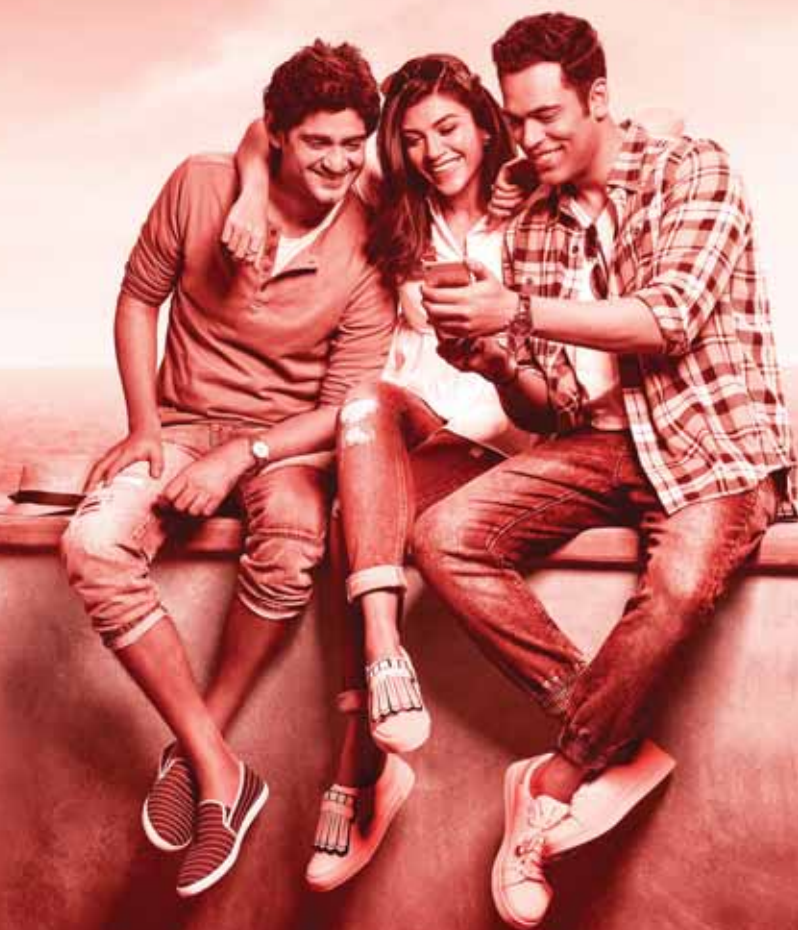


Annual Report 2016-17



CHANGING WITH INDIA. FOR INDIA.



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Changing with India. For India.

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information log on to www.kotak.com

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Mumbai - 400 051
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Fax: +91 22 67132403
Website: www.kotak.com

Company Secretary

Bina Chandarana,
Company Secretary and
Senior Executive Vice President

Auditor

Messrs S. R. Batliboi & Co. LLP,
Chartered Accountants,
14th Floor, The Ruby,
29, Senapati Bapat Marg,
Dadar West,
Mumbai - 400 028

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



Where new-age aspirations necessitate new-age solutions.

Where transforming financial needs demand structured systems.

And where unorganised traditional financial channels give way to formal digital tools.

It is the story of a changing India.

Evolving and empowered.

It is the story of a transforming financial community.

We, at Kotak Mahindra, are at the helm of this change. Pulsating with a new kind of dynamism in our operational and people processes. Digitised to scale new levels of growth aligned to growing consumer aspirations.

**Changing with India.
For India.**

An India which is moving faster than ever before towards adoption of digital

financial channels post demonetisation. An India which is seeing a massive shift towards financial services spanning the entire gamut of bank and fixed deposits, mutual funds, stocks and more.

It is the story of our change, and our ability to drive change. Across financial segments, across regions, across channels.

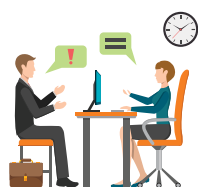
It is the story of our capacity to embrace change, and to be inspired by it.

Where change is the only constant

One of India's leading financial services conglomerate, providing banking (consumer, commercial, corporate), credit and financing, equity broking, wealth and asset management, insurance (general and life), and investment banking solutions, Kotak Mahindra operates through a change agenda designed to cater to diverse customer segments across India.

As one of the first financial entities to go for an organisation-wide digital transformation to enhance customer engagement and experience, we have set new benchmarks of excellence in this niche industry by achieving better operational efficiencies across our portfolio of unique products and services.

