Bank



Micro loans offered to women from economically disadvantaged sections of the society, in backward areas of Uttar Pradesh

PRINCIPLE 3: EMPLOYEE WELL-BEING

Investing in Employee Welfare

Employees are the backbone of any organisation and KMBL believes in nurturing and developing skills and talent of its workforce, ensuring their security and providing equal opportunities for all to grow. The employee policies guide in creating a work environment that is non-discriminatory, safe and secure.

Diversity & Inclusion

With 19% of its workforce being women, KMBL has made considerable progress in its journey towards mainstreaming diversity and inclusion across the Bank. KMBL has developed initiatives that focus on improving diversity and inclusiveness within the Bank.



40 senior management women employees of the Group launch "Astra"

Astra

In August 2014, the Bank introduced an initiative called "Astra" for the women workforce. Over 40 women in senior management roles across the Group were identified to promote the diversity agenda in their circle of influence, understand apprehensions and challenges of other women colleagues, and guide them in their journey at Kotak.

Strisangini

KMBL also has an ongoing programme "Strisangini", an in-house women's cell that encourages female employees to have an open dialogue and seek guidance on professional and personal issues from other members of the cell, i.e. their female colleagues from the Human Resources team. The members, apart from acting as a sounding board for women seeking support, actively reach out to certain specific employees, like women who have returned from long leave/maternity leave in order to check if they have any issues settling down in work after a long period of absence.

The Bank has also adopted a zero-tolerance approach for issues concerning discrimination and harassment. It has revised its Prevention of Sexual Harassment (POSH) Policy in accordance with the statutory requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Any complaints pertaining to sexual harassment are diligently reviewed and investigated by a sexual harassment committee.

Nurturing Talent

Career development helps employees fine tune their skills that directly impact the growth and development of a company. KMBL recognises the importance of nurturing and developing skills of its employees, and has implemented a number of initiatives to hone the skills of its workforce. The Bank has designed various leadership platforms like Kotak Leadership Team (KLT), Kotak Initiatives Team (KIT) and Regional Forums (RF) which enable senior leaders to gain a holistic view of people practices and operational processes through cross-functional reach of leadership within the organisation's human resource base. Apart from these leadership programmes, the Bank offers approximately 350 functional and development programmes for employees across cadres.

Employee Satisfaction

With continued focus on building employee engagement and ensuring their satisfaction, KMBL undertook an organisation wide engagement study. With a 90% + participation rate, the study provided feedback to the Bank on various employee parameters which would be the basis of action plans across various work groups. KMBL consistently benchmarks itself with external best practices, and recently participated in the Great Places to Work, 2015, to identify gaps and take actionable measures that will aid in enhancing employee satisfaction. In an effort to effectively address grievances within the Bank, KMBL's grievance redressal mechanism allows employees to raise issues to their respective HR RMs.



Mock fire safety drill organised at the Bank's BKC (Mumbai) office



Creating a Safe Environment

KMBL believes that by ensuring health and safety at the workplace, it helps create a positive work environment for its employees. Proper attention to workers' health and safety has extensive benefits and that is why at KMBL numerous initiatives such as mock fire evacuation drills, workshops on personal safety of women and self-defense classes are conducted regularly. The Bank also organises health workshops to help employees have a better health and strike a better work-life balance.

PRINCIPLE 4: STAKEHOLDER ENGAGEMENT**Connecting with those who Matter**

Stakeholders have the ability to influence the way an organisation is perceived and are vital for their growth and progress. Collectively and individually, they have the ability to affect the Bank's license to operate, and build levels of trust on the Bank's products and services. The stakeholder engagement process at KMBL is efficient and constructive, enabling the Bank to identify its material aspects and develop mechanisms for improvement of its business processes.

The primary objective of KMBL's stakeholder engagement process is to attain a better understanding stakeholder perspectives on key issues, as well as to build strong relationships with them. The engagement process helps KMBL in making informed decisions by enhancing business intelligence and thereby avoiding risks. Ultimately the stakeholder engagement process helps bring together diverse perspectives and ideas that enhance innovation in services offered, leading towards sustainable outcomes. The Bank has identified seven key stakeholder groups (Investors and Shareholders, Customers and Clients, Employees, Government and Regulators, Suppliers and Business Associates, Communities and NGOs, Media) with whom it frequently engages in strategic dialogue.

Who do we engage with?	How do we engage?	How frequently do we engage	What do stakeholders have dialogue on	Who is responsible?
Investors and Shareholders	Emails, letters, investor grievance cell, media, Bank's website	Annually, Quarterly and on a need basis i.e. During events that take place concerning shareholders e.g. Extraordinary General Meeting (EGM) etc.	Financial results, shareholder returns and dividends, issues related to shares' issue, transfer and dividend pay-outs. Post the quarterly results, a conference call is held wherein the senior leadership team participates and the call is open to all investors and analysts. The transcript of the call is also made available on the Bank's website.	Investor relations team, Secretarial team
Customers and Clients	One-on-one interactions, customer satisfaction surveys, customer grievance cell, customer meets, customer helplines/ toll-free numbers, media, Bank's website	On-going and need based	Customer service quality, investment returns, product features and benefits, technology interface for banking experience	Relationship managers, Branch staff, Customer Service Quality team
Employees	Induction programme, e-mails, town halls, skip-level meetings, leadership meetings, employee engagement initiatives, rewards and recognition programmes, employee grievance cell, intranet, employee satisfaction surveys, employee volunteering initiatives	On-going and need based	Bank's policies and procedures, employee welfare issues, performance appraisal and rewards, training and career development, workplace health, safety and security, community development and employee volunteering	Human resources team, Corporate Social Responsibility team
Government and Regulators	Bank's regulatory filings, compliance statements, meetings, letters, emails	As per regulatory requirements and need based	License request and renewal, compliance to regulatory requirements, participation in Government financial sector plans and programmes	Cross functional team
Suppliers and Business Associates	Meetings, emails, letters, supplier and business associates performance reviews	On-going and need based	Product/Service/Technology quality and support, contract commercial and technical terms and conditions, minimum wage payments, supplier and business associates' statutory compliances	Respective departments dealing with suppliers and business associates, Commercial and procurements team

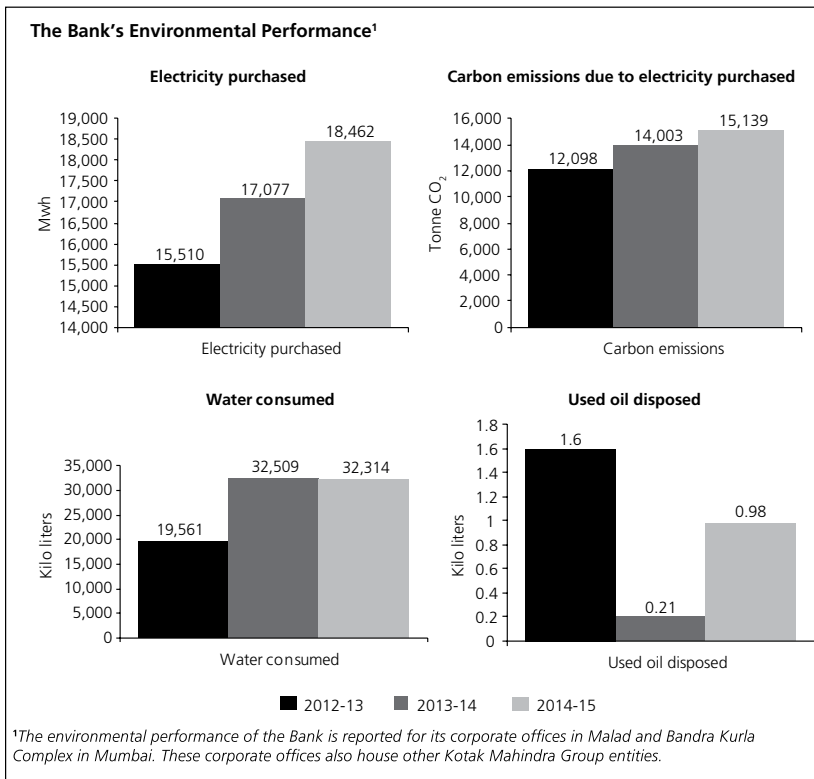
Who do we engage with?	How do we engage?	How frequently do we engage	What do stakeholders have dialogue on	Who is responsible?
Communities and NGOs	Community development initiatives, proposals and requests for new initiatives / funding	Need based	Community needs, financial/ infrastructure/ human/ organisational support	Corporate Social Responsibility team
Media	Advertising, media interactions / interviews / responses, meetings, emails	On-going and need based	Marketing and advertising agenda, information disclosure through media, viewpoints on industry, and Bank related opportunities and issues	Marketing team, Corporate communications team

PRINCIPLE 5: HUMAN RIGHTS

Ensuring the Rights of Every Citizen

Societies are getting increasingly concerned about an organisation’s impact on human rights. KMBL respects human rights and acts without discrimination whilst upholding the dignity of every individual in-line with the Bank’s Fair Practice Code. The Bank does not employ child labour and its recruitment policies ensure that all employees are free to choose to be associated with the firm. Statutory compliance of all contractors on minimum wage payments is reviewed and monitored. The security personnel are trained to prohibit under age or child workers in any of the Bank’s premises.

PRINCIPLE 6: ENVIRONMENT



Reducing the Ecological Footprint

KMBL is a socially and environmentally responsible organisation and constantly works to develop solutions that minimise its environmental impact. It aims to integrate its environmental policies and practices into everyday business operations. And by doing so, it ensures responsible decision making. The Bank has undertaken numerous initiatives to monitor energy consumption by controlling ACs with the help of BMS system. The Bank has installed occupancy sensors which help in switching off lights when the area is not occupied. KMBL is also replacing CFL fittings with LED lights at their Kotak Infiniti (Malad) office for two floors.

Saving Paper

KMBL used to issue manual receipts while collecting dues from retail loan / credit card customers, where each receipt book had 50 original receipts. On an average, approximately one million such receipts were being issued on an annual basis. Realising the amount of paper that was being consumed, KMBL introduced “M Collection”, a mobile based application used for collection of such dues. The initiative was undertaken during FY 2014-15, and since then under its drive for automation, the Bank has been able to save 1.5 million A4 size papers.

KMBL has implemented various e-initiatives. One such initiative is to deliver better customer service by providing

access to e-statements, which has helped the cause of resource conservation. Through ‘Think-green’ initiative, the Bank has partnered with Grow-Trees.com to plant a sapling for every e-credit card statement registration on behalf of customers. A total of 21,204 trees were planted during FY 2014-15.

The Bank also undertook an initiative to avoid unnecessary printing of certain documents and wherever possible, made efforts to re-size certain items. It estimates significant savings of a minimum 4,36,400 pages every year, bearing a positive impact on the environment. The list of various paper saving

initiatives has been provided in the Bank's Business Responsibility Report for FY 2012-13. The Bank continues to encourage shareholders to opt for electronic copies of the annual report, instead of physical copies.

Saving 1.5 million A4 size papers has resulted in the following:

- 7 tonnes of paper saved
- 30 tonnes of wood saved; 7 lakh litres of water saved*
- 76 Mega Watt hours (Mwh) of energy saved
- 20 tonnes of Greenhouse Gas (GHG) emissions avoided
- 7 tonnes of solid waste avoided

*equivalent to saving 191 trees from being cut for paper

Source: www.papercalculator.org

Green Data Centre

The increasing need for storing information, computing and analysis has led to capacities of existing data centres being expanded. Data centres are one of largest energy consumers across KMBL's operations. The Bank has optimised the Data Centre facility into a single facility in 2009 to leverage system efficiencies and exercise better control on energy performance of the Data Centre. Various continual improvement initiatives are undertaken to enhance the energy performance of the Data Centre. Initiatives such as high and medium density server rooms, server virtualization, server consolidation, cold aisle containment, managing optimal levels of inlet temperature, etc. have yielded good results to reduce the energy intensity of Data Centre and contribute towards environmental sustainability.

Cold Aisle containment for Data Centre was implemented for high density server room during the last financial year, which has been extended for low density server room this year. KMBL plans to implement Cold Aisle containment for BKC server room as well by April 2015. Improving cooling efficiency in Cold Aisle area, where it is needed the most, has resulted in direct savings of power units consumed.

Virtualization

Energy efficiency and reduction of carbon footprint is a significant boon for companies who opt for Virtualization. The initiative has been touted as one of the key solutions for not only reducing the environmental impact of an organisation's Data Centre, but also optimising the efficiency of Data Centres.

KMBL has moved portions of their user base to 'virtual desktop infrastructure', which has helped in replacing the CPU unit with a small Thin Client unit. A Thin Client consumes 1/7th power of a typical CPU.

Green Investments

The Bank takes cognizance of its role in promoting adoption of environmentally sustainable technologies through its lending and investment decisions and strictly adheres to RBI's mandate to not extend financing / re-financing of investments which have a negative environmental impact. These include the sale or purchase of banned wildlife products, highly polluting projects / industries, units consuming or producing Ozone Depleting Substances. The Bank's Social and Environmental Management System Plan (SEMSP) evaluates the social and environmental risk of eligible borrowers for the IFC line of credit.

PRINCIPLE 7: PUBLIC POLICY ADVOCACY

Policy Advocacy

Public policy aids KMBL to drive change and foster policies that are beneficial to the Bank. Below are the various associations that it is currently a part of:

- Association of Mutual Funds in India
- Bombay Chamber of Commerce and Industry
- Confederation of Indian Industry
- Council for Fair Business Practices
- Data Security Council of India
- Federation of Indian Export Organisations
- Fixed Income Money Market and Derivatives Association of India
- Foreign Exchange Dealers Association of India
- Indian Banks' Association
- Indian Institute of Banking and Finance
- International Fiscal Association Indian Branch W R C
- Primary Dealers Association of India
- The Employers Federation of India
- The Madras Chamber of Commerce and Industry

PRINCIPLE 8: INCLUSIVE GROWTH

Investing in Community Development

Kotak adheres to the notion that a financial institution should play a pivotal role in mitigating social inequities, contributing to sustainable development, and deliberating on decisions that positively impact the society and environment around us. The CSR policy, approved by the Bank's CSR Board Committee, outlines the key focus areas:

- Promoting education – primary focus area
- Enhancing vocational skills and livelihood
- Promoting preventive healthcare and sanitation
- Reducing inequalities faced by socially and economically backward groups
- Sustainable development
- Relief and rehabilitation
- Clean India

Pursuant to provisions of Section 135, Schedule VII of the Companies Act, 2013 (the Act), read with the Companies (Corporate Social Responsibility) Rules, 2014 the report of the expenditure on CSR by the Company is as under:

- The average net profit U/S 198 of the Bank standalone for the last three financial years preceding March 31, 2015 is ₹ 1,959.79 crore.
- The prescribed CSR expenditure required under section 135 of the Act for FY 2014-15 is ₹ 3,920 lakh.
- The CSR expenditure incurred for the period April 1, 2014 to March 31, 2015 of the Bank standalone, which is eligible U/S 135, amounts to ₹ 1,197 lakh. The CSR expenditure of the Bank standalone for FY 2013-14 was ₹ 363 lakh.
- Additionally, the Bank has extended financial grant amounting to ₹ 2.40 lac to the NGO - United Way Mumbai during the FY 2014-15. However, financial grant / donation given to NGOs for Marathon purposes being ineligible, the same has not been considered in the CSR expenditure.
- CSR expenditure ₹ 1,197/- as a percentage of average net profit U/S 198 of the Bank standalone at ₹ 1,959.79 crore is 0.61%.
- The Bank believes in social inclusion and is constantly working towards ensuring that every citizen will enjoy everyday benefits, irrespective of age, income, or location.

(₹ lakh)

Sr. 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	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period	Amount spent through implementing agency [#]
1	Kotak Education Foundation - Kotak Education Foundation (KEF) was set up in FY 2006-07 with a purpose to support children and youth from underprivileged families through different education based interventions on a sustainable basis. The interventions are designed to empower recipients and provide employable skills which will enable them to lead a dignified life. KEF provides livelihood support to children and youth from Below the Poverty Line (BPL) families in Mumbai, Thane and Raigad regions. The projects undertaken by Kotak Education Foundation (KEF) are: Kotak Udaan, Kotak Unnati, Kotak In Search of Excellence (KISE), Health & Nutrition, Parent Intervention Program (PIP), School Teachers' Enrichment Program (STEP), School Leadership Development Intervention (SLDI), and Infrastructure.	Promoting education	Mumbai, Thane and Raigad regions	560.00	336.19	180.12	560.00 (Out of the this financial grant made by Kotak Mahindra Bank, Kotak Education Foundation has not utilised ₹ 43,71,000/- and is kept as a deposit which will be used towards meeting future office rental - 'overheads', in coming years)	560.00

Business Responsibility Report

(₹ lakh)

Sr. 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	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period	Amount spent through implementing agency [#]
2	Kotak Education Foundation -Kotak Education Foundation (KEF) was set up in FY 2006-07 with a purpose to support children and youth from underprivileged families through different education based interventions on a sustainable basis. The interventions are designed to empower recipients and provide employable skills which will enable them to lead a dignified life. KEF provides livelihood support to children and youth from Below the Poverty Line (BPL) families in Mumbai, Thane and Raigad regions. The projects undertaken by Kotak Education Foundation (KEF) are: Kotak Udaan, Kotak Unnati, Kotak In Search of Excellence (KISE), Health & Nutrition, Parent Intervention Program (PIP), School Teachers' Enrichment Program (STEP), School Leadership Development Intervention (SLDI), and Infrastructure.	Promoting education	Mumbai, Thane and Raigad regions	3.40	2.04	1.09	3.40 (Out of this financial grant made by Kotak Mahindra Bank, Kotak Education Foundation has not utilised ₹ 27,000/- and is kept as a deposit which will be used towards meeting future office rental - 'overheads', in coming years)	3.40
3	Through Rajendra Maruti Kapse, the Bank directly engaged to make benches for four schools in Nandurdi, a village approximately 40 kms. from Nashik city, Maharashtra.	Promoting education	Villages Dixi, Shivare and Kothure in District Nasik, Maharashtra	3.58	3.58	NIL	3.58	3.58
4	Helen Keller Institute for Deaf & Deaf Blind - Helen Keller Institute for Deaf & Deafblind is a pioneering institute in the field of education for the Deafblind and is focused on education, vocational training and rehabilitation of children and young deaf and deafblind adults.	Promoting education	Mumbai, Maharashtra	6.00	6.00	NIL	6.00	6.00
5	Society of Parents of Children with Autistic Disorders (SOPAN) – mission is to empower individuals with autism/other developmental disabilities and their families.	Promoting education	Mumbai, Maharashtra	3.40	3.40	NIL	3.40	3.40
6	The Indian Council For Mental Health (ICMH) - provided psychiatric and counselling services to children with developmental disabilities. ICMH also conducts Occupational Therapists, Speech Therapists, Yoga, Colour Therapy along with sports, drama and vocational training.	Promoting education	Mumbai, Maharashtra	3.40	NIL	3.40	3.40	3.40
7	Yuva Unstoppable - The organisation works for underprivileged children of India through mobilisation of youth and resources. One of the flagship initiatives of Yuva is the Municipal School Empowerment Programme called 'Evolution'. Their programme was started in order to put in place basic infrastructure (water purifiers, toilets, desks, sports equipment, etc) in schools to provide a habitable environment to study.	Promoting education	Ahmedabad & Gandhinagar, Gujarat	50.00	45.66	2.50	50.00 (Out of this financial grant made by Kotak Mahindra Bank, Yuva Unstoppable has not utilised ₹ 1,83,500/-. This will be used towards expenses for supervision cost and stationary in the FY2015-16)	50.00

(₹ lakh)

Sr. 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	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period	Amount spent through implementing agency [#]
8	Action for Ability Development & Inclusion (AADI) - AADI has been working in the field of disability and development for the last 34 years. Their endeavour is to cater to the needs and the rights of people with disability.	Promoting education	Hauz Khas, New Delhi	2.50	2.50	NIL	2.50	2.50
9	Dharm Singh Desai Foundation - works towards the upliftment of the poor and also provides education to the weaker sections of the society at nil/nominal fees. The trust also provides medical assistance to the underprivileged.	Promoting education	Mumbai, Maharashtra	35.00	35.00	NIL	35.00	35.00
10	Azim Premji Foundation For Development - The Foundation has been working for more than a decade towards making deep, large scale and institutionalised impact on the quality and equity of education in India, along with related development areas.	Promoting education	Bengaluru, Karnataka	28.00	28.00	NIL	28.00	28.00
11	National Indian Association- The trust works for the cause of promoting education, cultural and medical activities for under privileged women section of the society.	Promoting education	Ahmedabad, Gujarat	2.00	1500.00* (₹ 1,500/- interest accrued for the one month period March 2015)	NIL	2.00 (The entire financial grant of ₹ 2,00,000/- given by Kotak Mahindra Bank in February 27, 2015 has been kept in Fixed Deposit. Out of this, the prorate interest of ₹ 1,500/- has been utilised as direct expenditure in FY14-15.)	2.00
12	Purkal Youth Development Society (PYDS) provides education to the poorest in the areas around the foothills of the Himalayas. PYDS runs a school near Dehradun and they take on very poor children and provide them opportunities for their all-round development including schooling, counselling, nutrition, clothing and medical attention.	Promoting education	Dehradun, Uttarakhand	5.00	3.86	1.14	5.00	5.00
13	Development Education Empowerment of the Disadvantaged in Society (DEEDS) - provides a one stop platform for the Deaf taking them through education, vocational training and leading to their job placements which will give them financial independence and a life of purpose, joy and dignity.	Promoting Education & enhancing vocational skills and livelihood projects	Mumbai, Maharashtra	2.00	1.84	0.16	2.00	2.00
14	Dilasa Sanstha focuses on creating infrastructure to create sustaining livelihoods for marginalised communities like small and marginal farmers, landless farmers and women.	Relief & rehabilitation	Dist. Yavatmal, Maharashtra	5.00	5.00	NIL	5.00	5.00

Business Responsibility Report

(₹ lakh)

Sr. 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	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period	Amount spent through implementing agency [#]
15	Vishwas Vision for Health Welfare and Special Needs - works in the area providing education and basic health care to the underprivileged irrespective of disability, gender, class or caste.	Promoting education & promoting preventive healthcare	Gurgaon, Haryana	50.00	NIL	NIL	50.00 (Entire financial grant of ₹ 50,00,000/-made by Kotak Mahindra Bank has been invested in Fixed Maturity Plan and the valuation as on 31st March was ₹ 53,69,450/-. The NGO is building a corpus as according to the NGO, corpus is important for the continuity of Programmes of Vishwas Vision for Health Welfare and Special Needs	50.00
16	Madangopal Maheshwari Foundation - works in the field of education and healthcare. The objective of Madangopal Maheshwari Foundation is charity and development in education and medical relief for the poor and destitute.	Promoting education & promoting preventive healthcare	Mumbai, Maharashtra	100.00	NIL	NIL	100.00 (The financial grant made by Kotak Mahindra Bank been kept in fixed deposits.The funds including accrued interest would be utilised for the project in the FY15-16)	100.00
17	Ch. Lal Chand Memorial Charitable Trust - The Trust is associated with many charitable causes especially related to education. They provide free education to underprivileged children. The Trust wishes to give back to the society in many other ways and hence want to set up hospital for charitable purposes.	Promoting preventive healthcare	New Delhi	100.00	NIL	NIL	100.00 (financial grant of ₹ 1 crore given by Kotak Mahindra Bank to Ch. Lal Chand Memorial Charitable Trust on 31/03/2015 has not been utilised till date and this amount has been kept in Fixed Deposit. The NGO will utilise the same in due course of time and release the fund utilisation report.)	100.00
18	Cancer Patients Aid Association - works towards the 'Total Management of Cancer 'as a disease.	Promoting preventive healthcare	Mumbai, Maharashtra	3.40	3.26	0.14	3.40 (Out of the total financial grant of ₹ 3,40,000/- made by Kotak Mahindra Bank, the balance unutilised amount of ₹ 283/- will be used for medicines for cancer patients in FY15-16)	3.40
19	CanSupport - provides palliative care, free of cost, to people with advanced cancer.	Promoting preventive healthcare	Mayapuri, West Delhi	12.80	7.34	Nil	12.80 (Out of the total financial grant made by Kotak Mahindra Bank, CanSupport has utilised ₹ 7,34,690/- till March 31, 2015 The balance amount of ₹ 5,45,310/-will be utilised in FY 2015-16 towards direct expenses)	12.80

(₹ lakh)

Sr. 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	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period	Amount spent through implementing agency ¹
20	Virgo India Foundation - started with the objective of creating awareness and strengthening curative service amongst the weaker sections of the society.	Promoting preventive healthcare	Aundh, Pune	68.00	10.00	3.00	68.00 (Out of the total financial grant made by Kotak Mahindra Bank, the balance unutilised amount is ₹ 55,00,000/-. Out of this ₹ 50,00,000/- will be used towards direct expenditure and ₹ 5,00,000/- will be used towards overheads in FY15-16)	68.00
21	Vision Foundation of India - The NGO was founded with a vision to reduce blindness and treat eye diseases for the underprivileged sections of the society.	Promoting preventive healthcare	Sambhalpur, Odisha	20.00	1.00	NIL	20.00 (The entire donation amount of ₹ 20,00,000/- has been kept in Fixed Deposit. Out of this, the interest accrued of ₹ 1,00,000/- has been utilised as direct expenditure in FY14-15.)	20.00
22	The Indian Red Cross Society - provides relief in times of disasters/emergencies and promotes health & care of vulnerable people and communities.	Promoting preventive healthcare	Mumbai, Maharashtra	5.00	NIL	NIL	5.00 (Donation of ₹ 5,00,000/- was received on 25.03.2015. Hence this amount could not be utilised in FY 2014-15. The same will be utilised in FY15-16)	5.00
23	Dhanwantari Medical Trust's (DMT) objective is to educate people about major illnesses like HIV, TB, Cancer, Polio, Anemia, Malaria etc. One of DMT's project called 'Crafting Smile', supports Child Cancer patients. Under this project, they organise entertainment programs for child cancer patients, giving them cancer medicines for poor patients at concession level, making people aware about the hazards of tobacco etc.	Promoting preventive healthcare	Mumbai, Maharashtra	4.00	3.42	0.58	4.00	4.00
24	Habitat for Humanity - the organisation builds homes and provides housing-related services to low-income, marginalised families across India.	Reducing inequalities faced by socially and economically backward groups	Maharashtra, Karjat Taluka, Raigad District	3.00	2.40	0.60	3.00	3.00
25	Indian Council for Research on International Economic Relations - engages in policy oriented research	Sustainable development	Gurgaon, New Delhi	100.00	100.00	NIL	100.00	100.00
26	Able Disable All People Together (ADAPT) was set up to address the lack of services and the lack of knowledge about multiple disabilities in general and cerebral palsy in particular.	Education, rehabilitation & livelihood	Mumbai, Maharashtra	5.00	Nil	Nil	5.00 (The NGO received the financial grant made by Kotak Mahindra Bank on 26.03.2015. Hence ₹ 5,00,000/- could not be utilised in FY 2014-15. The same will be utilised in FY15-16)	5.00
27	Givelndia - Givelndia is an online donation platform and aims to channel and provide resources to credible non-governmental organisations across India. As a web portal, it helps raise funds and contributions from individuals across India and the world and then disburses these donations to credible Indian NGOs.	Multiple sectors as Givelndia supports several NGOs	Mumbai, Maharashtra	0.54	0.54	Nil	0.54	0.54

(₹ lakh)

Sr. 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	Programme / project wise actual spend during the year – Direct expenditures	Programme / project wise actual spend during the year – Overheads	Cumulative Expenditure upto reporting period	Amount spent through implementing agency [#]
28	Pangea Econetassets Private Limited	Sustainable development	Panchmahal, Gujarat, Dwarka, Gujarat, Kumbhalgarh Wildlife Sanctuary, Rajasthan, Madanapalle, Andhra Pradesh	16.52	16.52	NIL	16.52	16.52
TOTAL CSR SPEND U/S 135 OF THE COMPANIES ACT, 2013, DURING FY 2014-15								1,197.54
* The Bank has given a financial grant of Rs. 563.40 lakh to Kotak Education Foundation, done direct CSR intervention of Rs. 3.58 lakh to make benches in four schools in Nandurdi village, near Nashik city, Maharashtra and implemented other CSR initiatives amounting to Rs. 630.56 lakh through other NGOs.								

