

VALUE CREATION WITH STABILITY



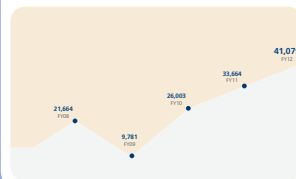
ANNUAL
REPORT
2011-12

What's Inside

THE FACE OF STABILITY 02



THE BOTTOMLINE IS STABILITY 04



MESSAGE FROM UDAY KOTAK 08



CONSISTENT VALUE-CREATION, DESPITE MARKET VAGARIES 12

Paradox? Possible.

CHASING VALUE WITH AN EAGLE EYE 14



BHARAT, A TREASURE TROVE OF OPPORTUNITIES 16



STRENGTHENING LIABILITY SIDE ACUMEN 18



PRESERVING VALUE THROUGH FUTURE READINESS 20



VALUE SMART 21



AWARDS AND ACCOLADES 22



FINANCIAL INCLUSION 25



FINANCIAL HIGHLIGHTS 26

Consolidated	26
Standalone	27

CONSOLIDATED FINANCIAL STATEMENTS 28

Consolidation at a Glance	28
Auditors' Report	29
Financial Statements	30
Basel II (Pillar 3) Disclosures	73

BANK REPORTS & STATEMENTS 88

Directors' Report	88
Management Discussion & Analysis	96
Sustainability Report	108
Report on Corporate Governance	110
Auditors' Report	125
Financial Statements	126

REGISTERED OFFICE

Kotak Mahindra Bank Limited
36-38A, Nariman Bhavan
227, Nariman Point,
Mumbai 400 021.
Tel.: +91 22 6658 1100
Fax.: +91 22 2285 5577
Website: www.kotak.com

COMPANY SECRETARY

Bina Chandarana,
Company Secretary and
Executive Vice President

AUDITORS

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

REGISTRAR AND TRANSFER AGENT

Karvy Computershare Private Limited
Plot No. 17-24,
Vittal Rao Nagar, Madhapur,
Hyderabad 500 081.

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

Making a stronger case **for stability**, amid economic volatility;

Transforming possibilities into vibrant realities across rural, sub-urban and urban India;

Strengthening financial competitiveness for decades on end;

Looking closely at people capabilities to create a **new performance paradigm**;

Inspired by a belief that value creation is a journey that never stops and criss-crosses people across the social pyramid.

That's Kotak Mahindra Bank in a nutshell for you.

Diverse stakeholder aspirations. One robust commitment for value.

Not intermittently, but consistently.

Call it a seasoned art or sensible science, our objective is cut out for us: **deliver on stakeholder expectations with passion and set the bar a little higher each time.**

The face of stability

**We have always been forward thinkers in our work.
Value creation and stability is the focal point of our service delivery.**

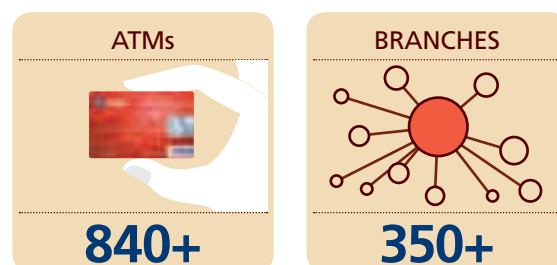
Our journey commenced on 21st November, 1985, when we spotted an opportunity in the bill discounting market. Today, Kotak Mahindra Group has emerged as one of the leading financial conglomerates.

In February 2003, Kotak Mahindra Finance Limited, our Group's flagship company, became the first non-banking finance company in India to receive a banking license from the Reserve Bank of India (RBI).

Thus, Kotak Mahindra Bank Limited was formed.

Our expertise, infrastructure and most importantly commitment are geared to deliver pragmatic, functional and end-to-end solutions. From **consumer banking, commercial banking, wholesale banking to wealth management, stock broking, mutual fund, life insurance and investment banking**, the Group caters to the diverse financial needs of individuals and the corporate sector, both domestic and international.