₹2.8 trillion



Institution*

~44,000



Employees

₹173,287 crore



Market Capitalisation**

160,000+



Shareholders

1,369



Bank Branches

2,163



ATMs

8 million+



Active customer base

~5 million



Debit card holders

1 million+



Credit card holders

*Consolidated Assets

**As on May 22, 2017

Kotak's Digital DNA

1 Agile

2 Customer
centric3 Make it
simple4 Innovation
at heart

5 Design thinking

6 Collaborative

7 Skilled
resources8 Fail fast,
learn fast

Kotak's Digital Focus



Online Acquisition



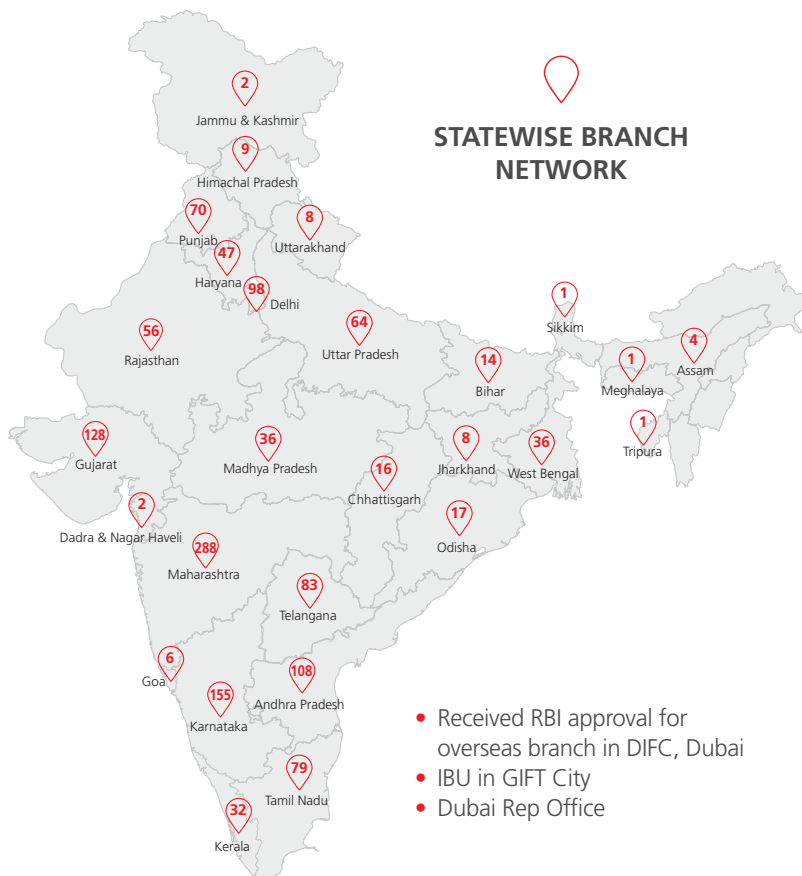
Digital Payments

Lending
& ServicesDigital Adoption
& AnalyticsDigital
Transformation

PHYSICAL AND DIGITAL CO-EXISTENCE

Digital platform focussed

Transformation focussed

Category-wise branch classification
as on 31.03.2017

State	No. of branches	% of total network
Metro	604	44
Rural	195	14
Semi-Urban	283	21
Urban	287	21
Grand Total	1,369	100

Zone-wise branch classification
as on 31.03.2017

Zone	No. of branches	% of total network
North	406	30
South	457	33
West	424	31
East	82	6
Grand Total	1,369	100

Map not to scale - for illustration purposes only

Technology contributing to growing numbers

Net Interest Income

(₹ in cr)

FY 13	4,813
FY 14	5,674
FY 15	6,353
FY 16	9,279
FY 17	10,867

Net Profit

(₹ in cr)

FY 13	2,188
FY 14	2,465
FY 15	3,045
FY 16	3,459
FY 17	4,940

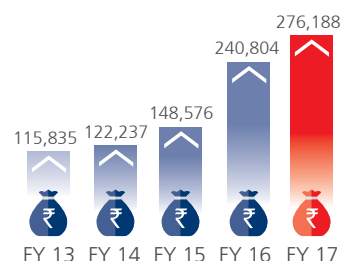
Net Worth

(₹ in cr)

FY 13	15,250
FY 14	19,076
FY 15	22,153
FY 16	33,361
FY 17	38,491

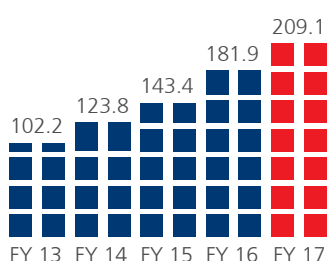
Total Assets

(₹ in cr)



