

Independent Auditor's Report

To the Members of Kotak Mahindra Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of Kotak Mahindra Bank Limited ('the Bank' or 'the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associates, which comprise the Consolidated Balance Sheet as at 31 March 2020, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information, of subsidiaries and associates, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), of the consolidated state of affairs of the Group and its associates as at 31 March 2020, and their consolidated profit, and their consolidated cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associates, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 18 of the Other Matters section below, is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

4. We draw attention to Note Schedule 17 Note 2(A), Schedule 17 Note 2(H)(v) and Schedule 17 Note 7 of the accompanying consolidated financial statements which describes the uncertainties due to the outbreak of novel coronavirus (COVID-19). In view of these uncertainties, the impact on the consolidated financial statement is significantly dependent on future developments.

Our opinion is not modified in respect of this matter.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information, subsidiaries and associates, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

6. We have determined the matters described below to be the key audit matters to be communicated in our report.

Identification and provisioning of non-performing assets ('NPAs') including implementation of COVID-19 RBI Regulatory Package in relation to the Bank

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

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

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

Information Technology (“IT”) Systems and controls impacting financial reporting in relation to the Bank

Key audit matter	How our audit addressed the key audit matter
<p>The IT environment of the Bank is complex and involves a large number of independent and interdependent IT systems used in the operations of the Bank for processing and recording a large volume of transactions at numerous locations. As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Bank.</p> <p>Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting.</p> <p>The accuracy and reliability of the financial reporting process depends on the IT systems and the related control environment, including:</p> <ul style="list-style-type: none"> IT general controls over user access management and change management across applications, networks, database, and operating systems. IT application controls. <p>Due to the pervasive nature, complexity and importance of the impact of the IT systems and related control environment on the Bank's financial reporting process, we have identified testing of such IT systems and related control environment as a key audit matter for the current year audit.</p>	<p>In assessing the integrity of the IT systems, we involved our IT experts to obtain an understanding of the IT infrastructure and IT systems relevant to the Bank's financial reporting process for evaluation and testing of relevant IT general controls and IT application controls.</p> <p>Access rights were tested over applications, operating systems, networks, and databases, which are relied upon for financial reporting. We also assessed the operating effectiveness of controls over granting, removal and periodical review of access rights. We further tested segregation of duties, including preventive controls to ensure that access to change applications, the operating system or databases in the production environment were granted only to authorized personnel.</p> <p>We have also evaluated changes in IT process (including usage of technology) for access to IT assets and infrastructure in work from home scenario due to COVID-19 pandemic.</p> <p>Other areas that were assessed under the IT control environment, included password policies, security configurations, business continuity, and controls around change management.</p> <p>We also evaluated the design and tested the operating effectiveness of key automated controls within various business processes. This included testing the integrity of system interfaces, the completeness and accuracy of data feeds, system reconciliation controls and automated calculations.</p> <p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures.</p>

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

Information technology systems relating to Kotak Securities Limited

Key audit matter	How the matter was addressed in our audit
<p>Key Information technology (IT) systems used in financial reporting process</p> <p>The Company's operational and financial processes are dependent on IT systems due to large volume of transactions that are processed daily.</p>	<p>We involved our IT specialists to obtain an understanding of the entity's IT related control environment. Furthermore, we conducted a risk assessment and identified IT applications, databases and operating systems that are relevant to our audit.</p>

Key audit matter	How the matter was addressed in our audit
<p>The Company uses Oracle system as the General Ledger for overall financial reporting, which is interfaced with other systems that process transactions, which impacts significant account balances.</p> <p>The Company relies on automated processes and controls for recording of its transactions and accordingly, our audit was focused on key IT systems and controls due to the pervasive impact on the financial statements.</p>	<p>For the key IT systems relevant to financial reporting, our areas of audit focus included Access Security (including controls over privileged access), Program Change controls and Network Operations. In particular:</p> <ul style="list-style-type: none"> • We obtained an understanding of the entity's IT environment and key changes if any during the audit period that may be relevant to the audit; • We tested the design, implementation and operating effectiveness of the General IT controls over the key IT systems that are critical to financial reporting. This included evaluation of entity's controls to ensure segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being re-certified during the period of audit. Further, controls related to program change were evaluated to verify whether the changes were approved, tested in an environment that was segregated from production and moved to production by appropriate users; • We tested key automated business cycle controls, related interfaces and logics for system generated reports relevant to the audit for evaluating completeness and accuracy; • We also tested the controls over network segmentation, restriction of remote access to the entity's network, controls over firewall configurations and mechanisms implemented.