Kotak Mahindra Bank's strong network



ISO 10002: 2004

Second bank and the fourth organisation in India to achieve this certification for Complaints Management System in Retail Liabilities and Branch Banking – a commitment to customer service



Kotak Infiniti, Malad (E)



Consolidated net worth
of Kotak Mahindra Group

CONSUMER BANKING

- Offers retail liabilities and retail assets businesses under a single umbrella of Consumer Banking with common ownership and supervision to provide a seamless customer experience, offering a variety of products under a single window
- Offers a range of services from savings account to a comprehensive suite of investment services, transactional conveniences and loan products
- Caters to the diverse needs of the business community by offering them comprehensive business solutions, such as current account, trade services, cash management services and credit facilities

COMMERCIAL BANKING

- Plays a significant role in fulfilling the mission of funding deep into Bharat through an expanding network of branches and associates
- Meets a substantial portion of the priority sector lending, including agricultural funding

WHOLESALE BANKING

- Caters to the dynamic requirements of large Indian Corporate Bodies, Financial Institutions, Public Sector Undertakings, Multinational Companies, Mid-Market Companies and Real Estate Sector
- Offers a comprehensive portfolio of products & services – Working Capital Financing, Export Credit, Transaction Banking, Custody Services, Debt Capital Markets and Treasury Services

WEALTH MANAGEMENT

- One of the largest and the most respected wealth management teams in India
- Possesses in-depth understanding of the client's requirements, macro environment and various asset classes

BROKERAGE BUSINESS (Kotak Securities Limited)

- One of the largest broking houses in India
- Institutional Equities division is among the leading institutional brokers in India
- Covers secondary market broking and markets Indian equity offerings to retail investors and domestic and foreign institutional investors (FIIs)
- Full-fledged research division engaged in macro-economic studies, industry-specific and company-specific equity research

INVESTMENT BANKING (Kotak Mahindra Capital Company Limited)

- Offers the complete suite of capital market solutions and financial advisory services to leading Indian and multinational clients across diverse sectors
- Has pioneered new capital market products in India and worked on the development of some of the most path breaking innovations in the Indian capital markets

MUTUAL FUND (Kotak Mahindra Mutual Fund)

- Offers schemes catering to investors with varying risk-return profiles, across a wide range of products in the equity, debt and ETF space
- Distinction of being India's first fund house to launch a dedicated gilt scheme, investing only in government securities

LIFE INSURANCE (Kotak Mahindra Old Mutual Life Insurance Limited)

- Combines international strengths and local advantages to offer customers a wide range of innovative products
- Among the early private life insurers to break-even, reflecting our stellar management practices and customer-centric philosophy

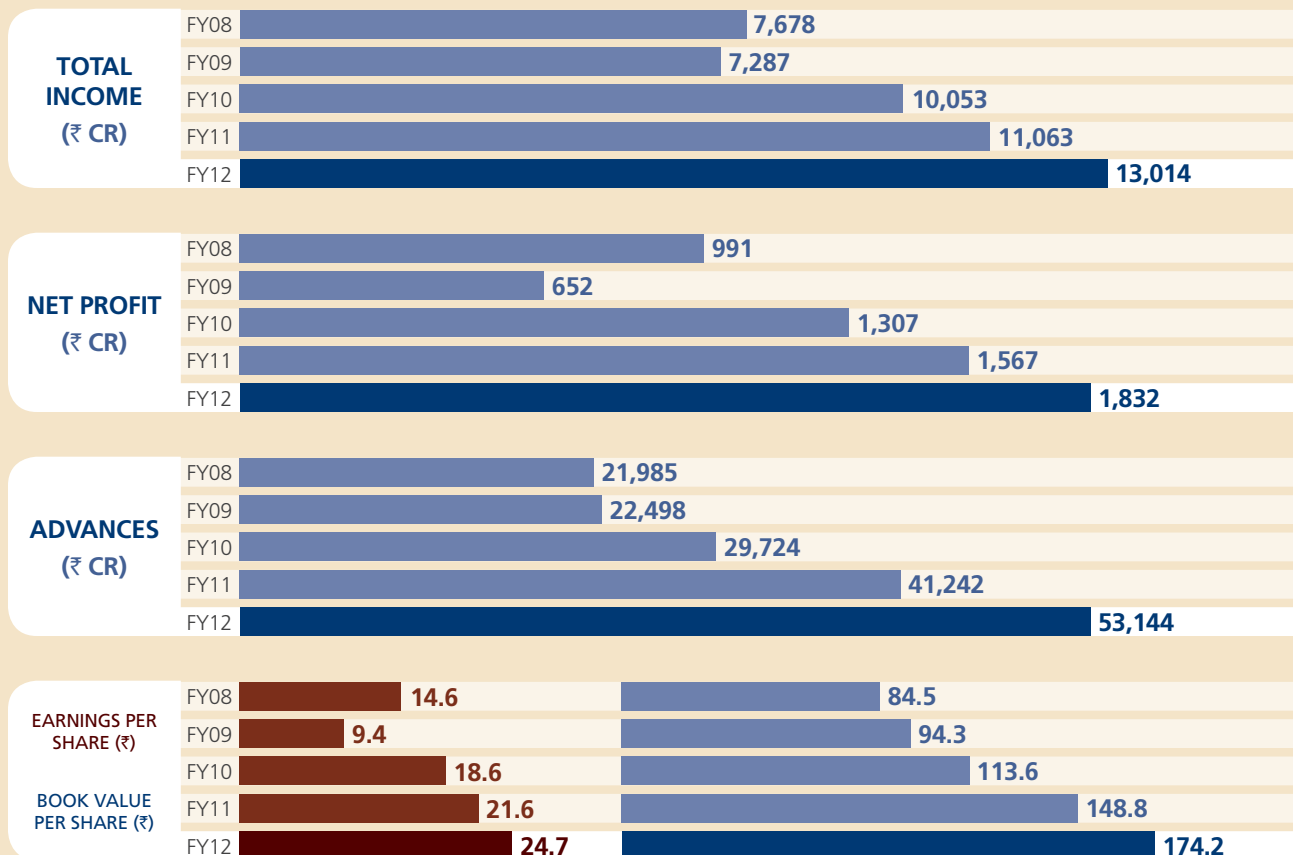
ALTERNATE ASSETS (Kotak Investment Advisors Limited)