The Bank continued its community engagement initiatives in villages around Nashik city. KMBL did direct CSR intervention through a CSR spend of Rs. 3.58 lakh towards benches for four schools in Nandurdi, a village approximately 40 kms from Nashik city, Maharashtra, where schools lack basic infrastructure.

Enabling Livelihood through Education

KMBL believes that education is key to the alleviation of social malaise afflicting India's underprivileged. In a bid to address this issue, the Bank has established the Kotak Education Foundation (KEF) in FY 2006-07 with a purpose to support children and youth from such families through different education-based interventions on a sustainable basis.

KEF provides various interventions in the fields of education and livelihood for children and youth from Below Poverty Line (BPL) families in Mumbai, Thane and Raigad regions. KEF has seven school based programmes, and has partnered with 28 schools, many of which are located in M-ward locality (Deonar and Govandi area) of Mumbai. KEF opted to work in M-ward region as it ranks lowest in the human development index (HDI) in Mumbai. These regional language schools are government-aided private schools based in some of the poorest neighbourhoods. In addition, KEF's livelihood programme provides vocational skills in the retail and hospitality sector to youth who have dropped out of school.



Benches donated to schools in Nandurdi village, near Nashik

Student Intervention Programme (SIP)

Kotak Umang - Spoken English Programme

Students in KEF partner schools find it difficult to learn English, in spite of it being introduced at primary levels, because of inadequate teaching and lack of exposure to the language. Most teachers in these schools struggle to speak the language, and students also have no support to learn it at home. In fact, 60% of seven and eight standard students cannot read or even comprehend basic English.

Since 2007, KEF has been attempting to bridge this gap with Spoken English Programme which aims to train students to understand and speak in English. It is hoped that these skills and knowledge will help the students when they move to colleges (where the medium of instruction is English) as well as help them find jobs in the organised sector at a later date.

Saima Khatoon Azad Khan, a student of Standard 9 at Shaheen Urdu High School, made best use of Umang classes by using her class experiences in day-to-day life. Umang's motto is to make sure that children enrolled in the programme at least know how to speak simple English. Through the classes, she actively participated in the skits designed to help students overcome their fear and speak English on a larger platform. She also gained confidence to stand against all odds and for her rights. She surged to be the class top scorer whilst managing household chores along with studies. One of her English teacher says "When I spoke to her, she made me feel so proud by saying that she learnt a lot from Umang classes, and it was a great inspiration for her".

Promoting Health & Nutrition

Health issues among children are not identified at an early stage in most cases and are often responsible for significant drop outs and/or underperformance in academics. KEF realised that very few schools have adequate sanitation facilities like toilets, drinking water, hand washing points, etc. KEF undertook numerous activities centred on addressing health issues in schools by providing preventive and corrective measures such as Eye Care, Kishori Sehat Abhiyan (prevention of anaemia amongst adolescent girls), Parvarish (curbing undernourishment amongst pre-primary and primary children), deworming and hygiene education and Majhi Swachha Shala (cleanliness initiative). All these initiatives seek to develop the formation of healthy habits at a tender age.

Jayanta Khandu Chaudhari, a tribal student from Bhanuben Pravin Shah School in Tara village (Maharashtra) studying in Standard V, was referred to Bachooali Hospital for further investigation, after initial screening at the eye camp organised by KEF.

As diagnosed, he needed to undergo retina surgery for the right eye and laser surgery for the left eye. During the counselling session at the hospital, it was discovered that the parents were totally unaware of impairment. The doctor explained that the retina of the right eye was completely damaged and chances of improvement in vision after surgery were minimum, and advised laser surgery for the left eye. The student was operated on in February 2015. The hospital extended the stay of the student as the family was living in a remote village. The student was called for follow-up twice after the surgery and the family came regularly to the hospital for check-ups. After doing a home visit, it was learnt that parents worked as daily wagers and therefore there was no fixed income in the family. It was becoming difficult for them to come for follow-up visit at hospital. The school authorities then helped in getting the student for further follow-up at the hospital. The child is showing progress slowly as he is able to see images of objects and people which he could not see prior to the surgery.

Scholarships

To give students timely and right guidance so that they do not drift in life, KEF conducts two programmes for two different age groups and level of education. These programmes emphasise on providing academic support through in-school and coaching-class inputs, and emotional support to the child, and if need be to his/her family members.

Kotak Udaan

Kotak Udaan - a scholarship programme for school children, supports students facing extreme hardships in life by enhancing their learning environment and providing them holistic support. These students, due to social and financial circumstances, are at high risk of dropping out of school. Udaan selects marginalised students (e.g. orphans, first generation learners) from class eight and offers a range of activities that not only help them academically but also shape their personality.

In addition to tuition fees, KEF goes the extra mile to help a student. It understands the capability of each student, and provides necessary guidance and help until they complete SSC. Regular follow-ups and counseling for students and parents is conducted to make education a priority and create conducive environment for students to excel. For holistic growth, students are engaged through platforms of expression and exposures in the form of workshops, talent shows, visits and camps.

Kotak Udaan has managed to contain drop-out rate, with close to 90% students completing school. In the 2014 batch, four students scored more than 90% and a fifth of the batch scored over 80%. Almost all students who completed SSC have continued their education, and are now studying in Junior college.

Parag, a student with one of the KEF partner schools, suffered an inferiority complex arising out of poor living conditions at home. His father is a rickshaw driver and his mother is a housewife. Parag was very resentful and ashamed of his father's profession. His inability to accept his family background led to frequent fights at home. He started performing poorly at school and dropped out of coaching classes as well.

Parag was selected for the Kotak Udaan programme, where after months of counselling and sessions on dignity of labour and anger management, his attitude began to change. His concentration on studies improved and became determined to do well in his SSC exams. Parag secured 85% in SSC and was selected for Kotak "In Search for Excellence" scholarship.

Kotak "In Search of Excellence" (KISE)

KISE scholarship is for junior college students who have scored over 80% in SSC. A large number of students cannot afford professional coaching classes because of the high fees. In an effort to support these students, KEF launched KISE, a scholarship project which recognises and honours the achievements of students of its partner schools. Every year, KEF rewards such students with a scholarship to cover basic educational needs relating to the tough early years of college. In order to encourage students to take up professional courses, the foundation tied up with Career Launcher, a specialised coaching class which helps students to prepare for various competitive exams. Five students of the 2014 batch aspiring to be engineers have been enrolled.

Pritam was a very bright student from Kumud Vidyamandir, one of KEF's partner schools. He scored 93% in his SSC Board exams. He was selected for KISE. Subsequently, he pursued a diploma in electrical engineering from VJTI and then moved on to complete his degree in the same field from Fr. Agnel Engineering College, Bandra. He has also completed one year internship programme with L&T.

Pritam was selected by Johnson & Johnson through campus placement with a salary of ₹ 3.2 lakh per annum. Pritam now works in the Quality Control department of an organisation in China, and earns a salary of ₹ 13 lakh. Further, he has supported other KISE students in academics and also lent financial support to another student.

School Teacher Enhancement Programme (STEP)

Students from regional language schools often find it difficult to understand, speak, read or write English. Their inability to comprehend and use the language prevents them from pursuing higher education, technical knowledge, operating computers, and thereby, finding employment opportunities. One of the main causes for this inadequacy is that teachers themselves are not well versed in English. Lack of English training both prior and during their tenure makes it difficult for them to learn the language. Consequently, English is seldom used in the classroom.

STEP aims to help school teachers of KEF partner schools to improve their teaching skills through:

- Workshops on English and communication skills
- Workshops on teaching academic English, as well as other subjects like Science and Maths in English efficiently
- Focus on improving pedagogy
- Personalised mentoring through classroom observations and feedback

This programme has built confidence among many teachers and has equipped them with new skills, which eventually has translated in providing an improved learning environment for the students.

Nirmala Patankar, a teacher in one of the KEF partner schools, was low on self-confidence and was weak in English. She would give instructions and even teach English lessons in a regional language (Marathi). She was inducted into the School Teacher Enhancement Programme, and has worked hard to improve her vocabulary for the past year. This resulted in significant improvement in all areas of her work.

School Leadership Development Intervention (SLDI)

SLDI aims to bring necessary changes in KEF's partner schools to boost the morale of school leaders of their capability. To ensure significant development at personal and organisational level, primary and secondary head teachers are accompanied by an assistant head teacher and a supervisor. This creates a pipeline of leaders in the school who can take charge and guide children both academically and otherwise. By building on the school leaders' managerial and leadership competencies, SLDI creates awareness among school leaders about the critical role they play in breaking the cycle of poverty faced by most students.

Kotak Unnati

Kotak Unnati is a vocational training program for youth drop-outs from schools / colleges, in the age group of 18-25 and from underprivileged backgrounds. After completion of three month training, the youth are placed with leading brands of retail / hospitality, for entry-level jobs. These become the foundation for a sustainable career which will help them to raise their families out of poverty. Across the three completed batches, 519 aspirants (i.e. 68% of those enrolled) successfully completed training and were willing to take up employment. Of these 489 aspirants, 94% found employment. The training at Kotak Unnati is conducted by KEF's team imparting spoken English, basic IT and life skills for all aspirants. Over 13 weeks, the daily training ensures that they get into the right habits of regularity and punctuality, grooming and etiquettes. They are also trained in 'Pocket Money' – a financial literacy module developed and co-sponsored by National Institute of Securities Markets (NISM). They are exposed to motivational sessions by guest lecturers / volunteers from the industry. They also undergo 2-3 weeks of on-the-job training with their future employers, to equip them to hit the ground running. In FY 2014-15, 946 aspirants enrolled in nine centres of which 467 aspirants were placed by KEF.



Vocational training for Kotak Unnati students

Kotak Mahindra Group CSR Activities

The Group supports several NGOs through contributions, employee engagement and volunteering initiatives.



Blood donation drive organised across 13 cities



Puneet Kapoor, Sr. EVP hands over the cheque of ₹ 1,01,173/- to CPAA



Employees volunteer in Habitat for Humanity's Build programme near Karjat



Employees of Kotak Mahindra Group participate in Swachh Bharat Abhiyaan initiatives

Blood Donation

Every year the Bank organises a week long blood donation camp across its offices in 13 cities to commemorate Kotak Mahindra Group Day (Kotak Mahindra was established on November 21, 1985). In November 2014, 1,367 units of blood were collected.

Building Homes for the Needy

The Bank sponsored 60 employees to volunteer in Habitat for Humanity's Build programme to construct decent and affordable homes for rural families in need of urgent shelter.

Providing Aid to Cancer Patients

The Bank conducts a monthly newspaper collection drive, in association with Dhanwantari Medical Trust. Proceeds from sale of newspapers are used for nutrition and treatment of cancer affected children. In FY 2014-15, KMBL collected ₹ 34,275/- for 3,626 kgs of newspapers.

On the occasion of its annual Reward and Recognition programme 'Star Trek', the Bank's Customer Contact Centre (CCC) at Kotak Inifinti, organised a Fun 'n' Fair and donated

proceeds of the event to Cancer Patients Aid Association. ₹ 1, 07,173/- was donated to the NGO.

Kotak Mahindra Group Payroll Giving Programme

Employees of KMBL and its subsidiaries support six NGOs - The Akanksha Foundation, Cancer Patients Aid Association (CPAA), National Association for the Blind (NAB), Dignity Foundation, Make-A-Wish Foundation of India and Society of Parents of Children with Autistic Disorders (SOPAN).

Swachh Bharat Abhiyaan Initiative

KMBL launched its Swachh Bharat Abhiyaan initiative at Chennai Marathon on December 7, 2014, where employees of the group, led by senior members, cleaned up the venue after the marathon. Similarly clean up drives were organised during the Powai Marathon (Mumbai), Bangalore Cyclothon, and Clean BKC (Mumbai).

Mumbai Marathon 2015



Employees participated in Mumbai Marathon 2015 and raised pledges in support of 6 NGOs



KVS Manian and Shanti Ekambaram are highest and second highest individual pledge raisers

100 Kotakites ran Mumbai Marathon 2015 in support of four NGOs – Cancer Patients Aid Association (CPAA), The Indian Council for Mental Health (ICMH), Society of Parents of Children with Autistic Disorders (SOPAN) and Kotak Education Foundation (KEF).

- Kotak runners raised pledges amounting to ₹ 45,21,855/-, and collectively with Bank's contribution, the total funds raised, amounts to ₹ 61,21,855/. KMBL has been acknowledged as the 2nd Highest Fundraising Company in Corporate Challenge category.

- KVS Manian, President – Corporate, Institutional & Investment Banking, raised ₹ 13,81,116/- and was acknowledged as highest individual pledge raiser in the Corporate Challenge category.
- Shanti Ekambaram, President - Consumer Banking raised ₹ 10,21,000/- and was acknowledged as second highest individual pledge raiser in the Corporate Challenge category.

Delhi Half Marathon 2014

25 Kotakites ran Delhi Half Marathon 2014 in support of the NGO – Action for Ability Development & Inclusion. Vineet Prakash, Vice President - Corporate Banking, was acknowledged as the highest individual fund raiser in the Corporate Challenge category.

Pinkathon

134 women employees in Mumbai and 13 women employees in New Delhi participated in Pinkathon – a run for women to spread awareness on breast cancer.



Employees participated in Delhi Half Marathon 2014 and raised pledges for the NGO - Aadi



Women employees participate in Pinkathon for breast cancer awareness

Financial Literacy Camps

KMBL conducted Financial Literacy Camps where over 60 activities were conducted in different locations across Maharashtra (Jalgaon District), Rajasthan, (Nimbhaura, Sumerpur Districts), Gujarat (Rabod, Khandach Districts), Madhya Pradesh (Hoshangabad District) and Bihar (Muzaffarpur, Begusarai Districts). These activities were conducted in the form of customer meets at bank branches and nearby villages, schools and local markets. Door-to-door activities were also conducted. Overall 1,100 people participated in these activities. They were briefed about the importance of savings and banking activities and advantages of financial planning were also explained. Participants' reviews on Financial Literacy Camps were positive. They were keen to understand various non-essentials where money was spent, and learned how to save money.

PRINCIPLE 9: CUSTOMER VALUE**Enhancing Customer Value**

KMBL has introduced a number of measures to gauge customer experience at various touch-points. Feedback is measured rigorously month on month and the same is then analysed to ensure continuous improvements in service delivery across the Bank. As a part of the new initiatives taken, the Bank now measures transactional feedback of their customers and then evaluates customer experience based on the interaction with the Bank staff, branch visits etc. The exemplary service standards that the Bank has set for itself, is now being reinforced aggressively through the concept of "Service Dilse". The core idea behind this concept is to convert the customers' "moment of truth" into "moment of magic", purely by driving the right kind of customer behavior at the branches. Further, the Bank evaluates internally as well as deploys external agencies to measure various aspects of customer feedback.

There are various kinds of customer service surveys that get done for tracking service metrics and customer feedback. Some are commissioned and some are third party syndicated surveys. The Banking Codes and Standards Board of India (BCSBI) – an independent banking industry watchdog that protects consumers of banking services in India, conducted a survey in an endeavour to oversee compliance at the Bank. The respondents were onsite customers on the Bank's premises who were selected by CRISIL.

The survey was conducted at 3,035 branches, 55 Central Processing Centres and 48 member banks; 6,000 customers were interviewed on 16 parameters.

For Kotak Mahindra Bank - 28 branches and one hub were chosen. The Bank received high level of compliance with a score of 85, and ranked 2nd amongst 19 private sector banks, and 3rd amongst all 48 banks.

Customer Satisfaction

The Bank commissions its annual customer satisfaction survey through an accredited research provider, IMRB- CSMM. As per the survey findings, a dip of 2% was observed in the overall customer satisfaction. The Bank has already started identifying specific areas in which the dip has happened and is working on improving the same. The customer satisfaction surveys focused on three areas viz. customer transactions initiated at branches, customer feedback in processing of their service requests and quality of RMs' interaction with customers. Summary of "Voice of Customer" across these parameters:

VOICE OF CUSTOMER	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Feedback on RO/RM	42%	77%	74%	70%	74%
Br. Txn Monitoring(NEFT/ RTGS)	74%	*	85%	87%	76%
Siebel SR Closure	**	78%	66%	66%	70%
Physical & e-feedback form	96%	96%	96%	96%	94%

* Not done in October 2014

** Started from October 2014

As compared to FY2013-14, the customer service parameters have been realigned to project the actual customer experience at the Bank. Few key changes initiated to drive customer centric behavior are as below:

- Driving through appreciations, defining & sharing expected behaviours, and finally measuring it through mystery shopping (internal and external)
- August-December 2014 "Service Dilse" rollouts happened with 9+ video case studies. External vendor appointed for mystery shopping. The overall results will have an impact on the performance appraisal of the branches.
- Service Request Audits in Scorecard were made stringent from August 2014 onwards included to see resolutions from customer's point of view & what communication customer receives

Developing Customer Loyalty

The Bank has a number of mechanisms for gathering feedback and resolving grievances from its myriad stakeholders. The grievance redressal mechanism at KMBL is well publicised across its website and all branches. A customer can formally escalate/lodge a grievance by sending an email, letter, fax, or by visiting the branch. The complaints are then recorded and resolved within well-defined timelines depending on the types of customer issues. KMBL prioritises resolution of grievances received on social media platform.

Meeting Customer Demands

Next generation banking is rapidly growing in India and KMBL recognises the importance of digital platforms to reach out to customers. The Bank has a slew of digital innovative banking solutions which simplify otherwise cumbersome banking processes and offer customers a faster, more simplified way to bank.

- **Jifi Saver:** A social savings bank account which can be managed via Twitter and Facebook. It seamlessly integrates popular social media platforms with conventional banking. The account also has a rewards programme, and over 23 services, including mobile and DTH recharge, which can be availed under its Hashtag Banking proposition.
- **KayPay:** This is the world's first bank agnostic, real time funds transfer platform, connecting over 250 million bank account holders from 29 Indian banks. One can transfer funds to contacts on Facebook and Google+, or by simply entering the email id of the beneficiary. The platform has seen rapid adoption since its launch in October 2014. It has also been rated among the most innovative payment platforms, both in India and globally.



Puneet Kapoor, Manish A and GJ Gupta receive 'Best Use of Digital and Channel Technology Award' for Instant Pin Regeneration at IBA Technology Awards 2014-15

- **Instant Pin Generation for Debit and Credit Cards:** This service enables customers to generate a PIN immediately through channels like net banking, mobile banking & Interactive Voice Response (IVR). Earlier, the only method to regenerate PIN for debit & credit cards was to request for a physical PIN mailer which took anywhere between 4 – 10 days to reach the customer. As a result, customers were not able to use their card(s) during this period.
- **Insta Balance Service:** Customers can quickly check balances of all their accounts from their mobile devices. All they need to do is give a missed call to the toll-free number – 1800 274 0110 from their registered mobile number. The system instantly identifies all accounts linked to the mobile number, and fetches balance of the accounts, which is sent to the customer via SMS. The entire process takes less than 30 seconds. This service is offered for up to 10 accounts linked to the mobile number.
- **Mail Money:** Mail Money allows customers to transfer funds simply by entering an email id and mobile number of a beneficiary and initiate a fund transfer through KMBL's secure net banking. By using Mail Money, the sender is not required to know the recipient's bank account details for initiating the transfer.



(Right to left) Deepak Sharma and Manish A receive 'Best New Product and Service' for Kotak Jifi at Efma Accenture Innovation Awards 2014



Jasneet Bachal receives 'Best Social Media Project' by Asian Banker for Jifi and KayPay

- **Message Money:** This feature enables customers to transfer money through the mobile banking application, merely by entering the mobile number of the recipient in the beneficiary details. Users can access their contact list to fetch the mobile number and share the required information via any of the messaging options available on his device, such as Whatsapp, WeChat, Hike, etc.

Section A: General information about the company		
1	Corporate Identity Number (CIN) of the Company	L65110MH1985PLC038137
2	Name of the Company	Kotak Mahindra Bank Limited
3	Registered address	27BKC, C27, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051
4	Website	www.kotak.com
5	Email id	cr@kotak.com
6	Financial year reported	2014-15
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Code: 64191 – Kotak Mahindra Bank is a banking company governed by the Banking Regulation Act, 1949
8	Three key products/services of the Company (as in balance sheet)	Deposits, Advances and Investment Advisory.
9 (i)	Number of international locations	None
9 (ii)	Number of National locations	643
10	Markets served by the Company – Local/State/National/International/	India
Section B: Financial detail about the company		
1	Paid up capital (INR)	₹ 386.18 crore as on 31st March, 2015
2	Total turnover (INR)	₹ 11,748.32 crore (Bank Standalone)
3	Total profit after taxes (PAT) (INR)	₹ 1,865.98 crore (Bank Standalone)
4	CSR spend as percentage of profit after tax (PAT) (%)	0.64% (Bank Standalone)
5	List of CSR activities	Refer 'Investing in Community Development' section of 'Business Responsibility Report', page 152
Section C: Other details		
1	Company subsidiaries / joint-ventures	Refer Related Party Disclosures of the Annual Report, page 232
2	Subsidiaries participating in Company's BR initiatives	Nil
3	Other entities (e.g. suppliers, distributors etc.) participating in Company's BR initiatives	Nil
Section D (1): Business Responsibility Information (BR)		
1.a	Director responsible for implementation of BR policies (DIN)	00012214
	Director responsible for implementation of BR policies (Name)	Mr. C. Jayaram
	Director responsible for implementation of BR policies (Designation)	Joint Managing Director
1.b	BR Head (DIN, if applicable)	N.A.
	BR Head (Name)	Mr. Rohit Rao
	BR Head (Designation)	Executive Vice President, Head – Corporate Communications, Business Responsibility & CSR
	BR Head (Telephone number)	+91-22-6166 0001
	BR Head (email id)	rohit.rao@kotak.com

Section D (2): Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)										
		P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	Policy/policies for.	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Policy being formulated in consultation with the relevant stakeholders.	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Policy conforming to national / international standards	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Policy approved by the Board and signed by MD / CEO / appropriate Director.	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Committee of the Board / Director/Official to oversee the implementation of the policy.	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Link for the policy to be viewed online	All policies are available on the Bank's intranet.								
7.	Policy formally communicated to all relevant internal and external stakeholders.	Yes. Policies have been communicated to all key internal stakeholders of the Bank. The communication on policies covering all internal and external stakeholders is an on-going process.								
8.	In-house structure to implement the policy/policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Independent audit/evaluation of the working of this policy by an internal or external agency.	Evaluation done through internal audit mechanism.								

Section D (2.a): BR Information - Principle-wise (as per NVGs) explanation. If the answer to S. No.1 under Section D (2) against any Principle is "No" – Not Applicable.

Section D (3): BR Governance

1.a	Frequency of Board of Directors, Committee of the Board or CEO review of BR performance	BR Committee met twice in FY 2014-15. The Bank has also put in place CSR Committee U/S 135 of the Companies Act 2013, which met thrice in FY 2014-15. Further, the Bank has been updating its CSR initiatives and CSR expenditure to the Board every quarter.
1.b	BR report or sustainability (frequency and hyperlink)	BR Report Frequency: Annual Hyperlink: http://www.kotak.com/corporate-responsibility.html .