8. The joint auditors, S. R. Batliboi & Associates LLP, Chartered Accountants, and Haribhakti & Co. LLP, Chartered Accountants, of Kotak Mahindra Life Insurance Company Limited, vide their audit report dated 29 April 2020 and Group Audit Instructions, have expressed an unmodified opinion on the financial statements. Based on consideration of information submitted by them, we have determined the matters described below to be the key audit matters to be communicated in our report:

Information technology systems relating to Kotak Mahindra Life Insurance Company Limited

Key audit matter	How the matter was addressed in our audit
<p>We identified IT systems and controls over financial reporting as a key audit matter for the Group because its financial accounting and reporting systems are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Of particular importance are system calculations, other IT application controls and interfaces between IT systems.</p>	<p>Our procedures in relation to the IT systems and controls included:</p> <ul style="list-style-type: none"> • understanding and assessing the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. • tailoring our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system. • procedures performed included testing the operating effectiveness of controls over appropriate access rights and validating that only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. • testing the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized and also developed and implemented properly.

Valuation of investments relating to Kotak Mahindra Life Insurance Company Limited

Key audit matter	How the matter was addressed in our audit
<p>The Company's investment portfolio represents substantial portion of the Company's total assets as at 31 March 2020 which are valued in accordance with accounting policy framed as per the extent of the regulatory guidelines.</p> <p>Investment in Non-linked and shareholders' portfolio:</p> <p>All debt securities are valued at amortized cost and investment property is valued in accordance with Company's valuation policy. The listed equity shares, preference shares, liquid mutual fund and Equity Exchange Traded Funds (ETF) investments are valued using quoted prices as per stock exchanges. These investments are tested for impairment in accordance with the Company's impairment policy.</p> <p>Investment in unit linked portfolio:</p> <p>Government securities are valued at prices provided by CRISIL. Other debt securities are valued on a yield to maturity basis, by using spread over the benchmark rate. The listed equity shares, preference shares, liquid mutual fund and ETF investments are valued using quoted prices as per stock exchanges.</p> <p>Due to COVID-19 pandemic and subsequent lock-down announced by the Government, the Company's management has been required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of Investments. These estimates and associated assumptions, especially for determining the fair value of the Company investments, are based on historical experience and various other factors including the possible effects that may result from the pandemic. These estimates and associated assumptions are believed to be reasonable under the current circumstances. The Company has used internal and external sources of information including credit reports, economic forecasts and consensus estimates from market sources on the expected future performance of the underlying companies in developing the estimates and assumptions to assess the fair value of the investments as at 31 March 2020.</p> <p>The valuation of these investments was considered to be one of the areas which required significant auditor attention and was one of the matters of most significance in the standalone financial statements due to the materiality of total value of investments to the financial statements.</p>	<p>Our procedures for this area included but were not limited to the following:</p> <ul style="list-style-type: none"> • tested the design, implementation and operating effectiveness of key controls over the valuation process, including the Company's review and approval of the estimates and assumptions used for the valuation including key authorization and data input controls; • assessed appropriateness of the valuation methodologies with reference to Investment Regulations issued by Insurance Regulatory and Development Authority of India ("IRDAI"/ "Authority") and Company's own valuation policy; • for listed equity shares, preference shares, liquid mutual fund and ETF investments, performed independent price checks using external quoted prices and by agreeing the observable inputs that were used in the Company's valuation techniques to external data; and • for other investments, evaluated the valuation assessment and resulting conclusions by the Company in order to determine the reasonableness of the valuations recorded. This included an evaluation of the methodology and assumptions used in the valuation with reference to the Company's valuation policy.

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

9. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Annual Report including the Pillar 3 Disclosure under the New Capital Adequacy Framework (Basel III disclosures), but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

10. The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance) and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by Reserve Bank of India from time to time. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated financial statements. Further, in terms of the provisions of the Act, the respective Board of Directors of the subsidiaries included in the Group and its associate companies covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.
11. In preparing the consolidated financial statements, the respective Board of Directors of the subsidiaries included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
12. Those respective Board of Directors are also responsible for overseeing the financial reporting process of the subsidiaries included in the Group and of its associates.

