



25 YEARS OF GROWTH >

TWENTY FIFTH ANNUAL REPORT 2009-2010





IN 1985, IF YOU HAD INVESTED RUPEES

1 lakh

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IN KOTAK AND PARTICIPATED IN SUBSEQUENT RIGHTS ISSUES

TODAY YOUR INVESTMENT WOULD BE WORTH RUPEES

300 crore.

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Dr. Shankar Acharya

The decision to invest heavily in 'unglamorous' branch banking was not an easy one. Among the rising Indian private financial firms of the 1990s, Kotak was almost alone in making this long-term commitment. With the benefit of hindsight, especially the lessons of the 2008-2009 global financial crisis, we can better appreciate the wisdom of this decision, especially the shift from sole reliance on wholesale funds to a more diversified portfolio, including retail deposits.

Dr. Shankar Acharya

Chairman, Kotak Mahindra Bank |
Honorary Professor and Board Member
at ICRIER.



A couple of years after I retired from the Finance Ministry in 2001, Uday Kotak sounded me on the possibility of joining the Board of the then freshly licensed Kotak Mahindra Bank (KMB). It didn't take me long to convey my assent. Although I had dealt with monetary policy and capital market issues for many years in the finance ministry,

I had no experience of the operational challenges faced by a young and growing financial intermediary in our rapidly evolving financial markets. I thought it would be an interesting learning experience. I was not wrong.

I joined the KMB Board in June 2003. I recall clearly that after my first Board meeting in Bakhtawar,

I was taken to see KMB's one and only branch at Nariman point!

It's been a long

and fruitful journey since then. Today there are around 250 KMB branches across the country and the logo and bright red sign of Kotak has become a familiar feature of India's metropolitan landscape. In making a long-term investment in banking and life insurance, Kotak had made a crucial strategic choice to go beyond its more established activities as an NBFC, securities broker and investment banker. The decision to invest heavily in 'unglamorous' branch banking was not an easy one. Among the rising Indian private financial firms of the 1990s, Kotak was almost alone in making this long-term commitment.

With the benefit of hindsight, especially the lessons of the 2008-2009 global financial crisis, we can better appreciate the wisdom of this decision, especially the shift from sole reliance on wholesale funds to a more diversified portfolio, including retail deposits. Branch banking and life insurance certainly diversified the fund base of the Kotak Group. It also brought heavy new responsibilities. Banking is serious business,

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involving hard-earned savings of millions of depositors. Every branch may be a source of profit; it is also an arena of potential execution challenges and risks which have to be closely monitored. The long-term success of financial firms depends crucially on trust and probity. This is especially true of banking.

During my seven years on the Board of KMB (the last four as non-executive chairman), I have learned a great deal. Perhaps, above all, I have come to appreciate the crucial importance of building a close-knit, talented and trustworthy management team, which Uday Kotak has done so exceedingly well. Trust and integrity are at the heart of the Kotak Group. Together with enterprise, technology and sheer hard work, they promise a bright future.

7,000,000

FROM 5 CUSTOMERS IN 1985 TO
7,000,000 CUSTOMER ACCOUNTS IN 2010

Veteran Employee Speak



Sunder Bala

Designation | Senior Officer, Operations-
Kotak Mahindra Asset Management Company
Employed since | 1986

Before I joined Kotak Mahindra, I worked with a large electronics company for a salary of Rs. 1500 per month. At Kotak, I was offered Rs. 250 per month and asked to take a long-term view. I guess I took a good call because today, the electronics company isn't around any longer, whereas, Kotak Mahindra is now a bank. So I have a bank job which is something a lot of middle class Indians dream of.



