



## Kotak Mahindra Bank Limited

### BASEL III (PILLAR 3) DISCLOSURES (CONSOLIDATED) As at 30<sup>th</sup> September, 2016

#### Scope of Application and Capital Adequacy

Pillar 3 disclosures apply to Kotak Mahindra Bank Limited (KMBL) and its consolidated entities for regulatory purposes, wherein KMBL is the controlling entity in the group.

#### Basis of Consolidation for capital adequacy

The consolidated capital adequacy is based on consolidated financial statements of Kotak Mahindra Bank and its subsidiaries, prepared in accordance with guidelines for consolidated accounting and other quantitative methods vide circular DBOD.No.BP.BC.72/21.04.018/2001-02 dated 25<sup>th</sup> February 2003 issued by Reserve Bank of India (RBI). The capital charge is computed as per RBI guidelines for implementation of the New Capital Adequacy Framework (Basel III) released in July 2015.

In accordance with the guidelines issued by RBI, the insurance subsidiaries have been excluded from consolidation for the purpose of capital adequacy. The entities which carry on activities of financial nature are considered for consolidation for capital adequacy purpose as stated in the scope for preparing consolidated prudential reports laid down in RBI guidelines. The Bank consolidates all subsidiaries as defined in Accounting Standard -21 (AS-21) *Consolidated Financial Statements* on a line by line basis by adding together like items of assets, liabilities, income and expenses. Further, investments in Associates are consolidated using the equity method of accounting as defined by Accounting Standard – 23 (AS-23) *Accounting for Investments in Associates in Consolidated Financial Statements*. KMBL and its subsidiaries, which have been consolidated, constitute the “Group”.

The list of subsidiaries / associates consolidated as per AS-21 along with their treatment in consolidated capital adequacy computation is as under:

Name of the entity	Country of incorporation	Included under accounting scope of consolidation (yes / no)	Method of consolidation	Included under regulatory scope of consolidation (yes / no)	Method of consolidation	Reasons for consolidation under only one of the scopes of consolidation
Kotak Mahindra Prime Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Securities Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra Capital Company Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra Old Mutual Life Insurance Limited	India	Yes	Fully consolidated	No	NA	Deducted from capital for capital adequacy purposes
Kotak Mahindra General Insurance Company Limited	India	Yes	Fully consolidated	No	NA	Deducted from capital for capital

Name of the entity	Country of incorporation	Included under accounting scope of consolidation (yes / no)	Method of consolidation	Included under regulatory scope of consolidation (yes / no)	Method of consolidation	Reasons for consolidation under only one of the scopes of consolidation
						adequacy purposes
Kotak Mahindra Investments Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra Asset Management Company Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra Trustee Company Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra (International) Limited	Mauritius	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra (UK) Limited	UK	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra, Inc.	USA	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra Asset Management (Singapore) Pte	Singapore	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Investment Advisors Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra Trusteeship Services Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Infrastructure Debt Fund Limited (earlier known as Kotak Forex Brokerage Limited)	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra Pension Fund Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Kotak Mahindra Financial Services Limited	UAE	Yes	Fully consolidated	Yes	Fully consolidated	NA
Ivy Product Intermediaries Limited	India	Yes	Fully consolidated	Yes	Fully consolidated	NA
Infina Finance Private Limited #	India	Yes	Equity method	Yes	NA	Risk weighted for capital adequacy
Phoenix ARC Private Limited #	India	Yes	Equity method	Yes	NA	Risk weighted for capital adequacy
ACE Derivatives and Commodity Exchange Limited #	India	Yes	Equity method	Yes	NA	Risk weighted for capital adequacy

# Consolidated as per Equity Method of accounting prescribed by AS 23 wherein assets and liabilities of the investee company are not consolidated.

There are no entities / subsidiaries which are not considered for consolidation both under the accounting and regulatory scope of consolidation.

List of group entities considered for consolidation

₹ in million

Name of the entity	Principle activity of the entity	Total Equity Shareholders' Fund	Total Assets
Kotak Mahindra Prime Limited	Non Banking Finance Company (Specialises in car finance)	39,615.9	250,829.7
Kotak Securities Limited	Securities Broking, depository, distribution of investment products, advisory services	27,905.2	77,781.4
Kotak Mahindra Capital Company Limited	Investment Banking	4,750.7	5,048.2
Kotak Mahindra Investments Limited	Non Banking Finance Company (Providing finance against securities, lending to real estate sector and other corporate loans, investment holding)	9,333.0	61,691.7
Kotak Mahindra Asset Management Company Limited	Asset management company for Kotak Mahindra Mutual Fund	1,285.3	1,730.7
Kotak Mahindra Trustee Company Limited	Trustee company for Kotak Mahindra Mutual Fund	707.0	715.7
Kotak Mahindra (International) Limited	Brokerage and advisory services	4,517.2	9,920.8
Kotak Mahindra (UK) Limited	Brokerage and advisory services	1,913.3	4,865.6
Kotak Mahindra, Inc.	Brokerage and advisory services	144.0	163.1
Kotak Mahindra Asset Management (Singapore) Pte	Asset Management	96.1	96.5
Kotak Investment Advisors Limited	Asset manager of venture capital, private equity funds and alternate assets	2,827.1	3,109.9
Kotak Mahindra Trusteeship Services Limited	Trusteeship services and trustee of venture capital, private equity and alternate asset funds	131.3	141.4
Kotak Infrastructure Debt Fund Limited (earlier known as Kotak Forex Brokerage Limited)	Foreign exchange brokerage services	0.0	47.2
Kotak Mahindra Pension Fund Limited	Pension fund management	253.9	257.4
Kotak Mahindra Financial Services Limited	Advising on financial products for Middle East	37.4	85.2
Infina Finance Private Limited	Non Banking Finance Company	13,875.2	16,090.7
Phoenix ARC Private Limited	Asset Reconstruction company	2,974.5	4,378.9
ACE Derivatives and Commodity Exchange Limited	Commodity Exchange	146.4	155.6

### Capital Deficiencies

As at 30<sup>th</sup> September, 2016 the Bank and all of its subsidiaries are adequately capitalised. There are no capital deficiencies in consolidated as well as non-consolidated subsidiaries in the Group. The Bank maintains an oversight over its subsidiaries through its representation on their respective Boards and the Management Committee of the Bank is regularly updated.

### Investment in Insurance subsidiary

The Group's investment in insurance subsidiaries as at 30<sup>th</sup> September, 2016 is deducted from regulatory capital for capital adequacy purpose under Basel III as given below:

₹ in million			
Name of the Entity	Total Equity Shareholders' Fund	% shareholding of the Group	Investment Value
Kotak Mahindra Old Mutual Life Insurance Limited	16,555.7	74%	3,776.2
Kotak Mahindra General Insurance Company Limited	1,091.8	100%	1,350.0

The quantitative impact on regulatory capital of using risk weights on investments versus using the deduction method is given below:

₹ in million	
Method	Quantitative Impact
Deduction method	5,126.2
Capital at 9% based on risk weighted assets	461.4

The transfer of regulatory capital and funding within the Group is subject to restrictions imposed by local regulatory requirements. In particular, RBI establishes prudential limits on the level of exposure that the Bank may have to a related entity. There are no restrictions or other major impediments on the transfer of funds within the Group.

### 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. Capital management practices are built on an assessment of all identified risks and consider the risk reward balance. The objective is to maintain a strong capital base to support the risks inherent in various businesses. The Group's approach to capital management ensures that businesses are adequately capitalized to meet their business plans at all times, while holding adequate capital buffers to absorb the impact of stress events. 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 existing regulatory requirements.

Basel III Capital regulations are applicable to Banks in India from 1st April, 2013 and will be fully phased in by 31st March, 2019. With a view to strengthen the financial system and improve the shock absorbing capability, going forward, Banks are also expected to hold Capital buffers (Capital conservation buffer, countercyclical capital buffer and additional buffer for Domestic Systemically Important Banks) out of common equity.

Detailed guidelines on Basel III Capital Regulations and Guidelines on Composition of Capital Disclosure Requirements are issued by RBI and consolidated under the Master Circular – Basel III Capital Regulations July 2015.

The transitional arrangements for minimum Basel III capital ratios are given below.

Minimum capital ratios	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Minimum Common Equity Tier 1 (CET1)	5.0	5.5	5.5	5.5	5.5	5.5
Maximum Additional Tier 1 capital	1.5	1.5	1.5	1.5	1.5	1.5
Minimum Tier 1 capital	6.5	7.0	7.0	7.0	7.0	7.0
Maximum Tier 2 Capital	2.5	2.0	2.0	2.0	2.0	2.0
Minimum Total Capital*	9.0	9.0	9.0	9.0	9.0	9.0
Capital conservation buffer (CCB)	-	-	0.625	1.25	1.875	2.5
Minimum Total Capital +CCB	9.0	9.0	9.625	10.25	10.875	11.5
Phase-in of all deductions from CET1 (in %) #	40	60	80	100	100	100

#### **Approach to Capital Adequacy Assessment to support business activities**

The diversified business activities require the Group to identify, measure, aggregate and manage risks effectively and to allocate capital among its businesses appropriately. The risk management framework lays emphasis on the Group's risk philosophy, proper organizational structure, risk and reward balance and is supported by dedicated monitoring and risk measuring mechanism.

The Group manages Risk under an Enterprise wide Risk Management (ERM) framework that aligns risk and capital management to business strategy, protects its financial strength, reputation and ensures support to business activities for adding value to customers while creating sustainable shareholder value. The Group believes that all employees must play their part in risk management, regardless of position, function or location.

The ERM framework lays down the following components for effective Risk Management across the Group

- An Independent 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 across the Group

The Group faces a variety of risks across businesses. Defining acceptable levels of risk is fundamental to delivering consistent and sustainable performance over the long term. The success of the Group is dependent on its ability to manage the broad range of interrelated risks.

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 financial plans for the forthcoming year are tested against the Risk Appetite to ensure business strategy and plans are within approved Risk Appetite.

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

The ICAAP encompasses Management's assessment of material risks and their governance, measurement and mitigants. It is linked to overall business planning for maintaining appropriate capital levels during the business horizon. The Group identifies risks to which it is exposed and 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. There are methodologies implemented that help in capital allocation towards quantifiable Pillar II risks.

Capital planning under ICAAP takes into account the demand for capital from businesses for their growth plans and ensures that the Group on an aggregate basis as well as the major legal entities on a standalone basis are sufficiently capitalized for the specified time horizon and hold sufficient capital buffers to withstand stress conditions.