Section E: Principle Wise Performance

Principle 1

1	Policy relating to ethics, bribery and corruption covering the Company and Group/ Joint Ventures/ Suppliers/Contractors/NGOs /Others	Refer 'Ethics, Transparency & Accountability' section of 'Business Responsibility Report', page 145
2	Stakeholder complaints received in FY 2014-15 (Complaints include investor complaints received through the Bank's investor grievance mechanism. For customer complaints / consumer cases please refer Principle 9)	32
3	Percentage of stakeholder complaints resolved (Complaints include investor complaints received through the Bank's investor grievance mechanism. For customer complaints / consumer cases please refer Principle 9)	100%

Business Responsibility Report

Principle 2		
1	Products and services designed with social or environmental concerns, risks and/ or opportunities incorporate Up to three products or services	1. Basic Savings Bank Deposits Accounts 2. Agri business banking products 3. Tractor financing Additionally refer 'Towards Value Creation' section of the 'Business Responsibility Report' for the Bank's products designed with social concerns, risks and / or opportunities (Financial Inclusion), page 146
2	i. Reduction with respect to resource use (energy, water, raw material etc.) per unit of product during sourcing/production/ distribution achieved since the previous year throughout the value chain (optional) ii. Reduction during usage by customers (energy, water) has been achieved since the previous year (optional)	N.A.
3	Procedures for sustainable sourcing (including transportation)	N.A.
4	Procurement of goods and services from local & small producers, including local communities	Bank does not procure any goods for processing. Manpower services for offices and branches are generally hired from local agencies, Bank website, job-portals, internal movements, walk-ins, or through references.
5	Mechanism to recycle products and waste	Refer 'Reducing the Ecological Footprint' section of the 'Business Responsibility Report', page 150
Principle 3		
1	Total number of employees (as at 31.03.2015)	18,335 (Bank Standalone)
2	Total number of employees hired on temporary/contractual/casual basis (as at 31.03.2015)	5,673 (Bank Standalone)
3	Total number of permanent women employees (as at 31.03.2015)	3,398 (Bank Standalone)
4	Total number of permanent employees with disabilities (as at 31.03.2015)	9 (Bank Standalone)
5	Employee association recognised by management	Through employee engagement mechanism, the Bank directly engages with all employees on various aspects of employee well-being. For more details, please refer 'Investing in Employee Welfare' section of the 'Business Responsibility Report', page 148
6	Percentage of permanent employees part of employee association	N.A.
7.1	Child labour/forced labour/involuntary labour complaints filed (pending)	Nil
7.2	Sexual harassments complaints filed	5 (Bank Standalone)
7.3	Discriminatory employment complaints filed	Nil
8.1	Percentage of employees covered with safety & skill up-gradation training (permanent employees)	KMBL provides training to its employees and contract staff on safety and skill upgradation. Please refer 'Investing in Employee Welfare' section of the 'Business Responsibility Report', page 148
8.2	Percentage of employees covered with safety & skill up-gradation training (permanent women employees)	KMBL provides training to its employees and contract staff on safety and skill upgradation. Please refer 'Investing in Employee Welfare' section of the 'Business Responsibility Report', page 148
8.3	Percentage of employees covered with safety & skill up-gradation training (Casual/Temporary/Contractual)	KMBL provides training to its employees and contract staff on safety and skill upgradation. Please refer 'Investing in Employee Welfare' section of the 'Business Responsibility Report', page 148
8.4	Percentage of employees covered with safety & skill up-gradation training (Employees with disabilities)	KMBL provides training to its employees and contract staff on safety and skill upgradation. Please refer 'Investing in Employee Welfare' section of the 'Business Responsibility Report', page 148
Principle 4		
1	Mapping of internal and external stakeholders	Yes. Refer 'Connecting with those who Matter' section of 'Business Responsibility Report', page 149
2	Identification of the disadvantaged, vulnerable & marginalised stakeholders.	Refer 'Connecting with those who Matter' section of 'Business Responsibility Report', page 149

3	Special initiatives to engage disadvantaged, vulnerable & marginalised stakeholders	Refer 'Towards Value Creation' section of 'Business Responsibility Report', page 146
Principle 5		
1	Policy relating to Human Rights covering the Company and Group/Joint Ventures/Suppliers/Contractors/NGOs /Others	The Policy Statement on Human Rights and Anti-discrimination is applicable for the Bank. Refer 'Ethics, Transparency & Accountability' section of 'Business Responsibility Report', page 145
2	Stakeholder complaints on human rights received (percentage resolved)	Nil
Principle 6		
1	Policy relating to Environment covering the Company and Group/Joint Ventures/Suppliers/Contractors/NGOs /Others	The Policy Statement on Environment is applicable for the Bank. Refer 'Ethics, Transparency & Accountability' section of 'Business Responsibility Report', page 145
2	Strategies / initiatives to address global environmental issues such as climate change, global warming, etc.	Refer 'Reducing the Ecological Footprint' section of 'Business Responsibility Report', page 150
3	Identification and assessment of potential environmental risks	Refer 'Reducing the ecological footprint' section of 'Business Responsibility Report', page 150
4	Projects related to Clean Development Mechanism	None
5	Initiatives on clean technology, energy efficiency, renewable energy, etc.	Refer 'Reducing the Ecological Footprint' section of 'Business Responsibility Report', page 150
6	Emissions / Waste generated by the company within the permissible limits given by CPCB/SPCB	NA
7	Number of show cause/ legal notices received from CPCB/SPCB which are pending	Nil
Principle 7		
1	Trade or chamber association memberships	Refer 'Policy Advocacy' section of 'Business Responsibility Report', page 151
2	Advocacy through above associations for the advancement or improvement of public good	Refer 'Policy Advocacy' section of 'Business Responsibility Report', page 151
Principle 8		
1	Programmes / initiatives / projects related to inclusive growth	Refer 'Investing in Community Development' section of 'Business Responsibility Report', page 152
2	Programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organisation	Refer 'Investing in Community Development' section of 'Business Responsibility Report', page 152
3	Impact assessment of initiatives	Refer 'Investing in Community Development' section of 'Business Responsibility Report', page 152
4	Direct contribution to community development projects- Amount in INR and the details of the projects undertaken	CSR contribution by KMBL in FY 2014-15: ₹ 11,97,54,147/- (Rupees Eleven Crore Ninety Seven Lakh Fifty Four Thousand One Hundred Forty Seven only). For more information refer 'Investing in Community Development' section of 'Business Responsibility Report', page 152
5	Successful adoption of community initiatives by communities	Refer 'Investing in Community Development' section of 'Business Responsibility Report', page 152
Principle 9		
1	Percentage of customer complaints/consumer cases are pending	1.9% (Bank Standalone)
2	Product information display on the product label, over and above what is mandated as per local laws	Refer 'Enhancing Customer Value' section of 'Business Responsibility Report', page 161
3	Cases filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years	Nil
4	Consumer survey/ consumer satisfaction trends	Refer 'Enhancing Customer Value' section of 'Business Responsibility Report', page 161

Report on Corporate Governance

The Bank believes in adopting and adhering to the best standards of corporate governance to all the stakeholders. The Bank's corporate governance is, therefore based on the following principles :

- Appropriate composition, size of the Board and commitment to adequately discharge its responsibilities and duties.
- Transparency and independence in the functions of the Board.
- Independent verification and assured integrity of financial reporting.
- Adequate risk management and Internal Control.
- Protection of shareholders' rights and priority for investor relations.
- Timely and accurate disclosure on all matters concerning operations and performance of the Bank.

The Bank's philosophy on corporate governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealing with the shareholders, employees, the government and other parties. The Bank understands and respects its fiduciary role and responsibility to shareholders.

The report on the Bank's corporate governance, as per the applicable provisions of the Clause 49 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 Clause 49 of the Listing Agreement. As on 31st March 2015, the Board of Directors, comprising a combination of executive and non-executive Directors, consists of ten members, of whom seven are non-executive Directors. The Chairman of the Board was a Non-Executive Director and five out of ten 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 policies, taking new initiatives, performance review, monitoring of plans, pursuing of policies and procedures.

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 31st March 2015 are furnished hereunder:

Dr. Shankar Acharya, Non-Executive Chairman

(DIN: 00033242)

Dr. Shankar Acharya, B.A. (Hons.) from Oxford University and Ph.D. (Economics) from Harvard University, aged 69 years, has considerable experience in various fields of economics and finance. He is a Honorary Professor at the Indian Council for Research on International Economic Relations (ICRIER) and a Member of the Court of Governors at the Administrative Staff College of India (ASCI). He was Chief Economic Adviser, Ministry of Finance, Government of India Member, Securities and Exchange Board of India (SEBI) and Member, Twelfth Finance Commission. He has held several senior positions in the World Bank, including Director of World Development Report (1979) and Research Advisor. He was re-appointed as the Non-Executive Chairman of the Bank at the Annual General Meeting held on 19th July 2012 for a period of three years with effect from 20th July 2012.

He is on the Board of South Asia Institute for Research and Policy (Private) Limited, Sri Lanka and Great Eastern Shipping Co. Ltd. He was also on the Board of Eros International Media Ltd. till 30th April 2015. During 2014-15, Dr. Acharya was the Member of the Audit Committee of Eros International Media Limited and the Chairman of the Stakeholders Relationship Committee of Eros International Media Ltd.

Mr. Uday Kotak, Executive Vice-Chairman and Managing Director

(DIN: 00007467)

Mr. Uday Kotak, aged 56 years, holds a Bachelors degree in Commerce and an MBA from Jamnalal Bajaj Institute of Management Studies, Mumbai. He is the Executive Vice-Chairman and Managing Director of the Bank and its principal founder and promoter. Under Mr. Kotak's leadership, over the past 29 years, Kotak Mahindra group established a prominent presence in every area of financial services from stock broking, investment banking, car finance, life insurance and mutual funds. Mr. Kotak is the recipient of several prestigious awards. He is a member of the Government of India's high level committee on Financing Infrastructure, the Primary Market Advisory Committee of SEBI, Member of the Board of Governors of Indian Council for Research on International Economic Relations, National Institute of Securities Markets and National Council of CII. He is also a Governing Member of the Mahindra United World College of India. Mr. Kotak received the Ernst & Young World Entrepreneur of the Year India Award 2014.

He is on the Board of the following companies :

Kotak Mahindra Asset Management Company Limited
Kotak Mahindra Capital Company Limited
Kotak Mahindra Old Mutual Life Insurance Limited
Kotak Mahindra Investments Limited

Kotak Mahindra Prime Limited
Kotak Forex Brokerage Limited
Kotak Securities Limited

Mr. Uday Kotak is also a member of the Stakeholders Relationship Committee of the Bank, Chairman of the Audit Committees of Kotak Mahindra Capital Company Limited and Kotak Securities Limited and member of the Audit Committee of Kotak Mahindra Asset Management Company Limited.

Mr. C. Jayaram, Joint Managing Director

(DIN: 00012214)

Mr. C. Jayaram, B. A. (Economics), PGDM-IIM, Kolkata, aged 59 years, is Joint Managing Director of the Bank and currently heads the wealth management business and international operations for Kotak Mahindra group. He also oversees the alternative investments business which includes private equity funds and real estate funds, as well as the institutional equities business. He has varied experience of over 37 years in many areas of finance and business and was earlier the Managing Director of Kotak Securities Limited. He has been with the Kotak Group for 25 years and has been 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 Investment Advisors Limited
Kotak Mahindra Asset Management Company Limited
Kotak Mahindra Inc

Kotak Securities Limited
Kotak Mahindra (UK) Limited

Mr. C. Jayaram is a member of the Stakeholders Relationship Committee of the Bank and Audit Committee of Kotak Investment Advisors Limited.

Mr. Dipak Gupta, Joint Managing Director

(DIN: 00004771)

Mr. Dipak Gupta, B.E. (Electronics), PGDM-IIM, Ahmedabad, aged 54 years, is the Joint Managing Director of the Bank and has over 29 years of experience in the financial services sector, 23 years of which have been with the Kotak Group. He is responsible for Group HR, administration, infrastructure, operations and IT. He is also responsible for asset reconstruction business of the Bank. Mr. Dipak Gupta was responsible for leading the Kotak Group's initiatives into the banking arena. He was the Executive Director of Kotak Mahindra Prime Limited. Prior to joining the Kotak Group, he was with A. F. Ferguson & Company. He is on the Board of the following companies :

Kotak Forex Brokerage Limited
Kotak Mahindra Capital Company Limited
Kotak Mahindra Investments Limited

Kotak Mahindra Prime Limited
Kotak Mahindra Old Mutual Life Insurance Limited

Mr. Dipak Gupta is also member of the Stakeholders Relationship Committee of the Bank, Audit Committee of Kotak Mahindra Prime Limited, Kotak Mahindra Capital Company Limited, Kotak Mahindra Old Mutual Life Insurance Limited and Kotak Mahindra Investments Limited.

Mr. Asim Ghosh

(DIN: 00116139)

Mr. Asim Ghosh, aged 67 years, is the President and Chief Executive Officer of Husky Energy Inc. He has a B.Tech, IIT Delhi and MBA from the Wharton School, University of Pennsylvania. Mr. Ghosh commenced his career in consumer goods marketing with Procter & Gamble in the U.S. and Canada and worked subsequently with Rothmans International as a Senior Vice President of Carling O'Keefe Breweries, then one of Canada's major breweries. He moved to Asia in 1989 as CEO of the Frito Lay (Pepsi Foods) start up in India. Thereafter, he was in executive positions with Hutchison in Hong Kong and India for 16 years. He continued as the CEO of the predecessor company of Vodafone India Limited till 31st March 2009 and as a Non-Executive Director till 9th February 2010. Pursuant to the provisions of the Companies Act, 2013, the shareholders at the Extraordinary General Meeting held on 7th January 2015 have appointed Mr. Ghosh as an Independent Director, not liable to retire by rotation, for a period upto 8th May 2016.

He is on the Board of the following companies :

Husky Energy Inc.
Hutchison Telecommunications (Canada) Limited
Hutchison Whampoa Properties Canada (Two) Ltd.
Hutchison Whampoa Properties Canada (Four) Ltd.
Hutchison Whampoa Properties Canada (Six) Ltd.
Union Faith (Lincoln) Ltd.

Husky Oil Operations Limited
Hutchison Whampoa Properties Canada (One) Ltd.
Hutchison Whampoa Properties Canada (Three) Ltd.
Hutchison Whampoa Properties Canada (Five) Ltd.
Union Faith Canada Investment Ltd.
The Ski Club of the Canadian Rockies Limited

Mr. Prakash Apte

(DIN: 00196106)

Mr. Prakash Apte, B.E. (Mechanical), aged 60 years, is presently the Chairman of Syngenta India Limited, a leading agri business company in India. Mr. Apte, in a career spanning over 36 years has considerable experience in various areas of management and business leadership.

During more than 16 years of very successful leadership experience in agri business, he has gained varied knowledge in various aspects of Indian Agri Sector and has been involved with many initiatives for technology, knowledge and skills up gradation in this sector, which is so vital for India's food security. 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. Pursuant to the provisions of the Companies Act, 2013, the shareholders at the Extraordinary General Meeting held on 7th January 2015 have appointed Mr. Apte as an Independent Director, not liable to retire by rotation, for a period upto 17th March 2019.

He is a Director of Syngenta Foundation India and Kotak Mahindra Old Mutual Life Insurance Limited.

Mr. Apte is the Chairman of the Audit Committee of Bank and a member of the Audit Committee of Syngenta India Limited.

Mr. Amit Desai

(DIN: 00310510)

Mr. Amit Desai, B.Com, LLB, aged 55 years, is an eminent professional with 34 years of experience. Pursuant to the provisions of the Companies Act, 2013, the shareholders at the Extraordinary General Meeting held on 7th January 2015 have appointed Mr. Desai as an Independent Director, not liable to retire by rotation, for a period upto 17th March 2019. He is also on the Board of Kotak Mahindra Trustee Company Limited.

Mr. N.P. Sarda

(DIN: 03480129)

Mr. N.P. Sarda, B.Com, F.C.A., aged 69 years, is a Chartered Accountant for more than 40 years. He is a former partner of M/s. Deloitte Haskin & Sells, Chartered Accountants, the past President of the Institute of Chartered Accountants of India (in 1993) and was a public representative Director of the Stock Exchange, Mumbai (BSE). He was a member on the Board of erstwhile International Accounting Standards Committee. He was also member of IFRS Advisory Council, London. He is also on the Board of Blue Dart Express Limited.

Mr. Sarda is a member of the Audit Committee of the Bank.

Prof. S. Mahendra Dev

(DIN: 06519869)

Prof. S. Mahendra Dev, Ph.D. from the Delhi School of Economics, aged 57 years is currently Director and Vice Chancellor, Indira Gandhi Institute of Development Research (IGDR), 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 is also member of the Expert Panel on poverty estimates chaired by Dr. C. Rangarajan. He is a member of National Statistical Commission at the rank of Secretary to Government of India. He is in the Board of Trustees of International Food Policy Research Institute (IFPRI), Washington D.C. Pursuant to the provisions of the Companies Act, 2013, the shareholders at the Extraordinary General Meeting held on 7th January 2015 have appointed Prof. Dev as an Independent Director, not liable to retire by rotation, for a period upto 14th March 2018.

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 65 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. She is currently Global Strategist of Cartica Management, LLC and a member of its Investment Committee. 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. Pursuant to the provisions of the Companies Act, 2013, the shareholders at the Extraordinary General Meeting held on 7th January 2015 have appointed Ms. Khambata as an Independent Director, not liable to retire by rotation, for a period upto 6th September 2019.

She is a member on the Advisory Board of ADM CEECAT Fund and Bancroft II and III Funds and also on the Board of the following companies :

Dragon Capital Group Limited, Vietnam
Vietnam Enterprise Investments Limited

Bank of Muscat, Oman
Tata Sons Limited

Ms. Khambata is a member of the Audit Committees of Dragon Capital Group Limited, Vietnam Enterprise Investments Limited and Tata Sons Limited.

Note: The Committee Memberships of only Audit Committee and Stakeholders Relationship Committee have been considered.

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 during the year ended 31st March 2015 :

Name of Directors	Position	No. of Directorships in other Companies		No. of Committee Positions held in Bank and other Public Companies	
		Indian Public Companies	Other Indian Companies	Chairman	Member
Dr. Shankar Acharya	Non-Executive Chairman	2	-	1	1
Mr. Uday Kotak	Executive Vice-Chairman & Managing Director, Promoter	7	1	2	2
Mr. C. Jayaram	Joint Managing Director	3	-	-	2
Mr. Dipak Gupta	Joint Managing Director	5	-	-	5
Mr. Asim Ghosh	Independent Non-Executive Director	-	-	-	-
Mr. Prakash Apte	Independent Non-Executive Director	2	1	1	1
Mr. Amit Desai	Independent Non-Executive Director	1	-	-	-
Mr. N.P. Sarda	Non-Executive Director	1	-	-	1
Prof. S. Mahendra Dev	Independent Non-Executive Director	1	-	1	2
Ms. Farida Khambata	Independent Non-Executive Director	1	-	-	1

Notes:

- The Committee Memberships mentioned above are of only Statutory Committees as per Clause 49 of the Listing Agreement with Stock Exchanges, namely Audit Committee and Stakeholders Relationship Committee.
- 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.
- In compliance with the Clause 49 of the Listing Agreement, Mr. Prakash Apte, an independent director on the Board of the Bank has been a director on the Board of Kotak Mahindra Old Mutual Life Insurance Limited, a material non listed Indian subsidiary of the Bank.

APPOINTMENT OF ADDITIONAL DIRECTOR**Mr. Mark Edwin Newman**

(DIN : 03518417)

Mr. Mark Edwin Newman was appointed as an Additional Director of the Bank with effect from 5th May 2015. He holds office as a Director up to the date of the ensuing Annual General Meeting and is eligible to be appointed as a Director.

Mr. Mark Edwin Newman, aged 48 years is a Chartered Accountant and has obtained Mathematics (Honours) degree from King's College London. Mr. Mark Newman is CEO, Commercial Banking ING, Asia. He started his career at Deloitte Haskins and Sells where he qualified as a Chartered Accountant before joining ING in 1992, in London. He is also Executive Management Board Member of ASIFMA (Asia Securities Industry and Financial Markets Association).

He is a Non Executive Director on the Board of ING Bank Australia Limited.

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 Executive Vice-Chairman and Managing Director. 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 and strategy and also on the occasion of the annual shareholders' meeting. 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/s and/or Executive Vice-Chairman and Managing Director. Agenda papers are circulated to the Board by the Company Secretary. Additional items on the agenda are permitted with the permission of the Chairman.

The Board also passes resolutions by circulation on need basis. The Bank has been providing the directors with an option to participate in the board meetings through electronic mode.

Minutes of the proceedings of the board meeting are prepared within 48 hours of the meeting. Draft minutes are circulated to the Chairman for his comments. 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 stand alone 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 Executive Vice-Chairman and Managing Director 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, ten meetings of the Board of Directors were held on 30th April 2014, 9th May 2014, 16th July 2014, 8th August 2014, 7th September 2014, 22nd October 2014, 20th November 2014, 7th January 2015, 20th January 2015 and 13th March 2015. The maximum time gap between any two meetings was not more than four months. The average duration of the board meetings held is approximately three hours.

The details of directors' attendance at board meetings held during the year commencing 1st April 2014 and ending 31st March 2015 and at the last AGM are as under:

Sr. No.	Directors	Board Meetings held during the tenure of the member	Board Meetings attended during the year 2014-15	Whether attended last AGM held on 16th July 2014
1.	Dr. Shankar Acharya	10	9	YES
2.	Mr. Uday Kotak	10	10	YES
3.	Mr. C. Jayaram	10	8	YES
4.	Mr. Dipak Gupta	10	10	YES
5.	Mr. Asim Ghosh	10	8	NO
6.	Mr. Prakash Apte	10	10	YES
7.	Mr. Amit Desai	10	8	NO
8.	Mr. N. P. Sarda	10	9	YES
9.	Prof. S. Mahendra Dev	10	8	YES
10.	Ms. Farida Khambata*	5	4	N.A.

*Appointed as an Additional Director with effect from 7th September 2015.

Separate Meeting of Independent Directors

A meeting of the Independent Directors of the Bank was held on 6th September 2014 and the same was attended by Mr. Amit Desai, Mr. Asim Ghosh, Mr. Prakash Apte and Prof. S. Mahendra Dev.

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, minutes of meetings of the Audit Committee and other committees of the Board, details of joint ventures or collaboration agreements 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 Clause 49(VII)(C) of the Listing Agreement)

The details of remuneration to the Executive Directors for the year ended 31st March 2015 is as follows:

Particulars	Mr. Uday Kotak (₹ '000) *	Mr. C. Jayaram (₹ '000) *	Mr. Dipak Gupta (₹ '000) *
Basic	15360.00	15180.00	14940.00
Allowances	2525.00	2525.00	2525.00
Provident Fund	1843.20	1821.60	1792.80
Superannuation	-	-	100.00
Annual Incentive	5000.00	5000.00	5000.00
Number of stock options granted during the year	-	27000 (Series 46)	54410 (Series 45)

*The amount shown above excludes gratuity payable under the Payment of Gratuity Act and value of car perquisites under the Income Tax Act, 1961.

The details of the options granted during the year under the Kotak Mahindra Equity Option Scheme 2007 to the Directors are as under :

Name of Director	Date of Grant	No. of Options granted	Exercise Price	Exercise Period	Options Vested	Vesting Date
Series 45 of Kotak Mahindra Equity Option Scheme 2007						
Mr. Dipak Gupta	9th May 2014	54410	₹ 600/- per share	30th September 2015 to 31st March 2016	30%	30th September 2015
				31st July 2016 to 31st January 2017	30%	31st July 2016
				30th June 2017 to 31st December 2017	20%	30th June 2017
				31st December 2017 to 30th June 2018	20%	31st December 2017
Series 46 of Kotak Mahindra Equity Option Scheme 2007						
Mr. C. Jayaram	20th Nov 2014	27000	₹ 800/- per share	One year from the date of the RBI approval or 30th November 2015 whichever is later to 31st March 2016	30%	One year from the date of the RBI approval or 30th November 2015 whichever is later
				31st July 2016 to 31st January 2017	30%	31st July 2016
				30th June 2017 to 31st December 2017	20%	30th June 2017
				31st December 2017 to 30th June 2018	20%	31st December 2017

Note: The above stock options have been granted at a discount to the then prevailing market price.

Dr. Shankar Acharya was re-appointed as the Non-Executive Chairman of the Bank at the Annual General Meeting held on 19th July 2012. During the year, Dr. Shankar Acharya was paid remuneration of ₹ 2400000/- for the year.

The Reserve Bank of India (RBI) has approved (i) the revision in remuneration to Mr. Uday Kotak, Executive Vice-Chairman & Managing Director and Mr. Dipak Gupta, the Joint Managing Director (ii) the annual incentive payable for the financial year ended 31st March 2014 (iii) the stock options granted (as indicated above) to Mr Dipak Gupta. (iv) the remuneration to Dr Shankar Acharya, Non-Executive Chairman. RBI approval for revision in remuneration and stock options granted to Mr. C. Jayaram, Joint Managing Director is awaited.

The details of sitting fees paid to the non-executive directors for the year ended 31st March 2015 is as follows :

Sr. No.	Name of Director	Sitting fees (₹ '000)
1.	Dr. Shankar Acharya	490.00
2.	Mr. Asim Ghosh	320.00
3.	Mr. Prakash Apte	955.00
4.	Mr. Amit Desai	480.00
5.	Mr. N.P. Sarda	655.00
6.	Prof. S. Mahendra Dev	775.00
7.	Mrs. Farida Khambata	200.00

Notes:

- The performance bonus to Joint Managing Directors are based on the recommendation of the Executive Vice-Chairman and Managing Director of the Bank. The Board of Directors of the Bank decides the performance bonus to be paid to the Executive Vice-Chairman and Managing Director and the Joint Managing Directors on the basis of the performance of the Bank and the fulfilment of responsibilities assigned to them.

