

## Q1 2025

### 1. Net interest margin trends

- **Narrative:** Management has discussed adjustments in the savings account rates and strategic portfolio adjustments aimed at improving the net interest margin (NIM). These moves are intended to align the company's offerings with market competition and enhance asset yield.

- **Management's Guidance:**

- The recent savings account rate cut is expected to improve the NIM by approximately 4 basis points. Additionally, the integration of the Standard Chartered portfolio and an increase in the unsecured book are anticipated to add a couple of basis points to the average yield on assets.

- **Actual Results:**

**['Q2', '2025']:**

- Reduction in the yield on advances and consequently reduction in NIM for the quarter by about 11 bps to 4.91%.

**['Q1', '2025']:**

- Reduction in the NIM for the quarter by about 11 bps to 4.91%. Despite the fall in the margin, it was noted that they remain the leader in the sector with the highest margin.

- **Evaluation:**

- **Expectations Not Met:** The management expected an improvement in NIM by a few basis points due to strategic adjustments, but the actual results showed a reduction in NIM by about 11 basis points, indicating that the expectations were not met.

### 2. Loan book expansion

- **Narrative:** Management highlighted a strategic focus on improving the onboarding process for microfinance, addressing challenges in the existing loan book, and aiming for stabilization and growth in the near term.

- **Management's Guidance:**

- Management anticipates that improvements in microfinance onboarding will mitigate current issues, with the expectation that some of the existing challenges in the older loan book will resolve over the next 2 to 3 quarters.

- **Actual Results:**

**['Q1', '2025']:**

- In Q1 2025, the Bank's customer assets grew to ₹4,50,000 crore, which is up 18% YoY and 3% QoQ. The Consumer Bank advances were primarily led by secured businesses, which grew 6% QoQ. The credit substitute book actually grew 32% YoY this quarter.

**['Q2', '2025']:**

- The Bank's customer assets grew by 18% to ₹4,50,000 crore YoY and 3% QoQ basis.

- **Evaluation:**

- **Expectations Exceeded:** The actual results show an 18% YoY growth in customer assets and significant growth in secured businesses, indicating that the strategic focus on improving microfinance onboarding and addressing loan book challenges has not only stabilized but exceeded management's expectations within the anticipated timeframe.

### 3. Fee-based income growth

- **Narrative:** Management highlighted significant growth in Kotak's alternative asset and credit fund segments, indicating strong momentum in fee-based income streams. They emphasized the strategic importance of expanding their asset under management (AUM) through both organic growth and targeted initiatives in discretionary portfolio solutions.

- **Management's Guidance:**

- Management expects continued robust growth in fee-based income, driven by substantial increases in commitments and assets under management in their alternative assets and private credit fund segments.

- **Actual Results:**

**['Q1', '2025']:**

- In Q1 FY25, the fees and services income at Kotak grew by 23% year-on-year, amounting to ₹2,240 crores.

**['Q2', '2025']:**

- Our fees and services at the Bank grew 14% YoY in the current year.

- **Evaluation:**

- **Expectations Met:** Management anticipated robust growth in fee-based income, and the actual results showed a significant year-on-year increase in fees and services income, aligning with the guidance.

### 4. Profit growth analysis

- **Narrative:** Management is optimistic about the potential for profit growth driven by expected improvements in demand and operational efficiencies in the second half of the year. They highlighted a strategic focus on enhancing collection efficiencies and cash flow in key market segments, particularly in rural and semi-urban areas.

- **Management's Guidance:**

- Management anticipates a revival of tractor demand in the second half of the year, coupled with improved cash flow and collection efficiencies in rural and semi-urban areas.

- **Actual Results:**

**['Q1', '2025']:**

- In Q1FY25, Kotak Mahindra Bank reported a Profit After Tax (PAT) of ₹6,250 crore with a YoY growth of 81% and a consolidated PAT of ₹7,448 crore. The ROE was recorded at 22.04%.

**['Q2', '2025']:**

- The Bank ended the quarter with a Profit After Tax (PAT) of ₹3,344 crore, showing a year-on-year growth of 5%.

- **Evaluation:**

- **Expectations Exceeded:** The actual results showed a significant 81% YoY growth in PAT for Q1FY25, which surpassed the management's optimistic guidance of profit growth driven by demand improvements and operational efficiencies.

## 5. Asset quality metrics

- **Narrative:** Management has focused on improving asset quality metrics by emphasizing recoveries from rural and secured business segments. This strategic focus is aimed at reducing slippages in the upcoming quarters.

- **Management's Guidance:**

- Management is optimistic about achieving recoveries from rural and secured businesses in the third and fourth quarters, which is expected to contribute to a reduction in slippages.

- **Actual Results:**

**['Q2', '2025']:**

- Data Not Available

**['Q1', '2025']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 6. Process automation initiatives

- **Narrative:** Management highlighted ongoing efforts to enhance operational efficiency through process automation initiatives. The focus is on implementing actions that will streamline operations and reduce costs over time.

- **Management's Guidance:**

- Management indicated that the effects of these automation initiatives would become evident over the next two to three quarters as the implemented actions start to play out.

- **Actual Results:**

**['Q1', '2025']:**

- Data Not Available

**['Q2', '2025']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 7. New market entry plans

- **Narrative:** Management has initiated strategic measures to broaden its market strategy by launching new services. This quarter, the company introduced Global Custody Services at GIFT City, which is indicative of their efforts to expand their market presence and service offerings.

- **Management's Guidance:**

- Management expects that the introduction of Global Custody Services at GIFT City will strengthen their position in the market, although specific quantitative impacts have not been detailed.

- **Actual Results:**

**['Q2', '2025']:**

- We have launched Global Custody Services at GIFT City this quarter.

**['Q1', '2025']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 8. Regulatory changes

- **Narrative:** Management provided insights into the ongoing regulatory changes affecting the banking sector. They emphasized their proactive approach in assessing and responding to new regulations and guidelines set forth by the Reserve Bank of India (RBI). The company is committed to aligning its operations with the regulatory framework to ensure compliance and sustain its market position.

- **Management's Guidance:**

- The management indicated that they have a deadline until November 20th to submit their comments to the RBI regarding the proposed regulations. Following this, they will proceed with implementing the final circular as required once it is issued by the RBI.

- **Actual Results:**

**['Q2', '2025']:**

- This quarter we saw the RBI issue a draft circular on 4th of October

**['Q1', '2025']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.