



Earnings Update – Q2 FY08

Unaudited Results

October 26, 2007



Performance Highlights

- Consolidated PAT (excl Life Insurance) up 147% to Rs 2,624 mn in Q2 FY08 from Rs 1,064 mn in Q2 FY07. Including Life Insurance, consolidated PAT up 157% to Rs 2,415 mn in Q2 FY08 from Rs 939 mn in Q2 FY07.
- Consolidated advances up 54% YoY to Rs 185 bn as on September 30, 2007, with retail and commercial loans comprising 87% of the portfolio. Consolidated NIM for Q2 FY08 at 5.2% (5.1% in Q2 FY07).
- The Group employee strength was over 15,300 as on September 30, 2007 (8,800 employees as on September 30, 2006). Added more than 3,000 employees during the quarter.
- As on September 30, 2007, the Bank had 133 full-fledged bank branches (78 branches as on September 30, 2006) across 92 locations. The Bank targets to have a total of 200 branches by mid next year.
- Net Interest Income (NII) of the Bank (Standalone) for Q2 FY08 was up 100% YoY to Rs 2,834 mn from Rs 1,414 mn in Q2 FY07.
- PAT of the Bank (Standalone) up 117% to Rs 754 mn in Q2 FY08 from Rs 348 mn in Q2 FY07.
- PAT of Kotak Mahindra Capital Company up 219% to Rs 492 mn in Q2 FY08 from 154 mn in Q2 FY07.
- Kotak Mahindra Capital Company was ranked No. 1 by Bloomberg for the nine months of calendar year 2007 for
 - India Domestic IPOs
 - India Domestic Equity Offerings (IPO, Additional Offerings and QIP)
 - Indian Domestic Equity & Rights Offerings
- PAT of Kotak Securities up 215% to Rs 991 mn in Q2 FY08 from 314 mn in Q2 FY07
- Kotak Securities clocked average daily volumes of over Rs 53 bn during Q2FY08 (Rs 26 bn during Q2FY07).
- Kotak Securities was awarded the leading Equity house in India for 2007 by Thomson Extel Survey Awards for Asia Pacific.
- Total assets managed/ advised by the Group (including alternate assets) were Rs 375 bn (Rs 222 bn as on September 30, 2006).
- Alternate assets (private equity and realty funds) under management by the Group were around Rs 38 bn, including commitments of Rs 26 bn raised in Q2 FY08.
- Consolidated Net NPA as at September 30, 2007 excluding stressed asset portfolio is 0.33% (0.20% as on September 30, 2006).
- In October 2007, the Bank raised Rs 16.2 bn (approximately USD 410 million) by allotting 17,000,000 equity shares through a Qualified Institutional Placement (QIP). The QIP issue was priced at Rs 950 per equity share.

Consolidated Financials

Revenues

Rs million

	Q2 FY08	Q2 FY07	Growth (%)	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)		(3 months)	(6 months)	(6 months)	(12 months)
Financing activities	5,962.7	3,206.4	86.0%	5,244.9	11,207.6	6,223.7	14,820.3
Fee Income *	4,577.1	1,926.3	137.6%	2,839.5	7,416.5	4,403.9	10,562.5
Premium income	2,551.7	1,616.5	57.9%	1,987.5	4,539.2	2,830.4	9,504.6
Treasury / Investments	4,540.7	2,136.8	112.5%	3,546.5	8,087.3	2,993.2	6,768.9
Others	485.6	148.9	226.1%	305.4	791.0	349.6	1,283.2
Total Revenues	18,117.8	9,035.0	100.5%	13,923.8	32,041.7	16,800.8	42,939.5