2. The terms of employment of Mr. Uday Kotak, Mr. C. Jayaram and Mr. Dipak Gupta provide for termination by mutual consent or by giving not less than three month's notice in writing. In the event of termination of employment, the liability of the Bank shall be limited to providing only the salary and perquisites as prescribed by the terms of employment for a period of three months from the date of notice.
3. The Non-Executive Directors of the Bank, except Dr. Shankar Acharya, are not paid any remuneration other than the sitting fees.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has constituted several committees to deal with specific matters and delegated powers for different functional areas. The Audit Committee and Stakeholders Relationship Committee have been constituted in accordance with the guidelines issued by the Reserve Bank of India, Securities and Exchange Board of India read with requirements of the Companies Act, 2013. Besides the above, the Board has also set up other committees such as Nomination & Remuneration Committee, Share Transfer and Routine Transactions Committee (START), Management Committee, Premises Committee, Asset Liability Committee (ALCO), Investment Committee, Risk Management Committee, Information Technology Committee, First Tier Audit Committee, Customer Services Committee, Committee on Frauds and Corporate Social Responsibility Committee.

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 periodically, as conditions dictate.
- Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 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:
 - a. 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.
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with regulatory guidelines, listing agreement and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report
 - h. Going concern assumption
 - i. Compliance with Indian Accounting Standards issued by the Institute of Chartered Accountants of India
 - j. Review significant Related Party transactions – Related Parties to have the same meaning as provided in Clause 49(VII) of the Listing Agreement.
 - k. Approval or any subsequent modification of transactions of the company with related parties;
 - l. Scrutiny of inter-corporate loans and investments;
 - m. Valuation of undertakings or assets of the company, wherever it is necessary;
 - n. Evaluation of internal financial controls and risk management systems.
- Review, with the management, the quarterly financial statements before submission to the board for approval
- Review Management discussion and analysis of financial condition and results of operations.
- Review the regular internal reports to management prepared by the internal auditing department and management's response, including those pertaining to internal control weaknesses.
- Discuss with independent statutory auditors significant issues raised in the Long Form Audit Report and follow up there on.
- Discuss with internal auditors any significant findings and follow up there on.
- 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 internal audit reports and minutes of meetings of Audit Committee of the subsidiaries.
- Reviewing, with the management, the statement of uses / application of funds, wherever necessary, raised through an issue (public issue, rights 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 utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter wherever necessary.

Independent Statutory Auditors

- Recommend to the Board of Directors the appointment, re-appointment, replacement and removal of the independent statutory auditors, considering independence and effectiveness and approve terms of appointment, the fees and other compensation to be paid to the independent statutory auditors.
- Approve all payments for services rendered other than as statutory auditors.
- Review and monitor, with management, independence, the performance of the statutory auditors and effectiveness of audit process.
- Periodically consult with the independent statutory auditors in the absence of management about internal controls and the fullness and accuracy of the organization's financial statements.
- 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.

Internal Audit Department

- Approve appointment, re-appointment, replacement and removal of the concurrent auditors and outsourced internal auditors and 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.
- Review the findings of any internal investigations 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, performance and terms of Head – Internal Audit.

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 there of.

Risk Management

- Review the adequacy of Bank's financial and risk management policies and report the matter to the Board of Directors.
- Review the overall exposure to Capital Market.

Process Improvement

- Establish regular and separate systems of reporting to the Audit Committee by each of management, the independent statutory auditors and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to 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 the independent statutory auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

Ethical and Legal Compliance

- Establish, review and update periodically a Code of Conduct and ensure that management has established a system to enforce this Code.

- Review management's monitoring of the Bank's compliance with the organization's Code of Conduct, and ensure that management has the proper review system in place to ensure that Bank's financial statements, reports and other financial information disseminated to regulators, and the public satisfy legal requirements.
- 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.
- Review the functioning of the Whistle Blower mechanism.
- Review reports from the Bank's compliance officer.
- Approval of appointment of CFO after assessing the qualifications, experience and background, etc. of the candidate;
- Perform any other activities consistent with this Charter, the Bank's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

The Audit Committee was re-constituted by the Board on 30th April 2014 and presently consists of Mr. Prakash Apte (Chairman), Mr. N.P. Sarda and Prof. S. Mahendra Dev.

All the members of the Committee are Non-Executive Directors and two out of the three members are Independent Directors. All the members of the Committee are financially literate within the meaning of the Clause 49 of the listing agreement. Mr. N.P. Sarda possesses accounting and financial management expertise.

The Company Secretary acts as the Secretary to the Committee. The Chairman of the Audit Committee Mr. Prakash Apte was present at the last Annual General Meeting to answer the queries of the shareholders.

During the year, ten meetings of the Committee were held on 30th April 2014, 1st May 2014, 9th June 2014, 16th July 2014, 17th July 2014, 21st October 2014, 20th November 2014, 24th December 2014, 19th January 2015 and 13th March 2015. The Committee meets for approximately two hours. The maximum time gap between any two meetings was not more than four months. The meetings were attended by the members of the Committee, as detailed below :

Name of Members of Audit Committee	Meetings held during the tenure of the member in 2014-15	Meetings Attended during the year 2014-15
Mr. Prakash Apte (Chairman)	10	10
Mr. N. P. Sarda	10	10
Prof. S. Mahendra Dev	10	10

The Bank has constituted a First Tier Audit Committee as per the guidelines issued by the Reserve Bank of India. The Committee consists of five members viz., Mr. Dipak Gupta, Joint Managing Director, Mr. Jaimin Bhatt – President & Group CFO, Mr. Shyam Sunder, Advisor Compliance, Mr. Arvind Kathpalia – Group Head Risk and Mr. T.V. Sudhakar, Head - Compliance. 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, fourteen meetings of the Committee were held. The Committee meets for approximately four hours.

Stakeholders Relationship Committee

Pursuant to the provisions of Section 178 of the Companies Act, 2013, the Board at its meeting held on 30th April 2014, granted its consent for renaming of the Investor Relations (Shareholders'/Investors' Grievance) Committee as Stakeholders Relationship Committee.

The Stakeholders Relationship Committee of the Bank consists of four members, Prof. S. Mahendra Dev (Chairman), Mr. Uday Kotak, Mr. C. Jayaram and Mr. Dipak Gupta, with any two forming the quorum. The Committee reviews the complaints received from the shareholders and ensures redressal thereof. The constitution and composition of the Committee is in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and the criteria specified by the Reserve Bank of India. The Company Secretary acts as the Secretary and has been appointed as the Compliance Officer of the Committee.

During the year, two meetings of the Committee were held on 27th June 2014 and 23rd December 2014. The Committee meets for approximately thirty minutes. All the four members attended both the meetings.

During the year under review, 32 investor complaints were received and no investor complaint was pending as on 31st March 2015. As on 31st March 2015, 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.

Nomination & Remuneration Committee

Pursuant to the provisions of Section 178 of the Companies Act, 2013, the Board at its meeting held on 30th April 2014 granted its consent to merge the existing Nomination Committee and ESOP/Compensation Committee into one Committee i.e. 'Nomination & Remuneration Committee', comprising of Mr. Amit Desai (Chairman), Dr. Shankar Acharya and Mr. Prakash Apte with any two forming the quorum. A brief description of the terms of reference of the Committee is 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 shall carry out evaluation of every director's performance.
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—
 - a. 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;
 - b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - c. 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.

During the year, four meetings of the Committee were held on 9th May 2014, 6th September 2014, 20th November 2014 and 13th March 2015. Dr. Acharya and Mr. Apte attended all the four meetings and Mr. Desai attended three meetings of the Committee.

The Bank has a Remuneration policy in place, the details of which have been mentioned in the Directors' Report.

Share Transfer and Routine Transactions (START) Committee

The START Committee of the Bank consists of Mr. Uday Kotak (Chairman), Mr. C. Jayaram and Mr. Dipak Gupta, with any two forming the quorum. The terms of reference of the START Committee is as follows:

- (a) To approve transfer, transmission, transposition, name deletion, consolidation and splitting of share and debenture certificates of the Company.
- (b) To issue duplicate share/debenture certificates.
- (c) To apply for registration of the Company with various authorities of any state or Centre including sales tax authorities, income tax authorities, shops & establishment authorities, and to do or perform all matters relating to such matters.
- (d) 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.
- (e) To open, operate and close Bank Accounts of the Company and change the operating instructions of existing Bank Accounts of the Company.
- (f) To authorise persons to sign on behalf of the Company Share Certificates, Share Allotment Letters, Deposit Receipts.
- (g) To authorise persons to represent the Company at General Meetings of any company or cooperative society of which the Company is a shareholder/member.
- (h) 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.
- (i) 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.
- (j) 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.
- (k) To authorise officials of the Company to execute transfer deeds on behalf of the Company.
- (l) 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.
- (m) 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.
- (n) 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.

- (o) To appoint or change nominees to hold shares for and on behalf of the Company in any subsidiary/associate companies.
- (p) To grant permission and authorise incorporation of companies, with a prefix "Kotak Mahindra" before the name.
- (q) 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.

During the year, twenty four meetings of the Committee were held. Mr. Uday Kotak attended all the meetings, Mr. C. Jayaram and Mr. Dipak Gupta attended twenty two meetings each.

Management Committee

The Management Committee of the Bank consists of four members, with any three forming the quorum. The Committee has been constituted to review all important matters to be placed before the Board, assess adequacy of policies on an on-going basis, review business operations, corporate governance, implementation of policies, to establish systems for facilitating efficient operations and to approve donations. Further, the Board of Directors of the Bank at their meeting held on 20th October 2010 authorized the Management Committee to exercise the supervisory powers in connection with the risk management of the Bank which inter alia includes, monitoring of the exposures, reviewing adequacy of risk management process and upgradation thereof, reviewing the internal control system and ensuring compliance with the statutory/regulatory framework of the risk management process.

The Committee presently consists of Mr. Uday Kotak (Chairman), Mr. Dipak Gupta, Mr. C. Jayaram and Mr. Prakash Apte as members of the Committee.

During the year, two meetings of the Committee were held on 17th July 2014 and 23rd December 2014. All the four members attended both the meetings.

Committee on Frauds

Pursuant to the directives of the Reserve Bank of India, the Bank has constituted a Committee on Frauds for monitoring and reviewing all the frauds involving amounts of ₹ 1 crore and above. The Committee presently consists of four members, Mr. Uday Kotak, Mr. Dipak Gupta, Mr. N.P. Sarda and Mr. Prakash Apte.

During the year, two meetings of the Committee were held on 1st May 2014 and 24th December 2014. All the four members attended both the meetings.

The Bank has also constituted a First Tier Committee on Frauds to assist the Committee on Frauds of Board of Directors in discharging their responsibilities with respect to prevention, detection, reporting and monitoring of large value frauds. The Committee presently consists of eleven Bank officials with five bank officials forming the quorum.

Customer Services Committee

The Bank has, pursuant to the directives issued by the Reserve Bank of India, constituted a Customer Services Committee. The Committee comprised of three members viz; Prof. S. Mahendra Dev (Chairman), Mr. Uday Kotak and Mr. Dipak Gupta. 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 cliental, at all times.

During the year, two meetings of the Committee were held on 27th June 2014 and 23rd December 2014. All the three members attended both the meetings.

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; Prof. S. Mahendra Dev, Mr. C. Jayaram and Mr. Dipak Gupta, with any two members forming the quorum. The Committee has been constituted to :

- Formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Bank, as laid down in Schedule VII to the Act;
- Recommend the amount of expenditure to be incurred on the CSR activities;
- Monitor Bank's CSR Policy and implementation of CSR projects undertaken from time to time.

During the year, three meetings of the Committee were held on 29th April 2014, 4th September 2014 and 13th March 2015 Mr. Dipak Gupta and Mr. C. Jayaram attended all the three meetings. Prof. S. Mahendra Dev attended two meetings.

Risk Management Committee

The existing Risk Management Committee of the Bank was re-constituted by the Board on 30th April 2014 to make it a Board level Committee and the same presently consists of Mr. Uday Kotak (Chairman), Mr. C. Jayaram, Mr. Dipak Gupta and Mr. Amit Desai, with any two forming the quorum. The terms of reference of the Committee includes to identify, monitor and measure the risk profile of the Bank; develop policies and procedures; verify models that are used for preparing complex products; review models as development takes place in the markets and also identify new risks; monitor compliance of various risk parameters by operating departments; design stress scenarios to measure the impact of unusual market conditions and monitor variance between actual volatility of portfolio value and that predicted by risk measures; and 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.

During the year, four meetings of the Committee were held on 28th June 2014, 20th September 2014, 13th December 2014 and 28th February 2015. Mr. Uday Kotak and Mr. Dipak Gupta attended all the four meetings, Mr. C. Jayaram attended three meetings and Mr. Amit Desai attended two meetings of the Committee.

Code of Conduct

The Board of Directors of the Bank at its meeting held on 18th March 2011 adopted the revised Code of Conduct for the purpose of Clause 49 applicable to the Board of Directors and Senior Management Personnel respectively. The Code of Conduct for the Board of Directors was further revised on 7th September 2014. Both the Code of Conduct have been posted on the website of the Bank, i.e. www.kotak.com.

Familiarisation programme for Independent Directors

Overview of the Training Programme attended by the Independent Directors of the Bank:

Mr. N.P. Sarda attended the programme arranged by the National Stock Exchange of India Ltd. on 'Board Evaluation'.

Overview of the Familiarization Programme conducted for the Independent Director of the Bank:

Two sessions were conducted by the Bank on 11th November 2014 and 6th January 2015 respectively to familiarise the new Independent Director with the nature of the industry in which the Bank operates, business model, risk management system and technology of the Bank.

The details of the same are also available on the Bank's website viz. URL: <http://ir.kotak.com/governance/policies.html>

General Meetings

During the last three years, the general meetings of the equity shareholders as detailed below :

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
Extraordinary General Meeting	Wednesday 7th January 2015 at 4.00 p.m. at Y. B. Chavan Auditorium, Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai – 400 021	Resolution with requisite majority pursuant to the provisions of Section 44A of the Banking Regulation Act, 1949 and Reserve Bank of India's guidelines for merger / amalgamation of private sector banks dated May 11, 2005 to approve the amalgamation of ING Vysya Bank Limited with Kotak Mahindra Bank Limited in accordance with a Scheme of Amalgamation as sanctioned by the Reserve Bank of India.
Extraordinary General Meeting	Wednesday 7th January 2015 at 1.30 p.m. at Y. B. Chavan Auditorium, Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai – 400 021	Special resolution pursuant to the applicable provisions of Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000, the Master Circular on Foreign Investment in India dated 1st July 2014 issued by the Reserve Bank of India ("RBI"), Consolidated FDI Policy dated 17th April 2014 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India and other applicable rules, guidelines, regulations, notifications, circulars, provisions, if any, (including any amendments, or re-enactments or re-notification of each of the above for the time being in force), and subject to the approval of the Reserve Bank of India, Foreign Investment Promotion Board and such other statutory/ regulatory approvals as may be necessary, to increase the ceiling limit on total holdings of Foreign Institutional Investors (FIIs)/ Securities and Exchange Board of India approved sub-account of FIIs, Foreign Portfolio Investors (FPIs), Qualified Foreign Investors (QFIs), Non Resident Indians (NRIs) and Persons of Indian Origin (PIOs) under the Portfolio Investment Scheme in the equity share capital of the Bank, through primary or secondary route to such percentage as the Board may decide from time to time not exceeding 42% of the paid-up equity capital of the Bank with effect from such date(s) as may be decided by the Board from time to time.

General Meetings	Day, Date and Time	Special Resolutions / Resolutions with requisite majority passed thereat
Twenty Ninth Annual General Meeting	Wednesday, 16th July 2014 at 11.30 a.m. at National Stock Exchange of India Limited, Dr. R.H. Patil Auditorium, Exchange Plaza, Ground Floor, Bandra-Kurla Complex, Bandra (E), Mumbai 400051	<p>Special Resolutions 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 ₹ 40,000 crore (Rupees Forty Thousand Crore Only).</p> <p>Special Resolution pursuant to the applicable provisions of the Companies Act, 2013, Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000, the Master Circular on Foreign Investment in India dated 1st July 2013 issued by the Reserve Bank of India ("RBI"), Consolidated FDI Policy dated 17th April 2014 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India and other applicable rules, guidelines, regulations, notifications, circulars, provisions, if any, (including any amendments, or re-enactments or re-notification thereof for the time being in force), to increase the ceiling limit on total holdings of Foreign Institutional Investors (FIIs)/ Securities and Exchange Board of India approved sub-account of FIIs, Foreign Portfolio Investor (FPI) and Qualified Foreign Investor (QFI) in the equity share capital of the Bank, through primary or secondary route to 40% of the paid-up equity capital of the Bank with effect from such date(s) as may be decided by the Board from time to time.</p>
Twenty Eighth Annual General Meeting	Thursday, 18th July 2013 at 11.30 a.m. at Indian Merchants' Chamber, Walchand Hirachand Hall, 4th Floor, Churchgate, Mumbai 400 020	<p>Special Resolution pursuant to the applicable provisions of the Companies Act, 1956, Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000, the Master Circular on Foreign Investment in India dated 2nd July 2012 issued by the Reserve Bank of India ("RBI"), Consolidated FDI Policy dated 5th April 2013 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India and other applicable rules, guidelines, regulations, notifications, circulars, provisions, if any, (including any amendments, or re-enactments or re-notification thereof for the time being in force), to increase the ceiling limit on total holdings of Foreign Institutional Investors (FIIs)/ Securities and Exchange Board of India approved sub-account of FIIs in the equity share capital of the Bank, through primary or secondary route, from 35% to 37% of the paid-up equity capital of the Bank with effect from such date(s) as may be decided by the Board from time to time.</p>
Extraordinary General Meeting	Thursday, 9th May 2013 at 3 p.m. at Indian Merchants' Chamber, Walchand Hirachand Hall, 4th Floor, Churchgate, Mumbai 400 020	<p>Special Resolution pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 for issue and allotment of 2,00,00,000 equity shares of the Bank of face value of ₹ 5, to Heliconia Pte Ltd., a private company limited by shares incorporated and existing under the laws of Singapore, on a preferential basis at a price per equity share of ₹ 648, for a total consideration of ₹ 12,96,00,00,000, through the Foreign Direct Investment ("FDI") route.</p>
Twenty Seventh Annual General Meeting	Thursday, 19th July 2012 at 11.30 a.m. at Indian Merchants' Chamber, Walchand Hirachand Hall, 4th Floor, Churchgate, Mumbai 400 020	<p>Special Resolution pursuant to the applicable provisions of the Companies Act, 1956, Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000, for increase in the ceiling limit on total holdings of Foreign Institutional Investors (FIIs)/ Securities and Exchange Board of India approved sub-account of FIIs in the equity share capital of the Bank, through primary or secondary route, from 33% to 35% of the paid-up equity capital of the Bank.</p>

Postal Ballot

The Board of Directors of the Bank, at its meeting held on 8th August 2014, had provided its approval to the proposal for conducting Postal Ballot pursuant to Section 110 of the Companies Act, 2013, for seeking approval of the Members for Special Resolution under Section 42 of the Companies Act, 2013 for issuance of securities in the nature of non-convertible debentures on private placement basis, upto ₹ 5000 crore, for its general corporate purposes within the overall borrowing limits of the Bank.

The Board had appointed Mr. Ashwin Ankhad, Advocate and Managing Partner, M/s. Ashwin Ankhad & Associates, Mumbai as the Scrutinizer for conducting the Postal Ballot and electronic voting process in a fair and transparent manner. The Notice of Postal Ballot dated 8th August 2014 along

with the Postal Ballot Forms and postage pre-paid self-addressed business reply envelope were sent to all the Members (with dispatch having been completed on 19th August 2014), for recording their assent or dissent in writing therein or through electronic means. The voting period commenced from Wednesday, 20th August 2014 (9:00 a.m. onwards) till Wednesday, 17th September 2014 (6:00 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, 8th August, 2014. Pursuant to Section 12(2) of the Banking Regulation Act, 1949, voting rights of the members exceeding 10% of the total voting rights of the shareholders of the Bank were not considered.

The Scrutinizer had submitted his report dated 19th September, 2014 on postal ballot & electronic voting process. The details of the voting pattern are given below :

Promoter / Public	No. of shares held	No. of votes polled	% of Votes Polled on outstanding shares	No. of Votes - in favour	No. of Votes - against	% of Votes in favour on votes polled	% of Votes against on votes polled
	(1)	(2)	(3) = [(2)/(1)]*100	(4)	(5)	(6) = [(4)/(2)]*100	(7) = [(5)/(2)]*100
Promoter and Promoter Group	310978052	80923709*	26.02	80923709	-	100.00	-
Public – Institutional holders	280862813	228089191	81.21	227898421	190770	99.92	0.08
Public-Others	178965150	65453855	36.57	65437375	16480	99.97	0.03
Total	770806015	374466755	48.58	374259505	207250	99.94	0.06

* Pursuant to Section 12(2) of the Banking Regulation Act, 1949, voting rights of the members exceeding 10% of the total voting rights of the shareholders of the Bank were not considered.

Accordingly, the Special Resolution, as set out in the Postal Ballot Notice dated 8th August, 2014, 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 Clause 49(VII) of the Listing Agreement 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.
- The Bank has adopted the Whistle Blower Policy pursuant to which employees 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 same option has now been extended to the vendors of the Bank also. 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.

SHAREHOLDERS' INFORMATION

Date of Incorporation : 21st November 1985.

Registration No. : 11-38137 TA

Corporate Identification No. : L65110MH1985PLC038137

Address for Correspondence :

Registered Office : 27BKC, C 27, G Block, Bandra Kurla Complex,
Bandra (E), Mumbai- 400 051.
Tel. No.(022) 61660000
Fax No. : (022) 67132403
Website: www.kotak.com

Contact : Ms. Bina Chandarana,
Company Secretary & Sr. Executive Vice President

Registrar & Share Transfer Agent : Karvy Computershare Private Limited

(i) Karvy Selenium Tower B, Plot 31-32
Gachibowli, Financial District, Nanakramguda,
Hyderabad - 500 032
Tel Nos. : (040) 67162222
Fax No. : (040) 23001153

(ii) 7, Andheri Industrial Estate, Off Veera Desai Road,
Mumbai - 400 058
Tel Nos. : (022) 2636 7226 /2636 9044
Fax No. : (022) 26310882
Website : www.karvy.com

Annual General Meeting:

Date and Time : Monday, 29th June 2015 at 11.30 a.m.

Venue : Y. B. Chavan Auditorium, Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai - 400 021.

Financial Year : 1st April to 31st March

Date of Book Closure : 22nd June 2015 to 29th June 2015 (both days inclusive) for payment of dividend.

Dividend Payment Date : On or after Tuesday, 30th June 2015.

INVESTOR RELATIONS

The Bank publishes consolidated results on a quarterly basis. The same are also reviewed by the Audit Committee before submission to the Board. The consolidated financial results of the Banks 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 an earnings update is also posted on the website of the Bank. Every quarter, the Executive Vice-Chairman and Managing Director and the Joint Managing Director(s) 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 around the last week of the month subsequent to the end of the quarter. The audited annual accounts as at 31st 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.	The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023	500247
2.	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Bandra-Kurla Complex, Bandra, Mumbai 400 051	KOTAKBANK
3.	Luxembourg Stock Exchange BP 165, L-2011 Luxembourg	US50071Q2003

The annual fees for 2015-16 have been paid to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, where the shares of the Bank are listed. Also maintenance charges are being paid periodically to Luxembourg Stock Exchange.

Trading of shares to be in compulsorily dematerialized form: The Securities and Exchange Board of India has included the equity shares of the Bank in the list of shares in which trading is compulsorily in dematerialized form, from 29th November 1999. The equity shares of the Bank have been activated for dematerialisation with the National Securities Depository Limited with effect from 4th August 1998 and with the Central Depository Services (India) Limited with effect from 26th February 1999. Pursuant to the sub-division of the equity shares of the Bank, w.e.f. 15th September 2010, the new ISIN is INE237A01028.

Share Transfer System: Applications for transfers, transmission and transposition are received by the Bank at its Registered Office or at the office(s) of its Registrars & Share Transfer Agents. As the shares of the Bank are in dematerialised form, the transfers are duly processed by NSDL/CDSL in electronic form through the respective depository participants. Shares which are in physical form are processed by the Registrars & Share Transfer Agents on a regular basis and the certificates despatched directly to the investors.

Investor Helpdesk: Share transfers, dividend payments and all other investor related activities are attended to and processed at the office of our Registrars & Share Transfer Agents. For lodgement of Transfer Deeds and any other documents or for any grievances/complaints, kindly contact Kary Computershare Private Limited, contact details of which are provided elsewhere in the Report.

For the convenience of the investors, transfers 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) 61660000
Fax : (022) 67132403
E-mail : investor.grievances@kotak.com
Website : www.kotak.com

Transfer to Investor Education and Protection Fund:

Pursuant to Section 205C of the Companies Act, 1956, dividends that are unclaimed for a period of seven years get transferred to the Investor Education and Protection Fund administered by the Central Government. The table given below gives the dates of dividend declaration and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government.

