



**KOTAK MAHINDRA BANK LIMITED**

**Earnings Update – Q1 FY06  
Unaudited Results**

*July 26, 2005*

The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on July 26, 2005, took on record the unaudited financial results for the quarter ended June 30, 2005.

### **Performance Highlights**

- Consolidated total income up 62% to Rs 4,555.1 mn in Q1FY06 from Rs 2,809.7 mn in Q1FY05.
- Consolidated fee income (including insurance) up 101% to Rs 1,966.8 mn in Q1FY06 from Rs 979.0 mn in Q1FY05.
- Consolidated advances up 61% YoY to Rs 77.2 bn as on June 30, 2005, with retail loans comprising 88% of the portfolio.
- The group employee strength was over 4,800 as on June 30, 2005 (around 3,400 employees as on June 30, 2004).
- Net Interest Income (NII) of the Bank standalone for Q1FY06 up 51% to Rs 693.0 mn.
- Deposits of the Bank grew by 71% from Rs 28.5 bn as on June 30, 2004 to Rs 48.8 bn as on June 30, 2005. Total number of deposit accounts was around 86,300 as on June 30, 2005 (28,000 as on June 30, 2004).
- Kotak Investment Banking was awarded the 'Best Equity House' in India by Euromoney for 2005.
- Kotak Securities was awarded the 'Best Broker' in India by FinanceAsia for 2005.
- Kotak Securities clocked average daily volumes of around Rs 14.6 bn during Q1FY06 (around Rs 7.6 bn in Q1FY05).
- Kotak Life Insurance recorded 109% growth in premium income from Rs 282.7 mn in Q1FY05 to Rs 592.0 mn in Q1FY06.
- Equity assets managed by the group in mutual fund, portfolio management and offshore funds was over Rs 43 bn as on June 30, 2005 (around Rs 21 bn as on June 30, 2004).
- In July 2005, the new fund offer from Kotak Mahindra Mutual Fund for Kotak Contra scheme garnered Rs 6.4 bn from about 74,000 investors from 103 locations.

## Consolidated Financials

### Revenues

*Rs million*

	Q1 FY06	Q1 FY05	Growth (%) YOY	Q4 FY05	FY 05
	(3 months)	(3 months)		(3 months)	(12 months)
Financing activities	1,892.7	1,301.2	45.5%	1,786.4	6,164.4
Fee income	1,397.2	715.7	95.2%	1,514.6	3,997.8
Insurance Premium	569.6	264.0	115.8%	3,192.3	4,608.9
Treasury / Investments	535.6	426.7	25.5%	484.9	1,891.3
Others	160.0	102.1	56.7%	177.0	449.2
<b>Total Revenues</b>	<b>4,555.1</b>	<b>2,809.7</b>	<b>62.1%</b>	<b>7,155.2</b>	<b>17,111.5</b>

### Profits

*Rs million*

	Q1 FY06	Q1 FY05	Growth (%) YOY	Q4 FY05	FY 05
	(3 months)	(3 months)		(3 months)	(12 months)
<b>Total operating profits before retail liabilities and life insurance losses</b>	<b>1,151.5</b>	<b>823.8</b>	<b>39.8%</b>	<b>1,303.6</b>	<b>4,018.0</b>
<i>Loss on Retail liabilities and branch banking</i>	(136.2)	(119.2)	-	(84.1)	(464.3)
<i>Loss on Life Insurance</i>	(149.0)	(147.5)	-	(56.2)	(458.0)
<b>Profit Before Tax</b>	<b>866.4</b>	<b>557.1</b>	<b>55.5%</b>	<b>1,163.3</b>	<b>3,095.6</b>
PAT (before minority interest/ associates/ adjustments)	532.4	333.8	59.5%	769.2	1,938.9
<b>PAT (after minority interest/ associates / adjustments)</b>	<b>464.7</b>	<b>307.0</b>	<b>51.4%</b>	<b>642.8</b>	<b>1,709.1</b>
<b>EPS (diluted) (Rs) (non annualised)</b>	<b>3.7</b>	<b>2.6</b>	<b>43.8%</b>	<b>5.3</b>	<b>14.2</b>