- Primarily focuses on the alternate asset management business of the group
- Successfully building its business across two verticals – Private Equity and Realty Funds, both led by independent investment teams. Also launched an Infrastructure PE Fund in collaboration with Sumitomo Mitsui Banking Corporation of Japan, and Brookfield Asset Management of Canada.
- Kotak Realty Fund's inaugural ₹ 457 crore domestic fund, 'Kotak India Real Estate Fund-I' became the first property fund in India to return the entire corpus of the fund back to investors; the fund still has other investments that remain to be exited

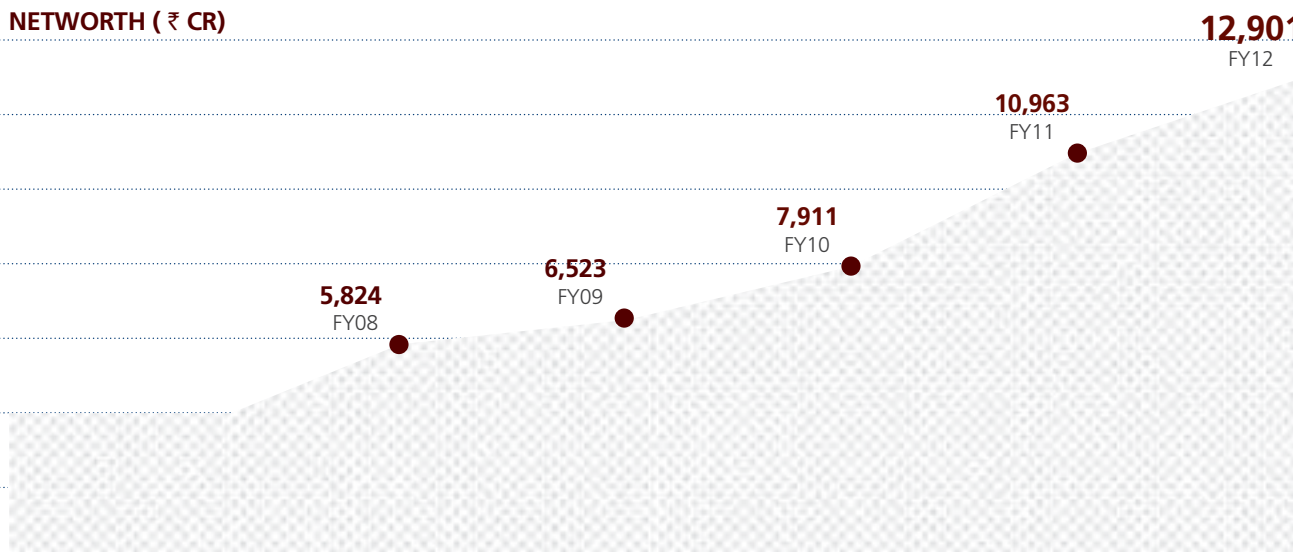
INTERNATIONAL BUSINESS (Kotak Mahindra (UK) Limited, Kotak Mahindra (International) Limited, Kotak Mahindra Inc, Kotak Mahindra Financial Services Limited)