Book Value Per Share

(₹)



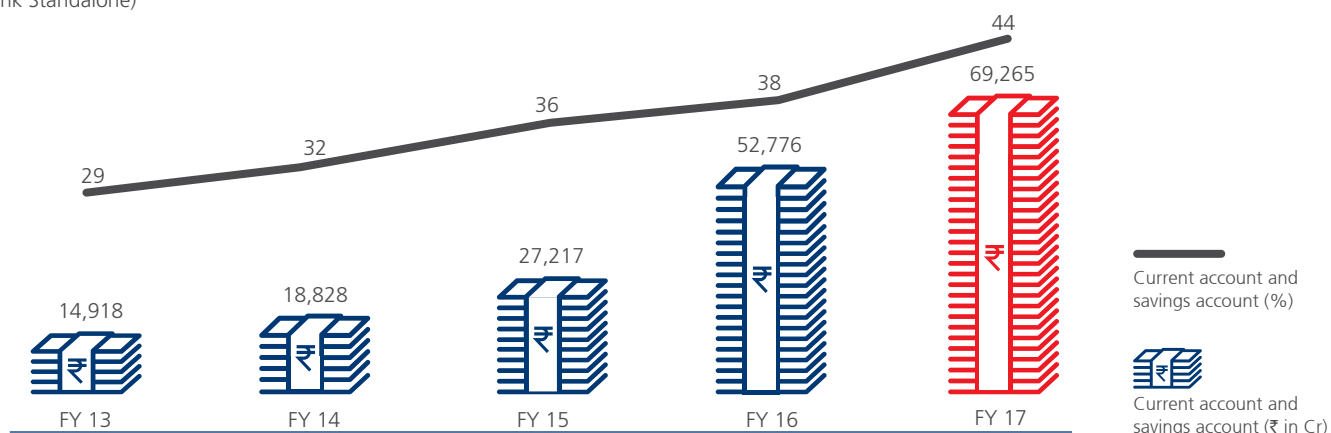
Advances

(₹ in cr)

FY 13	66,258
FY 14	71,693
FY 15	88,632
FY 16	144,793
FY 17	167,125

Current Account and Savings Account Balances

(Bank Standalone)



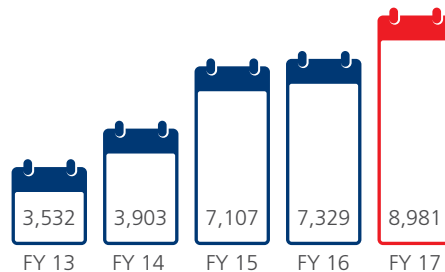
Market Capitalisation

(₹ in cr)

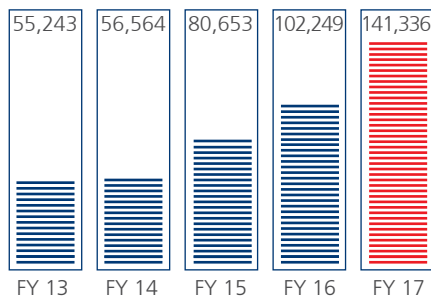
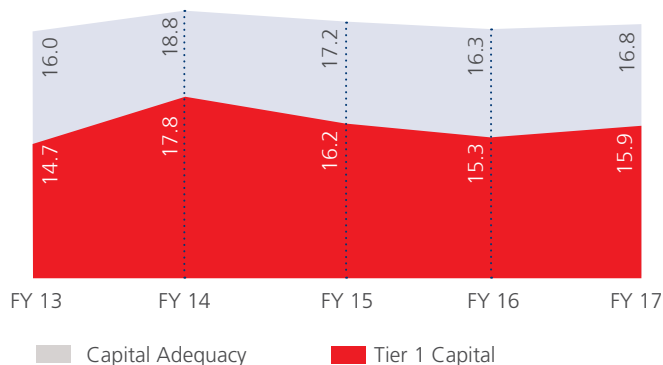
FY 13	48,754
FY 14	60,165
FY 15	101,429
FY 16	124,857
FY 17	160,563

Kotak Securities Average Daily Volume

(₹ in cr)

**Group Assets Under Management**

(₹ in cr)

**Bank Capital Adequacy Ratio and Tier 1 Capital (%)****Group Branch Network**

(Nos.)