## Consolidated Financials

### Assets

*Rs million*

	As on June 30, 2005	As on June 30, 2004	Growth (%) YOY	As on March 31, 2005
<b>Advances</b>				
• Commercial Vehicles	17,521	13,450	30.3%	17,175
• Car Loans	27,178	23,384	16.2%	25,975
• Personal Loans	6,396	3,374	89.6%	5,421
• Home Loans	5,219	1,445	261.1%	4,006
• Corporate + SME	9,510	3,117	205.1%	9,004
• Others	11,382	3,150	261.4%	9,866
<b>Total Advances</b>	<b>77,207</b>	<b>47,920</b>	<b>61.1%</b>	<b>71,447</b>
Investments / Treasury Assets	30,378	18,150	67.4%	27,057
<b>Total Advances and Investments</b>	<b>107,585</b>	<b>66,071</b>	<b>62.8%</b>	<b>98,504</b>

## Consolidated Financials

### Liabilities

*Rs million*

	As on June 30, 2005	As on June 30, 2004	Growth (%) YOY	As on March 31, 2005
Deposits	43,390	25,685	68.9%	38,326
Borrowings	40,014	25,632	56.1%	38,073



## Consolidated Financials

### Analytical Ratios

	As on June 30, 2005	As on June 30, 2004	As on March 31, 2005
Net-worth after minority interest (Rs mn)	15,138	12,666	14,668
Book value per share (Rs)	123	106	119
Gross NPAs (Rs mn)	492	347	372
Net NPAs (Rs mn)	255	104	202
Net NPAs (%)	0.3%	0.2%	0.3%
Annualised Return on average Net-worth (%)	12.5%	9.8%	12.6%
Annualised Pre-Tax Return on average Net-worth (%) (before loss on retail liabilities and branch banking and life insurance businesses)	31.1%	26.4%	29.7%

### Company-wise Profit After Tax

Rs million

	Q1 FY06	Q1 FY05	Growth (%) YOY	Q4 FY05	FY 05
	(3 months)	(3 months)		(3 months)	(12 months)
Kotak Mahindra Bank (Standalone)	196.8	220.6	-10.8%	230.8	848.9
Kotak Mahindra Capital Company	34.4	19.3	78.7%	62.3	158.2
Kotak Securities	340.0	193.9	75.4%	433.7	1,055.9
Kotak Mahindra Primus	13.3	23.7	-43.7%	13.3	92.3
Kotak Mahindra AMC & Trustee Co	19.3	15.5	24.6%	7.7	45.1
Kotak Mahindra Old Mutual Life Insurance	(150.5)	(147.5)	-	(56.2)	(458.0)
Kotak Mahindra Investments	48.1	23.0	109.1%	72.5	205.2
International subsidiaries *	0.7	36.4	-98.0%	98.5	125.4
Others	34.0	(2.0)	-	22.1	37.8
<b>Total consolidated profit after tax</b>	<b>536.2</b>	<b>382.8</b>	<b>40.1%</b>	<b>884.6</b>	<b>2,110.7</b>
Less: Minority interest & other adjustments	(72.7)	(82.3)	-	(252.2)	(434.9)
Add: Equity affiliates	1.2	6.5	-81.0%	10.4	33.3
<b>PAT (after minority interest / adjustments)</b>	<b>464.7</b>	<b>307.0</b>	<b>51.4%</b>	<b>642.8</b>	<b>1,709.1</b>

\* For FY05, the financials for international subsidiaries are for 15 month period from January 2004 to March 2005. Q4 FY05 financials are for a six month period for these subsidiaries and Q1 FY05 financials are for a 3 month period ending March 2004.