The Key risks assessed as part of the ICAAP are:

- Credit Risk
- Market Risk
- Operational Risk
- Credit Concentration risk
- Underestimation of Credit Risk under Standardised Approach
- Currency induced credit risk
- Interest Rate Risk in the Banking Book (IRRBB)
- Liquidity Risk
- Settlement Risk
- Reputation risk
- Strategic & Business Risk
- Model Risk
- Compliance Risk
- Country Risk
- Pension Obligation Risk
- Conduct Risk
- IT / Cyber Risks
- Group Risk

Based on the Group ICAAP outcome; the Group was well capitalized to cover Pillar I & Pillar II risks.

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. 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. 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. Key companies within the Group also perform stress tests relevant to their portfolios. Stress-testing provides senior management with an assessment of the financial impact of identified extreme events. Stress testing is integral to strengthening the predictive approach to risk management and is a key component in managing risks. The stress tests determine the level of capital needed to absorb losses that may be experienced during stress conditions.

The Bank performs Reverse Stress testing across key risk areas to test the stress levels at which capital falls below the internal capital threshold. 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.

## Capital requirements for various risk categories as at 30<sup>th</sup> September, 2016

Items	₹ in million Amount
(a) Capital requirements for credit risk	
Portfolios subject to standardised approach	153,968.7
Securitisation exposures	46.5
(b) Capital requirements for market risk	
Using standardised duration approach	
Interest rate risk	6,827.5
Equity position risk	6,479.8
Foreign exchange risk (including gold)	710.0
(c) Capital requirements for operational risk	
Measured using basic indicator approach	19,198.9

*Computed as per Basel III guidelines*

Capital Adequacy Ratios	Consolidated	Standalone
Common Equity Tier I	15.4%	14.7%
Tier I	15.4%	14.7%
Total CRAR	16.3%	15.8%

### Credit Risk

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, settlement risk on OTC trades and downgrade risk on non SLR investments and OTC contracts.

Credit risk is managed in the Bank through committees that approve credit and an enterprise wide risk management framework which sets out policies and procedures covering the measurement and management of credit risk.

The Bank's credit policies and process notes articulate the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. These policies define the Bank's overall credit sanction criteria, including the general terms and conditions. The policies / processes generally address such areas as target markets / customer segmentation, qualitative-quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms, etc. They take cognisance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the Bank's activities, market dynamics, etc.

The Bank's credit exposure is primarily categorised into wholesale and retail borrowers.

These portfolios are managed separately owing to difference in the risk profile of the assets. Wholesale lending tend to be larger and are managed on a name-by-name basis by dedicated relationship management and credit team members. Credit rating models provide a consistent and structured assessment, which, supplemented with expert judgement determines Credit Approval.

Retail advances being mainly schematic lending (for e.g. vehicle loans, mortgage loans etc) within pre-approved parameters for small value loans, are managed on a portfolio basis. In retail and schematic lending, credit

assessment is typically done using a combination of client scoring, product policy, external credit reporting information where available and is also supplemented by Credit officer's judgement. Parameters like loan to value, borrower demographics, income, loan tenor etc. determine the credit. Retail clients are monitored 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 frameworks and robust collections and recovery processes are in place. There is a loan origination system (LOS) on which cases are tracked for completion and policy deviations if any.

### **Credit Risk Management Process**

The Bank focuses on ensuring that credit risk taking is in line with approved policies, while meeting risk-reward objectives. The Bank expects to achieve its earnings objectives and to satisfy its customers' needs while maintaining a sound portfolio.

The Board has delegated credit approval authority to the Management Committee, Credit Committee and other approval authorities. Credit Committee may further delegate the responsibility as required from time to time.

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 credit rating based on internal rating model. The appraisal note prepared by Credit, analyses the credit risk, financial status of borrower, industry risk, the quantum of financing needed etc. Reference checks, bureau data and NCIF checks are completed as part of the credit appraisal process.

Based on the independent credit risk assessment, appropriate credit decisions are taken by the sanctioning authorities. The Bank has a tiered credit sanction process where credit approvals are reported to the next higher level.

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 periodic review with updated information on financial position, market position, industry and economic condition, delinquency trends and account conduct.

Retail monitoring teams monitor the retail portfolio through delinquency monitoring, early warning indicators identification, collection efficiency analysis, churning and utilization.

The Bank has an enterprise wide Early Warning Signal (EWS) framework that helps identify signs of credit weakness at an early stage for the Bank to 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.

Besides the EWS framework, the Bank has also implemented a Loan Review Mechanism (LRM) that does a comprehensive assessment of the overall credit across credit appraisal, assessment, sanction, post sanction activities and also checks compliance with internal policies and regulatory framework. The LRM framework helps to identify weaknesses if any in the credit value chain and suitable controls are implemented to strengthen the credit process. To maintain a diversified portfolio, the Bank operates within Board approved limits in its credit portfolio. The Bank also constantly reviews its concentration across borrowers, groups, portfolio segments, geography, sectors and ratings. This helps the Bank maintain a diversified portfolio.

### **Credit Risk Management Principles**

The Bank measures and manages its credit risk based on the following principles:

- The Bank has a Basic Customer Acceptance Criteria for appraisal of corporate and mid-market customers. The Retail business is governed by approved product papers in selection of customers.
- The approval of all limits to counterparties should be in line with the credit policy of the Bank. Such approval should generally be within the Bank's portfolio guidelines and credit strategies.
- The credit worthiness of borrowers is regularly reviewed and monitored at least once a year. Customers with



emerging credit problems are identified early and classified accordingly. For retail loans, delinquency trends are monitored on an ongoing basis to identify any deterioration of portfolio quality. Remedial action is initiated promptly to minimize the potential loss to the Bank.

- All business units have a credit monitoring function which monitors conduct of the account post disbursement.

### **Credit Risk measurement systems**

Credit Rating is an integral part of the lending decision. The Bank has a two scale internal rating model for wholesale exposures that assigns obligor ratings & facility ratings. The rating model is capable of rating large and emerging corporates, traders, brokers, Non-Banking Finance Companies (NBFCs), real estate clients and service sector clients. Ratings are supported by financial analysis and combined with credit head's judgment to arrive at the final rating for a borrower / counterparty. The Bank uses an 18 point scale to grade borrowers.

The obligor rating provides an estimate of the probability of default of the borrower in the next year. The obligor rating is independent of the type/nature of facilities and collaterals offered. The obligor rating consists of quantitative and qualitative factors and includes assessment of customer's financial position including Net Worth, Profitability, Cash Flows, Repayment Capacity, Debt protection metrics and credit standing. Besides financial parameters, industry in which the customer operates business & management risks are also considered while arriving at the obligor rating. The underwriting process is based on obligor rating.

The facility ratings take into account structuring features of specific facilities and the collaterals offered. The facility rating provides an estimate of the loss given default (LGD) for the facility.

The product of the obligor rating (Probability of Default) and Facility rating (LGD) provides an estimate of the expected loss against each facility.

The Bank has governance structure covering the rating models and framework for changes to the model or enhancements and operates under the Board approved Model Risk Policy. The rating model is drawn up in accordance with the Basel framework.

For the retail portfolio, the Bank has processes for risk assessment of retail loan exposures. These are through product notes, processes or policies, that specify entry criteria for loan origination, bureau data, minimum margins on collaterals, maximum Loan to Value Ratios (LTV) for products, product tenor etc. The Bank aims to constantly improve the quality of origination through better understanding of its portfolio and improved underwriting standards. Portfolio delinquency trends are monitored periodically.

All credit proposals are put up under the approved framework of policies. Discussions are also done on whether the credit portfolio is within the overall Board approved risk appetite. Performance against key Board approved limits are periodically reported and discussed at the Board. This enables the Board to analyse exceptions level and also assess compliance with its policies.

The Bank has a defined stress testing policy that lays down the framework for stress testing. Credit risk framework covers corporate as well as retail portfolio and the portfolios are stressed on approved scenarios to assess the impact of stress conditions on profitability and capital adequacy. The stress tests are performed periodically and results of these stress tests are placed before the Risk Management Committee (RMC) & the Board.

Concentration of credit risk arises when a number of obligors are engaged in similar activities, or operate in the same geographical areas or belong to the same industry. Risk appetite of the Bank mandates a well-diversified portfolio and has quantitative metrics for credit concentration. The Bank operates within Board approved limits in its loan portfolio that cover obligor concentration, group concentration, substantial exposures, sector & industry concentration & unsecured lending. These limits are monitored periodically and reported to senior management. Assessment of credit concentration risk is part of the ICAAP.

The Bank prepares its risk profile on a periodic basis and monitors the level of credit risk (low / moderate / high) and direction of change in credit risk (increasing / decreasing / stable) at the portfolio level on a regular basis. The risk profile is reported to the senior management and the Board.

### Definition and Classification of Non-Performing Assets (NPA)

The Bank classifies its advances into performing and non-performing advances in accordance with extant RBI guidelines.

An NPA is defined as a loan or an advance where;

- interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan;
- the account remains 'out of order' – in respect of an overdraft/cash credit (OD/CC); and
- the bill remains overdue for more than 90 days in case of bills purchased and discounted.
- in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment
- An existing NPA account is upgraded to standard category only on collection of all overdues.

In respect of NBFCs, if the overdue is in excess of 180 days, the loan is classified into sub-standard, doubtful, and loss as required by RBI guidelines. Cheques deposited at quarter end but returned in subsequent month are considered for NPA and provisioning.

### Out of Order

An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for a continuous period of 90 days. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

### Overdue

Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.

Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one, which has remained NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for a period exceeding 12 months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully. The loans of subsidiaries are classified as non-performing in accordance with the guidelines prescribed by their respective regulators.

### Total credit risk exposures as at 30<sup>th</sup> September, 2016

₹ in million

Overall credit exposure	Fund based	Non-fund based	Total
Total gross credit exposures	1,719,056.3	393,851.9	2,112,908.2

*Includes all entities considered for Basel III capital adequacy computation*

Credit exposure include term loans, working capital facilities (i.e. funded facilities like cash credit, demand loans, temporary limits, credit substitutes, non-funded facilities like letter of credits, acceptances and guarantees) and current exposure for derivatives.

### Exposure management measures

The Corporate Credit policy of the Bank defines the exposure management measures. Exposure includes credit exposure (funded and non-funded credit limits), investment exposure (including underwriting and similar commitments) and derivatives exposure which includes MTM and Potential Future exposure as per current exposure method.

To avoid undue concentration in credit exposures and maintain diversification, the Bank operates within Board approved limits or operational controls in its loan portfolio. Concentration limits represent the maximum exposure levels the Bank will hold on its books. Key portfolio limits include:

- Single borrower limits
- Exposure to borrower groups
- Substantial exposure limits
- Limits on capital market exposure

- Limits on real estate exposure
- Limits on exposure to NBFCs
- Industry exposure limits
- Limits on Unsecured lending Country / Bank exposure limits

Performance against these limits are monitored periodically and reported to the appropriate authorities. The risk appetite of the Bank mandates a diversified portfolio and has suitable metrics for avoiding excessive concentration of credit risk.