* Brokerage income is net of sub brokerage

Profits

Rs million

	Q2 FY08	Q2 FY07	Growth (%)	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)		(3 months)	(6 months)	(6 months)	(12 months)
Profit before tax excl. retail liabilities & branch banking and life insurance	4,177.5	1,593.3	162.2%	2,656.9	6,834.4	3,506.0	8,766.5
Retail liabilities	(451.6)	(94.0)	-	(387.2)	(838.8)	(121.5)	(423.3)
Life insurance	(275.1)	(165.9)	-	(248.0)	(523.2)	(298.9)	(556.3)
Profit Before Tax	3,450.7	1,333.4	158.8%	2,021.6	5,472.4	3,085.6	7,786.9
PAT (after MI/ associates)	2,414.6	939.0	157.1%	1,459.4	3,873.9	1,983.4	5,382.4
EPS (diluted) (Rs) (non annualised)	7.3	2.9	151.7%	4.4	11.8	6.1	16.5

Consolidated Financials

Assets

Rs million

	As on Sept 30, 2007	As on Sept 30, 2006	Growth (%) YOY	As on March31, 2007
Advances				
• Commercial vehicles & Construction equipments	30,658.1	21,698.4	41.3%	25,780.5
• Auto loans	39,969.0	31,334.2	27.6%	36,107.5
• Personal loans	25,441.7	13,914.0	82.8%	19,763.0
• Home loans	20,147.2	13,225.0	52.3%	17,533.0
• Corporate Banking	24,907.8	19,451.0	28.1%	23,785.0
• Stressed Assets acquired	5,036.6	4,454.0	13.1%	5,123.0
• Others	39,240.8	16,594.0	136.5%	27,642.0
Total Advances	185,401.3	120,670.6	53.6%	155,734.0
Investments/ Treasury Assets	131,055.1	61,022.0	114.8%	91,284.7
Total Advances and Investments	316,456.4	181,692.6	74.2%	247,018.7

Liabilities

Rs million

	As on Sept 30, 2007	As on Sept 30, 2006	Growth (%) YOY	As on March31, 2007
Deposits	158,681.9	68,756.0	130.8%	96,609.7
Borrowings	80,383.8	66,608.0	20.7%	99,859.0



Consolidated Financials

Analytical Ratios

	As on Sept 30, 2007	As on Sept 30, 2006	As on March 31, 2007
Net-worth (Rs mn)	36,294	28,153	32,330
Book value per share (Rs)	111.0	89.7	99.1
Net Interest Margin (%)	5.2%	5.1%	5.2%
Net NPAs (%) (excluding stressed assets portfolio)	0.33%	0.20%	0.17%
Return on average Net-worth (%)	22.6%	15.4%	19.6%

Post QIP issue in Oct 2007

Net-worth (Rs mn)	52,344
Book value per share (Rs)	152.2

Company-wise Profit After Tax

Rs million

	Q2 FY08	Q2 FY07	Growth (%)	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)		(3 months)	(6 months)	(6 months)	(12 months)
Kotak Mahindra Bank (Standalone)	753.8	348.0	116.6%	476.8	1,230.6	587.1	1,413.7
Kotak Mahindra Prime	192.5	109.2	76.3%	137.2	329.7	220.8	573.4
Kotak Mahindra Capital Company	491.9	154.2	219.0%	191.7	683.7	283.7	678.7
Kotak Securities	991.2	314.3	215.3%	617.8	1,609.0	1,002.4	2,557.1
International subsidiaries	59.4	24.7	140.3%	72.1	131.5	74.5	350.1
Kotak Mahindra AMC & Trustee Co	36.2	45.7	-20.6%	34.2	70.4	79.0	114.7
Kotak Mahindra Investments	60.5	21.7	178.5%	78.5	139.0	77.2	262.5
Others	1.1	0.6	79.0%	0.6	1.7	1.5	0.3
Total consolidated profit after tax	2,586.7	1,018.5	154.0%	1,609.0	4,195.7	2,326.2	5,950.5
Equity Affiliates	48.2	45.9	5.0%	33.5	81.7	88.7	144.3
Minority interest and other adjustments	(10.8)	(0.3)	-	(0.6)	(11.4)	(204.8)	(280.6)
PAT (after minority interest / adjustments) (excl Life Insurance)	2,624.1	1,064.1	146.6%	1,641.9	4,266.0	2,210.2	5,814.3
Kotak Mahindra Old Mutual Life Insurance	(209.6)	(125.1)	-	(182.5)	(392.1)	(226.9)	(431.8)
PAT (after minority interest / adjustments)	2,414.6	939.0	157.1%	1,459.4	3,873.9	1,983.3	5,382.4