**Kotak Mahindra Bank – Standalone**
*Rs million*

Segmental Revenues	Q1 FY06	Q1 FY05	Growth (%) YOY	Q4 FY05	FY 05
	(3 months)	(3 months)		(3 months)	(12 months)
Retail Lending	1,006.9	582.8	72.8%	951.0	2,935.6
Corporate Banking	315.1	208.4	51.3%	259.1	1,060.3
Retail Liabilities and Branch Banking	206.2	48.6	324.7%	260.6	503.5
Treasury	480.1	308.2	55.8%	372.0	1,339.8
Corporate Centre	159.3	231.7	-31.2%	217.7	836.7
Inter-segment revenue	(400.3)	(235.4)	-	(344.9)	(1,155.4)
Un-allocable revenue(net)	-	-	-	(0.8)	3.3
<b>Total Revenue</b>	<b>1,767.3</b>	<b>1,144.3</b>	<b>54.4%</b>	<b>1,714.7</b>	<b>5,523.8</b>
<b>Operating profit before losses on retail liabilities &amp; branch banking</b>	<b>443.5</b>	<b>424.8</b>	4.4%	<b>403.9</b>	<b>1,648.2</b>
Retail Liabilities and Branch Banking loss	(136.2)	(119.2)	-	(84.1)	(464.3)
<b>Profit before tax</b>	<b>307.3</b>	<b>305.6</b>	0.6%	<b>319.8</b>	<b>1,183.9</b>
Provision for tax	110.5	85.0	30.0%	89.0	335.0
<b>Profit after tax</b>	<b>196.8</b>	<b>220.6</b>	<b>-10.8%</b>	<b>230.8</b>	<b>848.9</b>

*Rs million*

Segmental Profit before tax	Q1 FY06	Q1 FY05	Growth (%) YOY	Q4 FY05	FY 05
	(3 months)	(3 months)		(3 months)	(12 months)
Retail Lending	277.3	168.9	64.2%	274.0	815.8
Corporate Banking	60.2	65.2	-7.7%	9.6	251.9
Retail Liabilities and Branch Banking	(136.2)	(119.2)	-	(84.1)	(464.3)
Treasury	(16.3)	(16.5)	-	(60.8)	(148.4)
Corporate Centre	122.3	207.2	-40.4%	181.8	725.6
Un allocable Expenditure	-	-	-	(0.8)	3.3
<b>Total PBT</b>	<b>307.3</b>	<b>305.6</b>	<b>0.6%</b>	<b>319.8</b>	<b>1,183.9</b>

**Kotak Mahindra Bank – Standalone**
**Assets**
*Rs million*

	<b>As on June 30, 2005</b>	<b>As on June 30, 2004</b>	<b>Growth (%) YOY</b>	<b>As on March 31, 2005</b>
Advances				
• Commercial Vehicles	17,521	13,450	30.3%	17,175
• Personal Loans	6,396	3,374	89.6%	5,421
• Home Loans	5,219	1,445	261.1%	4,006
• Corporate + SME	9,510	3,162	200.8%	9,021
• Others	4,916	1,583	210.4%	4,548
<b>Total Advances</b>	<b>43,562</b>	<b>23,014</b>	<b>89.3%</b>	<b>40,171</b>
Treasury Assets	20,862	13,930	49.8%	18,270
<b>Total Advances and Investments</b>	<b>64,425</b>	<b>36,944</b>	<b>74.4%</b>	<b>58,441</b>

**Liabilities**
*Rs million*

	<b>As on June 30, 2005</b>	<b>As on June 30, 2004</b>	<b>Growth (%) YOY</b>	<b>As on March 31, 2005</b>
Deposits	48,819	28,499	71.3%	42,995
Borrowings	9,467	4,304	120.0%	9,855