The Bank has a policy on exposure to Borrowers with Unhedged Foreign Exchange. The Corporate Credit Policy stipulates review of unhedged forex exposure as part of every credit appraisal for sanction of facilities to a borrower. The Bank maintains provisions and capital on its exposure to borrowers with unhedged foreign currency exposure, as per regulatory guidelines.

To manage credit risk exposure on treasury contracts, the Bank operates within approved limits on Countries, Inter Bank counterparties and corporates.

#### Geographic distribution of exposures as at 30<sup>th</sup> September, 2016

₹ in million

Exposures	Fund based	Non-fund based	Total
Domestic	1,691,967.3	384,121.8	2,076,089.1
Overseas	27,089.0	9,730.1	36,819.1
<b>Total</b>	<b>1,719,056.3</b>	<b>393,851.9</b>	<b>2,112,908.2</b>

*Includes all entities considered for Basel III capital adequacy computation*

#### Industry-wise distribution of exposures as at 30<sup>th</sup> September, 2016

₹ in million

Industry	Fund Based	Non Fund Based	Total
Banks	83,208.4	39,474.2	122,682.6
Commercial Real Estate (i)	108,223.6	5,580.9	113,804.5
NBFC's	86,227.4	1,561.9	87,789.3
Automobiles incl ancillaries	65,692.5	13,272.9	78,965.4
Engineering	34,506.8	36,220.3	70,727.1
Wholesale trade	44,963.1	10,273.4	55,236.5
Telecommunication	23,113.6	30,952.3	54,065.9
Gems & Jewellery	39,757.8	5,741.5	45,499.3
Food Processing	39,690.3	4,537.3	44,227.6
Iron and steel	32,952.8	10,281.8	43,234.6
Drugs and Pharmaceuticals	29,858.6	9,181.7	39,040.3
Chemical, dyes, paints etc.	29,266.4	8,879.4	38,145.8
Logistics and Auxillary transport activities	31,998.1	4,427.5	36,425.6
Other Infrastructure	6,755.8	28,953.6	35,709.4
Agriculture Related Service Activity	33,418.9	2,006.0	35,424.9
Power	29,140.0	4,039.0	33,179.0
Crude oil, Petroleum and Natural Gas	4,510.8	28,216.3	32,727.1
Other textiles	26,527.8	3,027.0	29,554.8
Construction	15,017.4	12,055.1	27,072.5
Entertainment & Media	17,993.2	5,836.7	23,829.9
Organised Retail	7,039.9	15,914.6	22,954.5
Hospitality & Tourism	19,077.9	3,546.8	22,624.7
Apparels and Accessories	20,491.7	1,420.5	21,912.2

Industry	Fund Based	Non Fund Based	Total
Education	20,710.4	219.0	20,929.4
Non-ferrous metals	7,384.4	10,603.8	17,988.2
Fertilisers	7,822.3	8,212.8	16,035.1
Stock Broking	8,918.4	7,940.6	16,859.0
Paper & Paper products	15,270.6	2,651.5	17,922.1
Road and Ports	9,753.6	8,518.6	18,272.2
Cotton textiles	10,596.4	377.1	10,973.5
Mutual Funds	7,473.4	-	7,473.4
Other industries (ii)	232,839.7	69,927.8	302,767.5
Auto loans	262,360.5	-	262,360.5
Personal loans	107,535.6	-	107,535.6
Home loans and Loan against property	169,443.7	-	169,443.7
Credit cards	11,364.7	-	11,364.7
Other retails loans (including Agri)	18,149.8	-	18,149.8
<b>Total Gross Exposure</b>	<b>1,719,056.3</b>	<b>393,851.9</b>	<b>2,112,908.2</b>

Includes all entities considered for Basel III capital adequacy computation

(i) Includes fund based exposure of lease rent discounting amounting to ₹ 18,030.1 million

(ii) Other industries include entities from sectors such as Plastic & plastic products, Cables, IT Services, retail trade, education, hospitality and tourism, financial intermediation etc..

#### Exposure to industries (other than retail assets) in excess of 5% of total exposure

₹ in million

Industry	Fund based	Non-fund based	Total
Banks	83,208.4	39,474.2	122,682.6
Commercial Real Estate (i)	108,223.6	5,580.9	113,804.5

#### Residual contractual maturity break-down of assets as at 30<sup>th</sup> September, 2016

₹ in million

Maturity Pattern	Cash and balances with monetary authority	Balances with other banks	Investments	Advances	Fixed Assets	Other Assets
1 day	13,962.8	25,506.0	108,092.6	6,123.3	-	542.5
2 to 7 days	1,938.5	2,610.9	36,894.9	41,014.5	-	2,060.0
8 to 14 days	2152.4	-	12,634.3	42,687.7	-	7,455.6
15 to 30 days	2,275.0	65.0	13,193.9	63,842.7	-	6,105.0
31 days to 2 months	3,300.0	-	22,488.3	73,119.1	-	5,784.5
Over 2 months & upto 3 months	3,092.6	130.0	33,004.9	95,120.3	-	4,211.1
Over 3 months & upto 6 months	8,588.4	750.0	53,816.6	99,925.0	-	9,251.3
Over 6 months & upto 1 year	9,142.3	66.8	60,168.3	148,863.7	-	16,507.9
Over 1 year & upto 3 years	19,498.9	6.6	123,789.8	655,129.8	-	12,663.0
Over -3 year & upto 5 years	687.1	-	5,054.7	149,104.5	-	14,861.2
Over 5 years	1,612.7	0.9	22,317.6	164,666.8	15,440.8	20,855.6
<b>Total</b>	<b>66,250.7</b>	<b>29,136.2</b>	<b>491,455.9</b>	<b>1,539,597.4</b>	<b>15,440.8</b>	<b>100,297.7</b>

Consolidated figures for lending entities namely Kotak Mahindra Bank Limited, Kotak Mahindra Prime Limited and Kotak Mahindra Investments Limited, other entities are primarily engaged in fee based activities only.

### Amount of non-performing loans as at 30<sup>th</sup> September, 2016

₹ in million

Items	Amount	
	Gross NPA	Net NPA
Substandard	14,035.8	9,365.0
Doubtful 1	9,684.0	4,711.8
Doubtful 2	7,733.3	2,144.7
Doubtful 3	1,481.5	-
Loss	1,020.2	-
<b>Total</b>	<b>33,954.8</b>	<b>16,221.5</b>
NPA Ratio (%)	2.18%	1.05%
Movement of NPAs		
Opening balance as at 1 <sup>st</sup> April, 2016	30,165.5	13,530.3
Additions	9,649.3	4,831.8
Reductions	(5,860.0)	(2,140.6)
Closing balance as at 30 <sup>th</sup> September, 2016	<b>33,954.8</b>	<b>16,221.5</b>

*Includes all entities considered for Basel III capital adequacy computation*

*Gross NPA ratio is computed as a ratio of gross non-performing loans to gross advances*

*Net NPA ratio is computed as a ratio of net non-performing loans to net advances*

### Movement of provisions for NPAs

₹ in million

	Amount
Opening balance as at 1 <sup>st</sup> April, 2016	16,635.2
Provisions made during the year	4,817.5
Write-off/ Write back of excess provisions	(3,719.4)
Closing balance as at 30 <sup>th</sup> September, 2016	<b>17,733.3</b>

₹ in million

	Q2FY17
Write offs booked directly to income statement	755.3
Recoveries booked directly to income statement	311.4

### Amount of Non-performing investments (NPI)

₹ in million

	Amount
Gross NPI as at 30 <sup>th</sup> September, 2016	1,562.0
Amount of provisions held for NPI	937.6
Net NPI as at 30 <sup>th</sup> September, 2016	624.4

**Movement of provisions for depreciation on investments**

₹ in million

	<b>Amount</b>
Opening balance as at 1 <sup>st</sup> April, 2016	881.7
Additional provisions during the year	55.9
Write off /Write back of provisions during the year	-
Closing balance as at 30 <sup>th</sup> September, 2016	937.6

**Geographic distribution**

₹ in million

	<b>Domestic</b>	<b>Overseas</b>	<b>Total</b>
Gross NPA	33,954.8	-	33,954.8
Provisions for NPA	17,733.3	-	17,733.3
Provision for standard assets	7,060.3	-	7,060.3

**Industry-wise distribution**

₹ in million

	<b>Gross</b>	<b>Specific Provision</b>
NPA in top 5 Industries	3,061.1	1,590.1

**Credit risk – portfolios subject to the standardised approach****External Ratings**

As per the NCAF, the Bank has adopted standardised approach for measurement of credit risk. The risk weights under this approach are based on external ratings of borrowers. The Bank has identified the following External Credit Assessment Institutions (ECAIs) as approved rating agencies for risk weighting purposes:

- a. Domestic credit rating agencies: CRISIL, ICRA, CARE and India Ratings (erstwhile FITCH India)
- b. International rating agencies: S&P, FITCH and Moody's

The Bank assigns risk weight on the basis of long-term and short-term rating of the borrower, as appropriate for the transaction. The issue/issuer ratings of the ECAI's are considered for the borrowers and the risk weights are then derived on a case by case basis in accordance with the rules laid down by RBI as part of the New Capital Adequacy Framework.

As per RBI guidelines dated 25 August 2016, claims on corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system of more than ₹1000 million which were rated earlier and subsequently have become unrated are risk weighted at 150%.

**Credit exposures by risk weights as at 30<sup>th</sup> September, 2016**

₹ in million

<b>Exposure category</b>	<b>Fund based</b>	<b>Non-fund based</b>	<b>Total</b>
Below 100% risk weight	714,907.9	229,989.6	944,897.5
100% risk weight	592,201.4	113,171.2	705,372.6
More than 100% risk weight	344,735.3	18,510.1	363,245.4
Deducted	-	-	-
<b>TOTAL</b>	<b>1,651,844.6</b>	<b>361,670.9</b>	<b>2,013,515.5</b>

*Includes all entities considered for Basel III capital adequacy computation, net of risk mitigation as per the standardised approach*

## Credit Risk Mitigation

Risk mitigation, begins with proper customer selection through assessment of the borrower, along financial and non-financial parameters, to meet commitments. A number of methods to mitigate credit risk are used, depending on suitability of the mitigant for the credit, legal enforceability, type of customer and the internal experience to manage the particular risk mitigation technique.

When granting credit facilities, the sanctioning authorities base their decision on credit standing of the borrower, source of repayment and debt servicing ability. Based on the risk profile of the borrower while unsecured facilities may be provided, within the Board approved limits for unsecured lending, collateral is taken wherever needed, depending upon the level of borrower risk and the type of loan granted.