Year	Dividend-Type	Date of Declaration	Due Date of Transfer
2007-08	Final	28th July 2008	27th August 2015
2008-09	Final	28th July 2009	27th August 2016
2009-10	Final	21st July 2010	20th August 2017
2010-11	Final	21st July 2011	20th August 2018
2011-12	Final	19th July 2012	18th August 2019
2012-13	Final	18th July 2013	17th August 2020
2014-15	Final	16th July 2014	14th August 2021

SHARE PRICE DETAILS

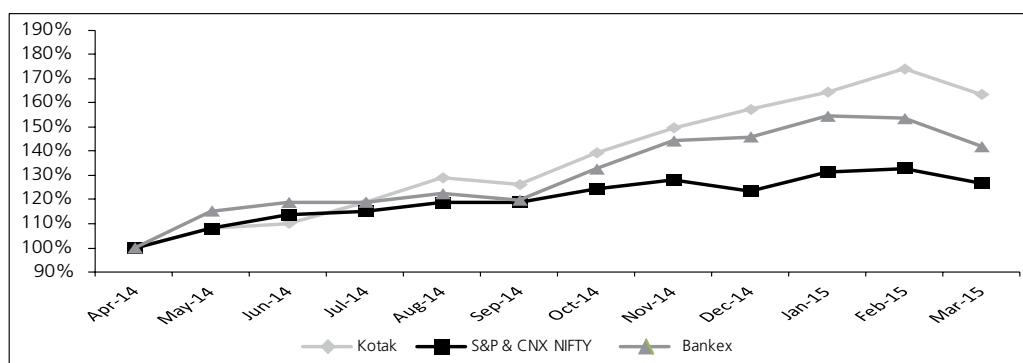
The Monthly high and low quotation of shares traded on BSE:

Month	High (₹)	Low (₹)	Close (₹)	Sensex	Bankex
April 2014	833.95	711.35	803.25	22417.80	14706.66
May 2014	950.00	785.00	867.55	24217.34	16953.86
June 2014	971.80	853.95	885.15	25413.78	17475.08
July 2014	979.35	847.15	953.65	25894.97	17485.61
August 2014	1060.00	919.05	1036.00	26638.11	18003.68
September 2014	1086.10	995.80	1013.45	26630.51	17615.46
October 2014	1121.45	980.00	1119.10	27865.83	19505.16
November 2014	1260.90	1064.65	1202.25	28693.99	21212.07
December 2014	1312.00	1194.95	1263.15	27499.42	21458.11
January 2015	1440.00	1234.05	1320.85	29182.95	22715.52
February 2015	1410.00	1238.00	1397.40	29361.50	22572.97
March 2015	1456.60	1277.20	1313.15	27957.49	20865.31

The Monthly high and low quotation of shares traded on NSE:

Month	High (₹)	Low (₹)	Close (₹)	S&P & CNX NIFTY	CNX Bank
April 2014	834.60	750.00	802.60	6696.40	12855.85
May 2014	951.00	797.75	868.65	7229.95	14793.40
June 2014	971.95	852.70	883.55	7611.35	15241.90
July 2014	979.60	847.20	953.70	7721.30	15267.60
August 2014	1059.95	919.00	1037.55	7954.35	15740.40
September 2014	1086.60	996.00	1013.10	7964.80	15392.25
October 2014	1122.25	980.35	1118.25	8322.20	17045.05
November 2014	1264.70	1040.50	1202.50	8588.25	18513.15
December 2014	1315.50	1190.20	1263.90	8282.70	18736.65
January 2015	1444.00	1233.55	1322.20	8808.90	19843.75
February 2015	1408.00	1236.25	1397.05	8901.85	19691.20
March 2015	1457.75	1275.70	1313.25	8491.00	18206.65

Kotak Vs Bankex and S&P CNX Nifty



SHARE HOLDING:

Category	As on 31st March 2015		As on 31st March 2014	
	No. of Shares Held	Percentage of Shares	No. of Shares Held	Percentage of Shares
A. Promoters Holding				
Promoters	309096342	40.02	335681124	43.58
Sub-Total	309096342	40.02	335681124	43.58
B. Non-Promoters Holding				
Institutional Investors				
a. Mutual Funds & UTI	12733378	1.65	12549964	1.63
b. Banks, Financial Institutions, Insurance Companies (State / Central Govt. Institutions)	1650163	0.21	1671576	0.22
c. Foreign Institutional Investors	284587197	36.85	244057781	31.68
d. Qualified Foreign Investors	-	-	150	-
Sub-Total	298970738	38.71	258279471	33.53

Category	As on 31st March 2015		As on 31st March 2014	
	No. of Shares Held	Percentage of Shares	No. of Shares Held	Percentage of Shares
C. Others				
a. Private Corporate Bodies	25451859	3.30	25939125	3.37
b. Indian Public including Directors & Relatives	81061985	10.49	87139414	11.30
c. NRIs / OCBs / Foreign Bodies DR	7476388	0.96	8320896	1.08
d. Global Depository Shares (GDS)	996398	0.13	1257492	0.16
e. Foreign Bank	32800000	4.25	32800000	4.26
f. Foreign Bodies	15724002	2.04	20000000	2.60
g. Qualified Foreign Investor	-	0.00	75	0.00
h. Clearing Members	774952	0.10	893404	0.12
Sub-Total	164285584	21.27	176350406	22.89
Grand Total	772352664	100	770311001	100

Note: The increase in capital is due to allotment of 2041663 equity shares of ₹ 5/- each under various ESOP Schemes of the Bank during the financial year 2014-15.

SHAREHOLDING OF DIRECTORS OF THE BANK:

Name of the Director	As on 31st March 2015	
	No. of Shares Held	Percentage of Shares
Dr. Shankar Acharya	-	-
*Mr. Uday Kotak	306263550	39.65
Mr. Asim Ghosh	-	-
Mr. Amit K. Desai	771250	0.10
Mr. Prakash Apte	-	-
Mr. N.P. Sarda	-	-
Prof. S. Mahendra Dev	-	-
Mrs Farida Khambata	12000	0.00
Mr. C. Jayaram	633930	0.08
Mr. Dipak Gupta	716920	0.09

Note : *In addition, as on 31st March 2015, Kotak Trustee Company Pvt. Ltd. holds 312278 equity shares of the Bank representing 0.04 % of the paid up 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.

List of Top 10 Shareholders of Kotak Mahindra Bank Limited as on 31st March 2015.

Sr. no.	Name of the investor	Total shares held	%	Categories
1	Uday Suresh Kotak	306263550	39.65	PRO
2	Europacific Growth Fund	38186776	4.94	FII
3	Canada Pension Plan Investment Board - Managed Byim2	35869425	4.64	FII
4	Sumitomo Mitsui Banking Corporation	32800000	4.25	FBN
5	National Westminster Bank Plc As Depository Of First State Asia Pacific Leaders Fund A Sub Fund Of First State Investments Icv	18497064	2.39	FII
6	Caladium Investment Pte Ltd	15724002	2.04	FBN
7	Anuradha Mahindra	13248289	1.72	PUB
8	Goldman Sachs (Singapore) Pte	12531562	1.62	FII
9	Matthews Pacific Tiger Fund	10515816	1.36	FII
10	Avion Aerosols Private Limited	7604050	0.98	LTD

Distribution Schedule as on 31st March 2015

Sr. No.	Category from to	No. of Holders	% of Holders	No. of Shares	% of shares
1	1 - 100	44770	61.28	1435296	0.19
2	101 - 200	6616	9.06	1106644	0.14
3	201 - 300	2733	3.74	712373	0.09
4	301 - 400	1997	2.73	754665	0.10
5	401 - 500	1968	2.69	956949	0.12
6	501 - 1000	5051	6.91	4231741	0.55
7	1001 - 2000	5161	7.06	8811664	1.14
8	2001 - 3000	1938	2.65	4953584	0.64
9	3001 - 4000	809	1.11	3029891	0.39
10	4001 - 5000	482	0.66	2298752	0.30
11	5001 - 10000	553	0.76	3856299	0.50
12	10001 and above	981	1.34	740204806	95.84
TOTAL		73059	100.00	772352664	100.00

The break-up of the shares held in physical and electronic mode as on 31st March, 2015 is given in the below mentioned table:

Physical mode		Electronic mode	
Total Shares	% to Equity	Total Shares	% to Equity
6186839*	0.80	766165825	99.20

*Includes 107426 equity shares allotted on exercise of options by employees, on 31st March 2015 for which the credit was pending as on 31st March 2015.

Outstanding GDS:

The Bank has 1037075 GDS outstanding as at 31st March 2015.

The Bank has complied with all the mandatory and some of the non mandatory requirements of the Code of Corporate Governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

Compliance with Non-mandatory Requirements:
1) The Board

The office of Non-Executive Chairman of the Bank is maintained by the Bank at its expenses and all the expenses incurred in performance of his duties are reimbursed by the Bank. Pursuant to Section 10A(2A) of the Banking Regulation Act, 1949, no Director of a banking company, other than its Chairman or whole-time Director, shall hold office continuously for a period exceeding eight years.

2) Shareholder Rights

The quarterly results of the Bank are published in one English and one Marathi newspaper, having wide circulation in Maharashtra. Further, the quarterly results are also posted on the website of the Bank – www.kotak.com. 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 results are also available on www.corpfilling.co.in. The quarterly results are sent by email to those shareholders whose email ids are registered with Depository 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 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

Dr. Shankar Acharya, a Non-Executive Director is the Chairman and Mr. Uday Kotak is the Executive Vice-Chairman & Managing Director 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 one month of the quarter and 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 as well as other press releases are simultaneously displayed on the Bank's website www.kotak.com. 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. In addition to this, the quarterly results and earnings update are also prepared and posted on the website of the Bank. Further, the quarterly results are sent by email to those shareholders whose email Ids are registered with Depository for communication purposes. 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.

Pursuant to the Companies (Accounts) Rules, 2014, the Bank proposes to send the financial statements for the year ended 31st March 2015, by electronic mode to the members whose shareholding is in dematerialised format and whose email Ids are registered with Depository for communication purposes.

The Bank has also posted information relating to its financial results and shareholding pattern on Corporate Filing and Dissemination System (Corp filing) at www.corpfiling.co.in

Declaration

In accordance with Clause 49 of the Listing Agreement 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 31st March 2015.

For **Kotak Mahindra Bank Limited**

Uday Kotak

Executive Vice Chairman and Managing Director

Place : Mumbai

Date : 5th May 2015

INDEPENDENT AUDITOR'S CERTIFICATE**To the Members of KOTAK MAHINDRA BANK LIMITED**

We have examined the compliance of conditions of Corporate Governance by **KOTAK MAHINDRA BANK LIMITED** ("the Bank") for the year ended on 31st March 2015, as stipulated in Clause 49 of the Listing Agreement of the Bank with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further 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.

For S. B. Billimoria & Co.

Chartered Accountants
(Firm Registration No. 101496W)

Kalpesh J. Mehta
Partner
Membership No. 48791

Mumbai, 18th May, 2015

Independent Auditor's Report

TO THE MEMBERS OF

KOTAK MAHINDRA BANK LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **KOTAK MAHINDRA BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2015, 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.

Management's Responsibility for the Standalone Financial Statements

The Bank's Management and the Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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 provisions of Section 29 of the Banking Regulation Act, 1949, 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 in so far as they apply to banks and the Guidelines issued by the Reserve Bank of India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 are 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards, and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

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; the Companies Act, 2013 in the manner so required for banking companies and the Guidelines issued by the Reserve Bank of India from time to time and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31st March, 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Companies Act, 2013 and Section 30 of the Banking Regulation Act, 1949 we report 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 purposes of our audit and found them to be satisfactory.
 - (b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.
 - (c) As explained in paragraph 2 below, the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not

required to be submitted by the Branches.

- (d) 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.
 - (e) The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (f) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to banks.
 - (g) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12, Schedule 17 Note 13 and Schedule 18B Note 16 to the financial statements;
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 17 Note 13 and Schedule 18B Note 12 to the financial statements;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank
2. We report that during the course of our audit we have visited and performed select relevant audit procedures at 70 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches to submit any financial returns. Accordingly our audit is carried out centrally at the Head Office based on the necessary records and data required for the purposes of our audit being made available to us.

For S. B. Billimoria & Co.

Chartered Accountants
(Firm's Registration No. 101496W)

Kalpesh J. Mehta

Partner
(Membership No.48791)
Mumbai, 5th May, 2015

Balance Sheet

as at 31st March, 2015

(₹ in thousands)

	Schedule	As at 31st March, 2015	As at 31st March, 2014
CAPITAL AND LIABILITIES			
Capital	1	3,861,763	3,851,555
Reserves and Surplus	2	137,549,099	118,899,262
Employee's Stock Options (Grants) Outstanding		29,969	85,315
Deposits	3	748,603,088	590,723,294
Borrowings	4	121,497,132	128,955,756
Other Liabilities and Provisions	5	48,579,696	33,338,243
Total		1,060,120,747	875,853,425
ASSETS			
Cash and Balances with Reserve Bank of India	6	39,282,964	29,482,304
Balances with Banks and Money at Call and Short Notice	7	23,340,613	30,316,596
Investments	8	304,210,872	254,845,482
Advances	9	661,607,126	530,276,325
Fixed Assets	10	12,067,051	11,069,436
Other Assets	11	19,612,121	19,863,282
Total		1,060,120,747	875,853,425
Contingent Liabilities	12	636,721,604	438,879,439
Bills for Collection		44,199,924	30,155,988
Significant Accounting Policies and Notes to the 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.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Uday Kotak
Executive Vice Chairman
and Managing Director

Bina Chandarana
Company Secretary

Profit And Loss Account

for the year ended 31st March, 2015

(₹ in thousands)

	Schedule	Year ended 31st March, 2015	Year ended 31st March, 2014
I. INCOME			
Interest earned	13	97,198,670	87,671,154
Other Income	14	20,284,539	13,997,106
Total		117,483,209	101,668,260
II. EXPENDITURE			
Interest expended	15	54,961,348	50,470,665
Operating expenses	16	32,547,314	25,426,072
Provisions and Contingencies [Refer Note 12 - Schedule 18 B]		11,314,761	10,746,333
Total		98,823,423	86,643,070
III. PROFIT			
Net Profit for the year (I - II)		18,659,786	15,025,190
Add: Balance in Profit and Loss Account brought forward from previous year		40,052,917	30,165,987
Total		58,712,703	45,191,177
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		4,665,000	3,756,300
Transfer to General Reserve		933,000	751,300
Transfer to Capital Reserve		59,100	4,000
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		280,000	320,000
Transfer to / (from) Investment Reserve Account (Refer Note 31 - Schedule 18 A)		866,500	(411,014)
Proposed Dividend		820,654	630,789
Corporate Dividend Tax		135,813	86,885
Balance carried over to Balance Sheet		50,952,636	40,052,917
Total		58,712,703	45,191,177
V. EARNINGS PER SHARE (Face value of ₹ 5/-)			
Basic (Refer Note 2 - Schedule 18 B)		24.20	19.62
Diluted (Refer Note 2 - Schedule 18 B)		24.14	19.59
Significant Accounting Policies and Notes to the 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.

For S. B. Billimoria & Co.

Chartered Accountants

Kalpesh J. Mehta

Partner

Mumbai, 5th May, 2015

For and on behalf of the Board of Directors

Dr. Shankar Acharya

Chairman

Dipak Gupta

Joint Managing Director

Jaimin Bhatt

President and
Group Chief Financial Officer

Uday Kotak

Executive Vice Chairman
and Managing Director

Bina Chandarana

Company Secretary

Cash Flow Statement

for the year ended 31st March, 2015

(₹ in thousands)

	Year ended 31st March, 2015	Year ended 31st March, 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	18,659,786	15,025,190
Add: Provision for tax	9,669,788	7,699,345
Net Profit Before Taxes	28,329,574	22,724,535
Adjustments for :-		
Employee Stock Options Expense	21,627	39,839
Depreciation on Bank's property	1,930,003	1,651,791
Diminution in the value of investments written off / (back)	(1,113,328)	1,766,093
Dividend from Subsidiaries / Joint Ventures	(49,500)	(211,021)
Amortisation of Premium on HTM Investments	719,084	788,908
Provision for Non Performing Assets, Standard Assets and Other Provisions	2,758,301	1,280,895
Profit on sale of fixed assets	(135,168)	(11,594)
	32,460,593	28,029,446
Adjustments for :-		
Decrease / (Increase) in Investments [other than Subsidiaries, Joint Ventures and Other HTM Investments]	(9,827,824)	33,182,929
Increase in Advances	(133,266,217)	(46,912,840)
Increase in Other Assets	(1,219,248)	(2,692,185)
Increase in Deposits	157,879,794	80,435,631
Increase in Other Liabilities and Provisions	14,322,415	4,233,493
	27,888,920	68,247,028
Direct Taxes Paid	(9,130,189)	(6,260,185)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	51,219,324	90,016,289
CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed assets	(2,230,032)	(3,916,486)
Sale of Fixed assets	198,520	63,964
Proceeds from sale of Investment in Associates	-	2,100
Investments in Subsidiaries / Joint Ventures	(876,136)	(932,043)
Investments in HTM securities	(38,267,186)	(919,199)
Dividend from Subsidiaries / Joint Ventures	49,500	211,021
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	(41,125,334)	(5,490,643)

Cash Flow Statement

for the year ended 31st March, 2015 (Contd.)

(₹ in thousands)

	Year ended 31st March, 2015	Year ended 31st March, 2014
CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		
Increase / (Decrease) in Sub-ordinated Debt	116,325	(533,650)
Decrease in Refinance	(15,883,087)	(1,679,009)
Increase / (Decrease) in Borrowings [other than Refinance and Sub-ordinated debt]	8,308,138	(72,937,806)
Money received on exercise of stock options / issue of shares	878,788	14,155,019
Share issue expenses	-	(6,355)
Dividend paid including Corporate Dividend Tax	(689,477)	(616,553)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	(7,269,313)	(61,618,354)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	2,824,677	22,907,292
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Refer Note below)	59,798,900	36,891,608
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Refer Note below)	62,623,577	59,798,900
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	412,425	107,425
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	1,031,149	648,278
Money at Call and Short Notice in India (as per Sch 7 I (ii))	17,224,272	6,999,065
Cash in hand (including foreign currency notes) (As per Sch 6 I.)	5,262,870	4,361,433
Balance with RBI in Current Accounts (As per Sch 6 II.)	34,020,094	25,120,871
Balance with Banks Outside India:		
(i) In Current Account (As per Sch 7 II (i))	610,267	992,428
(ii) In other Deposit Accounts (As per Sch 7 II (ii))	4,062,500	21,569,400
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	62,623,577	59,798,900

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 "Cash Flow Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- The corresponding amounts of previous year have re-grouped, wherever necessary.

As per our report of even date.

For S. B. Billimoria & Co.
Chartered Accountants

Kalpesh J. Mehta
Partner

Mumbai, 5th May, 2015

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Uday Kotak
Executive Vice Chairman
and Managing Director

Bina Chandarana
Company Secretary

Schedules forming part of Balance Sheet

as at 31st March, 2015

	As at 31st March, 2015	As at 31st March, 2014
(₹ in thousands)		
SCHEDULE 1 - CAPITAL		
Authorised Capital		
140,00,00,000 Equity Shares of ₹ 5/- each (31st March, 2014: 100,00,00,000 Equity Shares of ₹ 5/- each)	7,000,000	5,000,000
Issued, Subscribed and Paid-up Capital		
77,23,52,664 (31st March, 2014: 77,03,11,001) Equity Shares of ₹ 5/- each fully paid-up (Refer Note 1 - Schedule 18 B)	3,861,763	3,851,555
Total	3,861,763	3,851,555
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	16,387,000	12,630,700
Add: Transfer from Profit and Loss Account	4,665,000	3,756,300
Total	21,052,000	16,387,000
II. Capital Reserve		
Opening balance	293,303	289,303
Add: Transfer from Profit and Loss Account	59,100	4,000
Total	352,403	293,303
III. General Reserve		
Opening Balance	5,169,552	4,730,052
Add: Transfer on ESOPs lapsed	751	-
Add: Transfer from Profit and Loss Account	933,000	751,300
Less: Utilised for creation of Deferred tax liability on Special Reserve (Refer Note 31 - Schedule 18 A)	-	311,800
Total	6,103,303	5,169,552
IV. Investment Reserve Account		
Opening Balance	-	411,014
Add: Transfer from / (to) Profit and Loss Account (Refer Note 31 - Schedule 18 A)	866,500	(411,014)
Total	866,500	-
V. Special Reserve Account u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	1,545,000	1,225,000
Add: Transfer from Profit and Loss Account	280,000	320,000
Total	1,825,000	1,545,000
VI. Securities Premium Account		
Opening Balance	55,451,490	41,284,461
Add: Received during the year	945,767	14,173,384
Less: Utilised for Share Issue Expenses	-	6,355
Total	56,397,257	55,451,490
VII. Balance in the Profit and Loss Account	50,952,636	40,052,917
Total (I to VII)	137,549,099	118,899,262

Schedules forming part of Balance Sheet

as at 31st March, 2015

(₹ in thousands)

	As at 31st March, 2015	As at 31st March, 2014
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
i. From Banks	2,551,379	1,709,993
ii. From Others	129,262,006	85,698,151
Total	131,813,385	87,408,144
II. Savings Bank Deposits	140,361,089	100,870,498
III. Term Deposits		
i. From Banks	10,575,512	6,103,554
ii. From Others	465,853,102	396,341,098
Total	476,428,614	402,444,652
Total Deposits of branches (I to III)	748,603,088	590,723,294
B. (i) Deposits of branches in India	748,603,088	590,723,294
(ii) Deposits of branches outside India	-	-
Total	748,603,088	590,723,294
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	17,634,500	41,533,200
(ii) Other Banks	21,737,352	21,608,958
(iii) Other Institutions and Agencies (Refer Note 14 - Schedule 18 B)	38,700,671	44,963,758
Total	78,072,523	108,105,916
II. Borrowings outside India		
Banks & Other Institutions (Refer Note 14 - Schedule 18 B)	43,424,609	20,849,840
Total	43,424,609	20,849,840
Total Borrowings (I and II)	121,497,132	128,955,756
Secured Borrowings under CBLO included in I (iii) above	-	-
Tier II Bonds included in I (iii) above	6,180,000	6,180,000
Tier II Bonds included in II above	2,812,500	2,696,175
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	9,716,565	7,105,404
II. Interest Accrued	5,361,892	4,624,173
III. Provision for tax (net of advance tax and tax deducted at source)	988,134	1,158,006
IV. Others (including provisions)	31,533,547	19,738,092
V. Proposed Dividend (includes tax on dividend)	979,558	712,568
Total	48,579,696	33,338,243
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	5,262,870	4,361,433
II. Balances with RBI in Current Account	34,020,094	25,120,871
Total	39,282,964	29,482,304

Schedules forming part of Balance Sheet

as at 31st March, 2015

	(₹ in thousands)	
	As at 31st March, 2015	As at 31st March, 2014
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks		
(a) In Current Accounts	1,031,149	648,278
(b) In Other Deposit Accounts	412,425	107,425
Total	1,443,574	755,703
(ii) Money at Call and Short Notice		
(a) With Banks	17,224,272	6,999,065
Total	17,224,272	6,999,065
Total (i and ii)	18,667,846	7,754,768
II. Outside India		
(i) In Current Accounts	610,267	992,428
(ii) In other Deposit Accounts	4,062,500	21,569,400
Total	4,672,767	22,561,828
Total (I and II)	23,340,613	30,316,596
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in		
i. Government Securities	228,817,200	174,653,699
ii. Other Approved Securities	-	-
iii. Shares	6,019,858	450,024
iv. Debentures and Bonds	42,104,607	49,840,656
v. Subsidiaries and Joint Ventures	5,381,450	4,591,980
vi. Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Security Receipts, RIDF Deposit & Pass Through Certificates (PTC)]	21,743,329	25,168,147
Total	304,066,444	254,704,506
II. Investments outside India in		
i. Shares	6,789	3,332
ii. Subsidiaries and Joint Ventures	137,639	137,644
Total	144,428	140,976
Total Investments (I and II)	304,210,872	254,845,482
SCHEDULE 9 - ADVANCES		
A. (i) Bills purchased and discounted#	19,723,762	11,753,149
(ii) Cash Credits, Overdrafts and loans repayable on demand	150,454,628	123,913,952
(iii) Term Loans @	491,428,736	394,609,224
Total	661,607,126	530,276,325
# Bills purchased and discounted is net of Bills Rediscounted		
₹ 1,258.05 crore (Previous Year ₹ 1,681.10 crore)		
@ net of borrowings under Inter Bank Participatory certificates of ₹ Nil (Previous Year ₹ 600 crore)		

Schedules

Schedules forming part of Balance Sheet

as at 31st March, 2015

(₹ in thousands)

	As at 31st March, 2015	As at 31st March, 2014
B.		
(i) Secured by tangible assets *	516,705,189	420,362,625
(ii) Unsecured	144,901,937	109,913,700
Total	661,607,126	530,276,325
* including advances against book debts		
C. Advances in India		
(i) Priority Sector	204,959,181	179,578,057
(ii) Public Sector	7,149,036	1,481,457
(iii) Banks	-	-
(iv) Others	449,498,909	349,216,811
Total	661,607,126	530,276,325
SCHEDULE 10 - FIXED ASSETS		
A. Premises (including Land)		
Gross Block		
At cost on 31st March of the preceding year	6,905,684	2,215,661
Additions during the year	943,926	4,690,023
Less: Deductions during the year	13,415	-
Total	7,836,195	6,905,684
Depreciation		
As at 31st March of the preceding year	554,599	473,388
Add: Charge for the year	117,217	81,211
Less: Deductions during the year	9,492	-
Depreciation to date	662,324	554,599
Net Block	7,173,871	6,351,085
B. Other Fixed Assets (including furniture and fixtures)		
Gross Block		
At cost on 31st March of the preceding year	11,869,410	8,684,821
Additions during the year	2,047,044	3,439,353
Less: Deductions during the year	294,514	254,764
Total	13,621,940	11,869,410
Depreciation		
As at 31st March of the preceding year	7,151,059	5,782,872
Add: Charge for the year	1,812,786	1,570,580
Less: Deductions during the year	235,085	202,393
Depreciation to date	8,728,760	7,151,059
Net Block (Refer Note 7 - Schedule 18 B)	4,893,180	4,718,351
Total (A) + (B)	12,067,051	11,069,436

Schedules forming part of Balance Sheet

as at 31st March, 2015

	(₹ in thousands)	
	As at 31st March, 2015	As at 31st March, 2014
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	11,123,101	10,133,160
II. Advance tax (net of provision for tax)	-	-
III. Stationery and Stamps	8,028	13,130
IV. Cheques in course of collection	224,787	156,105
V. Non banking assets acquired in satisfaction of claims	67,824	67,824
VI. Others (Refer Note 5 - Schedule 18 B)	8,188,381	9,493,063
Total	19,612,121	19,863,282
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims not acknowledged as debts	11,467,170	11,529,345
II. Liability on account of Outstanding Forward Exchange Contracts	297,807,482	178,934,852
III. Guarantees on behalf of Constituents in India	121,099,848	83,878,136
IV. Acceptances, Endorsements and other obligations	63,711,640	42,559,956
V. Other Items for which the Bank is contingently liable :		
a. Liability in respect of interest rate and currency swaps and forward rate agreements	126,971,588	108,477,457
b. Liability in respect of Options Contracts	14,940,972	12,756,125
c. Capital commitments not provided	698,705	743,568
d. Unclaimed Customer balances transferred to RBI DEAF Scheme	24,199	-
Total	636,721,604	438,879,439

Schedules

Schedules forming part of Profit and Loss Account

for the year ended 31st March, 2015

(₹ in thousands)

	Year ended 31st March, 2015	Year ended 31st March, 2014
SCHEDULE 13 - INTEREST EARNED		
I. Interest / discount on Advances / Bills	74,686,674	66,748,159
II. Income on Investments	22,158,482	20,500,414
III. Interest on balances with RBI and other inter-bank funds	240,606	271,746
IV. Others	112,908	150,835
Total	97,198,670	87,671,154
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	12,262,894	8,530,807
II. Profit / (Loss) on sale of Investments (net)	3,147,720	1,818,318
III. Profit / (Loss) on sale of building and other assets (net)	135,168	11,594
IV. Profit on exchange transactions (net) (including derivatives)	2,064,213	2,118,203
V. Income earned from Subsidiaries / Joint Ventures	771,787	806,393
VI. Profit on recoveries of non-performing assets acquired	1,346,195	254,477
VII. Miscellaneous Income	556,562	457,314
Total	20,284,539	13,997,106
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	45,794,864	38,153,041
II. Interest on RBI / Inter-Bank Borrowings	4,995,974	7,776,885
III. Others (Refer Note 14(c) - Schedule 18 B)	4,170,510	4,540,739
Total	54,961,348	50,470,665
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provision for employees (Refer Note 11 - Schedule 18 B)	14,666,844	11,721,556
II. Rent, taxes and lighting (Refer Note 4 - Schedule 18 B)	3,381,560	2,705,466
III. Printing and Stationery	496,117	421,587
IV. Advertisement, Publicity and Promotion	842,235	767,837
V. Depreciation on Bank's property	1,930,003	1,651,791
VI. Director's fees, allowances and expenses	6,275	3,410
VII. Auditor's fees and expenses (Refer Note 15 - Schedule 18 B)	15,321	14,734
VIII. Law Charges	179,557	133,550
IX. Postage, telephone etc.	701,276	629,984
X. Repairs and maintenance	1,858,174	1,453,408
XI. Insurance	625,867	502,442
XII. Travel and Conveyance	673,640	634,762
XIII. Professional Charges	3,077,415	1,987,967
XIV. Brokerage	1,551,728	892,589
XV. Stamping Expenses	127,039	129,557
XVI. Other Expenditure (Refer Note 13 - Schedule 18 B)	2,957,536	2,247,855
	33,090,587	25,898,495
Less: Reimbursement of Costs from Group Companies	543,273	472,423
Total	32,547,314	25,426,072

Schedules forming part of Balance Sheet and Profit and Loss Account

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

A BACKGROUND

In February 2003, Kotak Mahindra Finance Limited was given a license to carry out banking business by the Reserve Bank of India ("RBI"). It was the first NBFC Company in India to be converted into a Bank. Kotak Mahindra Bank Limited ("Kotak Mahindra Bank" 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.