- Operates in overseas markets through international subsidiaries
- Overseas dedicated fund management team provides investment solutions to international investors seeking investment opportunities in India
- Offers possibly the widest range of Indian investment products for international investors

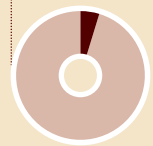
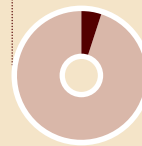
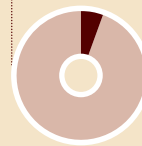
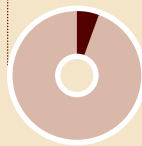
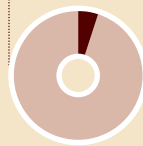
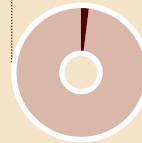
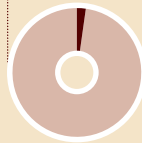
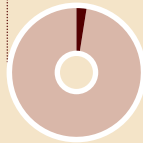
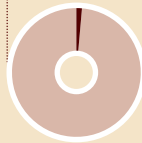
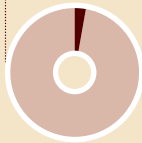
The bottomline is stability



NETWORTH (₹ CR)



All figures are consolidated

NET INTEREST
MARGIN (%)FY08
5.2FY09
5.8FY10
5.8FY11
5.2FY12
4.8RETURN ON
ASSETS (%)FY08
2.9FY09
1.6FY10
2.7FY11
2.4FY12
2.2GROUP AUM
(₹ CR)EQUITY
DEBT

FY08 23,931

FY09 16,674

FY10 21,612

FY11 21,126

FY12 18,937

12,576

17,235

23,612

26,724

27,040

MARKET CAPITALISATION (₹ CR)

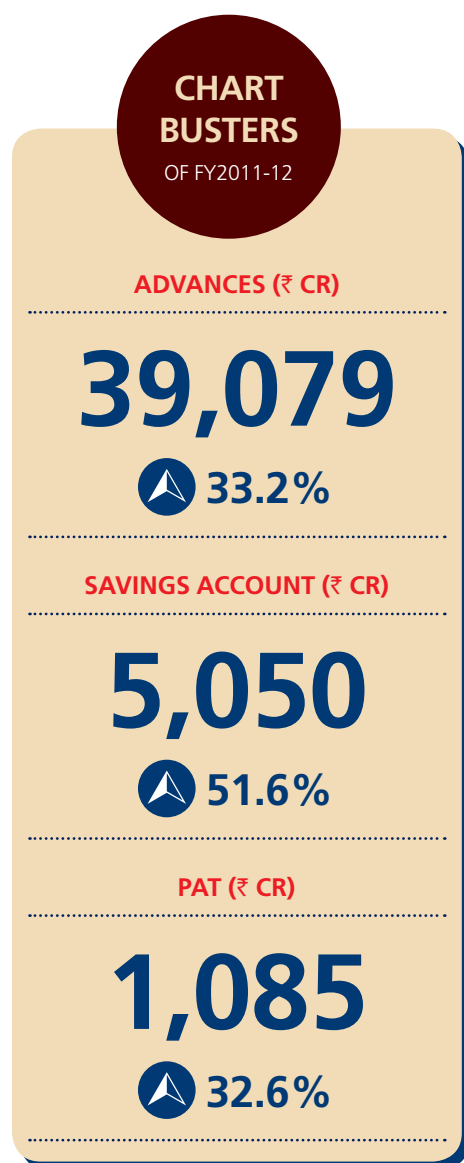
21,573
FY089,755
FY0926,046
FY1033,738
FY1140,394
FY12

Based on prices at NSE on the last working day of the financial year

All figures are consolidated

The bottomline is stability

(contd.)