The Bank has a credit risk mitigation policy that lists possible credit risk mitigation techniques and associated haircuts as envisaged in RBI guidelines. The objective of this Policy is to enable classification and valuation of credit risk mitigants in a manner that allows regulatory capital adjustment to reflect them. The Policy adopts the Comprehensive Approach, which allows full offset of collateral wherever applicable against exposures, by effectively reducing the exposure amount by the value ascribed to the collateral. The collateral values are suitably adjusted by (appropriate haircuts to take account of possible future fluctuations in their value due to market movements). 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.

The list of eligible financial collaterals recognized by the Bank for risk Mitigation is as follows:

- Cash / Fixed deposits with the Bank
- Gold – including Bullion & Jewelry
- Central & State Government securities
- Kisan Vikas Patra and National Savings Certificates
- Life Insurance policies with a declared surrender value of an insurance company which is regulated by the insurance sector regulator
- Debt securities rated investment grade or better
- Mutual Fund units where investment is in debt instruments

Where available, the Bank also makes use of credit mitigation by way of guarantees / letters of credit provided by other eligible guarantors / banks as per RBI guidelines. Where eligible guarantees are used towards credit mitigation, the Bank follows a substitution approach and applies the risk weight of the guarantor in lieu of the obligor risk weight.

The Bank has taken ₹ 59,423.4 million of eligible financial collateral benefit in the capital computation as at 30<sup>th</sup> September, 2016.

The highest share of Financial Collaterals considered for Credit Risk Mitigation, is by way Cash/FD's and thus there is not much risk concentration envisaged on account of these mitigants.

₹ in million

Type of Credit exposure	Eligible financial collateral after haircut	Covered by Guarantees/Credit derivatives
Total Exposure	59,423.4	27,476.4

## Securitisation

### a. Securitisation objectives and policies

Securitisation of assets is undertaken with the following objectives:

- **Meeting credit needs of borrowers** – Due to various constraints such as single party and group exposure norms, paucity of capital, internal sectoral exposure norms, etc, at times the Group is unable to meet the entire credit requirements of the borrowers. Securitisation helps overcoming such constraints and meet customer's credit needs.
- **Assistance in management of asset-liability mismatches** – With traditional on balance sheet borrowing and lending, the maturity of assets tends be much longer than that of the liabilities. Securitisation effectively makes Group's assets more liquid providing scope to more flexibly manage maturity mismatches.
- **Reduction of credit risk, interest rate and liquidity risk** – Through Securitisation, the Group can transfer credit, interest rate and liquidity risks to third parties.
- **Freeing up of capital and Improvement in return on capital** - Securitisation removes assets from the Group's balance sheet and hence frees up capital for other uses. It also improves return on capital.
- **Contingency plan** – Securitisation of retail asset portfolio is considered as an important element of the contingency funding plan of the Group.

**b. The major risks inherent in securitisation/loan assignment transactions are given below:**

- **Credit Risk**  
Investors in a securitisation transaction may bear a loss in the event of shortfall in credit enhancement provided. Where credit enhancement is provided in the form of a corporate guarantee, the investor is exposed to risk of a downgrade in the rating of the corporate guarantee provider. In case of loan assignment transactions, the assignee bears the loss arising from defaults/delinquencies by the underlying obligors.
- **Market Risk:**
  - **Liquidity Risk**  
This is the risk arising on account of absence of a secondary market for asset backed securities, which provides exit options to the investor/participant.
  - **Interest Rate Risk**  
Fluctuation in interest rates impacts the valuation of securitisation and may lead to mark to market losses.
  - **Prepayment Risk**  
Prepayments in the securitised /assigned pool result in early amortisation and loss of future interest (reinvestment risk) to the investor.

**Role played by the Group in the securitisation process:**

- **Structurer:** The Bank scans the market to identify potential investors and structures the transaction to meet their requirements in compliance with the extant guidelines.
- **Collection and paying agent:** The SPV may appoint the concerned entity in the Bank as the collection and paying Agent. In such cases, the Bank collects the amounts due from the underlying obligors on the due dates and remits the same into the account of the SPV.

**c. Summary of Group's accounting policies for securitisation activities**

In terms of RBI guidelines the Group sells assets to SPV only on cash basis and the sale consideration is received not later than the transfer of the asset to the SPV. Any loss arising on account of the sale is accounted immediately and reflected in the profit and loss account for the period during which the sale is affected and any profit/premium arising on account of sale is amortised over the life of the securities issued or to be issued by the SPV.

In case the securitised assets qualify for derecognition from the books of the Group, the entire expenses incurred on the transaction e.g. legal fees, etc., is expensed at the time of the transaction and is not deferred. Where the securitised assets do not qualify for derecognition the sale consideration received is



treated as a secured borrowing.

**d. Rating of the securitisation transactions:**

The Group uses the ratings provided by external credit rating agencies viz. CRISIL, India Ratings (erstwhile FITCH India), ICRA and CARE for the securitization of corporate loans and retail pools.

**e. Breakup of the exposure securitised by the Group during the year and subject to securitization framework:**

**A. Banking Book**

There are no outstanding securitization exposures as at 30<sup>th</sup> September, 2016. No securitization activities were undertaken by the Group during the period ended 30<sup>th</sup> September, 2016.

₹ in million

Sr. No.	Type of Securitisation	Amount
1.	Aggregate amount of exposures purchased or retained by the Group	2,170.0

**Aggregate amount of securitisation exposures retained or purchased and outstanding as at 30<sup>th</sup> September, 2016 is given below:**

₹ in million

S No.	Exposure type	On Balance Sheet Amount	Off Balance Sheet Amount
1	Total amount of exposures retained	-	-
2	Securities purchased	-	-
	Vehicle Loans	2,170.0	-
3	Liquidity facility	-	-
4	Credit commitments (cash collateral)	-	-
5	Other commitments	-	-

**Risk-weight wise and bucket wise details of the securitisation exposures on the basis of book value**

₹ in million

Exposure type	Amount	Capital charge
Below 100% risk weight	2,170.0	195.3
100% risk weight	-	-
More than 100% risk weight	-	-
<b>Deductions</b>		
-Entirely from Tier I capital	-	-
-Credit enhancing I/Os deducted from total capital	-	-
- Credit enhancement (cash collateral)	-	-

*Includes all entities considered for Basel III capital adequacy computation*

**B. Trading Book**

**Breakup of the exposure securitised by the Group during the year and subject to securitisation framework:**

₹ in million

Sr. No.	Type of Securitisation	Amount
1.	Aggregate amount of exposures purchased or retained by the Group and which is subject to the market risk approach	14,434.0

Aggregate amount of securitisation exposures retained or purchased and outstanding as at 30<sup>th</sup> September, 2016 is given below:

S No.	Exposure type	On Balance Sheet Amount	Off Balance Sheet Amount
1	Total amount of exposures retained	-	-
2	Securities purchased	8,153.5	-
	Micro Finance	4,755.0	-
	Vehicle Loans	1,169.7	-
	Tractors	355.8	-
	Mortgage Loans	-	-
3	Liquidity facility	-	-
4	Credit commitments (cash collateral)	-	-
5	Other commitments	-	-

#### Risk-weight wise and bucket wise details of the securitisation exposures on the basis of book value

Exposure type	Amount	Capital charge
Below 100% risk weight	14,062.3	533.4
100% risk weight	-	-
More than 100% risk weight	371.7	34.9
<b>Deductions</b>		
-Entirely from Tier I capital	-	-
-Credit enhancing I/Os deducted from total capital	-	-
- Credit enhancement (cash collateral)	-	-

*Includes all entities considered for Basel III capital adequacy computation*

#### Market Risk in Trading Book

##### Market risk management policy

Market Risk is the risk that earning or capital will be affected by adverse changes in market risk variables such as interest rates, foreign exchange rates, volatilities, credit spreads, commodity and equity prices.

For Regulatory capital purposes, the Group calculates its Market Risk Capital as per the Calculation Rules under the Standardized Measurement Method (SMM).

Market Risk Management encompasses the following imperatives:

- Managing Interest Rate Risk in Trading & Banking Books
- Managing Currency & other Trading Book Risks
- Proper Valuation & Measurement
- Compliance with regulatory & Board guidelines
- Oversight over the operation and execution of market transactions

Market Risk for the Bank and each of its major subsidiaries is managed in accordance with policies approved by the respective Boards or ALCO. These policies ensure that transactions in Debt, Capital, Foreign Exchange, Derivatives & other markets are conducted in accordance with sound & acceptable business practices and are as per the extant regulatory guidelines & laws governing transactions. The policies are reviewed regularly to incorporate changes in regulatory guidelines and business and economic environment. Additionally, the Bank has a Senior Management Committee for derivatives that is responsible for approval of product structures and its oversight.

##### Structure and organization of the Market Risk Management functions

The Group's Risk Management Architecture is overseen by the Board of Directors. The Board of Directors defines Risk Appetite and approves appropriate policies to manage risks. The Asset Liability Management Committee (ALCO) oversees the Market Risks in the Trading Book and the Banking Book.

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 risk, limit excesses on a timely basis. This unit ensures that all market risks are identified, assessed, monitored and reported – for management decision making.

The Group uses a comprehensive range of quantitative tools and metrics for monitoring and managing risks. The Group continually assesses the appropriateness and the reliability of the quantitative tools and metrics in the light of the changing risk environment.

The 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 Market Risk limit-framework

### **Value at Risk**

Value-at-Risk (VaR) is used to quantify the potential price-risk in the portfolio. Value-at-Risk (VaR) is a statistical measure that estimates, at a certain confidence level, the potential decline in the value of a position (or portfolio) under normal market conditions - assuming a holding period.

Value-at-Risk is computed for each type of market risk factor i.e. interest rate, foreign currency, equity etc. The VaR model is based on Historical Simulation and a Confidence level of 99%. Additionally, to assess the tail risk, the Bank computes Expected Shortfall. The VaR model is periodically validated through a process of Back-testing. Metrics like Stressed Value-at-Risk are used to supplement VaR.

### **Stress Testing**

Stress testing & Scenario Analysis are periodically performed to measure the exposure to extreme, but plausible market movements. The Group conducts various tests like the impact of shock to one risk factor, extreme events that may change various risk factors simultaneously and worst case scenario that captures the potential damaging shift in various market risk factors.

### **Liquidity Risk**

Liquidity refers to the Group's ability to fund increase in assets or withdrawals of liabilities and meet both expected and unexpected cash and collateral obligations at reasonable cost without adversely affecting its financial condition and liquidity risk arises where the Group is unable to meet such obligations.

There is a Group liquidity risk management policy which lays down the structure for liquidity risk governance and its management for the Group. The Group follows a decentralized model of liquidity management where in each entity is responsible for its own liquidity planning and fund management. The entities have either Asset Liability Management Committee (ALCO) or senior management, who is responsible for establishing framework for managing and monitoring liquidity risk. The Bank's Asset Liability Management Committee (ALCO) is responsible for overseeing the management and governance of liquidity risk for Group entities.