Auditor's Responsibilities for the Audit of the Financial Statements

13. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. As part of an audit in accordance with Standards on Auditing specified under section 143(10) of the Act, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group and its associates (covered under the Act) have adequate internal financial controls system in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial statements / financial information of the entities within the Group, and its associates, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial statement of such entities included in the consolidated financial statements, of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
15. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 16. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
 17. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

18. We did not audit the financial statements of 19 subsidiaries, whose financial statements reflect total assets of ₹ 88,303.09 crores and net assets of ₹ 19,757.30 crores as at 31 March 2020, total revenues of ₹ 18,740.35 crores and net cash inflows amounting to ₹ 5,490.93 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of ₹ 14.24 crores for the year ended 31 March 2020, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-section (3) of section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of the other auditors.

The consolidated financial statements also includes the Group's share of net profit after tax of ₹ 0.52 crore for the year ended 31 March 2020, in respect of 2 associates, based on their financial statements/financial information, which have not been audited. These financial statements / financial information have been furnished to us by the Holding Company's management and our opinion on the consolidated financial statements, and matters identified and disclosed under key audit matters section above and our report in terms of sub-section (3) of section 143 of the Act in so far as it relates to the aforesaid, are based solely on such unaudited financial statements/ financial information. In our opinion, and according to the information and explanations given to us by the management, these financial statements / financial information is not material to the Group.

Further, of these subsidiaries, 5 subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. The other auditors appointed by the Holding Company's management in India have audited these conversion adjustments made by the Holding Company's management. Our opinion, and matters identified and disclosed under key audit matters section above, in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by the other auditors appointed by the Holding Company's management in India.

19. The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by the predecessor auditor, who have expressed an unmodified opinion on those consolidated financial statements vide their audit report dated 30 April 2019.
20. The Joint auditors of Kotak Mahindra Life Insurance Company Limited, ('KLIFE'), in forming their opinion as stated in the 'Other matter' paragraph of their report dated 29 April 2020, on valuation of liabilities for life policies in force and for policies in respect of which the premium has been discontinued but liability exists as at 31 March 2020, have relied on KLIFE's Appointed Actuary (the 'Appointed Actuary of KLIFE'). The actuarial valuation of these liabilities has been duly certified by the Appointed Actuary of KLIFE and in his opinion, the assumptions for such valuations are in accordance with the guidelines and norms issued by the Insurance Regulatory and

Development Authority of India (the 'IRDAI') and the Institute of Actuaries of India. They have relied upon the certificate issued by the Appointed Actuary of KLIFE in this regard for forming their opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists in the financial statements of KLIFE.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Further, for the two associates not audited during the year as described in paragraph 18 of our report, and for eight subsidiaries and two associates in India covered under the Act, in absence of reporting by statutory auditors of such entities with respect to compliance of the provisions of section 197 read with Schedule V of the Act during the year ended 31 March 2020, we are unable to comment on such compliance for the said entities as required to be reported by us under section 197(16) of the Act.

23. As required by section 143 (3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries, and associates, we report, to the extent applicable, that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
 - b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
 - c) the consolidated Balance Sheet, the consolidated Profit and Loss Account, and the consolidated Cash Flows Statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
 - d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014(as amended);
 - e) on the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and associate companies covered under the Act, none of the directors of the Group companies and its associate companies covered under the Act, are disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act;
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, and its subsidiary companies and associate companies covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure I'; and

- g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associates.
- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates as detailed in Schedule 12.I, Schedule 17 Note 2(W) and Schedule 17 Note 9 to the consolidated financial statements;
 - ii. provision has been made in the consolidated financial statements as at 31 March 2020, as required under the applicable law or the Accounting Standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts as detailed in Refer Schedule 12.II, Schedule 17 - Note 2(G), Schedule 17 - Note 2(W) and Schedule 17 - Note 7 and Note 9 to the consolidated financial statements;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies, and associate companies during the year ended 31 March 2020; and
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Sudhir N. Pillai

Partner

Membership No.: 105782

UDIN No: 20105782AAAADN3576

Place: Mumbai

Date: 13 May 2020

Annexure I to the Independent Auditor's Report of even date to the members of Kotak Mahindra Bank Limited on the consolidated financial statements for the year ended 31 March 2020