### **Bank Performance Highlights**

- As on June 30, 2005, the Bank had 42 full-fledged bank branches (38 branches as on March 31, 2005 and 20 branches as on June 30, 2004) across 25 cities in India. The Bank proposes to have a total of around 65 - 70 full-fledged branches by March 2006 and 90 -100 full-fledged branches by March 2007 across 45 to 50 towns and cities.
- Fees from third party distributed products at Rs 91.6 mn for Q1FY06 grew around 5 times as compared to Q1FY05. The mutual fund assets under management distributed by the Bank were around Rs 27 bn as on June 30, 2005 (Rs 19 bn as on June 30, 2004).
- NII of the Bank for Q1FY06 was Rs 693.0 mn up by 51% (Rs 459.4 mn in Q1FY05).
- Advances up 89% YoY to Rs 43.6 bn.
- Commercial vehicle advances up 30% YoY to Rs 17.5 bn. Personal loans up 90% to Rs 6.4 bn.
- Deposits of the Bank grew by 71% from Rs 28.5 bn as on June 30, 2004 to Rs 48.8 bn as on June 30, 2005. Total number of deposit accounts was around 86,300 as on June 30, 2005 (28,000 as on June 30, 2004).
- PBT of the retail lending segment was up 64% from Rs 277.3 mn in Q1FY05 to Rs 168.9 mn in Q1FY06.
- Capital adequacy ratio as on June 30, 2005 was 12.52% (14.69% as on June 30, 2004).
- During the quarter the Bank issued Rs 663.0 mn of Bonds eligible to be classified as Tier II Capital. As on June 30, 2005, the Bank has issued Rs 1,500 mn of such Bonds.

## Key Subsidiaries – Highlights

### **Kotak Mahindra Capital Company – investment banking and primary dealer**

*Rs million*

	<b>Q1 FY06</b>	<b>Q1 FY05</b>	<b>Growth (%) YOY</b>	<b>Q4 FY05</b>	<b>FY 05</b>
	<b>(3 months)</b>	<b>(3 months)</b>		<b>(3 months)</b>	<b>(12 months)</b>
Total income	188.9	115.8	63.2%	224.5	629.6
Profit before tax	42.2	21.5	96.5%	64.3	191.3
Profit after tax	34.4	19.3	79.2%	62.3	158.2

- Kotak Investment Banking was awarded the 'Best Equity House' in India by Euromoney for 2005.
- During the quarter, successfully completed equity offerings of Allsec Technologies, Oriental Bank of Commerce, Allahabad Bank and Shopper's Stop, all of which received enthusiastic response from investors.
- Kotak Investment Banking continued to build its equity issuance business by preparing to launch a number of offerings like IPO of IL&FS Investsmart, IDFC and HT Media and rights issues of Nicholas Piramal and Ramco Systems.
- Successfully concluded Standard & Poor's transaction relating to the acquisition of a controlling stake in CRISIL Ltd through a voluntary conditional tender offer structure.
- Exclusive financial advisors to Raymond Ltd in their proposed acquisition of Ring Plus Aqua Ltd assisting Raymond Ltd in increasing its presence in the engineering sector.
- In July 2005, Kotak Investment Banking through its International subsidiaries acted as Joint Lead Manager and Joint Book runner to the successful GDR issuance by Apollo Hospitals Enterprise Limited.
- Segmental loss for Trading and Principal Investments stood at Rs 53.4 mn for Q1FY06 as compared to profit before tax of Rs 7.84 mn for Q1FY05.



## Kotak Securities – stock broking

Rs million

	Q1 FY06	Q1 FY05	Growth (%) YOY	Q4 FY05	FY 05
	(3 months)	(3 months)		(3 months)	(12 months)
Total income	1,033.3	638.5	61.8%	1,289.0	3,296.5
Profit before tax	493.5	296.9	66.2%	678.4	1,641.1
Profit after tax	340.0	193.9	75.3%	433.7	1,055.9

- Kotak Securities was awarded the 'Best Broker' in India by FinanceAsia for the year 2005.
- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 14.6 bn during Q1FY06 as compared to around Rs 7.6 bn during Q1FY05.
- Average daily volumes on [www.kotakstreet.com](http://www.kotakstreet.com) (online) during Q1FY06 increased to Rs 1,380 mn from Rs 530 mn during Q1FY05.
- AUM in Portfolio Management Services (PMS) was Rs 20.8 bn as on June 30, 2005 (Rs 11.6 bn as on June 30, 2004).
- Kotak Institutional Equities continued to gain market share with revenues rising more than 40% YoY in Q1FY06. This has been achieved through continuous investments in our research products, increased emphasis on marketing and client relationships, both in terms of depth and width.
- Kotak Securities has a network of over 515 offices (own & franchisees) across 181 cities and towns and over 155,000 secondary market clients.