Liquidity risk management in the Bank (standalone) is governed by Board approved Asset Liability Management (ALM) policy which provides the framework for its monitoring & management. The Bank actively manages its liquidity risk covering both market funding risk and market liquidity risk. The Bank maintains a diversified funding profile with emphasis on building retail franchise to increase customer deposits. The Bank ensures that there is sufficient liquidity headroom available, including liquid assets, at all times to manage any contingency.

The Bank dynamically manages the daily funds inflows and outflows, prioritizing critical payment transactions, assessing the drawing power of intraday liquidity facilities, etc. Considering the inter-dependencies that exist among systems, which may lead to liquidity dislocations that cascade quickly across many systems, especially banks, ALCO has set thresholds for inter-bank liabilities, call money borrowing and lending limits.

Liquidity risk is assessed 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. Cash flow management is critical for liquidity risk management and the Bank has developed models for predicting cash flows for products with indeterminate maturity, products with embedded options, contingents, etc. The outcome of the models are periodically back tested to test their effectiveness.

The Bank uses liquidity gap analysis to measure cash flow mismatches at different time bands. The cash flows are bucketed based on the residual maturity of the cash flows or the projected behavior of assets, liabilities and off-balance sheet items. Bank also manages its liquidity on a dynamic basis to supplement the liquidity gap analysis by estimating net cash outflow or inflows for business units considering their business projection for the next 3 months. The Bank also employs stock approach to assess various aspects of liquidity risk such as stability of funds, liquid assets cover, funding concentration, etc.

The Board-approved Contingency Liquidity Plan (CLP) is another liquidity measurement and management framework. CLP articulates the management action plan to be adopted in case of liquidity crises. The Bank has established and actively uses ratio-based Early Warning Indicators (EWI) framework to forewarn impending liquidity stress - Potential contingency liquidity sources are identified to be tapped under liquidity stress and the Bank has identified Control & Response Teams to manage such eventuality.

The Bank follows scenario based approach for Liquidity Stress Testing. These scenarios & assumptions are employed to evaluate the impact of stress on the existing liquidity position of the Bank. Market Liquidity Risk is considered through haircuts to sell liquid assets considering instrument type, expected change in interest rate in liquidity crisis, etc. Bank also assess the impact on P&L in utilizing liquidity mitigates (e.g. selling liquid assets, marginal standby facility, refinance head rooms, etc.) with appropriate haircuts and increased cost of funding.

The Bank has also implemented Basel III liquidity standards i.e. liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR measures the adequacy of high quality liquidity asset to cover short term net outflows under severe stress conditions. These measures have been incorporated as part of Bank's risk appetite definitions and thresholds. The Bank has implemented LCR framework across group companies from Jan 2016 and the LCR at the consolidated level is well above the threshold of 70% effective Jan 2016.

The Net Stable Funding Ratio (NSFR), 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.

The Bank is on track to meet the NSFR requirements as per final Basel III framework. For banks in India, RBI released the draft guidelines on NSFR in May 2015 and the final guidelines are awaited.

### Hedging and risk mitigation

The Bank has defined limits on the positions that can be taken and all the business groups are required to adhere to the same. The hedging transactions are periodically assessed for hedged effectiveness in accordance with the applicable guidelines.

### Market risk capital charge

	₹ in million
<b>Risk category</b>	<b>Capital charge</b>
Interest rate risk	6,827.5
Equity position risk	6,479.8
Foreign exchange risk	710.0
<b>Total capital required</b>	<b>14,017.3</b>

*Includes all entities considered for Basel III capital adequacy computation*

### Operational Risk Management (ORM)

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 II

risk management framework and best practices, operational risk in the Bank is composed of the following risk types: people, process, technology, legal, compliance, outsourcing risk.

For effective management of Operational Risk, the Group has developed a comprehensive framework, which details the governance structure and the process of identifying, measuring and monitoring of Operational risk. The framework is supported by policies and processes that help manage operational risk within approved tolerances, on behalf of its stakeholders.

The independent Operational Risk Management function reporting directly to the Group CRO lays down the operational risk management policies, standards, processes, procedures; and operational risk management framework.

The following are some of the key techniques applied by Bank and / or group companies to manage operational risks

- The Bank has built into its operational process segregation of duties, clear reporting structures, well defined processes, clearly defined approval authority structure, operating manuals, staff training, verification of high value transactions and strong audit trails to control and mitigate operational risks.
- New Product & activity notes prepared by business units are reviewed by all concerned departments including compliance, risk management and legal. All concerned departments coordinate and discuss key operational risk issues involving people, process, technology, external factors, etc. so as to minimize them or ensure adequate controls over them. In subsidiaries, internal controls unit reviews the product notes in consultation with the respective departments, including compliance and legal.
- The Operational risk team performs detailed risk analysis and root cause analyses on operational risk events, reported by business units, to identify inherent areas of risk and suggest suitable risk mitigating actions which are monitored for resolution. The Bank wide unusual event reporting and capture system (which includes near miss events) forms the basis for this analysis. All such unusual events are captured in the loss database. The Bank now has a loss database of more than 7 years. The Operational risk team also proactively scans information on external events occurring in the industry to ensure that the Bank can respond suitably to similar incidents.
- The Bank has in place a 'Risks and Controls Self Assessment' programme for formally assessing operational risks and related controls to mitigate these risks. The self assessments are performed by individual business units and functions. As part of the Risks and Controls Self Assessment ("RCSA") process, areas with high risk potential are highlighted and business unit / function either proposes mitigating measures to resolve the issue or provides a rationale for why the risk is acceptable. Further the Bank also has defined Key Risk Indicators that are monitored regularly
- The Bank continuously takes various steps to increase the overall level of operational risk awareness amongst staff at all levels using various tools like trainings, workshops, risk assessment exercise and process related compliance certification / testing, etc. Operational risk profile reports for business divisions are reviewed and discussed with the department's senior management. This enables the Bank to detect changes to the units risk profile at an early stage and take necessary corrective actions. The Bank believes that this process helps build a strong risk management culture and increased level of risk awareness amongst work force.
- The Group level IT Security Committee provides direction for mitigating the operational risk in IT security. There is group wide IT security programme (ARISTI) to ensure complete data security and integrity.
- Disaster recovery and Business Continuity Plans (BCP) have been established for significant businesses to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness to mitigate unforeseen risks arising out of disruptions.
- In the larger group entities, Risk Containment Unit has been setup within Business Units, which identifies and monitors risk on an ongoing basis including sample checks and control testing.

- There is also a Committee on Frauds, which reviews all frauds above a threshold amount.
- Risk transfer via insurance is a key strategy to mitigate operational risk exposure at the Bank. The Operational Risk team helps assess the quantum of insurance cover required and aligns it to the Bank's current and projected operational risk exposures.

### **Interest Rate Risk in the Banking Book (IRRBB)**

The impact of adverse movements in interest rates on financials is referred to as interest rate risk. The very nature of the financial intermediation business makes the Group susceptible to interest rate risk and unmanaged risk could potentially pose a significant threat to the Group's earnings and capital.

Interest rate risk results from both trading book and banking book. The impact of interest rate risk on trading book is actively measured through a variety of risk metrics like PV01, option greeks, VaR. etc. The tolerance with respect to exposure to market risk in the trading book is articulated through various risk limits and monitored through different MIS reports. The Group also provides for capital for exposure to market risk in the trading book.

For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items. As interest rate risk can impact both net interest income (NII) and value of capital, it is assessed and managed from both earning and economic perspective.

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 IRRBB and works out appropriate strategies including hedging in consultation with ALCO to mitigate the risk. ALM Risk unit, which is a part of risk management team independently measures and monitors the interest rate risk. As a policy, no interest rate risk is retained within the business units other than treasury and it is transferred from business units to BMU using Funds Transfer Pricing (FTP). FTP rates are reviewed by the ALCO in its meetings periodically and are calibrated considering the markets, business needs and overall balance sheet plans.

Earning at Risk (EaR) is a short term interest rate risk measure which assesses the change in NII by estimating the impact on interest income from rate sensitive assets and interest expense on rate sensitive liabilities including off-balance sheet items. The Bank has set limit for change in NIM for given change in interest rates to manage the re-pricing gaps. Basis the overall NIM limit, re-pricing gap limits are also set for various re-pricing time bands.

Group uses Economic Value of Equity (EVE), which is a long term risk measure to assess the change in value of equity due to change in economic value of asset and liabilities. The duration gap approach is used to determine the sensitivity of EVE. Modified duration is computed for all assets, liabilities (excluding equity capital) and rate sensitive derivatives to assess the Leveraged Duration Gap / Duration of Equity. Leveraged Duration gap is computed including and excluding trading book and are subject to interest rate shocks to assess the impact on EVE. Group has incorporated change in EVE as percentage of Tier I capital in its risk appetite definition and set a threshold for it for a given change in interest rate.

Details of increase (decline) in earnings and economic value of equity for upward (downward) rate shocks based on Consolidated Balance Sheet as at 30<sup>th</sup> September, 2016 are given below:

- Earnings Perspective  
Impact on earnings of 100 bps parallel shift in yield curve ₹ 2,477.0 million
- Economic Value Perspective {Market Value of Equity (MVE)}

Impact on MVE of 100 bps adverse parallel shift in yield curve	₹ 8,638.2 million
Impact as a percentage of Tier I Capital	2.69%

### **Exposures Related to Counterparty Credit Risk**

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before final settlement of the transaction's cash flows. An economic loss would occur if the transaction or portfolio of transactions with the counterparty has a positive economic value for the Bank at the time of default. Unlike exposure to credit risk through

a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss whereby the market value for many different types of transactions can be positive or negative to either counterparty. The market value is uncertain and can vary over time with the movement in underlying market factors.

Capital is maintained on the exposure to CCR as per regulatory guidelines on Capital adequacy computation. The exposure is calculated using Current Exposure Method.

The CCR limits for interbank counterparties are set on the basis of an evaluation of parameters like capitalization, asset quality, profitability, credit ratings of the banks & their country of origin (as applicable for foreign banks), amongst others. The contours of the framework for credit assessment of bank counterparties are prescribed by ALCO.

CCR limits for other counterparties are set on the basis of their internal ratings, Loan Equivalent Ratio and business requirement of the counterparty. These CCR limits are approved by the appropriate sanctioning authorities under the respective credit policies.

The Board-approved Customer Appropriate Policy sets the framework to evaluate the Suitability of the customer and Appropriateness of the derivative to the client's hedging requirements. The MTM on client exposures are monitored on a daily basis. The Bank computes Loan Equivalent Ratio (LER) and reviews it periodically to evaluate the risk arising out of customer contracts. The Group does not recognize bilateral netting for capital computation. The Group computes Credit Valuation Adjustment, which captures the risk of mark to market losses due to deterioration in the credit worthiness of the counterparty.