Shekhar Iyer

Designation | Vice President, Branch
Operations-Kotak Life Insurance
Employed since | 1988

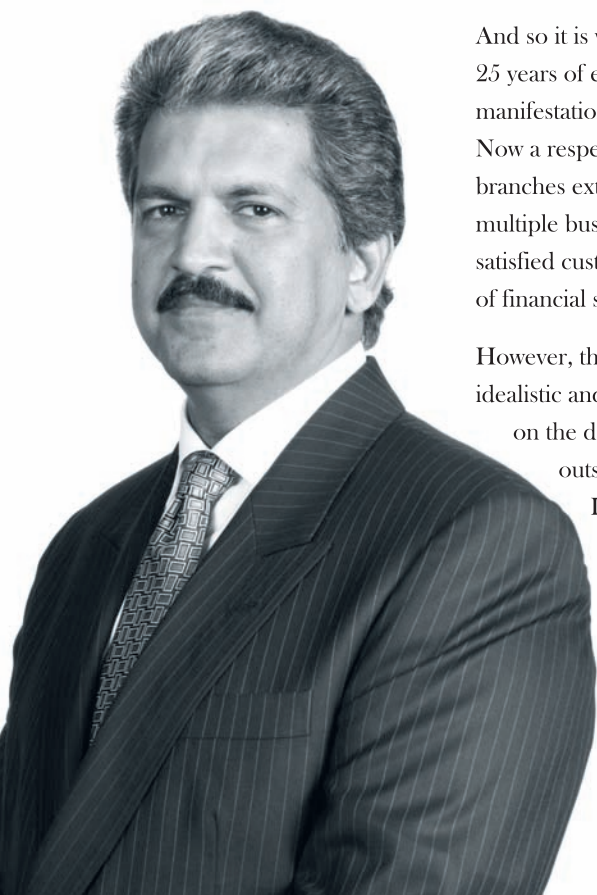
When I joined Kotak Mahindra, our office at Navsari Building (opposite Handloom House) in Fort could hardly seat six people. Today, I am personally in charge of over 200 Kotak Life Insurance branches. On a personal note, one of my earliest memories is how my family struggled to find a girl I could marry, as I worked for an unknown firm. Then, one day, Business India carried an article saying that Kotak Mahindra was among the best upcoming non-banking financial companies. I asked Uday (Kotak) if I could attach a copy of the article each time my parents sent out my horoscope. Uday said if attaching the article helped me in any way, I should go ahead. It really worked. Today I am happily married to Gita and have a lovely daughter Shreya. I cherish every moment of my association with the Kotak Group.

Anand Mahindra

The essential strength of Kotak Mahindra is an ability to foster partnerships and enduring relationships with all its stakeholders, including customers, associates and shareholders.

Anand Mahindra

Director, Kotak Mahindra Bank |
Vice Chairman and Managing Director,
Mahindra & Mahindra Ltd.



One of the conundrums of the ageing process in human beings is that although one's physical appearance is altered over time, the mind continues to believe in its youthfulness.

And so it is with Kotak Mahindra. After 25 years of existence, its outward form and manifestation has been radically transformed. Now a respected and pan-India bank, its branches extend throughout India, and its multiple business verticals have engaged satisfied customers across the spectrum of financial services.

However, the bank retains the youthful, idealistic and ambitious mindset it possessed on the day of its conception. What an outstanding asset this is, given that India is poised to take a great leap forward.

As Indians embrace the market economy in full measure, and aspire to lead a more comfortable and affluent lifestyle,

competent banking enterprises will be required to provide the currency and fuel for growth. Kotak Mahindra will be one such facilitator of India's journey to its rightful place in global commerce.

Uday Kotak has nurtured this bank from being a mere spark of an idea to a forceful flame that has earned him and his colleagues global respect. I vividly recall my first meeting with Uday many years ago, when he visited Mahindra Ugine Steel Co. Ltd as a freshly minted financier to offer us bill-discounting facilities. I was so impressed with his energy and intellect, that in a still unfathomable spur-of-the-moment decision, I offered him my partnership and support in any growth initiatives he was planning.

Not only have I never had cause to regret that decision from a financial point of view, it led to a friendship and partnership of mutual respect that has withstood the test of time.

That is the essential strength of Kotak Mahindra—an ability to foster partnerships and enduring relationships with

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all its stakeholders, including customers, associates and shareholders.

Hence I have no doubt whatsoever, that this fine institution will be celebrating many more such milestones in the decades, and even centuries to come.