Kotak Mahindra Bank – Standalone

Rs million

Segmental Revenue	Q2 FY08	Q2 FY07	Growth (%)	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)		(3 months)	(6 months)	(6 months)	(12 months)
Lending	3,790.0	1,964.7	92.9%	3,302.9	7,092.8	3,588.8	9,164.4
Corporate Banking	1,730.2	807.5	114.3%	1,222.5	2,952.7	1,640.6	3,741.9
Retail Liabilities	1,562.3	743.0	110.3%	1,250.4	2,812.7	1,480.0	3,621.7
Treasury and Investments	1,953.2	992.5	96.8%	1,932.7	3,885.9	1,644.5	4,084.9
Venture Fund Management	55.0	50.7	8.4%	36.2	91.2	94.9	178.4
Inter-segment revenue	(1,957.4)	(982.0)	-	(1,820.9)	(3,778.3)	(1,807.0)	(4,413.9)
Un-allocable revenue(net)	8.5	-	-	20.8	29.2	-	0.3
Total Revenue	7,141.6	3,576.4	99.7%	5,944.5	13,086.2	6,641.8	16,377.6

Rs million

Segmental PBT	Q2 FY08	Q2 FY07	Growth (%)	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)		(3 months)	(6 months)	(6 months)	(12 months)
Lending	602.4	298.0	102.2%	433.2	1,035.7	456.6	1,124.1
Corporate Banking	643.0	202.7	217.2%	310.3	953.3	396.9	1,016.5
Retail Liabilities	(451.6)	(94.0)	-	(387.2)	(838.8)	(121.5)	(423.3)
Treasury and Investments	263.1	87.2	201.9%	277.8	540.9	110.0	236.1
Venture Fund Management	17.2	19.0	-9.0%	11.9	29.2	42.4	78.8
Un allocable revenue (net)	8.5	-	-	20.8	29.2	-	0.3
Total Profit before tax	1,082.7	512.8	111.1%	666.8	1,749.5	884.4	2,032.5
Provision for tax	328.9	164.8	99.6%	190.0	518.9	297.3	618.8
Profit after tax	753.8	348.0	116.6%	476.8	1,230.6	587.1	1,413.7

Kotak Mahindra Bank – Standalone
Assets

Rs million

	As on September 30, 2007	As on September 30, 2006	Growth (%) YOY	As on March31, 2007
Advances				
• Commercial vehicles & Construction equipments	30,658.1	21,698.0	41.3%	25,781.0
• Personal loans	23,962.3	13,903.0	72.4%	19,553.0
• Home loans	20,147.2	13,225.0	52.3%	17,533.0
• Corporate Banking	24,907.8	19,538.0	27.5%	23,825.0
• Others	28,881.1	15,500.0	86.3%	22,548.0
Total Advances	128,556.6	83,864.0	53.3%	109,240.0
Investment / Treasury Assets	96,605.1	37,101.5	160.4%	68,620.0
Total Assets	225,161.7	120,965.5	86.1%	177,860.0

Liabilities

Rs million

	As on September 30, 2007	As on September 30, 2006	Growth (%) YOY	As on March31, 2007
Deposits	167,638	81,940	104.6%	110,001
Borrowings	21,065	24,671	-14.6%	50,998