₹ in million

	<b>Currency Derivatives</b>	<b>Interest Rate Swaps</b>
Notional	1,344,001.1	296,291.0
Credit Exposure	56,494.3	3,914.7

## Detailed Capital Disclosures Template

DF-11 : Composition of Capital (₹ in million)			Amounts Subject to Pre-Basel III Treatment	Ref No.
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	111,519.2		A=a1 +a2
2	Retained earnings	155,132.2		B=b1- b2
3	Accumulated other comprehensive income (and other reserves)	59,168.9		C=c1 +c2
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-		
	Public sector capital injections grandfathered until January 1, 2018	-		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-		
6	Common Equity Tier 1 capital before regulatory adjustments	325,820.3		
<b>Common Equity Tier 1 capital : regulatory adjustments</b>				
7	Prudential valuation adjustments	383.7		
8	Goodwill (net of related tax liability)	32.6	8.1	D=d1 +d2
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	671.8	167.9	E
10	Deferred tax assets	-	-	
11	Cash-flow hedge reserve	-		
12	Shortfall of provisions to expected losses	-		
13	Securitisation gain on sale	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-		
15	Defined-benefit pension fund net assets	-		
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	-		
17	Reciprocal cross-holdings in common equity	14.0		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-		
20	Mortgage servicing rights (amount above 10% threshold)	-		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
22	Amount exceeding the 15% threshold	-		
23	of which : significant investments in the common stock of financial entities	-		



DF-11 : Composition of Capital (₹ in million)			Amounts Subject to Pre-Basel III Treatment	Ref No.
24	of which : mortgage servicing rights	-		
25	of which : deferred tax assets arising from temporary differences	-		
26	National specific regulatory adjustments (26a+26b+26c+26d)	-		
26a	of which : Investments in the equity capital of unconsolidated insurance subsidiaries	4,100.9	512.6	F
26b	of which : Investments in the equity capital of unconsolidated non-financial subsidiaries	16.8	2.1	G
26c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-		
26d	of which : Unamortised pension funds expenditures	-		
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	of which : [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)	-		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-		
28	<b>Total regulatory adjustments to Common equity Tier 1</b>	5,219.8		
29	<b>Common Equity Tier 1 capital (CET1)</b>	320,600.5		
<b>Additional Tier 1 capital : instruments</b>				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	-		
31	of which : classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-		
32	of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	791.6		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-		
35	of which : instruments issued by subsidiaries subject to phase out	-		
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	791.6		
<b>Additional Tier 1 capital: regulatory adjustments</b>				
37	Investments in own Additional Tier 1 instruments	-		
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		

DF-11 : Composition of Capital (₹ in million)			Amounts Subject to Pre-Basel III Treatment	Ref No.
41	National specific regulatory adjustments (41a+41b)	-		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	of which : deferred tax assets arising from temporary differences	-		
	of which : goodwill on consolidation and included in associates	8.1		
	of which : Investments in the equity capital of unconsolidated insurance subsidiaries	512.6		
	of which : Investments in the equity capital of unconsolidated non financial subsidiaries	2.1		G
	of which : Intangibles other than mortgage-servicing rights (net of related tax liability)	167.8		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	690.6		
44	<b>Additional Tier 1 capital (AT1)</b>	101.0		
44a	Additional Tier 1 capital reckoned for capital adequacy	101.0		
45	<b>Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)</b>	320,701.5		
<b>Tier 2 capital : instruments and provisions</b>				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-		
47	Directly issued capital instruments subject to phase out from Tier 2	10,575.7		H
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-		I
49	of which : instruments issued by subsidiaries subject to phase out	-		
50	Provisions	7,545.1		J=j1+ j2
51	<b>Tier 2 capital before regulatory adjustments</b>	18,120.8		
<b>Tier 2 capital: regulatory adjustments</b>				
52	Investments in own Tier 2 instruments	-		
53	Reciprocal cross-holdings in Tier 2 instruments	-		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
56	National specific regulatory adjustments (56a+56b)	514.7		

<b>DF-11 : Composition of Capital</b> (₹ in million)			<b>Amounts Subject to Pre-Basel III Treatment</b>	<b>Ref No.</b>
56a	of which : Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	-		
56b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-		
	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	of which : Investments in the equity capital of unconsolidated insurance subsidiaries	512.6		F
	of which : Investments in the equity capital of unconsolidated non financial subsidiaries	2.1		G
57	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>514.7</b>		
58	<b>Tier 2 capital (T2)</b>	<b>17,606.1</b>		
58a	Tier 2 capital reckoned for capital adequacy	17,606.1		
58b	<b>Excess Additional Tier 1 capital reckoned as Tier 2 capital</b>	-		
58c	<b>Total Tier 2 capital admissible for capital adequacy (58a + 58b)</b>	<b>17,606.1</b>		
	<b>Total capital (TC = T1 + Admissible T2) (45 + 58c)</b>	<b>338,307.6</b>		
59	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	-		
60	<b>Total risk weighted assets (60a + 60b + 60c)</b>	<b>2,080,350.8</b>		
60a	of which : total credit risk weighted assets	1,711,280.6		
60b	of which : total market risk weighted assets	155,748.7		
60c	of which : total operational risk weighted assets	213,321.5		
<b>Capital ratios</b>				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.41%		
62	Tier 1 (as a percentage of risk weighted assets)	15.42%		
63	Total capital (as a percentage of risk weighted assets)	16.26%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	6.125%		
65	of which : capital conservation buffer requirement	0.625%		
66	of which : bank specific countercyclical buffer requirement	-		
67	of which : G-SIB buffer requirement	-		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-		
<b>National minima (if different from Basel III)</b>				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		

<b>DF-11 : Composition of Capital (₹ in million)</b>			<b>Amounts Subject to Pre-Basel III Treatment</b>	<b>Ref No.</b>
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
72	Non-significant investments in the capital of other financial entities	1,339.0		
73	Significant investments in the common stock of financial entities	19,248.7		
74	Mortgage servicing rights (net of related tax liability)	-		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-		
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	7,545.1		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	21,391.0		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-		
<b>Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)</b>				
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	-		
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-		
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	791.6		
83	<i>Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i>	586.1		
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	10,575.7		
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	9,380.3		

## Notes to the template

Row No. of the template	Particular	(₹ in million)
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	-
	Total as indicated in row 10	-
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which : Increase in Common Equity Tier 1 capital	4,100.9
	of which : Increase in Additional Tier 1 capital	512.6
	of which : Increase in Tier 2 capital	512.6
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then :	-
	(i) Increase in Common Equity Tier 1 capital	16.8
	(ii) Increase in risk weighted assets	210.0
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	-
50	Eligible Provisions included in Tier 2 capital	7,545.1
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	7,545.1
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

As at 30<sup>th</sup> September, 2016

DF-12 : Composition of Capital- Reconciliation Requirements (₹ in million)		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
<b>A Capital &amp; Liabilities</b>			
i.	Paid-up Capital	9,186.4	9,186.4
	Reserves & Surplus	347,713.1	339,403.8
	Employees' Stock Options (Grants) Outstanding	21.0	21.0
	Minority Interest	4,304.7	-
	<b>Total Capital</b>	<b>361,225.2</b>	<b>348,611.2</b>
	Policy Holders Funds	168,113.2	-
ii.	<b>Deposits</b>	1,387,318.1	1,387,587.6
	of which : Deposits from banks	6,137.2	6,137.2
	of which : Customer deposits	1,381,180.9	1,381,450.4
	of which : Other deposits (pl. specify)	-	-
iii.	<b>Borrowings</b>	448,716.1	450,316.1
	of which : From RBI	-	-
	of which : From banks	183,876.3	183,876.3
	of which : From other institutions & agencies	244,633.8	246,133.8
	of which : Others (Sub Debt/ Upper Tier II Bonds)	18,828.3	18,928.3
	of which : Capital instruments	1,377.7	1,377.7
iv.	Other liabilities & provisions	127,566.4	122,412.2
<b>Total</b>		<b>2,492,939.0</b>	<b>2,308,927.1</b>
<b>B Assets</b>			
i.	Cash and balances with Reserve Bank of India	66,316.3	66,251.9
	Balance with banks and money at call and short notice	43,439.3	41,489.0
ii.	<b>Investments :</b>	<b>695,357.7</b>	<b>520,172.4</b>
	of which : Government securities	467,394.5	398,100.7
	of which : Other approved securities		
	of which : Shares	71,418.8	9,257.8
	of which : Debentures & Bonds	101,347.7	60,352.1
	of which : Subsidiaries / Joint Ventures / Associates	8,560.2	13,648.8
	of which : Others (Commercial Papers, Mutual Funds etc.)	46,636.5	38,813.0
iii.	<b>Loans and advances</b>	<b>1,540,781.5</b>	<b>1,539,465.7</b>
	of which : Loans and advances to banks	-	-
	of which : Loans and advances to customers	1,540,781.5	1,539,465.7
iv.	Fixed assets	17,250.3	16,653.3

DF-12 : Composition of Capital- Reconciliation Requirements (₹ in million)		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
v.	Other assets	129,759.7	124,860.6
	of which : Goodwill and intangible assets	-	-
	of which : Deferred tax assets	2,040.7	2,040.3
vi.	Goodwill on consolidation	34.2	34.2
vii.	Debit balance in Profit & Loss account	-	-
<b>Total</b>		<b>2,492,939.0</b>	<b>2,308,927.1</b>

**As at 30<sup>th</sup> September, 2016**

DF-12 : Composition of Capital- Reconciliation Requirements (₹ in million)		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No
<b>A Capital &amp; Liabilities</b>				
i.	Paid-up Capital	9,186.4	9,186.4	a1
	Reserves & Surplus	347,713.1	339,403.8	
	of which :			
	Balance in Profit and Loss Account	184,942.1	177,022.7	b1
	of which : current period profits not reckoned for capital adequacy purpose	22,695.0	21,890.5	b2
	of which : balance in profit and loss relating to insurance subsidiary and associate not considered for regulatory consolidation	8,311.4	-	
	Securities Premium	102,717.9	102,332.8	a2
	Foreign Currency Translation Reserve	1,556.7	1,577.9	
	<i>of which : eligible for CET1</i>	-	1,183.4	c1
	Investment Reserve	484.9	484.9	j1
	Other Reserves and Surplus	58,011.5	57,985.5	c2
	Minority Interest	4,304.7	-	
	<i>of which : considered in capital</i>	-	-	
	Employees' Stock Options (Grants) Outstanding	21.0	21.0	
	<b>Total Capital</b>	<b>361,225.2</b>	<b>348,611.2</b>	
ii.	<b>Deposits</b>	<b>1,387,318.1</b>	<b>1,387,587.6</b>	
	of which : Deposits from banks	6,137.2	6,137.2	
	of which : Customer deposits	1,381,180.9	1,381,450.4	
	of which : Other deposits (pl. specify)	-	-	
iii.	<b>Borrowings</b>	<b>448,716.1</b>	<b>450,316.1</b>	
	of which : From RBI	-	-	
	of which : From banks	183,876.3	183,876.3	
	of which : From other institutions & agencies	244,633.8	246,133.8	