19,996

FROM 3 EMPLOYEES IN 1985 TO
19,996 EMPLOYEES IN 2010

Veteran Employee Speak



Sanjay Gupta

Designation | Executive Vice President,
Operations IT-Kotak Mahindra Bank Ltd.
Employed since | 1989

I joined Kotak Mahindra from Kotak & Co. in January 1989. I just knew I wanted to do something with systems and computers and I never imagined, even in my wildest dreams, that Kotak Mahindra would be where it is today. But I think Uday Kotak had a clear vision of where he wanted to take the company because when I joined, I went up to him and said I was a bit tentative about my role and about where the company was going. He told me not to worry and said my future was in good hands. I'm glad I took him on his word.

Deven

Sharma

Standard & Poor's

The Kotak team's deep understanding and knowledge of the financial services sector and its experience in executing complex offers in a cross-border setting were critical to completing a very important strategic investment for Standard & Poor's.

Deven Sharma
President, Standard & Poor's

On the occasion of Kotak Mahindra's 25th anniversary, I congratulate the firm on achieving this important milestone! Kotak Mahindra was a dedicated partner with The McGraw-Hill Companies, our parent company, in the successful execution of Standard & Poor's majority investment in Crisil, the largest rating agency in India.

The team's deep understanding and knowledge of the financial services sector and its experience in executing complex offers in a cross-border setting were critical to completing a very important strategic investment for Standard & Poor's. On a personal note, the quality of the Kotak team is unparalleled and we truly enjoyed partnering with them on this landmark transaction. Today we continue to count on Uday and his team's valuable advice on many aspects of our business in India and in exploring new investment and partnering opportunities.



Rs. 7,911 crore

FROM RS. 0.53 CRORE OF NET WORTH IN 1987 TO
RS. 7,911 CRORE OF NET WORTH IN 2010

Michael T. Duke

Wal-Mart Stores, Inc.

We have had the pleasure of partnering with and gaining from the expert strategic advice Kotak gave us at the start of our India operations.

On behalf of Wal-Mart and our JV partnership in India, I congratulate Kotak Mahindra on the completion of 25 glorious years of business. We have had the pleasure of partnering with and gaining from the expert strategic advice Kotak gave us at the start of our India operations.

Kotak has also collaborated with us to greatly enhance our ability to provide financial services to our customers thus helping them save money so they can live better. I wish Kotak all the best and look forward to a continued relationship with them in the future.

Michael T. Duke
President and Chief Executive Officer,
Wal-Mart Stores, Inc.

Rs. 29,724 crore

FROM RS. 0.97 CRORE OF ADVANCES IN 1987 TO
RS. 29,724 CRORE OF ADVANCES IN 2010



Charles R.

Kaye

Warburg Pincus

In 2004, we became shareholders in Kotak Mahindra. The bank aligned well with our growth-oriented, long-term investment strategy and we believed the company's unique platform of businesses was well positioned to benefit from growing demand for financial services in India. Most importantly, Warburg Pincus' investment in Kotak Mahindra was consistent with our commitment to creating partnerships with outstanding business leaders.

Charles R. Kaye
Co-President, Warburg Pincus



As Kotak Mahindra celebrates 25 years of achievement, the partners and professionals of Warburg Pincus are honored to reflect on our relationship and look forward to a continued partnership between our firms.

We first met Uday Kotak and worked with Kotak Mahindra in the mid 1990's when we were establishing our firm's Asian business. In those pioneering days of private equity in India, we came to rely upon our friends at Kotak Mahindra for their sound counsel and ability to execute. We often discussed whether we might have the chance to work more closely one day.

That opportunity presented itself in 2004 and we became shareholders in Kotak Mahindra. The bank aligned well with our growth-oriented, long-term investment strategy and we believed the company's unique platform of businesses was well positioned to

benefit from growing demand for financial services in India.

Most importantly, Warburg Pincus' investment in Kotak Mahindra was consistent with our commitment to creating partnerships with outstanding business leaders. We were drawn to the talent and tenacity of the company's dynamic founder. Even then, Uday was not simply a banker. He is a rare example of a visionary entrepreneur in the financial services sector. As we had the opportunity to learn more about the bank, it was clear that his entrepreneurial zeal had spread across the organization and that Kotak Mahindra was an unusual opportunity.

We anticipated—correctly, I'm delighted to report—that Uday's company and his reputation would continue to grow well into the future.

As one of the first 'new generation' integrated financial institutions in India, Kotak Mahindra has thrived. They have delivered on performance expectations;