B BASIS OF PREPERATION

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 and it conforms with Generally Accepted Accounting Principles in India ("Indian GAAP"), the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"), in so far as they apply to banks and the guidelines issued by the Reserve Bank of India ("RBI").

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 / carrying value / 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 charged to Profit and Loss Account.

Disposal of investments:

- **Investments classified as HFT or AFS** - Profit or loss on sale / redemption is included in the Profit and Loss Account.
- **Investments classified as HTM** - Profit on sale / redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to the

Schedules forming part of Balance Sheet and Profit and Loss Account

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 are 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 this category 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 diminution other than temporary is made for, at the individual security level. Except in cases where provision for diminution other than temporary is created, the book value of the individual securities is not changed as a result of periodic valuations.
- c) The market / 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 / quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association of India ('FIMMDA') as at the year end.
- d) Treasury Bills, Exchange Funded Bills, Commercial Paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- e) Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.
- f) Investments in subsidiaries / joint ventures (as defined by the RBI) are categorised as HTM and assessed for impairment to determine other than temporary diminution, if any, in accordance with the RBI guidelines.
- g) Market value of investments where current quotations are not available, is 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 YTM 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 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 Company;
 - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
 - Security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company / Securitisation Company.
- h) Non-performing investments are identified and valued based on the RBI guidelines.
- 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 / interest expense over the period of the transaction.

2 Advances

Classification:

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, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as non-performing advances and provisions in lieu of diminution in the fair

Schedules forming part of Balance Sheet and Profit and Loss Account

value of restructured assets. Also, NPAs are classified into sub-standard, doubtful and loss assets. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account.

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 overdue. If the overdue is in excess of 90 days, then the 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 the 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. Restructuring of an account is done at a borrower level.

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 - direct advances to sectors agricultural & SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, teaser rate housing loans at 2.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

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 Ltd. ('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 are 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 to 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" notified by the Companies (Accounting Standards) Rules, 2006 "as amended".

In accordance with the RBI guidelines, the profit / 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.

Schedules forming part of Balance Sheet and Profit and Loss Account

5 Fixed assets (tangible and intangible) and depreciation / amortisation

Tangible Assets / Intangible Assets have been stated at cost less accumulated depreciation / 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. A rebuttable presumption that the useful life of an Intangible Asset will not exceed 10 years from the date the asset is available for use is considered by the Management. Gain or losses arising from the retirement or disposal of a fixed asset / 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, if any, is transferred to Capital Reserve as per the 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 higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. The estimates of useful lives of the assets are based on a technical evaluation, taking into account the nature of the asset, the estimated usage of the asset, and the operating conditions surrounding the use of the asset etc. Based on the above, the useful life of the assets has not under gone a change on account of transition to the Companies Act, 2013.

Asset Type	Estimated Useful life in years
Premises	58
Improvement to leasehold premises	Over the primary period of lease subject to a maximum of 6 years.
Office equipments (High capacity chillers, Transformers, UPS DG set, Fire Supression, HVAC, PAC & Elevators)	10
Office equipments (other than above)	5
Computers	3
Furniture and Fixtures	6
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 / lending as the case may be in accordance with the RBI guidelines and the interest paid / received classified as interest expense / income and is accounted on an accrual basis.

8 Revenue recognition

Interest income (other than in respect of retail advances) is recognised on accrual basis except in case of NPAs where the income accrued gets reversed, and then recognised, only upon realisation, as per the RBI guidelines. Penal interest is recognised as income on realisation.

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 net investment outstanding on the contract.

Schedules forming part of Balance Sheet and Profit and Loss Account

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.

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.

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.

9 Employee benefits

Provident Fund – Defined Contribution Plan

Contribution as required by the statute made to the government provident fund is debited to the Profit and Loss Account when incurred. The Bank has no further obligations.

Gratuity – Defined Benefit Plan

The Bank provides for Gratuity, a defined benefit plan covering employees in accordance with the Payment of Gratuity Act, 1972. The Bank's liability is actuarially determined (using Projected Unit Credit Method) at the Balance Sheet date. The Bank makes contribution to a Gratuity Fund administered by trustees and managed by a life insurance company. Actuarial gains and losses are immediately recognised in the Profit and Loss Account and are not deferred. The contributions made to the trusts 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.

Superannuation Fund - Defined Contribution Plan

The Bank contributes a sum equivalent to 15% of eligible employee's salary, subject to a maximum of ₹ 1 lakh per employee per annum to a Fund administered by trustees and managed by a life insurance company. The Bank recognises such contributions as an expense in the year 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 Bank's obligation is determined based on 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.

New Pension Scheme - Defined Contribution Plan

The Bank contributes up to 10% of eligible employee's 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 they are incurred.

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.

Schedules forming part of Balance Sheet and Profit and Loss Account

Employee share based payments

Equity-settled scheme:

The Bank has formulated Employee Stock Option Schemes (ESOSs) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Schemes provide for grant of options on equity shares to employees and Whole Time Directors of the Bank and its Subsidiaries to acquire the equity shares of the Bank that vest in cliff vesting or in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by The Institute of Chartered Accountants of India, the excess, if any, of the fair market price of the share preceding the date of grant of the option 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 options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion 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 accounts is transferred to General Reserve. The fair market price is the latest available closing price, prior to the date of grant, 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) 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 settlement date with changes in intrinsic value recognised in Profit and Loss Account in 'Payments to and provision for employees'.

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 Dealer's 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 exchange contracts (other than deposit and placement swaps) and spot contracts outstanding at the Balance Sheet date are revalued at rates notified by FEDAI for specified maturities and at 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 resulting profits or losses are included in the Profit and Loss Account as per the regulations stipulated by the RBI / FEDAI.

Foreign exchange swaps "linked" to foreign currency deposits and placements are translated at the prevailing spot rate at the time of swap. The premium / 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 foreign exchange contracts, letters of credit, bank guarantees and acceptances and endorsements outstanding as at the Balance Sheet date on account of outstanding foreign exchange contracts are restated at year-end rates notified by FEDAI.

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 dates. Derivatives are classified as assets

Schedules forming part of Balance Sheet and Profit and Loss Account

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 / received is accounted for 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 the lessor effectively retains substantially all the risks and rewards of ownership of the leased term, 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.

13 Accounting for provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past event; 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.

Contingent Liabilities are not recognised but are disclosed in the notes unless the outflow of resources is remote. 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 of 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, 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 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.

Schedules forming part of Balance Sheet and Profit and Loss Account

17 Share issue expenses

Share issue expenses are adjusted from Securities Premium Account in terms of Section 52 of the Companies Act, 2013.

18 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.

19 Segment reporting

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

Segment	Principal activity
Treasury and BMU	Money market, forex market, derivatives, investments and primary dealership of government securities and Balance Sheet Management Unit (BMU) responsible for Asset Liability Management.
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"> I Lending Commercial vehicle finance, personal loans, home loans, agriculture finance, other loans / services and exposures which fulfill the four criteria for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards : A Revised Framework". II Branch Banking Retail borrowings covering savings, current, term deposit accounts and Branch Banking network / services including distribution of financial products. III Credit Cards Receivables / loans relating to credit card business.
Other Banking business	Any other business not classified above.

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

Segment revenues consist of earnings from external customers and inter-segment revenues based on a transfer pricing mechanism. Segment expenses consist of interest expenses including allocated operating expenses and provisions.

Segment results are net of segment revenues and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth, employee's 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.

Schedules forming part of Balance Sheet and Profit and Loss Account

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:

	31st March, 2015	31st March, 2014
(₹ in crore)		
Capital Ratios:		
(i) Common Equity Tier I Capital (%)	16.18%	17.77%
(ii) Tier I Capital (%)	16.18%	17.77%
(iii) Tier II Capital (%)	0.99%	1.06%
(iv) Total CRAR %	17.17%	18.83%
(v) Percentage of the shareholding of the Government of India	-	-
(vi) Amount raised by issue of Equity Shares	87.88	1,415.50
(vii) Amount of Additional Tier I capital raised of which		
PNCPS	-	-
PDI	-	-
(viii) Amount of Tier II Capital raised of which		
Debt capital instruments	-	-
Preference share capital instruments	-	-

2. Investments held under the 3 categories viz. "Held for Trading (HFT)", "Available for Sale (AFS)" and "Held to Maturity (HTM)" are as under:

	31st March, 2015				31st March, 2014			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities *	1,777.52	10,280.27	10,823.93	22,881.72	216.95	10,157.47	7,090.95	17,465.37
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	19.82	582.85	-	602.67	10.76	34.58	-	45.34
Debentures and Bonds	655.08	3,555.38	-	4,210.46	418.06	4,566.01	-	4,984.07
Subsidiaries, Associates and Joint Ventures	-	-	551.91	551.91	-	-	472.96	472.96
Units, Certificate of Deposits, CP,SRs RIDF, PTCs etc.	92.22	320.13	1,761.98	2,174.33	322.10	1,091.47	1,103.24	2,516.81
Total	2,544.64	14,738.63	13,137.82	30,421.09	967.87	15,849.53	8,667.15	25,484.55

* Includes securities with face Value of ₹ 1,905.24 crore (previous year ₹ 3,971.48 crore) pledged and encumbered for avilment of fund transfer facility, clearing facility, margin requirements and with RBI for LAF.

Schedules forming part of Balance Sheet and Profit and Loss Account

3. The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on 31st March, 2015 and 31st March, 2014 are given below:

	(₹ in crore)	
	31st March, 2015	31st March, 2014
1. Value of Investments		
i. Gross value of Investments		
a. In India	30,436.70	25,666.86
b. Outside India	14.44	14.10
ii. Provision for Depreciation		
c. In India	(30.05)	(196.41)
d. Outside India	-	-
iii. Net value of Investments		
e. In India	30,406.65	25,470.45
f. Outside India	14.44	14.10
2. Movement of provisions held towards depreciation on investments		
i. Opening balance	196.41	19.80
ii. Add: Provisions made during the year	9.07	214.78
iii. Less: Write-back of excess provisions during the year	175.43	38.17
iv. Closing balance	30.05	196.41

4. Details of Repo / Reverse Repo (excluding LAF and MSF transactions for the year) deals (in face value terms):

Year ended 31st March, 2015:

Particulars	(₹ in crore)			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2015
Securities sold under repos				
i. Government securities	-	4,110.00	1,010.81	30.60
ii. Corporate debt securities	-	25.00	0.07	-
Securities purchased under reverse repos				
i. Government securities	-	1,690.00	165.11	1,485.88
ii. Corporate debt securities	-	100.00	6.85	-

Year ended 31st March, 2014:

Particulars	(₹ in crore)			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	31st March, 2014
Securities sold under repos				
i. Government securities	-	7,033.75	1,418.54	738.45
ii. Corporate debt securities	-	100.00	1.64	-
Securities purchased under reverse repos				
i. Government securities	-	1,000.00	157.45	720.75
ii. Corporate debt securities	-	225.00	2.88	-

Schedules forming part of Balance Sheet and Profit and Loss Account

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March, 2015:

(₹ 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	527.75	508.00	-	-	8.00
2	FIs	1,885.29	1,854.51	-	3.38	1,854.21
3	Banks	45.89	-	34.37	11.52	-
4	Private Corporates	4,256.32	2,787.97	740.12	579.86	48.54
5	Subsidiaries, Associates and Joint Ventures	581.82	524.65	-	581.82	581.82
6	Others	272.35	261.10	165.94	89.59	272.35
7	Provision held towards depreciation	(30.05)	-	-	-	-
Total		7,539.37	5,936.23	940.43	1,266.17	2,764.92

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

Issuer composition of Non-SLR investments as at 31st March, 2014:

(₹ 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	482.06	194.50	-	-	77.70
2	FIs	1,811.47	1,203.24	-	1,103.24	1,451.50
3	Banks	454.73	147.79	-	7.78	446.95
4	Private Corporates	4,619.50	2,577.42	296.49	29.60	534.00
5	Subsidiaries, Associates and Joint Ventures	494.21	493.31	-	494.21	494.21
6	Others	190.07	178.54	135.27	45.68	190.07
7	Provision held towards depreciation	(32.86)	-	-	-	-
Total		8,019.18	4,794.80	431.76	1,680.51	3,194.43

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive.

Schedules forming part of Balance Sheet and Profit and Loss Account

(ii) Non-performing Non-SLR investments:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Opening balance	0.04	15.66
Additions during the year since 1st April	-	-
Reductions during the year	-	15.62
Closing balance	0.04	0.04
Total provisions held	0.04	0.04

6. During the year ended 31st March, 2015 and year ended 31st March, 2014, the value of sale / transfer of securities to / from HTM category (excluding one time transfer of securities and sales to RBI under OMO auctions) 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:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
The notional principal of swap agreements	11,850.48	10,177.58
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	53.98	106.94
Collateral required by the Bank upon entering into swaps	NA	NA
Concentration of credit risk arising from the swaps	90.52%(Banks)	98.07%(Banks)
The fair value of the swap book	(12.26)	34.69

B. Exchange Traded Interest Rate Derivatives:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Notional principal amount of exchange traded interest rate derivatives undertaken during the year	634.42	Nil
Notional principal amount of exchange traded interest rate derivatives outstanding	104.31	Nil
Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	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 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 and also reviews Stress Testing.

Schedules forming part of Balance Sheet and Profit and Loss Account

The Senior Management Committee for Derivatives is responsible for reviewing and approving any new derivative products (within the regulatory framework provided by the RBI). The Board approved 'Customer Suitability and Appropriateness Policy for Derivatives' provides guidelines for the assessment of Customer Suitability and the Appropriateness of products offered to these customers.

The monitoring and measurement of risk in derivatives is carried out by the Market Risk Management Department. The Market Risk Management Department is independent of the Treasury Front-Office & Back-Office and directly reports into the Group Chief Risk Officer.

b) Scope and nature of risk measurement, risk reporting and risk monitoring systems:

All significant risks of the derivative portfolio are monitored and measured daily. The Market Risk Management Department measures and reports Market Risk metrics like VaR, PV01, Option Greeks like Delta, Gamma, Vega, Theta, Rho etc. The Credit Risk from the derivatives portfolio is also measured daily.

The Market Risk Management Department monitors these exposures against the set limits and also reviews profitability on a daily basis. MIS is sent to ALCO on a periodic basis. Exception reports are also sent so that emerging risks are reviewed and managed on a timely basis. Stress testing is also performed on the Derivative portfolio. 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 under derivative contracts comprising of crystallised receivables as well as positive Mark to Market (MTM) in respect of future receivables which remain overdue for more than 90 days are reversed through the Profit and Loss Account. The derivative limit sanctioned to clients is part of the overall limit sanctioned post credit appraisal. Collateral is accepted on a case to case basis considering the volatility of the price of the collateral and any increase in operational, legal and liquidity risk.

Quantitative Disclosures:

(₹ in crore)			
Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	Derivatives (Notional Principal Amount)		
	a) For hedging	5,269.80	-
	b) For trading	26,747.42	11,954.78
2	Marked to Market Positions **		
	a) Asset (+)	36.78	47.06
	b) Liability (-)	20.37	59.49
3	Credit Exposure	1,310.25	158.71

Schedules forming part of Balance Sheet and Profit and Loss Account

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
4	Likely impact of one percentage change in interest rate (100*PV01) #		
	a) On hedging derivatives	3.60	-
	b) On trading derivatives	0.30	81.71
5	Maximum of 100*PV01 observed during the year #		
	a) On hedging derivatives	6.42	-
	b) On trading derivatives	2.89	84.11
6	Minimum of 100*PV01 observed during the year #		
	a) On hedging derivatives	1.26	-
	b) On trading derivatives	0.17	54.27

Currency interest rate swaps have been included under currency derivatives.

Excludes PV01 on options.

** MTM has been considered at product level.

The nature and terms of the Interest Rate Swaps (IRS) as on 31st March, 2015 are set out below:

Nature	No.	Notional Principal	Benchmark	Terms
Trading	1	20.00	INBMK	Receive Floating Vs. Pay Fixed
Trading	28	1,100.00	MIFOR	Receive Fixed Vs. Pay Floating
Trading	5	225.00	MIFOR	Receive Floating Vs. Pay Fixed
Trading	48	2,358.53	MIBOR	Receive Fixed Vs. Pay Floating
Trading	116	5,460.24	MIBOR	Receive Floating Vs. Pay Fixed
Trading	21	725.53	LIBOR	Receive Fixed Vs. Pay Floating
Trading	44	1,887.43	LIBOR	Receive Floating Vs. Pay Fixed
Trading	1	73.75	LIBOR	Receive Floating Vs. Pay Floating
Total	264	11,850.48		

(₹ in crore)

The nature and terms of the Cross Currency Swaps (CCS) as on 31st March, 2015 are set out below:

Nature	No.	Notional Principal	Benchmark	Terms
Hedging	2	125.00	FIXED	Pay Fixed
Hedging	3	156.25	LIBOR	Receive Floating Vs. Pay Fixed
Trading	2	119.72	FIXED	Receive Fixed Vs. Pay Fixed
Trading	1	126.90	LIBOR	Receive Floating Vs. Pay Floating
Trading	2	76.15	LIBOR	Receive Floating Vs. Pay Fixed
Trading	8	138.35	LIBOR	Receive Fixed Vs. Pay Floating
Total	18	742.37		

(₹ in crore)

The overnight Net open position as at 31st March, 2015 is ₹ 105.27 crore (previous year ₹ 159.65 crore).

Schedules forming part of Balance Sheet and Profit and Loss Account

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	31st March, 2015	31st March, 2014
i. Net NPAs to Net Advances %	0.92%	1.08%
ii. Movement of NPAs (Gross)		
Gross NPAs as on 1st April (opening balance)	1,059.44	758.11
Additions (Fresh NPAs) during the year	753.46	934.24
Sub-total (A)	1,812.90	1,692.35
Less:		
(i) Upgradations	229.48	163.35
(ii) Recoveries (excluding recoveries made from upgraded accounts)	247.41	263.44
(iii) Technical / Prudential Write-offs	21.77	37.24
(iv) Write-offs other than those under (iii) above	77.01	168.88
Sub-total (B)	575.67	632.91
Gross NPAs as on 31st March (closing balance) (A-B)	1,237.23	1,059.44
iii. Movement of Net NPAs		
a. Opening balance	573.56	311.41
b. Additions during the year	370.69	520.02
c. Reductions during the year	(335.17)	(257.87)
d. Closing balance	609.08	573.56
iv. Movement of provisions for NPAs (excluding provisions on standard assets)		
a. Opening balance	485.88	446.70
b. Provisions made during the year	382.77	414.22
c. Write-off / write-back of excess provisions	(240.50)	(375.04)
d. Closing balance	628.15	485.88

10. Movement of Technical Write-offs and Recoveries:

(₹ in crore)		
Particulars	31st March, 2015	31st March, 2014
Opening balance of Technical / Prudential written-off accounts as at 1st April	229.38	221.51
Add: Technical / Prudential write-offs during the year	21.77	37.24
Sub-Total (A)	251.15	258.75
Less: Recoveries / Reductions made from previously Technical / Prudential written-off accounts during the year (B)	78.34	29.37
Closing Balance as at 31st March (A-B)	172.81	229.38

11. The Provision Coverage Ratio (PCR) of the Bank after considering technical write-off is 56.80% as at 31st March, 2015 (previous year: 55.50%).

Schedules forming part of Balance Sheet and Profit and Loss Account

12. Concentration of NPAs:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Total Exposure to top four NPA accounts	301.23	307.34

Above represents Gross NPA

13. Sector-wise Advances

Sr. No	Sector	31st March, 2015			31st March, 2014		
		Outstanding Total Advances*	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector	Outstanding Total Advances*	Gross NPAs	Percentage of Gross NPAs to Total Advances in that Sector
A	Priority Sector						
1	Agricultural and Allied Activities	8,411.76	119.43	1.42%	7,112.86	72.68	1.02%
2	Advances to Industries Sector eligible as Priority sector lending	4,624.95	22.04	0.48%	3,872.21	21.23	0.55%
3	Services	7,130.09	124.43	1.75%	6,713.35	107.57	1.60%
4	Personal Loans and others	499.84	2.00	0.40%	376.31	0.38	0.10%
	Sub-Total (A)	20,666.64	267.90	1.30%	18,074.73	201.86	1.12%
B	Non Priority Sector						
1	Agricultural and Allied Activities	828.63	3.05	0.37%	747.62	15.77	2.11%
2	Industry	14,185.51	193.62	1.36%	9,605.45	160.64	1.67%
3	Services	26,948.05	712.25	2.64%	21,681.78	618.88	2.85%
4	Personal loans and others	4,166.05	60.41	1.45%	3,407.45	62.29	1.83%
	Sub-Total (B)	46,128.24	969.33	2.10%	35,442.30	857.58	2.42%
	Total (A+B)	66,794.88	1,237.23	1.85%	53,517.03	1,059.44	1.98%

* Represents Gross Advances

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the Management) which has been relied upon by the auditors.

Schedules forming part of Balance Sheet and Profit and Loss Account

14. Details of Loan Assets subjected to Restructuring:

As at 31st March, 2015:

(₹ in crore)

Sr. No.	Type of Restructuring		Others				
			Standard	Sub-standard	Doubtful	Loss	Total
	Asset Classification						
Details							
1	Restructured Accounts as on April 1 of the FY (opening figures*)	No. of borrowers	42	2,007	738	-	2,787
		Amount outstanding	13.60	83.81	29.03	-	126.44
		Provision thereon	3.52	16.90	17.83	-	38.25
1A	Movement in Opening Balances (Recoveries)	No. of borrowers	(8)	(622)	(95)	-	(725)
		Amount outstanding	(5.82)	(6.87)	(4.23)	-	(16.92)
		Provision thereon	0.12	7.26	3.40	-	10.78
2	Fresh Restructuring during the year	No. of borrowers	8	2,564	192	-	2,764
		Amount outstanding	153.41	17.72	1.26	-	172.39
		Provision thereon	2.38	5.72	1.26	-	9.36
3	Upgradations to restructured standard category during the FY	No. of borrowers	11	(6)	(5)	-	-
		Amount outstanding	3.06	(1.34)	(1.72)	-	-
		Provision thereon	-	(0.41)	(1.38)	-	(1.79)
4	Restructured Standard Advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(3)	(464)	467	-	-
		Amount outstanding	(0.17)	(74.17)	74.34	-	-
		Provision thereon	-	(22.39)	22.39	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	(904)	(607)	-	(1,511)
		Amount outstanding	-	(1.25)	(0.95)	-	(2.20)
		Provision thereon	-	(1.25)	(0.95)	-	(2.20)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	50	2,575	690	-	3,315
		Amount outstanding	164.08	17.90	97.73	-	279.71
		Provision thereon	6.02	5.83	42.55	-	54.40

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)

There are no cases restructured on account of CDR mechanism or SME debt restructuring in the current or previous year.