Bank Performance Highlights

- As on September 30, 2007, the Bank had 133 full-fledged bank branches (78 branches as on September 30, 2006) across 92 locations. The Bank targets to have a total of 200 branches by mid next year.
- Net Interest Income (NII) of the Bank (Standalone) for Q2 FY08 was up 100% YoY to Rs 2,834 mn from Rs 1,414 mn in Q2 FY07.
- PAT of the Bank (Standalone) up 117% to Rs 754 mn in Q2 FY08 from Rs 348.0 mn in Q2 FY07.
- Advances up 53% to Rs 129 bn as on September 30, 2007 from Rs 84 bn as on September 30, 2006.
- Deposits of the Bank grew by 76% to Rs 144 bn¹ (including current and savings deposits of Rs 37 bn¹) as on September 30, 2007 from Rs 82 bn¹ (including current and savings deposits of Rs 17 bn¹) as on September 30, 2006. CASA deposits¹ comprised 26% of total deposits (21% as on September 30, 2006). Total number of deposit accounts was around 533,000 as on September 30, 2007 (255,000 as on September 30, 2006).
- Kotak Mahindra Bank was awarded as Best Security Strategist by Microsoft India and Best IT Implementation for Information security by PCQUEST
- Fees from distribution of financial products were Rs 160 mn in Q2FY08 (Rs 205.7 mn in Q2FY07)
- Capital adequacy ratio of the Bank as on September 30, 2007 was 10.9% (12.4% as on September 30, 2006). Tier I ratio was 6.6%. After considering the amount raised through QIP issue in October 2007, capital adequacy ratio of the Bank is over 17% % and Tier I is over 13% assuming deployment of these monies in 100% risk assets.

1. excluding monies held as collection bankers to IPOs.

Key Subsidiaries – Highlights

Kotak Mahindra Prime (KMP) – car finance, other lending

Rs million

	Q2 FY08	Q2 FY07	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	1,530.1	842.3	1,333.1	2,863.2	1,673.0	3,942.5
Profit before tax	288.6	157.8	198.0	486.6	320.7	842.5
Profit after tax	192.5	109.2	137.2	329.7	220.8	573.4

- Auto advances up 28% YoY to Rs 40 bn as on September 30, 2007 from Rs 31 bn as on September 30, 2006.
- Other advances were Rs 8 bn as on September 30, 2007.
- PAT up 76% YoY to Rs 193 mn in Q2 FY08 from Rs 109 mn in Q2 FY07.

International Subsidiaries

Rs million

	Q2 FY08	Q2 FY07	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Profit before tax	90.2	37.2	104.2	194.4	117.1	466.6
Profit after tax	59.4	24.7	72.1	131.5	74.5	350.1

- As on September 30, 2007, assets managed/ advised by international subsidiaries were USD 2.2 bn (USD 1.3 bn as on September 30, 2006).
- Kotak India Focus Fund, a close ended 'PIPE' fund, received commitments of USD 83 mn for its initial closing.

Kotak Mahindra Capital Company (KMCC) – investment banking

	Rs million					
	Q2 FY08	Q2 FY07	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	991.9	467.8	531.1	1,523.0	910.4	2,051.8
Profit before tax	745.7	204.5	290.4	1,036.1	375.3	939.0
Profit after tax	491.9	154.2	191.8	683.7	283.7	678.8

The numbers are not comparable as, the Trading and Principal Division (including Primary Dealership) of KMCC was de-merged into the Bank with effect from March 20, 2007.

- Ranked No. 1 for the nine months of calendar year 2007 for three league tables (a) India Domestic IPOs, (b) India Domestic Equity Offerings (IPO, Additional Offerings and QIP) and (c) Indian Domestic Equity & Rights Offerings and No. 3 for the nine months of calendar year 2007 in the M&A Financial Advisory league tables for India Announced deals by Bloomberg.
- Acted as exclusive Financial Advisor to
 - Promoters of Gokaldas Exports for sale of 50.1% Stake to Blackstone and in managing the consequential open offer of ~ USD 165 mn
 - Nagarjuna Construction Company for private placement of shares to Blackstone for USD 150 mn
 - Apollo Hospitals Enterprise for private placement of shares to Apax Partners for USD 104 mn
 - Pioneer Asset Management Company for its proposed Joint Venture with BOB AMC
 - Induction of financial investor Advent International in CAMS
- Acted as Global Co-ordinator and BRLM to the Rs. 8 bn QIP of Punj Lloyd and Joint Global Co-ordinator to the Rs. 5 bn QIP of Centurion Bank of Punjab
- Kotak Investment Banking was BRLM to Rs 92 billion DLF IPO, Rs 17 billion HDIL IPO, Rs. 29.8 bn Power Grid, Rs. 8.6 bn Purvankara Projects, Rs. 8.2 bn Central Bank of India, Rs. 7.8 bn IVR Prime Urban Developers Limited and was Co- BRLM to Rs. 3.3 bn Maytas Infra Limited public offer which listed in October 2007.