DF-12 : Composition of Capital- Reconciliation Requirements (₹ in million)		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No
	of which : Capital instruments	20,206.0	20,306.0	
	of which :			
	Eligible AT1 capital	1,377.7	1,377.7	
	Eligible T2 capital issued by Bank	17,100.3	17,100.3	H
	Eligible T2 capital issued by subsidiary	1,578.0	1,578.0	I
iv.	Policyholders' Reserves	168,113.2	-	
v.	<b>Other liabilities &amp; provisions</b>	<b>127,566.4</b>	<b>122,412.2</b>	
	of which : DTLs related to goodwill	-		
	of which : DTLs related to intangible assets	-		
	of which : provision against standard assets	7,060.3	7,060.3	j2
	<b>Total</b>	<b>2,492,939.0</b>	<b>2,308,927.1</b>	
<b>B</b>	<b>Assets</b>			
i.	Cash and balances with Reserve Bank of India	66,316.3	66,251.9	
	Balance with banks and money at call and short notice	43,439.3	41,489.0	
ii.	<b>Investments :</b>	<b>695,357.7</b>	<b>520,172.4</b>	
	of which : Government securities	467,394.5	398,100.7	
	of which : Other approved securities	-	-	
	of which : Shares	71,418.8	9,257.8	
	of which : Debentures & Bonds	101,347.7	60,352.1	
	of which : Subsidiaries / Joint Ventures / Associates	8,560.2	13,648.8	
	<i>of which: investment in unconsolidated insurance subsidiary</i>	-	5,126.1	F
	<i>of which: investment in unconsolidated non financial subsidiary</i>	-	21.0	G
	<i>of which: goodwill included as part of carrying amount (net)</i>	15.8	6.5	d1
	of which : Others (Commercial Papers, Mutual Funds etc.)	46,636.5	38,813.0	
iii.	<b>Loans and advances</b>	<b>1,540,781.5</b>	<b>1,539,465.7</b>	
	of which : Loans and advances to banks	-	-	
	of which : Loans and advances to customers	1,540,781.5	1,539,465.7	
iv.	<b>Fixed assets</b>	<b>17,250.3</b>	<b>16,653.3</b>	
	of which: Intangibles	1,133.9	839.7	E
v.	<b>Other assets</b>	<b>129,759.7</b>	<b>124,860.6</b>	
	of which : Deferred tax assets	2,040.7	2,040.3	
vi.	<b>Goodwill on consolidation</b>	<b>34.2</b>	<b>34.2</b>	d2
<b>Total Assets</b>		<b>2,492,939.0</b>	<b>2,308,927.1</b>	



## Kotak Mahindra Bank - Main features of regulatory capital instruments – Ordinary Shares

1	Issuer	Kotak Mahindra Bank
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE237A01028
3	Governing law(s) of the instrument	Indian Law
	Regulatory treatment	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Group & solo
7	Instrument type	Ordinary Shares
8	Amount recognised in regulatory capital (₹ in million, as of most recent reporting date)	₹ 9,186.4 million
9	Par value of instrument	₹ 9,186.4 million
10	Accounting classification	Equity Share Capital
11	Original date of issuance	Various dates, refer table below
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	
	Coupons / dividends	NA
17	Fixed or floating dividend / coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Represents the most subordinated claim in liquidation
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Find the detailed terms and conditions of the issue here: [http://ir.kotak.com/downloads/pdf/kmb\\_l\\_moa\\_aoa.pdf](http://ir.kotak.com/downloads/pdf/kmb_l_moa_aoa.pdf)

## Capital issuances post conversion into Bank

Equity share capital as on 31<sup>st</sup> March, 2003 was ₹ 592.1 million (118.4 million\* equity shares)

Date of issue	Nature of issue	Number of equity shares million	Amount ₹ million
April, 2006	GDR	30.0 *	4,500.5
October, 2007	QIP	34.0*	16,150.0
August, 2010	Preferential issue	32.8*	13,661.2
April, 2013	Preferential issue	20.0	12,960.0
April, 2015	Issue to eIVBL	139.2	696.0
July, 2015	Bonus Issue	912.8	4,564.2

\* adjusted for split of equity shares from ₹ 10 fully paid up to ₹ 5 fully paid up

**Kotak Mahindra Bank - Main features of regulatory capital instruments – Perpetual Debt (Issued by eIVBL)**

1	Issuer	Kotak Mahindra Bank
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Perpetual Bonds
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional Basel III rules	Additional Tier I
5	Post-transitional Basel III rules	Ineligible
6	Eligible at solo / group / group & solo	Solo
7	Instrument type	Perpetual Debt Instruments
8	Amount recognised in regulatory capital (₹ in million, as of most recent reporting date)	₹ 791.6 million
9	Par value of instrument	100,000 JPY
10	Accounting classification	Liability
11	Original date of issuance	22-Oct-08
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	On 22-Oct-18
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	3 month LIBOR plus 400 basis points
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Partially discretionary
21	Existence of step up or other incentive to redeem	Yes
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Upper Tier II
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	No loss absorption features

**Find the detailed terms and conditions of the issue here:** [http://ir.kotak.com/downloads/pdf/kmb\\_l\\_moa\\_aoa.pdf](http://ir.kotak.com/downloads/pdf/kmb_l_moa_aoa.pdf)

### Kotak Mahindra Bank - Main features of regulatory capital instruments – Subordinated debt

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	25800	INE237A09070	INE237A09088
3	Governing law(s) of the instrument	Laws of England	Indian law	Indian law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II loans	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	1,484.9	87.4	71.8
9	Par value of instrument (₹ in million)	USD 45 million (₹ 2,817.2million)	1.00	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	22-Mar-07	1-Jun-05	2-Jun-05
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	15-Jun-22	1-Jun-15	2-Jun-15
14	Issuer call subject to prior supervisory approval	Yes	No	No
15	Optional call date, contingent call dates and redemption amount	22-Mar-17 and redemption at par	Not Applicable	Not Applicable
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	6 monthly floating	Fixed	Fixed
18	Coupon rate and any related index	6 month LIBOR +155 bps till June 15, 2017. Thereafter till maturity 6 month LIBOR+255 bps	7.85%	7.70%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	Step up of 100 bps from 11th year	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA

32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Payment shall be subordinated in right of payment to the prior payment in full of all other creditors, except those liabilities which rank equally or junior to the IFC Bonds, including claims of investors eligible for inclusion in Tier I Capital	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE237A09096	INE237A08767	INE237A08783
3	Governing law(s) of the instrument	Indian law	Indian law	Indian law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	52.8	36.0	7.2
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	29-Sep-05	3-Oct-05	25-Oct-05
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	29-Sep-15	3-Oct-15	25-Oct-15
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	7.50%	7.50%	7.50%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE237A09104	INE237A08742	INE237A08791
3	Governing law(s) of the instrument	Indian law	Indian law	Indian law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	64.8	53.6	48.0
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	19-Jun-06	19-Jun-06	14-Nov-06
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	19-Jun-16	19-Jun-16	14-Apr-17
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	8.90%	8.90%	9.10%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE237A09112	INE237A08809	INE237A09120
3	Governing law(s) of the instrument	Indian law	Indian law	Indian law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	48.0	10.1	24.0
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	14-Nov-06	20-Nov-06	20-Nov-06
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	14-Apr-17	20-Apr-17	20-Apr-17
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	9.10%	9.10%	9.10%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features



1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE237A08817	INE237A08825	INE237A09138
3	Governing law(s) of the instrument	Indian law	Indian law	Indian law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	240.0	21.6	24.0
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	6-Dec-06	25-Jan-07	25-Jan-07
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	6-May-17	25-Apr-17	25-Apr-17
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	9.00%	9.50%	9.50%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE237A08833	INE237A08841	INE237A09146
3	Governing law(s) of the instrument	Indian law	Indian law	Indian law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	34.1	11.0	4.8
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	6-Feb-07	21-Feb-07	21-Feb-07
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	6-May-17	21-May-17	21-May-17
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	9.50%	9.50%	9.50%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE237A08858	INE237A08866	INE237A09153
3	Governing law(s) of the instrument	Indian law	Indian law	Indian law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	288.0	64.8	150.0
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	16-Mar-07	9-Jul-07	9-Jul-07
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	16-May-17	9-May-18	9-May-18
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	10.15%	10.25%	10.25%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE237A08890	INE237A08874
3	Governing law(s) of the instrument	Indian law	Indian law
	Regulatory treatment		
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	900.0	186.0
9	Par value of instrument (₹ in million)	1.0	1.0
10	Accounting classification	Liability	Liability
11	Original date of issuance	7-Apr-11	30-Aug-07
12	Perpetual or dated	Dated	Dated
13	Original maturity date	7-Apr-21	30-Aug-22
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not Applicable	30-Aug-17 and redemption at par
16	Subsequent call dates, if applicable	NA	NA
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Fixed	Fixed
18	Coupon rate and any related index	9.31%	9.95%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes-50 bps Over coupon rate after 30-Aug-17
22	Noncumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE237A09161	INE237A08882
3	Governing law(s) of the instrument	Indian law	Indian law
	Regulatory treatment		
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	30.0	600.0
9	Par value of instrument (₹ in million)	1.0	1.0
10	Accounting classification	Liability	Liability
11	Original date of issuance	30-Aug-07	7-Sep-07
12	Perpetual or dated	Dated	Dated
13	Original maturity date	30-Aug-22	7-Sep-22
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	30-Aug-17 and redemption at par	07-Sep-17 and redemption at par
16	Subsequent call dates, if applicable	NA	NA
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Fixed	Fixed
18	Coupon rate and any related index	9.95%	10.30%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	Yes-50 bps Over coupon rate after 30-Aug-17	Yes-50 bps Over coupon rate after 30-Aug-17
22	Noncumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE166A09030	INE166A09048	INE166A09055
3	Governing law(s) of the instrument	Indian Law	Indian Law	Indian Law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	144.0	96.0	28.8
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	17-Mar-06	24-Mar-06	29-Mar-06
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	17-May-15	24-May-15	29-May-15
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	8.75%	8.95%	8.95%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE166A09063	INE166A08016	INE166A08024
3	Governing law(s) of the instrument	Indian Law	Indian Law	Indian Law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	280.8	900.0	360.0
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	28-Aug-06	15-Jul-08	31-Jan-09
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	28-Aug-2016	14-Jul-2018	30-Jan-19
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	9.70%	10.40%	9.65%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank	All depositors and other Creditors of the Bank
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited	Kotak Mahindra Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE166A08032	Upper Tier 2 Capital 22MAR2022	Upper Tier 2 Capital 23JAN2024
3	Governing law(s) of the instrument	Indian Law	Indian Law	Indian Law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt Instruments	Upper Tier 2 Capital Instruments	Upper Tier 2 Capital Instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	1,836.0	1,002.5	1,384.7
9	Par value of instrument (₹ in million)	1.0	100,000 JPY	100,000 JPY
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	14-Dec-12	22-Mar-07	23-Jan-09
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	13-Dec-22	22-Mar-22	23-Jan-24
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates & redemption amount	NA	After 22-Mar-17	After 23-Jan-19
16	Subsequent call dates, if applicable	NA	on 22-Mar-17 and quarterly coupon payment dates thereafter	on 23-Jan-19 and quarterly coupon payment dates thereafter
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Floating	Floating
18	Coupon rate and any related index	9.90%	3 month LIBOR +110 basis points	3 month LIBOR + 230 basis points
19	Existence of a dividend stopper	No	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Partially Discretionary	Partially Discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other Creditors of the Bank	Lower Tier 2	Lower Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features