Schedules forming part of Balance Sheet and Profit and Loss Account

As at 31st March, 2014:

(₹ in crore)

Sr. No.	Type of Restructuring Asset Classification Details		Others				Total
			Standard	Sub-standard	Doubtful	Loss	
1	Restructured Accounts as on April 1 of the FY (opening figures*)	No. of borrowers	28	1,005	390	-	1,423
		Amount outstanding	10.71	16.06	30.88	-	57.65
		Provision thereon	2.89	4.74	16.21	-	23.84
1A	Movement in Opening Balances (Recoveries)	No. of borrowers	(13)	(331)	(68)	-	(412)
		Amount outstanding	(8.71)	(7.86)	(5.25)	-	(21.82)
		Provision thereon	0.61	(1.48)	0.86	-	(0.01)
2	Fresh Restructuring during the year	No. of borrowers	3	1,998	126	-	2,127
		Amount outstanding	35.62	55.52	1.37	-	92.51
		Provision thereon	0.02	12.24	1.01	-	13.27
3	Upgradations to restructured standard category during the FY	No. of borrowers	29	(27)	(2)	-	-
		Amount outstanding	5.79	(2.51)	(3.28)	-	-
		Provision thereon	-	(0.50)	(0.92)	-	(1.42)
4	Restructured Standard Advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-
		Amount outstanding	-	-	-	-	-
		Provision thereon	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(3)	(353)	356	-	-
		Amount outstanding	(29.80)	23.20	6.60	-	-
		Provision thereon	-	2.50	1.96	-	4.46
6	Write-offs of restructured accounts during the FY	No. of borrowers	(2)	(285)	(64)	-	(351)
		Amount outstanding	(0.01)	(0.60)	(1.29)	-	(1.90)
		Provision thereon	-	(0.60)	(1.29)	-	(1.89)
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	42	2,007	738	-	2,787
		Amount outstanding	13.60	83.81	29.03	-	126.44
		Provision thereon	3.52	16.90	17.83	-	38.25

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)

There are no cases restructured on account of CDR mechanism or SME debt restructuring in the current or previous year.

15. Overseas Assets, NPAs and Revenue:

(₹ in crore)

Particulars	31st March, 2015	31st March, 2014
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

Above does not include assets of overseas representative office.

Schedules forming part of Balance Sheet and Profit and Loss Account

16. Details of non-performing financial assets purchased:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
(a) Number of accounts purchased during the year*	7	4
(b) Aggregate outstanding in the Banks books**	147.99	55.95

* 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).

There were no non-performing financial assets sold by the Bank during the current year (previous year Nil).

The Bank has not sold any financial assets to Securitisation or Reconstruction Company for asset reconstruction (previous year Nil).

17. 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.

18. Provisions on Standard Assets

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Provisions towards Standard Assets	298.21	233.54

19. Business ratios / information:

Particulars	31st March, 2015	31st March, 2014
Interest income as a percentage of working funds	10.31%	10.51%
Non interest income as a percentage of working funds	2.15%	1.68%
Operating profit as a percentage of working funds	3.18%	3.09%
Return on assets (average)	1.98%	1.80%
Business (deposit plus advance) per employee (₹ in crore)	7.05	6.78
Profit per employee (₹ in crore)	0.11	0.10

Definitions:

(A) Working funds is the monthly average of total assets as reported by the Bank's Management to the RBI under Section 27 of the Banking Regulation Act, 1949.

(B) Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).

(C) Business is monthly average of net advances and deposits as reported to the RBI under section 27 of the Banking Regulation Act, 1949. Inter bank deposits are excluded for the purposes of computation of this ratio.

(D) Productivity ratios are based on average number of employees.

Schedules forming part of Balance Sheet and Profit and Loss Account

20. Maturity pattern of certain items of assets and liabilities:

31st March, 2015:

(₹ 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	567.17	1,542.75	1,807.43	1,004.37	5,173.59	4,741.80	6,751.49	26,707.53	7,800.35	10,064.23	66,160.71
Investments*	5,151.61	2,779.67	849.64	1,072.88	3,316.99	3,308.77	3,535.98	7,764.87	571.99	1,781.61	30,134.01
Deposits	528.31	6,009.55	5,354.43	4,456.97	8,901.51	12,341.07	8,163.19	28,024.95	715.56	364.77	74,860.31
Borrowings	89.55	2,474.46	737.02	23.16	1,178.01	1,302.20	3,619.60	953.46	243.00	1,529.25	12,149.71
Foreign Currency Assets	130.65	403.13	42.79	80.36	612.58	811.00	109.77	522.89	403.73	100.15	3,217.05
Foreign Currency Liabilities	124.24	205.97	240.00	15.66	742.42	427.73	2,928.19	2,513.11	399.90	281.25	7,878.47

* Listed equity investments in AFS have been considered at 50% (₹ 287.08 crore) haircut as per RBI directions

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.

31st March, 2014:

(₹ 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	906.52	1,349.41	1,817.42	1,067.04	3,956.55	3,765.70	5,507.55	21,099.46	5,973.70	7,584.28	53,027.63
Investments	77.94	5,393.21	886.06	1,400.73	3,450.27	3,169.69	2,384.47	6,616.79	719.22	1,386.17	25,484.55
Deposits	500.40	4,711.06	3,727.74	3,213.72	9,827.61	9,275.41	5,773.94	20,625.48	1,080.05	336.92	59,072.33
Borrowings	106.73	5,505.94	230.97	210.56	1,331.91	1,194.27	1,655.48	1,821.10	282.97	555.65	12,895.58
Foreign Currency Assets	144.99	1,983.08	207.58	125.90	254.68	672.12	30.96	46.61	6.24	59.92	3,532.08
Foreign Currency Liabilities	118.27	74.91	85.09	9.71	1,096.44	249.95	607.18	1,872.36	325.95	269.62	4,709.48

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.

Schedules forming part of Balance Sheet and Profit and Loss Account

21. Exposures:

(a) Exposure to Real Estate Sector*:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
a) Direct exposure	13,294.81	11,336.11
i. Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Includes Individual housing loans eligible for inclusion in priority sector advances as at 31st March, 2015 ₹ 460.88 crore and as at 31st March, 2014 ₹ 356.72 crore)	5,261.08	5,304.67
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.	8,033.73	6,031.44
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures -	-	-
- Residential	-	-
- Commercial Real Estate	-	-
b) Indirect Exposure	1,539.85	1,478.98
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	1,539.85	1,478.98
Total Exposure to Real Estate Sector	14,834.66	12,815.09

* On limit basis or outstanding basis whichever is higher

(b) Exposure to Capital Market*:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
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;	628.65	68.80
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;	112.36	81.92
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;	137.46	145.72
v. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,312.35	1,019.67

Schedules forming part of Balance Sheet and Profit and Loss Account

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
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)	70.00	100.00
Total Exposure to Capital Market*	2,260.85	1,416.14

* 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 categorised into various risk categories listed in following table. Since the country exposure (net) of the Bank in respect of any country does not exceed 1% of the total funded assets, no provision is required to be maintained on country exposure as on 31st March, 2015 (Nil provision for the year ended 31st March, 2014).

Risk Category	(₹ in crore)			
	Exposure (net) as at 31st March, 2015	Provision held as at 31st March, 2015	Exposure (net) as at 31st March, 2014	Provision held as at 31st March, 2014
Insignificant	1,478.22	-	1,550.27	-
Moderate	3.82	-	-	-
Low	15.36	-	1.13	-
Total	1,497.40	-	1,551.40	-

22. Concentration of deposits:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Total deposits of twenty largest depositors	10,874.31	10,278.99
Percentage of deposits of twenty largest depositors to total deposits of the Bank	14.53%	17.40%

23. Concentration of advances*:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Total advances to twenty largest borrowers	17,758.50	12,798.38
Percentage of advances to twenty largest borrowers to total advances of the Bank	13.41%	13.25%

*Advances represents Credit Exposure including derivatives furnished in Master Circular on Exposure Norms DBOD.No.Dir. BC.12/13.03.00/2014-15 dated July 1, 2014

Schedules forming part of Balance Sheet and Profit and Loss Account

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the Management) which has been relied upon by the auditors.

24. Concentration of exposures**:

(₹ in crore)		
Particulars	31st March, 2015	31st March, 2014
Total exposure to twenty largest borrowers / customers	18,357.96	14,303.84
Percentage of exposures to twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	13.28%	13.81%

** Exposures represents credit, derivatives and investment exposure as prescribed in Master Circular on Exposure Norms DBOD.No.Dir.BC. 12/13.03.00/2014-15 dated July 1, 2014

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the Management) which has been relied upon by the auditors.

25. During the year ended 31st March, 2015 and year ended 31st March, 2014 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).

26. Provision made for taxes during the year:

(₹ in crore)		
Particulars	31st March, 2015	31st March, 2014
Current tax	895.97	741.78
Deferred tax	70.95	28.11
Wealth Tax	0.06	0.04
Total	966.98	769.93

27. During the year penalty of ₹ 0.10 crore (previous year ₹ 1.501 crore) had been imposed by the Reserve Bank of India in terms of the Section 47A(1) read with Section 46(4)(i) of the Banking Regulation Act, 1949 for non-compliance of certain RBI instructions.

28. There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms).

29. Bancassurance Business:

(₹ in crore)			
Sr. No.	Nature of Income	31st March, 2015	31st March, 2014
1.	For selling life insurance policies	67.48	51.89
2.	For selling non life insurance policies	1.65	1.91
3.	For selling mutual fund products	258.20	114.58
4.	Others	-	-

This Income has been reflected under Commission, exchange and brokerage under Other Income.

30. Floating Provisions:

(₹ in crore)		
Particulars	31st March, 2015	31st March, 2014
(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

Schedules forming part of Balance Sheet and Profit and Loss Account

31. Draw Down from Reserves:

In accordance with the RBI requirement on creation and utilisation of Investment reserve in respect of HFT and AFS investments, reserve of ₹ 86.65 crore is created during the year (previous year ₹ 41.10 crore had been utilised).

Further in accordance with the RBI requirement on creation and utilisation of reserves, no reserve has been utilised in the current year and in the previous year except for below.

For the previous year ended 31st March, 2014, in accordance with RBI communication RBI/2013-14/412 DBOD. No.BP.BC.77/21.04.018/2013-14 dated 20th December, 2013 on "Deferred Tax Liability (DTL) on Special Reserve created under Section 36(1) (viii) of the Income Tax Act, 1961", the Bank had reduced ₹ 31.18 crore from general reserves of the previous year towards DTL on special reserves created till year ended 31st March, 2013.

32. a) Status of Shareholder Complaints:

	31st March, 2015	31st March, 2014
(a) No. of complaints pending at the beginning of the year	2	2
(b) No. of complaints received during the year	32	18
(c) No. of complaints redressed during the year	34	18
(d) No. of complaints pending at the end of the year	0	2*

* The pending complaints were resolved on 11.04.2014

b) Status of Customer Complaints:

	31st March, 2015	31st March, 2014
(a) No. of complaints pending at the beginning of the year	91	105
(b) No. of complaints received during the year	2,763	3,713
(c) No. of complaints redressed during the year	2,801	3,727
(d) No. of complaints pending at the end of the year	53	91

c) Status of Awards passed by the Banking Ombudsman:

	31st March, 2015	31st March, 2014
(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	Nil	Nil
(c) No. of Awards implemented during the year	Nil	Nil
(d) No. of unimplemented Awards at the end of the year	Nil	Nil

The above details are as furnished by the Management and relied upon by the auditors.

33. The Bank has issued letters of awareness on behalf of a wholly owned, non-banking finance subsidiary in respect of its borrowings made or proposed to be made. These letters are in nature of factual statements or confirmation of facts and do not create any financial obligation or impact on the Bank. During the year, the Bank has not issued letters of awareness (previous year Nil). As at 31st March, 2015 cumulative value of outstanding letters of awareness aggregate to ₹ Nil (previous year ₹ 650 crore).

34. 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.

Schedules forming part of Balance Sheet and Profit and Loss Account

- b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

Objective of Bank's Compensation Policy is to:

- 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 to 4 years.

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) 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 Bank's 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 and 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.

Schedules forming part of Balance Sheet and Profit and Loss Account

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 ₹ 10 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)
- 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.
- ESOPs 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 31st March, 2015 4 meetings of Nomination & Remuneration Committee was held. Each Member of the Nomination & Remuneration Committee is paid a sitting fee of ₹ 30,000 per meeting.
- b) Number of employees having received a variable remuneration award during the financial year.
Quantitative disclosure restricted to CEO, two Whole Time Directors and six Operating Management Committee members as risk takers.
- c) Number and total amount of sign-on awards made during the financial year.
Nil (previous year Nil)
- d) Details of guaranteed bonus, if any, paid as joining / sign-on bonus.
Nil (previous year Nil)
- e) Details of severance pay, in addition to accrued benefits, if any.
Nil (previous year Nil)

Schedules forming part of Balance Sheet and Profit and Loss Account

- f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.
Outstanding SARs as at 31st March, 2015 – 100,614 rights (previous year 123,917 rights)
Outstanding ESOPs as at 31st March, 2015 – 644,816 equity shares (previous year 744,118 equity shares)
- g) Total amount of deferred remuneration paid out in the financial year.
Payment towards SARs during year ended 31st March, 2015 ₹ 7.86 crore (previous year ₹ 2.63 crore)
- 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 31st March, 2015 ₹ 17.12 crore (previous year ₹ 14.71 crore)

Deferred Variable Pay*

SARs – 44,290 rights (previous year 44,692 rights)

ESOPs – 207,850 equity shares (previous year 279,600 equity shares)

Non Deferred variable pay* ₹ 3.44 crore (previous year ₹ 3.43 crore)

* Details relating to variable pay pertains to remuneration awards for the financial year 2013-14 awarded during current financial year. Remuneration award for the year ended 31st March, 2015 are yet to be reviewed and approved by the Remuneration Committee.

35. Intra – Group Exposures:

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
(a) Total amount of intra-group exposures	2,586.95	2,291.61
(b) Total amount of top-20 intra-group exposures	2,586.95	2,291.61
(c) Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	1.87%	2.09%
(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 and has been furnished by the Management) which has been relied upon by the auditors.

36. Transfers to Depositor Education and Awareness Fund (DEAF):

Particulars	(₹ in crore)	
	31st March, 2015	
Opening balance of amounts transferred to DEAF		-
Add: Amounts transferred to DEAF during the year		2.44
Less: Amounts reimbursed by DEAF towards claim		0.02
Closing balance of amounts transferred to DEAF		2.42

37. 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 customer. 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.

Schedules forming part of Balance Sheet and Profit and Loss Account

- (d) Incremental provisioning (over and above provision applicable for standard assets) is made in the Bank's Profit and Loss Account, on borrower counterparties having UFCE, depending on the likely loss / EBID ratio, in line with stipulations of RBI. Incremental capital is maintained in respect of borrower counterparties in the highest risk category, in line with stipulations of 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

- (e) In case of borrowers exposed to currency risk where declarations for foreign currency payables / receivables are not submitted, provision for currency induced credit risk is made as per RBI stipulated rates as below:
- 10 bps in cases where limits with banking system are less than ₹ 25 crore;
 - 80 bps in cases where limits with banking system are ₹ 25 crore or more.
- (f) Management of foreign exchange risk is considered as a parameter for internal risk rating of borrowers.

Provision held for currency induced credit risk as at 31st March, 2015 is ₹ 17.82 crore. Incremental Risk weighted assets value considered for the purpose of CRAR calculation in respect of currency induced credit risk is ₹ 357.17 crore.

38. a) Liquidity Coverage Ratio :

		(₹ in crore)	
		31st March, 2015	
		Total Unweighted Value (Average)	Total Weighted Value (Average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	13,391.63	13,251.11
Cash Outflows			
2	Retail Deposits and Deposits from Small Business Customers of which:		
	(i) Stable Deposits	5,327.77	266.39
	(ii) Less Stable Deposits	28,590.61	2,859.06
3	Unsecured Wholesale Funding of which:		
	(i) Operational Deposits (all counterparties)	13,463.19	3,364.13
	(ii) Non-Operational Deposits (all counterparties)	16,240.86	9,252.15
	(iii) Unsecured Debt	3,353.14	3,353.14
4	Secured Wholesale Funding	930.20	-
5	Additional Requirements of which:		
	(i) Outflows related to Derivative exposures and other Collateral requirements	-	-

Schedules forming part of Balance Sheet and Profit and Loss Account

	31st March, 2015	
	Total Unweighted Value (Average)	Total Weighted Value (Average)
(ii) Outflows related to loss of Funding on Debt Products	-	-
(iii) Credit and liquidity facilities	1,157.07	235.78
6 Other Contractual funding obligations	2,169.37	2,169.37
7 Other Contingent funding obligations	23,140.69	1,157.03
8 Total Cash Outflows	94,372.91	22,657.05
Cash Inflows		
9 Secured Lending (e.g. Reverse Repos)	-	-
10 Inflows from fully performing exposures	5,202.17	3,044.39
11 Other Cash Inflows	1,050.33	525.21
12 Total Cash Inflows	6,252.50	3,569.60
		Total Adjusted Value
TOTAL HQLA		13,251.11
Total Net Cash Outflows		19,087.45
Liquidity Coverage Ratio (%)		69.42%

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.

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 net cash outflows over next 30 days under stress conditions.

The LCR requirement has been introduced in a phased manner with banks required to maintain minimum LCR of 60% from January 2015 onwards and the requirement increasing by 10% annually to 100% by January 2019.

The Bank has implemented the LCR framework and has consistently maintained LCR well above the regulatory threshold of 60%. The average LCR for the quarter ended 31st March, 2015 was 69.42%. Level 1 HQLA stood at 94.3% (₹ 12,491 crore) of the total HQLA of ₹ 13,251 crore. This covered the net cash outflow of ₹ 19,087 crore as detailed in the table above.

Apart from LCR, the 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 depositor concentration, lender concentration as well as instrument concentration. This is evident through low depositors and lenders concentration with top 20 depositors contributing 14.5% of the Bank's total deposits and top 10 lenders contributing 8.1% of the 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. The Bank has incorporated Basel III Liquidity Standards - LCR and NSFR as part of its risk appetite statement for liquidity risk.

Schedules forming part of Balance Sheet and Profit and Loss Account

B. OTHER DISCLOSURES:

- The Board of Directors of Kotak Mahindra Bank Ltd ("Kotak") and the Board of Directors of ING Vysya Bank Ltd ("ING Vysya") at their respective meetings held on 20th November, 2014 have approved an amalgamation of ING Vysya with Kotak in the ratio of 725 shares of Kotak for every 1,000 shares of ING Vysya. Subsequently, the shareholders of Kotak and ING Vysya have approved the scheme of amalgamation at their respective Extra Ordinary General Meetings held on 7th January, 2015. The amalgamation is approved by the Reserve Bank of India (the "RBI") under the Banking Regulation Act and the Competition Commission of India. The amalgamation is effective from 1st April, 2015.

2. Earnings per Equity Share:

Particulars	31st March, 2015	31st March, 2014
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	771,140,159	765,821,581
Effect of potential equity shares for stock options outstanding	1,854,016	1,251,038
Weighted average number of equity shares used in computation of diluted earnings per share	772,994,175	767,072,619
Following is the reconciliation between basic and diluted earnings per share		
Nominal value per share	5.00	5.00
Basic earnings per share	24.20	19.62
Effect of potential equity shares for stock options	0.06	0.03
Diluted earnings per share	24.14	19.59
Earnings used in the computation of basic and diluted earnings per share (₹ in crore)	1,865.98	1,502.52

3. Segment Reporting:

The Summary of the operating segments of the Bank for the year ended 31st March, 2015 are as given below :

	31st March, 2015	31st March, 2014
		(₹ in crore)
1. Segment Revenue		
a. Treasury and BMU	2,735.45	2,721.24
b. Corporate / Wholesale Banking	4,438.80	3,646.86
c. Retail Banking	8,193.53	6,115.14
d. Other Banking business	-	-
Sub-total	15,367.78	12,483.24
Less : Inter-segmental revenue	3,625.55	2,319.28
Add : Unallocated Income	6.09	2.87
Total	11,748.32	10,166.83
2. Segment Results		
a. Treasury and BMU	467.75	175.58
b. Corporate / Wholesale Banking	1,402.11	1,300.65
c. Retail Banking	957.01	793.35
d. Other Banking business	-	-
Sub-total	2,826.87	2,269.58
Add : Unallocated Income	6.09	2.87
Total Profit Before Tax	2,832.96	2,272.45
Provision for Tax	966.98	769.93
Total Profit After Tax	1,865.98	1,502.52

Schedules forming part of Balance Sheet and Profit and Loss Account

	(₹ in crore)	
	31st March, 2015	31st March, 2014
3. Segment Assets		
a. Treasury and BMU	37,656.08	30,872.94
b. Corporate / Wholesale Banking	38,386.95	32,025.82
c. Retail Banking	79,499.40	61,655.43
d. Other Banking business	-	-
Sub-total	155,542.43	124,554.19
Less : Inter-segmental Assets	49,599.62	37,109.07
Total	105,942.81	87,445.12
Add : Unallocated Assets	69.27	140.22
Total Assets as per Balance Sheet	106,012.08	87,585.34
4. Segment Liabilities		
a. Treasury and BMU	33,953.33	28,341.55
b. Corporate / Wholesale Banking	33,458.01	27,508.31
c. Retail Banking	73,859.51	56,373.88
d. Other Banking business	-	-
Sub-total	141,270.85	112,223.74
Less : Inter-segmental Liabilities	49,599.62	37,109.07
Total	91,671.23	75,114.67
Add : Unallocated liabilities	199.76	195.58
Add : Share Capital & Reserves & surplus	14,141.09	12,275.09
Total Liabilities as per Balance Sheet	106,012.08	87,585.34
5. Capital Expenditure		
a. Treasury and BMU	157.78	664.77
b. Corporate / Wholesale Banking	16.69	14.06
c. Retail Banking	124.63	134.11
d. Other Banking business	-	-
Total	299.10	812.94
6. Depreciation / Amortisation		
a. Treasury and BMU	76.58	59.46
b. Corporate / Wholesale Banking	10.48	9.51
c. Retail Banking	105.94	96.21
d. Other Banking business	-	-
Total	193.00	165.18

Segmental Information is provided as per the MIS available for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

4. Lease Disclosures:

- a. The Bank has taken various premises and equipment under operating lease. The lease payments recognised in the Profit and Loss Account are ₹ 266.41 crore (previous year ₹ 209.62 crore). The sub-lease income recognised in the Profit and Loss Account is ₹ 6.65 crore (previous year ₹ 7.03 crore).
- b. The future minimum lease payments under non cancellable operating lease – not later than one year is ₹ 242.99 crore (previous year ₹ 198.87 crore), later than one year but not later than five years is ₹ 722.54 crore (previous year ₹ 811.69 crore) and later than five years ₹ 674.31 crore (previous year ₹ 443.26 crore).

Schedules forming part of Balance Sheet and Profit and Loss Account

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.

5. Deferred Taxes :

"Others" in Other Assets (Schedule 11 (VI)) includes deferred tax asset (net) of ₹ 69.28 crore (previous year ₹ 140.23 crore). The components of the same are as follows :

Particulars of Asset / (Liability)	(₹ in crore)	
	31st March, 2015	31st March, 2014
Provision for NPA and general provision on standard assets	67.91	134.17
Expenditure allowed on payment basis	65.35	48.37
Depreciation	(7.71)	(1.61)
Deduction u/s. 36(1)(viii)	(56.27)	(40.70)
Net Deferred Tax Asset	69.28	140.23

6. Credit card reward points :

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

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Opening provision for reward points	1.59	2.33
Provision for reward points made during the year	4.39	5.09
Utilisation / write-back of provision for reward points	(3.34)	(5.83)
Closing provision for reward points*	2.64	1.59

* The closing provision is based on the actuarial valuation of accumulated credit card account reward points. This amount will be utilised towards redemption of the credit card accounts reward points.