Kotak Securities – stock broking

Rs million

	Q2 FY08	Q2 FY07	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	3,121.1	1,479.4	2,147.1	5,268.2	3,620.8	8,339.3
Profit before tax	1,376.4	481.8	837.8	2,214.2	1,491.5	3,651.2
Profit after tax	991.1	314.3	617.8	1,608.9	1,002.4	2,557.1

- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 53 bn during Q2FY08 (Rs 26 bn during Q2FY07). Average daily volumes for FY07 were Rs 37 bn.
- Kotak Securities accounted for 8.1% of total average daily market volumes in Q2FY08.
- AUM in Portfolio Management Services was Rs 34.9 bn as on Sept 30, 2007 (Rs 23.4 bn as on Sept 30, 2006).
- Kotak Institutional Equities continued to grow from strength to strength. Growth has been achieved through continuous investments in research product, increased emphasis on marketing and client relationships, both in terms of depth and width. Kotak Institutional Equities has a significant presence in the F&O segment leading to a meaningful market share.
- Kotak Securities has a network of over 856 offices (own & franchisees) across 309 cities and towns and services around 362,000 secondary market customers.
- Awarded leading Equity house in India for 2007 by Thomson Exel Survey Awards for Asia Pacific.

Kotak Mahindra Asset Management Company and Trustee Company – asset management

Rs million

	Q2 FY08	Q2 FY07	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	181.3	136.2	147.9	329.2	273.7	544.3
Profit before tax (AMC)	30.7	52.8	33.8	64.5	86.5	106.0
Profit after tax (AMC)	17.8	34.5	21.7	39.5	55.5	68.3
Profit before tax (Trustee Company)	28.8	16.5	18.0	45.3	34.00	67.5
Profit after tax (Trustee Company)	18.5	11.2	12.5	31.0	23.6	46.4

- Total AUM as on September 30, 2007 was Rs 192.7 bn (Rs 117 bn as on September 30, 2006). Equity AUM as on September 30, 2007 was Rs 33.7 bn (Rs 28.9 bn as on September 30, 2006).
- KMAMC has 68 branches and satellite offices servicing over 570,600 investors.
- Kotak Global Emerging Equity NFO during Q2 FY07 garnered Rs 5.1 bn.

Kotak Mahindra Old Mutual Life Insurance (KLI) - life insurance

Rs million

	Q2 FY08	Q2 FY07	Q1 FY08	H1 FY08	H1 FY07	FY07
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Gross premium income	2,625.7	1,678.5	2,051.0	4676.7	2,915.1	9,715.1
Loss	(282.1)	(169.0)	(246.6)	(528.7)	(306.4)	(583.5)

- Kotak Life Insurance premium income grew 56% to Rs 2,625.7 mn in Q2 FY08 from Rs 1,678.5 mn in Q2 FY07.
- KLI has a network of 93 branches in 62 cities (55 branches as on 30th September 2006).
- As on September 30, 2007, KLI had around 376,000 individual policies on books representing a basic sum assured of ~ Rs 147 bn (excluding riders). Additionally, KLI had around 300 group policies covering 594,000 lives with an aggregate sum assured of ~ Rs194 bn.

Safe Harbor

This document contains certain forward- looking statements based on current expectations of Kotak Mahindra management. Actual results may vary significantly from the forward- looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of Kotak Mahindra Group as well as its ability to implement the strategy. Kotak Mahindra does not undertake to update these statements.

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All investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities market. The performance of the sponsor, Kotak Mahindra Bank Limited, has no bearing on the expected performance of Kotak Mahindra Mutual Fund or any schemes thereunder.

Figures for the previous period/ year have been regrouped wherever necessary to conform to current period's/ year's presentation.

Totals in some columns/ rows may not agree due to rounding off.

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