FY 13	438	70	199	1,330	79	2,116
FY 14	605	69	205	1,157	79	2,115
FY 15	684	77	211	1,128	79	2,179
FY 16	1,333	79	227	1,209	79	2,935
FY 17	1,369	79	235	1,281	79	3,055



All nos. are consolidated except where stated

Merger of erstwhile ING Vysya Bank effective April 1, 2015, previous periods not comparable

Strategic Business Review



Group Business Overview

Consumer Banking

(Kotak Mahindra Bank Limited)

- Provides a bouquet of liability and asset products to retail customers, NRIs, retail institutions and small businesses
- Offers variety of products and services ranging from savings accounts to innovative digital solutions, investment services, transactional services and loan products
- Delivers comprehensive business solutions to the business community, such as current accounts, trade services, foreign exchange services, cash management services and credit facilities
- Comprehensive banking, investment and insurance solutions for non-resident Indians

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 businesses across nine key locations in India

- 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

Commercial Banking

(Kotak Mahindra Bank Limited)

- Plays a significant role in meeting financial inclusion goals and financing deep into 'Bharat' through an expanding network of branches and associates
- Participates in India's growth by partnering Small and Medium Enterprises (SMEs) in the country
- Focuses on financing the priority sector lending requirement by providing finance for tractors, crop loans, small enterprises and allied agricultural activities
- Offers a range of products for purchase and operation of commercial vehicles and construction equipment

Wealth Management

(Kotak Mahindra Bank Limited)

- One of the oldest and most respected wealth management businesses in India providing bespoke financial solutions to high net worth families. Kotak Wealth caters to over 40% of India's top 100 families in Forbes India Rich List 2016
- Kotak Wealth offers 'Family Office Services' to ultra high net worth investors, providing solutions that go beyond investments
- 'Kotak Mahindra Trusteeship Services' offers Estate Planning services that deal with succession planning by creating private family trusts

Car Loans

(Kotak Mahindra Prime Limited)

- Offers car finance options in the form of loans and lease for the entire range of passenger cars and multi-utility vehicles
- Provides a complete finance solutions through a single window to car dealers for their working capital & infrastructure set up requirements in the form of inventory funding and term loans

Life Insurance

(Kotak Mahindra Old Mutual Life Insurance Limited)

- Among the early private life insurers to break even
- Robust management practices and customer-centric philosophy
- Emphasis on need-based selling from a wide range of innovative insurance products
- Consistent progress in a competitive environment through sustained value creation, effectual use of capital and better output of distribution channels
- Focus on enhancing value proposition for customers through a meaningful product suite that combines protection and long-term savings, multimodal outreach and superior services

General Insurance

(Kotak Mahindra General Insurance Company Limited)

- The youngest subsidiary in the Kotak Mahindra Group completes its first full financial year of operations
- Launched end-to-end insurance buying portal, using the best-in-class UI/UX practices. Successfully integrated multiple digital business partners within a short span of time
- Launched tablet-based motor claims assessment App to reduce turnaround time (TAT) significantly

Mutual Fund

(Kotak Mahindra Asset Management Company Limited)

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

Brokerage

(Kotak Securities Limited)

- Among the leaders in securities broking in India
- Voted 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
- Facilitates investment opportunities in equities, derivatives, distribution of IPOs, Gold ETFs and mutual funds for retail investors

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 five verticals – Private Equity, Realty Fund, Infrastructure Fund, Listed Equity Strategies and the Special Situations Credit 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 with presence in the UK, Singapore, UAE, US and Mauritius
- Dedicated fund management team overseas that manages a wide range of India dedicated funds (equity and debt) through which international investors can invest in India
- Also engaged in dealing in securities, advisory services, broker-dealer activities and investments on own account

Group Business Highlights

Consumer Banking

- Launched 811 - India's unique full-service digital banking ecosystem on mobile
- First bank in India to launch DigiLocker - secured access, storage of documents on Government of India's platform
- First Bank in India to offer Flipkart on mobile banking app for a seamless in-app shopping experience
- Partnered with Biz2Credit offering access to salaried individuals for Personal Loans

Commercial Banking

- Following the merger with the erstwhile ING Vysya Bank, the SME/Business Banking portfolio was consolidated during the year, which has resulted in creating efficiency and a wider customer base
- Commercial Vehicle, Construction Equipment and Tractor Finance reported significant growth and gained market share in their respective businesses
- Agriculture Financing business has registered growth despite volatility and uncertainty in the commodities market

Corporate Banking

- The year saw stabilisation of the Integrated Corporate & Investment Banking (CIB) coverage model, set up for large conglomerates and corporate groups. This has helped the Bank to significantly increase its banking wallet share and also grow its investment banking business with these corporates
- GIFT City branch, set up this year, has helped the Bank participate in dollar loan syndication
- Risk Adjusted Return on Capital (RaRoC) based pricing model has been implemented and has helped optimise pricing and better judge the risk-return balance
- Bank has been focussed on offering customised solutions to its customers and has been able to significantly grow its structured products book