7. Fixed Assets as per Schedule 10 B include intangible assets relating to purchased software and system development expenditure which are as follows :

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Gross Block		
At cost on 31st March of the preceding year	175.82	142.14
Additions during the year	17.13	33.68
Deductions during the year	-	-
Total	192.95	175.82
Depreciation / Amortisation		
As at 31st March of the preceding year	137.03	112.65
Charge for the year	25.28	24.38
Deductions during the year	-	-
Depreciation to date	162.31	137.03
Net Block	30.64	38.79

Schedules forming part of Balance Sheet and Profit and Loss Account

8. Related Party Disclosures :

A. Parties where control exists :

Nature of relationship	Related Party
Individual having control over the enterprise	Mr. Uday S. Kotak along with relatives and enterprises in which he has beneficial interest holds 39.95% of the equity share capital of Kotak Mahindra Bank Limited as on 31st March, 2015
Subsidiary Companies	Kotak Mahindra Prime Limited Kotak Securities Limited Kotak Mahindra Capital Company Limited 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. Global Investment Opportunities Fund Limited (Till 12th May, 2014) Kotak Investment Advisors Limited Kotak Mahindra Trusteeship Services Limited Kotak Forex Brokerage Limited Kotak Mahindra Pension Fund Limited Kotak Mahindra Financial Services Limited Kotak Mahindra Asset Management (Singapore) Pte. Limited Kotak Mahindra General Insurance Limited (Incorporated on 20th Dec, 2014)

B. Other Related Parties:

Nature of Relationship	Related Party
Associates	ACE Derivatives and Commodity Exchange Limited Infina Finance Private Limited Matrix Business Services India Private Limited Phoenix ARC Private Limited
Key Management Personnel	Mr. Uday S. Kotak, Executive Vice Chairman and Managing Director Mr. C Jayaram, Joint Managing Director Mr. Dipak Gupta, Joint Managing Director
Enterprises over which relatives of Key Management Personnel have control / significant Influence	Aero Agencies Limited Kotak & Company Limited Komaf Financial Services Limited Asian Machinery & Equipment Private Limited Insurekot Sports Private Limited (Previously known as Insurekot Investments Private Limited) Kotak Trustee Company Private Limited Cumulus Trading Company Private Limited Palko Properties Private Limited Kotak Chemicals Limited Kotak Ginning & Pressing Industries Limited Kotak Commodity Services Limited Harisiddha Trading and Finance Private Limited Puma Properties Private Limited Business Standard Private Limited (Previously Business Standard Limited) Business Standard Online Limited (From 27th March, 2015) Allied Auto Accessories Private Limited

Schedules forming part of Balance Sheet and Profit and Loss Account

Nature of Relationship	Related Party
Relatives of Key Management Personnel	Ms. Pallavi Kotak Mr. Suresh Kotak Ms. Indira Kotak Mr. Jay Kotak Mr. Dhawal Kotak Ms. Aarti Chandaria Ms. Anita Gupta Ms. Urmila Gupta Ms. Usha Jayaram

(₹ in crore)

Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprises over which Relatives of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Liabilities						
Deposits	2,016.85 (2,172.53)	231.23 (253.65)	26.17 (1.47)	109.94 (70.04)	10.44 (1.59)	2,394.63 (2,499.28)
Interest Payable	19.47 (15.17)	1.78 (1.97)	0.42 (0.02)	0.59 (0.58)	0.18 (0.01)	22.44 (17.75)
Other Liabilities	2.23 (10.01)	- (0.20)				2.23 (10.21)
Assets						
Advances	12.60 -					12.60 -
Investments-Gross	1,072.95 (986.92)	33.88 (32.29)		# -		1,106.83 (1,019.21)
Diminution on Investments	2.28 (2.19)	27.64 (19.06)		# -		29.92 (21.25)
Commission Receivable	15.12 (15.01)	- -				15.12 (15.01)
Others	30.55 (28.66)	0.10 (2.45)				30.65 (31.11)
Expenses						
Salaries/fees (Include ESOPs)			9.48 (9.81)			9.48 (9.81)
Interest Paid	179.64 (173.28)	27.81 (37.81)	1.70 (0.35)	5.72 (8.68)	0.47 (0.07)	215.34 (220.19)
Others	42.45 (6.35)	0.41 (1.19)		3.19 (2.64)		46.05 (10.18)

Schedules forming part of Balance Sheet and Profit and Loss Account

(₹ in crore)						
Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprises over which Relatives of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Income						
Dividend	4.95 (21.11)					4.95 (21.11)
Interest Received	50.79 (44.00)					50.79 (44.00)
Others	156.89 (129.72)	0.75 (0.28)		0.01 -		157.65 (130.00)
Other Transactions						
Sale of investment	1,469.48 (2,486.79)					1,469.48 (2,486.79)
Purchase of Investment	346.59 (1,055.85)	1.59 -				348.18 (1,055.85)
Loan disbursed during the year		30.00 -				30.00 -
Loan repaid during the year		30.00 -				30.00 -
Dividend paid			24.60 (23.40)		0.16 (0.13)	24.76 (23.53)
Reimbursement to companies	14.38 (14.52)	0.19 (0.19)		0.39 (0.39)		14.96 (15.10)
Reimbursement from companies	91.55 (78.25)	0.71 (0.71)				92.26 (78.96)
Purchase of Fixed assets	0.54 (0.46)	- (0.16)				0.54 (0.62)
Sale of Fixed assets	0.61 (0.64)	0.20 -				0.81 (0.64)
Swaps / Forward / Options contracts	- (50.00)					- (50.00)
Guarantees / Lines of credit	0.10 (0.22)	2.13 (2.13)				2.23 (2.35)
I. Liabilities:						
Other liabilities						
Other Payable						
Kotak Mahindra Prime Limited	0.10 (0.10)					0.10 (0.10)

Schedules forming part of Balance Sheet and Profit and Loss Account

(₹ in crore)

Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprises over which Relatives of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Mahindra Investments Limited	0.38 (0.01)					0.38 (0.01)
Kotak Mahindra (International) Limited	- (8.01)					- (8.01)
Others	1.75 (1.89)	- (0.20)				1.75 (2.09)
II. Assets:						
Investments						
Kotak Mahindra Old Mutual Life Insurance Limited	260.25 (260.25)					260.25 (260.25)
Kotak Mahindra Prime Limited	526.78 (526.78)					526.78 (526.78)
Kotak Mahindra Capital Company Limited	65.14 (65.14)					65.14 (65.14)
Kotak Mahindra Investments Limited	168.03 (93.05)					168.03 (93.05)
Others	52.75 (41.70)			# -		52.75 (41.70)
ACE Derivatives and Commodity Exchange Limited		33.88 (32.29)				33.88 (32.29)
Diminution on Investments						
Kotak Forex Brokerage Limited	2.28 (2.19)					2.28 (2.19)
ACE Derivatives and Commodity Exchange Limited		27.64 (19.06)				27.64 (19.06)
Others				# -		
Commission Receivable						
Kotak Mahindra Old Mutual Life Insurance Limited	15.12 (15.01)					15.12 (15.01)
Other Receivable						
Kotak Mahindra Prime Limited	26.36 (25.48)					26.36 (25.48)
Kotak Securities Limited	0.93 (0.59)					0.93 (0.59)

Schedules forming part of Balance Sheet and Profit and Loss Account

(₹ in crore)						
Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprises over which Relatives of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Others	3.26 (2.59)	0.10 (2.45)				3.36 (5.04)
III. Expenses:						
Salaries / fees (Include ESOPs)						
Mr. Uday Kotak			2.47 (2.38)			2.47 (2.38)
Mr. C Jayaram			3.00 (3.45)			3.00 (3.45)
Mr. Dipak Gupta			4.01 (3.98)			4.01 (3.98)
Other Expenses						
Brokerage						
Kotak Securities Limited	0.64 (0.12)					0.64 (0.12)
Kotak Mahindra Financial Services Limited	7.90 (4.29)					7.90 (4.29)
Premium						
Kotak Mahindra Old Mutual Life Insurance Limited	1.25 (1.00)					1.25 (1.00)
Other Expenses:						
Kotak Mahindra Prime Limited	1.10 (0.94)					1.10 (0.94)
Kotak Mahindra Capital Company Limited	31.50 -					31.50 -
Aero Agencies Limited				3.18 (2.64)		3.18 (2.64)
Kotak & Company Limited				0.01 -		0.01 -
Others	0.06 -	0.41 (1.19)				0.47 (1.19)
IV. Income:						
Dividend						
Kotak Mahindra Asset Management Company Limited	4.95 (9.90)					4.95 (9.90)
Kotak Mahindra Trustee Co Limited	- (3.76)					- (3.76)

Schedules forming part of Balance Sheet and Profit and Loss Account

(₹ in crore)						
Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprises over which Relatives of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Mahindra INC	- (1.34)					- (1.34)
Kotak Mahindra (International) Limited	- (6.00)					- (6.00)
Kotak Mahindra Prime Limited	- (0.11)					- (0.11)
Other Income						
Insurance Commission and Rental Income						
Kotak Mahindra Old Mutual Life Insurance Limited	81.73 (67.71)					81.73 (67.71)
Rental and other Income						
Kotak Securities Limited	19.15 (15.13)					19.15 (15.13)
Kotak Mahindra Capital Company Limited	10.48 (7.28)					10.48 (7.28)
Kotak Mahindra Asset Management Company Limited	14.95 (12.46)					14.95 (12.46)
Kotak Mahindra Prime Limited	12.87 (11.05)					12.87 (11.05)
Kotak Investment Advisors Limited	9.13 (5.96)					9.13 (5.96)
Others	8.58 (10.13)	0.75 (0.28)		0.01 -		9.34 (10.41)
V. Other Transactions:						
Sale of Investment						
Kotak Mahindra Old Mutual Life Insurance Limited	1,224.61 (2,190.18)					1,224.61 (2,190.18)
Kotak Mahindra Prime Limited	225.00 -					225.00 -
Kotak Securities Limited	19.87 (296.61)					19.87 (296.61)
Purchase of Investments						
Kotak Mahindra Old Mutual Life Insurance Limited	46.61 (414.95)					46.61 (414.95)

Schedules forming part of Balance Sheet and Profit and Loss Account

(₹ in crore)

Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprises over which Relatives of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Mahindra Prime Limited	225.00 (550.00)					225.00 (550.00)
Kotak Securities Limited	- (0.90)					- (0.90)
Kotak Mahindra Investments Limited	74.98 (90.00)					74.98 (90.00)
ACE Derivatives and Commodity Exchange Limited		1.59 -				1.59 -
Loan Disbursed during the year						
Phoenix A R C Private Limited		30.00 -				30.00 -
Loan Repaid during the year						
Phoenix A R C Private Limited		30.00 -				30.00 -
Dividend paid						
Mr. Uday Kotak			24.50 (23.32)			24.50 (23.32)
Mr. C. Jayaram			0.05 (0.04)			0.05 (0.04)
Mr. Dipak Gupta			0.05 (0.04)			0.05 (0.04)
Ms. Pallavi Kotak					0.04 (0.04)	0.04 (0.04)
Ms. Indira Kotak					0.10 (0.08)	0.10 (0.08)
Others					0.02 (0.01)	0.02 (0.01)
Reimbursements to companies						
Kotak Mahindra Capital Company Limited	2.45 (2.47)					2.45 (2.47)
Kotak Mahindra Prime Limited	5.73 (5.82)					5.73 (5.82)
Kotak Mahindra Old Mutual Life Insurance Limited	0.21 (0.14)					0.21 (0.14)
Kotak Securities Limited	5.57 (5.78)					5.57 (5.78)

Schedules forming part of Balance Sheet and Profit and Loss Account

(₹ in crore)

Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprises over which Relatives of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Others	0.42 (0.31)	0.19 (0.19)		0.39 (0.39)		1.00 (0.89)
Reimbursements from companies						
Kotak Mahindra Capital Company Limited	6.71 (6.15)					6.71 (6.15)
Kotak Mahindra Prime Limited	15.98 (13.86)					15.98 (13.86)
Kotak Mahindra Old Mutual Life Insurance Limited	14.37 (11.74)					14.37 (11.74)
Kotak Securities Limited	36.69 (35.29)					36.69 (35.29)
Others	17.80 (11.21)	0.71 (0.71)				18.51 (11.92)
Purchase of Fixed assets						
Kotak Mahindra Prime Limited	0.01 (0.15)					0.01 (0.15)
Kotak Mahindra Capital Company Limited	- (0.15)					- (0.15)
Kotak Securities Limited	0.53 -					0.53 -
Kotak Investment Advisor Limited	- (0.16)					- (0.16)
ACE Derivatives and Commodity Exchange Limited		- (0.16)				- (0.16)
Sale of Fixed assets						
Kotak Mahindra Capital Company Limited	- (0.16)					- (0.16)
Kotak Securities Limited	0.38 -					0.38 -
Kotak Mahindra Prime Limited	0.01 (0.01)					0.01 (0.01)
Kotak Mahindra Asset Management Company Limited	- (0.20)					- (0.20)

Schedules forming part of Balance Sheet and Profit and Loss Account

(₹ in crore)

Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprises over which Relatives of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel	Total
Kotak Mahindra Investments Limited	0.22 (0.27)					0.22 (0.27)
Phoenix ARC Private Limited		0.20 -				0.20 -
Swaps / Forward / Options contract						
Kotak Mahindra (International) Limited	- (50.00)					- (50.00)
Guarantees / Lines of credit						
Kotak Mahindra Prime Limited	- (0.12)					- (0.12)
Kotak Mahindra Pension Fund Limited	0.10 (0.10)					0.10 (0.10)
ACE Derivatives and Commodity Exchange Limited		2.13 (2.13)				2.13 (2.13)

Note:

1. Figures in brackets represent previous year's figures.
2. The above does not include any transactions in relation to listed securities done on recognised stock exchange during the year. However above includes transactions done on NDS with known related parties.
3. # in the above table denotes amounts less than ₹ 50,000

Maximum Balance outstanding during the year

(₹ in crore)

Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel
Liabilities					
Deposits	3,840.15 (3,443.22)	2,771.59 (648.61)	34.25 (20.62)	161.93 (167.54)	17.65 (9.99)
Other Liabilities	3.98 (4.79)	0.11 (0.39)			
Assets					
Advances	432.03 (177.90)	30.00 -			

Schedules forming part of Balance Sheet and Profit and Loss Account

(₹ in crore)

Items / Related Party	Subsidiary Companies	Associates	Key Management Personnel	Enterprise over which Relative of Key Management Personnel have control / significant influence	Relatives of Key Management Personnel
Investments-Gross	1,072.95 (986.92)	33.88 (32.29)			
Commission Receivable	15.12 (15.01)				
Others	25.64 (17.40)	0.37 (0.53)			

9. EMPLOYEE SHARE BASED PAYMENTS:

At the General Meetings of the Bank, the shareholders had unanimously passed Special Resolutions on 28th July, 2000, 26th July, 2004, 26th July, 2005, 5th July, 2007 and 21st August, 2007, to grant options to the eligible employees of the Bank and its subsidiaries. Pursuant to these resolutions, the following four 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; and
- d) Kotak Mahindra Equity Option Scheme 2007.

Consequent to the above, the Bank has granted stock options to the employees of the Bank and its subsidiaries. The Bank under its various plan / schemes, has granted in aggregate 62,399,000 options as on 31st March, 2015 (previous year 61,348,520).

Stock appreciation rights

The management has approved the grant of stock appreciation rights (SARs) to eligible employees as and when deemed fit. 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 1.14 to 3.65 years.

Detail of activity under SARs is summarised below:

Particulars	31st March, 2015	31st March, 2014
Outstanding at the beginning of the year	744,955	832,672
Granted during the year	664,165	509,299
Additions / Reduction due to transfer of employees	5,361	(35,838)
Exercised during the year	739,363	493,229
Lapsed during the year	22,108	67,949
Outstanding at the end of the year	653,010	744,955

Equity-settled options

The Bank has granted options to its employees vide various employee stock option schemes. During the year ended 31st March, 2015, the following schemes were in operation:

Schedules forming part of Balance Sheet and Profit and Loss Account

	Plan 2007
Date of grant	Various Dates
Date of Board Approval	Various Dates
Date of Shareholder's approval	5th July, 2007 as amended on 21st August, 2007
Number of options granted	32,508,800
Method of Settlement (Cash / Equity)	Equity
Vesting Period	1 – 4.14 years
Exercise Period	0.30 – 1.08 years
Vesting Conditions	Graded / Cliff vesting

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

	31st March, 2015		31st March, 2014	
	Number of Shares	Weighted Average Exercise Price (₹)	Number of Shares	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	5,353,670	544.55	8,419,532	419.49
Granted during the year	1,077,480	800.99	1,141,160	711.19
Forfeited during the year	231,311	597.02	479,724	467.19
Exercised during the year	2,041,663	430.43	3,701,975	322.81
Expired during the year	7,217	324.68	25,323	357.56
Outstanding at the end of the year	4,150,959	664.70	5,353,670	544.55
Out of the above exercisable at the end of the year	248,090	407.72	308,891	295.25
Weighted average remaining contractual life (in years)	1.55		1.77	
Weighted average fair value of options granted	247.36		215.96	

The weighted average share price at the date of exercise for stock options exercised during the year was ₹ 1,126.03 (previous year ₹ 710.33).

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

31st March, 2015

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
0-100	-	-	-
101-200	-	-	-
201-300	1,038	-	250.00
301-400	72,430	0.65	332.14
401-500	217,652	0.25	421.00
501-600	667,705	1.14	549.96
601-700	1,440,000	1.59	640.00
701-800	799,804	1.64	726.57
801-900	952,330	2.05	812.00

Schedules forming part of Balance Sheet and Profit and Loss Account

31st March, 2014

Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (₹)
0-100	-	-	-
101-200	64,849	0.28	173.00
201-300	163,220	0.99	250.00
301-400	441,993	0.92	316.73
401-500	1,197,204	1.00	421.00
501-600	1,006,264	1.55	545.42
601-700	1,490,000	2.59	640.00
701-800	990,140	2.31	724.00

Stock Options granted

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 the each reporting date. The following table lists the inputs to the model used for equity-settled and cash-settled options:

	31st March, 2015		31st March, 2014	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Exercise Price ₹	600-812	5	550-724	5
Weighted Average Share Price ₹	818.51	874.36	729.33	730.45
Expected Volatility	28.13%-31.11%	24.19%-29.62%	27.68%-31.56%	26.05%-34.00%
Historical Volatility	28.13%-31.11%	24.19%-29.62%	27.68%-31.56%	26.05%-34.00%
Life of the options granted (Vesting and exercise period) in years				
- At the grant date	1.41-3.90		1.31-4.15	
- As at 31st March		0.08-3.08		0.08-2.76
Risk-free interest rate	8.31%-8.89%	7.97%-8.28%	7.47%-8.97%	8.62%-8.72%
Expected dividend rate	0.09%-0.10%	0.06%	0.10%	0.09%

The expected volatility was determined based on historical volatility data and the Bank expects the volatility of its share price to reduce as it matures. The measure of volatility used in the Black-Scholes options pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

The above information has been prepared by the Bank and relied upon by the auditors.

Schedules forming part of Balance Sheet and Profit and Loss Account

Effect of the employee share-based payment plans on the Profit and Loss Account and on its financial position:

	(₹ in crore)	
	31st March, 2015	31st March, 2014
Total Employee Compensation Cost pertaining to share-based payment plans	91.89	45.61
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	2.16	3.98
Liability for employee stock options outstanding as at year end	4.75	11.15
Deferred Compensation Cost	1.76	2.62
Closing balance of liability for cash-settled options	49.11	36.39
Expense arising from increase in intrinsic value of liability for cash stock appreciation plan	30.21	4.33

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 ₹ 23.70 crore (previous year ₹ 22.19 crore) and the profit after tax would have been lower by ₹ 15.65 crore (previous year ₹ 14.65 crore). Consequently the basic and diluted EPS would have been ₹ 23.99 (previous year ₹ 19.43) and ₹ 23.94 (previous year ₹ 19.40) respectively.

In computing the above information, certain estimates and assumptions have been made by the Management which have been relied upon by the auditors.

10. Advances securitised by the Bank :

	(₹ in crore)	
Particulars	31st March, 2015	31st March, 2014
Book value of advances securitised	-	-
Number of accounts	-	-
Sale consideration received for the accounts securitised	-	-
Gain on securitisation amortised during the year	-	-
Credit enhancement, liquidity support provided	-	-
Provision on securitised assets	-	-
Nature of post securitisation support	-	-

11. 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	31st March, 2015	31st March, 2014
Provident Fund	55.67	47.89
Superannuation Fund	0.49	0.47
New Pension Fund	1.87	1.48

- ii. The Bank provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or on termination of employment based on the respective employee's salary and the years of employment with the Bank subject to maximum of ₹ 0.10 crore. There is no ceiling on gratuity payable to Directors.

The gratuity benefit is provided to the employees of the Bank through a fund administered by a Board of Trustees and managed by its life insurance subsidiary. The Bank is responsible for settling the gratuity obligation through contributions to the fund. The plan is fully funded.

Schedules forming part of Balance Sheet and Profit and Loss Account

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

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Change in benefit obligations		
Liability at the beginning of the year	67.29	62.65
Current Service cost	13.57	12.95
Interest cost	7.10	5.92
Actuarial Losses / (Gain)	9.84	(6.21)
Past Service Cost	-	-
Liability assumed on acquisition / (Settled on divestiture)	(0.01)	(0.36)
Benefits paid	(11.56)	(7.66)
Liability at the end of the year	86.23	67.29
Change in plan assets		
Fair value of plan assets at the beginning of the year	71.07	60.67
Expected return on plan assets	5.19	4.49
Actuarial Gain / (Losses)	15.59	3.76
Benefits paid	(11.56)	(7.66)
Employer contributions	4.39	9.81
Fair value of plan assets at the end of the year	84.68	71.07

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Reconciliation of present value of the obligation and the fair value of the plan assets		
Fair value of plan assets at the end of the year	84.68	71.07
Liability at the end of the year	86.23	67.29
Net Asset (included under Schedule 11.VI) / (Liability) (included under Schedule 5.IV)	(1.55)	3.78
Expense recognised for the year		
Current Service cost	13.57	12.95
Interest cost	7.10	5.92
Expected return on plan assets	(5.19)	(4.49)
Actuarial (Gain) / Loss	(5.75)	(9.97)
Past Service Cost	-	-
Net gratuity expense recognised in Schedule 16.I	9.73	4.41
Actual return on plan assets	20.79	8.25

Particulars	(₹ in crore)	
	31st March, 2015	31st March, 2014
Reconciliation of the Liability recognised in the Balance Sheet		
Net Liability / (Asset) at the beginning of the year	(3.78)	1.98
Expense recognised	9.73	4.41
Liability assumed on acquisition / (Settled on divestiture)	(0.01)	(0.36)
Employer contributions	(4.39)	(9.81)
Net Liability / (Asset)	1.55	(3.78)

Schedules forming part of Balance Sheet and Profit and Loss Account

Investment details of plan assets

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

	31st March, 2015 %	31st March, 2014 %
Government securities	23.85%	24.53%
Bonds, debentures and other fixed income instruments	12.87%	10.02%
Money market instruments	8.30%	11.48%
Equity shares	55.98%	53.97%
Total	100.00%	100.00%

Actuarial assumptions used

Discount rate	7.98% p.a. (Previous Year 9.34% p.a.)
Salary escalation rate	8.50% p.a. (Previous Year 8.50% p.a.)
Expected return on plan assets	7.50% p.a. (Previous Year 7.50% p.a.)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Experience adjustments

Amounts for the current and previous four years are as follows:

	(₹ in crore)				
	Gratuity Year ended 31st March				
	2015	2014	2013	2012	2011
Defined benefit obligation	86.23	67.29	62.65	46.29	39.85
Plan assets	84.68	71.07	60.67	41.31	34.66
Surplus / (Deficit)	(1.55)	3.78	(1.98)	(4.98)	(5.19)
Experience adjustments on plan liabilities	1.30	1.54	(1.41)	2.37	3.07
Experience adjustments on plan assets	15.59	3.76	1.32	(2.75)	0.64

The Company expects to contribute ₹ 6 crore to gratuity fund in 2015-16.

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

Compensated absences

The actuarially determined liability for compensated absences of accumulated leaves of the employees of the Bank is given below:

	31st March, 2015	31st March, 2014
Total actuarial liability	55.58	44.64
Assumptions:		
Discount rate	7.98% p.a.	9.34% p.a.
Salary escalation rate	8.50% p.a.	8.50% p.a.

Schedules forming part of Balance Sheet and Profit and Loss Account

Long Service Award

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

	(₹ in crore)	
	31st March, 2015	31st March, 2014
Total actuarial liability	4.92	0.75
Assumptions:		
Discount rate	7.98% p.a.	9.34% p.a.

12. 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	31st March, 2015	31st March, 2014
Provisions for Depreciation on Investments	(166.36)	176.61
Loss on valuation of securities on transfer between categories	55.02	-
Provision towards NPA	193.54	132.64
Provision towards Unhedged Foreign Currency Exposure	17.82	-
Provision towards Standard Assets	64.67	14.61
Provision for Taxes	966.98	769.93
Other Provision and Contingencies	(0.19)	(19.16)
Total Provisions and Contingencies	1,131.48	1,074.63

13. Corporate Social Responsibility (CSR):

As per the provisions of the Section 135 of the Companies Act, 2013 the Bank is required to contribute ₹ 39.20 crore. The Bank has contributed ₹ 5.63 crore to the Kotak Education Foundation and ₹ 6.34 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.

14. Tier II Bonds:

- a) Lower Tier II Bonds outstanding as at 31st March, 2015 ₹ 482.00 crore (previous year ₹ 482.00 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 ₹ 369.25 crore (previous year ₹ 281.91 crore) are not considered as Tier II capital for the purposes of capital adequacy computation under Basel III guidelines.

- b) Upper Tier II Bonds outstanding as at 31st March, 2015 are ₹ 417.25 crore (previous year ₹ 405.62 crore) of which bonds issued outside India are ₹ 281.25 crore (previous year ₹ 269.62 crore).

During the current and previous year, the Bank did not issue upper Tier II bonds.

- c) Interest Expended-Others (Schedule 15(III)) includes interest on subordinated debt (Lower and Upper Tier II) ₹ 62.88 crore (previous year ₹ 63.57 crore).

15. Details of payments of audit fees:

	(₹ in crore)	
Particulars	31st March, 2015	31st March, 2014
Statutory Audit fees	0.84	0.84
Other Matters	0.69	0.63
Total	1.53	1.47

Schedules forming part of Balance Sheet and Profit and Loss Account

16. Description of Contingent Liabilities:

Sr. No.	Contingent Liability*	Brief Description
1.	Claims not acknowledged as debts	<p>This includes liability on account of income tax, sales tax, lease tax demands, property tax demands and legal cases filed against the Bank.</p> <p>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.</p>
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 in India	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	<p>These includes:</p> <ul style="list-style-type: none"> ● Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. ● Bills re-discounted by the Bank and cash collateral provided by the Bank on assets which have been securitised. ● Underwriting commitments in respect of Debt Syndication.
5.	Other items for which the Bank is contingently liable	<p>These include:</p> <ul style="list-style-type: none"> ● Liabilities in respect of interest rate swaps, currency swaps, forward rate agreements 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. ● Liability in respect of Capital commitments relating to fixed assets and undrawn commitments in respect of investments.

* Also refer Schedule 12 – Contingent Liability

17. The Bank has received few intimations from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and there is no outstanding against those suppliers as on 31st March, 2015, 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. The above is based on information available with the Bank and relied upon by the Auditors.

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

For and on behalf of the Board of Directors

Dr. Shankar Acharya
Chairman

Dipak Gupta
Joint Managing Director

Jaimin Bhatt
President and
Group Chief Financial Officer

Uday Kotak
Executive Vice Chairman
and Managing Director

Bina Chandarana
Company Secretary

Mumbai, 5th May, 2015

#KonaKonaKotak



For more details, please visit our youtube page: www.youtube.com/KotakBankIndia



Kotak Mahindra Bank Limited,
27BKC, C 27, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051

BSE: 500247
NSE: KOTAKBANK
Bloomberg: KMB:IN
CIN: L65110MH1985PLC038137