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## Kotak Mahindra Prime - Main features of regulatory capital instruments – Subordinated debt

1	Issuer	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE916D08CI7	INE916D08CJ5	INE916D09024
3	Governing law(s) of the instrument	Indian Law	Indian Law	Indian Law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	NIL	NIL	NIL
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	23-Oct-07	7-Feb-08	7-Feb-08
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	23-Apr-18	7-Aug-18	7-Aug-18
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	11.10%	10.00%	10.00%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All other creditors	All other creditors	All other creditors
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE916D08CK3	INE916D09032	INE916D08CL1
3	Governing law(s) of the instrument	Indian Law	Indian Law	Indian Law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	NIL	NIL	NIL
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	15-May-08	23-Jun-08	23-Jun-08
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	15-Nov-18	23-Dec-18	23-Dec-18
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	10.40%	10.70%	10.70%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All other creditors	All other creditors	All other creditors
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE916D09040	INE916D08CM9	INE916D09057
3	Governing law(s) of the instrument	Indian Law	Indian Law	Indian Law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	NIL	NIL	NIL
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	30-Jun-08	30-Jun-08 & 14-Jul-08	31-May-10
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	31-Dec-18	23-Dec-18	30-Nov-20
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	11.00%	11.00%	10.10%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All other creditors	All other creditors	All other creditors
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE916D08CX6	INE916D09065	INE916D08DK1
3	Governing law(s) of the instrument	Indian Law	Indian Law	Indian Law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	NIL	NIL	NIL
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	31-May-2010 & 29-Jun-2010	30-Aug-10	30-Aug-10
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	30-Nov-20	30-Aug-17	30-Aug-17
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	10.10%	9.50%	9.50%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All other creditors	All other creditors	All other creditors
36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.	Kotak Mahindra Prime Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE916D08DM7	INE916D08DN5	INE916D08DO3
3	Governing law(s) of the instrument	Indian Law	Indian Law	Indian Law
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo / group / group & solo	Group & Solo	Group & Solo	Group & Solo
7	Instrument type	Tier 2 Debt instruments	Tier 2 Debt instruments	Tier 2 Debt instruments
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	NIL	NIL	NIL
9	Par value of instrument (₹ in million)	1.0	1.0	1.0
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	31-May-11	31-May-11 & 16-Jun-11	30-Jun-11
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	22-Dec-17	22-Jun-21	30-Jun-21
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	10.70%	10.80%	10.80%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All other creditors	All other creditors	All other creditors

36	Non-compliant transitioned features	Yes	Yes	Yes
37	If yes, specify non-compliant features	No loss absorption features	No loss absorption features	No loss absorption features

1	Issuer	Kotak Mahindra Prime Ltd.		
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE916D08DP0		
3	Governing law(s) of the instrument	Indian Law		
	Regulatory treatment			
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds		
5	Post-transitional Basel III rules	Ineligible		
6	Eligible at solo / group / group & solo	Group & Solo		
7	Instrument type	Tier 2 Debt instruments		
8	Amount recognised in regulatory capital (₹ in million, as of 30 <sup>th</sup> September, 2016)	NIL		
9	Par value of instrument (₹ in million)	1.0		
10	Accounting classification	Liability		
11	Original date of issuance	30-Jun-11		
12	Perpetual or dated	Dated		
13	Original maturity date	30-Jun-21		
14	Issuer call subject to prior supervisory approval	No		
15	Optional call date, contingent call dates and redemption amount	NA		
16	Subsequent call dates, if applicable	NA		
	Coupons / dividends			
17	Fixed or floating dividend / coupon	Fixed		
18	Coupon rate and any related index	10.80%		
19	Existence of a dividend stopper	No		
20	Fully discretionary, partially discretionary or mandatory	Mandatory		
21	Existence of step up or other incentive to redeem	No		
22	Noncumulative or cumulative	Cumulative		
23	Convertible or non-convertible	Non-convertible		
24	If convertible, conversion trigger(s)	NA		
25	If convertible, fully or partially	NA		
26	If convertible, conversion rate	NA		
27	If convertible, mandatory or optional conversion	NA		
28	If convertible, specify instrument type convertible into	NA		
29	If convertible, specify issuer of instrument it converts into	NA		
30	Write-down feature	No		
31	If write-down, write-down trigger(s)	NA		
32	If write-down, full or partial	NA		
33	If write-down, permanent or temporary	NA		
34	If temporary write-down, description of write-up mechanism	NA		
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All other creditors		
36	Non-compliant transitioned features	Yes		
37	If yes, specify non-compliant features	No loss absorption features		

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## **Equities – Disclosure for Banking Book Position**

### **Overview**

The Group makes direct investments in public and private equity securities; Group also makes investments in debt securities and loans, public and private equity securities and real estate entities. These investments are typically longer-term in nature and are primarily held for capital appreciation purposes; they are therefore classified for regulatory capital purposes as banking book equity investments. The Group also makes commitments to invest, primarily in private equity, real estate and other assets; such commitments are made both directly and primarily through funds that Group raises and manages.

### **Risk Management**

Group equity investments and investment commitments are subject to comprehensive risk management processes through which group assesses investment opportunities, and monitor, evaluate and manage the risks associated with such investments.

Risk management governance starts with the Board, which plays an important role in reviewing and approving risk management policies and practices, both directly and through its committees.

Prior to making an investment, or entering into an investment commitment, opportunities are subjected to rigorous due diligence, review and, where appropriate, approval by the relevant investment, capital and/or risk committee as per the investment policy. Such committees are specific to the relevant entity within the group. The committees consider, among other matters, the risks and rewards of the opportunity, as well as factors such as balance sheet usage and risk measures such as stress tests.

On an ongoing basis, group's equity exposures are reviewed by senior management, including Group CFO, JMD and VC & MD. Other critical components of group's risk management processes and procedures include setting limits (such as balance sheet limits).

Group's equity exposures are included in the scope of stress tests, which are conducted on a regular basis as part of routine risk management process and on an ad hoc basis in response to market events or concerns. Group uses stress tests to examine the risks of specific equity investments as well as the potential impact of significant risk exposures across the group. Group uses a variety of scenarios to calculate the potential loss from a wide range of market moves on group's equity investments.

### **Valuation and Accounting Policies**

All the long-term equity investments are included in banking book and are presented as part of non-current investments in Balance sheet.

Such investments are valued at cost and provision for diminution in value is made to recognise a other than temporary decline in the value of investment. Such reduction is determined and made for each investment individually.

### **Regulatory Capital Measurement**

If an equity investment in a nonconsolidated financial entities is 10% or more of that entity's common equity (or equivalent), then it is regarded as "significant." Group is required to deduct from our CET1 any excess of the aggregate of such significant investments in the common stock of nonconsolidated financial entities that exceed 10% of a measure of group's capital, and all non-common significant investments must be deducted from Tier 1 or Tier 2 capital using the corresponding deduction approach. Aggregate of all such significant investments in the common stock of nonconsolidated financial entities that do not exceed 10% of a measure of group's capital, are risk weighted at 250%.

If an equity investment in a non-financial entity is 10% or more of that entity's common equity (or equivalent), it is risk weighted at 1250%. An equity investment in a non-financial entity that is less than or equal to 10% or more of that entity's common equity (or equivalent), it is risk weighted at 125%



Risk weights are applied to the market value of the equity exposure.

₹ in million

Equity investments	As on 30 <sup>th</sup> September, 2016	
	Balance sheet value	Fair value
Value of listed (publicly traded) equities	7.5	18.5
Value of unlisted (privately held) equities	8,788.6	8,802.2

₹ in million

Realised gains (losses) on equity investments	Period ended 30 <sup>th</sup> September, 2016
Realised gains (losses) arising from sales and liquidations	67.9

₹ in million

Unrealised gains (losses) on equity investments	Period ended 30 <sup>th</sup> September, 2016
Unrealised gains (losses) recognised in the balance sheet but not through the profit and loss account	-
Unrealised gains (losses) not recognised either in the balance sheet or through the profit and loss account	24.6

The above does not include equity investments in unconsolidated insurance subsidiaries and a non-financial subsidiary, which are deducted from capital.

## Disclosure on Leverage Ratio

### Leverage ratio

₹ in million

	As at 30 <sup>th</sup> September, 2016
Tier I Capital	320,701.5
Exposure Measure	2,707,939.3
Leverage Ratio	11.8%

	Item	₹ in million
1	Total consolidated assets as per published financial statements	2,492,939.0
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(220,630.9)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	45,672.0
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	25,553.3
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	370,316.4
7	Other adjustments	(5,910.5)
<b>8</b>	<b>Leverage ratio exposure</b>	<b>2,707,939.3</b>

₹ in million

Table 2 – Leverage ratio common disclosure template		
	Item	Leverage ratio framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,272,308.1
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(5,910.5)
3	<b>Total on-balance sheet exposures</b> (excluding derivatives and SFTs) (sum of lines 1 and 2)	2,266,397.6
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	11,065.7
5	Add-on amounts for PFE associated with all derivatives transactions	34,606.3
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>45,672.0</b>
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	25,553.3
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>25,553.3</b>
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	978,956.3
18	(Adjustments for conversion to credit equivalent amounts)	(608,639.9)
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	370,316.4
Capital and total exposures		
20	<b>Tier 1 capital</b>	<b>320,701.5</b>
21	<b>Total exposures (sum of lines 3, 11, 16 and 19)</b>	<b>2,707,939.3</b>
Leverage ratio		
22	<b>Basel III leverage ratio</b>	<b>11.8%</b>