## Kotak Mahindra Primus – car finance

Rs million

	Q1 FY06	Q1 FY05	Growth (%) YOY	Q4 FY05	FY 05
	(3 months)	(3 months)		(3 months)	(12 months)
Total income	670.9	622.2	7.8%	647.2	2,595.8
Profit before royalty & taxes	135.9	155.2	-12.4%	125.2	593.9
Profit after royalty before taxes	20.2	36.5	-44.7%	9.6	135.8
Profit after tax	13.3	23.7	-43.9%	13.3	92.3

- Advances at Rs 27.2 bn as on June 30, 2005, up 16% YoY.
- In June 2005, Kotak Group and Ford Credit International (FCI) announced the realignment of their joint ventures. Kotak Group will acquire the 40% stake in Kotak Mahindra Primus held by FCI, and FCI will acquire the stake in Ford Credit Kotak Mahindra held by Kotak Group. The transactions are subject to regulatory approvals.

**Kotak Mahindra Asset Management Company – asset management**
*Rs million*

	<b>Q1 FY06</b>	<b>Q1 FY05</b>	<b>Growth (%) YOY</b>	<b>Q4 FY05</b>	<b>FY 05</b>
	<b>(3 months)</b>	<b>(3 months)</b>		<b>(3 months)</b>	<b>(12 months)</b>
Total income (AMC)	79.8	73.1	9.2%	48.5	233.6
Profit before tax (AMC)	21.8	16.1	35.4%	2.6	31.3
Profit after tax (AMC)	14.2	11.8	20.3%	2.6	28.9
Profit before tax (Trustee Company)	7.5	5.8	29.3%	8.0	25.2
Profit after tax (Trustee Company)	5.1	3.7	37.8%	5.1	16.1

- Total AUM as on June 30, 2005 was Rs 65.0 bn (Rs 56.5 bn as on June 30, 2004). Equity AUM as on June 30, 2005 was Rs 10.6 bn (Rs 6.1 bn as on June 30, 2004).
- In July 2005, the new fund offer for Kotak Contra garnered Rs 6.4 bn from about 74,000 investors from 103 locations.
- Presence in 69 cities through 34 branches and franchisees

**Kotak Mahindra Old Mutual Life Insurance - life insurance**
*Rs million*

	<b>Q1 FY06</b>	<b>Q1 FY05</b>	<b>Growth (%) YOY</b>	<b>Q4 FY05</b>	<b>FY 05</b>
	<b>(3 months)</b>	<b>(3 months)</b>		<b>(3 months)</b>	<b>(12 months)</b>
Gross premium income	592.0	282.7	109.4%	3,206.8	4,661.6
Loss	(150.5)	(147.5)	-	(56.2)	(458.0)

- Kotak Life Insurance (KLI) recorded 109% growth in premium income from Rs 282.7 mn in Q1FY05 to Rs 592 mn in Q1FY06.
- KLI has a network of 44 branches in 30 cities.
- As on June 30, 2005, KLI had around 126,000 individual policies on books representing a basic sum assured of Rs 57.8 bn (excluding riders). Additionally, the company had 87 group policies covering around 97,000 lives with an aggregate sum assured of Rs 20.5 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.*

*This document does not constitute an offer or recommendation to buy or sell any securities of Kotak Mahindra Bank or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by Kotak Mahindra, including but not limited to units of its mutual fund and life insurance policies.*

*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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