Independent Auditor's Report on the Internal Financial Controls under Clause (a) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Kotak Mahindra Bank Limited ('the Bank' or 'the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), and its associates as at and for the year ended 31 March 2020, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company, its subsidiary companies and its associate companies, which are companies covered under the Act, as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The respective Board of Directors of the Holding Company, its subsidiary companies and its associate companies, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility for the Audit of the Internal Financial Controls

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company, its subsidiary companies and its associate companies, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company, its subsidiary companies and its associate companies as aforesaid.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion and based on the consideration of the reporting by the other auditors of the subsidiary companies and associate companies, the Holding Company, its subsidiary companies and its associate companies, which are companies covered under the Act, have in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively

as at 31 March 2020, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matter

9. The Joint auditors of Kotak Mahindra Life Insurance Company Limited, ('KLIFE'), in forming their opinion as stated in the 'Other matter' paragraph of their Annexure "A" to the auditors report dated 29 April 2020 have reported, "The actuarial valuation of liabilities for life policies in force and policies where premium is discontinued is required to be certified by the Appointed Actuary as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 (the 'IRDA Financial Statements Regulations'), and has been relied upon by us, as mentioned in 'Other Matter' para of our audit report on the financial statements of the Company as at and for the year ended 31 March 2020. Accordingly, the Internal Financial Controls with reference to Financial Statements in respect of the valuation and accuracy of the aforesaid actuarial valuation is also certified by the Appointed Actuary and has been relied upon by us". Our opinion above is not modified in respect of this matter with respect to our reliance on the work done and the report of the other auditors.
10. The Joint auditors of Kotak Mahindra General Insurance Company Limited, ('KMGICL'), in forming their opinion as stated in the 'Other matter' paragraph of their Annexure "B" to the auditors report dated 22 April 2020 have reported, "The actuarial valuation of liabilities in respect of Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims is the responsibility of the KMGICL's Appointed Actuary ('the Appointed Actuary of KMGICL'). The estimate of claims Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER), included under Claims Outstanding as at March 31, 2020 has been duly certified by the KMGICL's Appointed Actuary, and in his opinion, the assumptions for such valuation in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India (IRDAI) and the Institute of Actuaries of India in concurrence with the IRDAI. We have relied upon the Appointed Actuary's of KMGICL's certificate in this regard for forming our opinion on the financial statements of KMGICL". Our opinion above is not modified in respect of this matter with respect to our reliance on the work done and the report of the other auditors.
11. We did not audit the IFCoFR in so far as it relates to 14 subsidiary companies, which are companies covered under the Act, whose financial statements reflect total assets of ₹ 86,621.83 crores and net assets of ₹ 18,527.74 crores as at 31 March 2020, total revenues of ₹18,398.92 crores and net cash inflows amounting to ₹ 5,425.64 crores for the year ended on that date, as considered in the consolidated financial statements.
12. The consolidated financial statements also include the Group's share of net loss of ₹ 14.24 crores for the year ended 31 March 2020, in respect of 2 associate companies, which are companies covered under the Act, whose IFCoFR have not been audited by us.
13. We did not audit the IFCoFR insofar as it relates to 1 associate, which is a company covered under the Act, in respect of which, the Group's share of net profit of ₹ 0.44 crores for the year ended 31 March 2020 has been considered in the consolidated financial statements. The IFCoFR of this associate company, which is a Company covered under the Act, is unaudited and our opinion under Section 143(3) (i) of the Act insofar as it relates to the aforesaid associate company, which is a company covered under the Act, is solely based on the corresponding IFCoFR reports certified by the management of such company. In our opinion and according to the information and explanations given to us by the management, this financial statements / financial information is not material to the Group. Our report on adequacy and operating effectiveness of the IFCoFR of the Group does not include the IFCoFR assessment in respect of the aforesaid company. Our opinion is not modified in respect of the above matter with respect to our reliance on the IFCoFR report certified by the management.
14. The IFCoFR in so far as it relates to such subsidiary companies and associate companies have been audited by other auditors whose reports have been furnished to us by the management and our report on the adequacy and operating effectiveness of the IFCoFR for the Holding Company, its subsidiary companies and its associate companies, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such subsidiary companies and associate companies is based solely on the reports of the auditors of such companies. Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the reports of the other auditors.

For **Walker Chandio & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Sudhir N. Pillai

Partner

Membership No.: 105782

UDIN No: 20105782AAAADN3576

Place: Mumbai

Date: 13 May 2020