- Trade Funded Book crossed ₹ 10,000 crore this year
- There has been a focussed approach to implement operational efficiencies through implementation of various workflows
- Pan-India dedicated Service Solutions vertical, set up last year, has stabilised. Focus on this area has helped significantly improve Turn-Around-Time (TAT) across various processes including account opening and disbursements and has also helped improve RM productivity

Life Insurance

- Total Gross Written Premium (GWP) stood at ₹ 5,111 crore
- Investment performance of Unit Linked funds has largely remained above benchmarks and in top quartile across time periods
- Products launched
 - **Group:**
 1. Kotak Gratuity Group Plan – a Unit Linked Fund Based Product
 2. Kotak Group Secure – Pure Term Product with option to cover Terminal Illness for affinity groups
 3. Kotak Group Secure One – One Year Renewable Term Product with optional cover for terminal illness for affinity groups
 - **Individual:**
 1. Guaranteed Savings Plan
 2. Premier Income Plan
- Initiated the process of internalising the new brand promise – Koi Hai... Hamesha

General Insurance

- Total Gross Written Premium (GWP) stood at ₹ 84.9 crore
- Loss ratios have been well within estimates across Motor & Health products
- TAT on claims settlement, a key measure of customer service, has been extremely satisfactory
- Expanded our range of products by launching seven new products – Kotak Fire Secure, Kotak Burglary Secure,

Kotak Corporate Vehicle Secure, Kotak Long Term Two Wheeler Secure, Kotak Accident Care, Kotak Secure Shield & Kotak Group Accident Care

Mutual Fund

- On the basis percentage growth in quarterly average assets under management (QAAUM), KAMC is among the fastest growing Mutual Fund houses - Among the top 10 Fund Houses by size i.e. quarterly average assets under management
- As per Association of Mutual Funds in India's (AMFI) QAAUM, the AMC continues to be the 7th largest Fund House in the country
- Market share was at 8.08%, on net equity inflows
- Market share stood at 4.53% on yearly average assets under management (YAAUM)
- Digitisation initiatives:
 - **Account Opening** – i) Created an online self-service model for opening mutual fund accounts. Through this, customers can open mutual fund accounts and invest through lumpsum and SIP modes. ii) For customers who may not want to make an immediate investment but invest subsequently, there is a provision to make them investment ready by opening a zero balance account
 - **Quick Invest** – Mobile number/Folio number based transaction facility for existing Investors to make the transaction experience faster
 - **Easy Login** – Simplified the process of login access creation for investors to give them a hassle-free experience to adopt digital transactions
 - **Go Digital** – Created knowledge partnership with a software solution provider to help distribution partners to create their digital infrastructure to facilitate business penetration

Brokerage

- Average daily volume (ADV) of KSL increased by more than 20% over the previous year
- Research coverage on the institutional desk increased
- Deepening deployment of technology and using digital platforms covering Trading, Mobile/Web Trading, Sales automation, Client access and Client onboarding
- New products launched for customers on the online platform

Investment Banking

- Completed twelve marquee transactions in the Indian equity capital markets, raising a total of ₹ 14,318 crore in FY 2016-17*
- Ranked #2 in IPOs and #5 across all equity offerings* (IPOs, FPOs, QIPs, OFS, IPPs and Rights issues)
- Advised on a diverse array of 26 M&A and Private Equity transactions across a wide range of products and sectors, for a total deal value of US\$ 27 billion
- Ranked #1 by volume of deals and #2 by value of deals in the M&A league tables**

* Source: Prime Database

**Source: Bloomberg, as on April 11, 2017; amongst investment banks only

Alternate Assets

- Kotak Private Equity has raised its third Growth fund and completed the first close at ~ US\$ 70 mn with commitments from international institutional investors. The fund would invest in growth stage companies with significant focus on the life sciences industry
- Kotak Listed Equities' maiden fund called 'The India Whizdom Fund' (IWF) has drawn down 50% of the committed amount in FY 2016-17. The fund adopts a long-term approach and combines its private equity and public market experience to invest in Indian listed equities

International Business

- Though there has been a sharp recovery in the Indian markets towards the end of FY 2016-17, the unexpected events globally as well as in India along with profit taking by key clients impacted the growth in Assets Under Management (AUM). Consequently, net outflows were witnessed from open-ended equity and debt funds in FY 2016-17. However, positive mark-to-market on equity and debt funds and net inflow into certain close-ended debt funds more than offset these outflows keeping the Assets under management (AUM) steady at US\$ 4.2 bn as on March 31, 2017