Bank standalone figures

Operational highlights FY2011-12

BANK

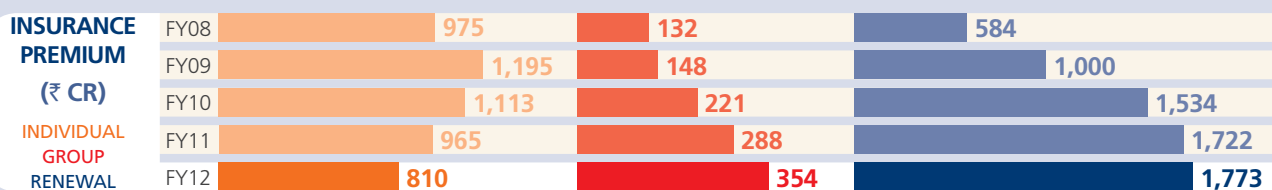
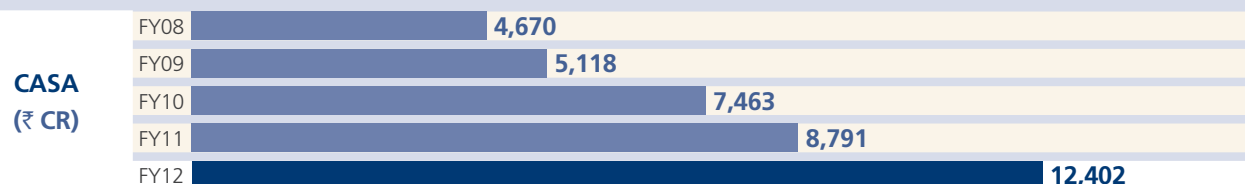
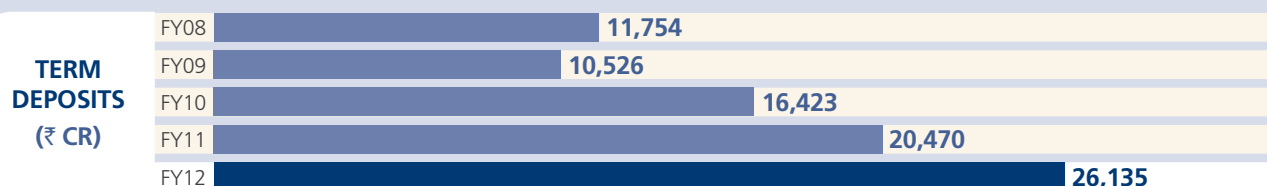
- Offered Salary2Wealth Account to the Indian Army, Indian Railways, Indian Posts, private sector players and PSU companies, including some of the Navratna companies
- Scaled up the financial inclusion programme
- Launched Silk, a savings programme for women
- Introduced Probationary Officer's Course, providing young Indian graduates a career opportunity in the lucrative banking sector
- Kotak Wealth with Crisil published the first-of-its-kind India-specific report 'Top of the Pyramid' on Ultra HNIs

OTHER BUSINESSES

- Kotak's International Business raised close to US\$457 million through debt funds including an infra debt fund of about US\$ 223 million
- Kotak Mahindra Old Mutual Life Insurance's Group Insurance business has migrated to the Group Asia system, which will help it seamlessly process huge volumes of data through the year, significantly improving the company's ability to serve over 3 million members of its Group clients
- Kotak Investment Banking successfully closed several deals during the year including the first-ever Institutional Placement Programme (IPP) in the Indian Capital Markets

TOP
SCORES

OF FY2011-12

PRESENCE
ACROSS INDIAN CITIES AND TOWNS

525+

GROUP CUSTOMER
ACCOUNTS10^{MN}17.5%
CAPITAL
ADEQUACY RATIO29.0%
5-YEAR CAGR OF
ADVANCES28.5%
5-YEAR CAGR OF
DEPOSITS

Figures for term deposit, CASA, capital adequacy ratio, 5-year CAGR of advances and 5-year CAGR of deposits are bank standalone



Uday Kotak

Executive Vice Chairman &
Managing Director

Message from Uday Kotak