



KOTAK MAHINDRA BANK LIMITED

**Earnings Update – Q2 FY06
Unaudited Results**

October 27, 2005

The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on October 27, 2005, took on record the unaudited financial results for the quarter ended September 30, 2005.

Performance Highlights

- Consolidated total income up 95 % to Rs 6,199.0 mn in Q2FY06 from Rs 3,177.5 mn in Q2FY05. Consolidated fee income (including life insurance premium) up 118% to Rs 2,650.0 mn in Q2FY06 from Rs 1,218.6 mn in Q2FY05.
- Consolidated PBT up 150% to Rs 1,516.4 mn in Q2 FY06 from Rs 606.7 mn in Q2FY05. Consolidated PAT up 156% to Rs 833.6 mn in Q2FY06 from Rs 325.0 mn in Q2FY05.
- Consolidated advances up 46% YoY to Rs 81.3 bn as on September 30, 2005, with retail loans comprising 89% of the portfolio.
- The group employee strength was over 5,000 as on September 30, 2005 (around 3,700 employees as on September 30, 2004).
- Net Interest Income (NII) of the Bank for Q2FY06 up 57% YoY to Rs 861.5 mn. PAT up 51% to Rs 311.7 mn in Q2FY06 from Rs 206.5 mn in Q2FY05.
- Deposits of the Bank grew by 63% to Rs 55.0 bn as on September 30, 2005 from Rs 33.7 bn as on September 30, 2004. Total number of deposit accounts was around 113,200 as on September 30, 2005 (30,500 as on September 30, 2004).
- Kotak Investment Banking topped the Bloomberg India IPO Underwriter and M&A Financial Advisory (India announced deals) league tables for the nine month period ended September 2005.
- Kotak Securities clocked average daily volumes of around Rs 23.0 bn during Q2FY06 (around Rs 7.5 bn in Q2FY05).
- Equity assets managed by the group in mutual fund, portfolio management and offshore funds was Rs 59.5 bn as on September 30, 2005 (Rs 24.9 bn as on September 30, 2004), of which AUM in PMS was Rs 25.6 bn as on September 30, 2005 (Rs 13.3 bn as on September 30, 2004).
- Kotak Private Equity had the final closing of India Growth Fund with commitments in excess of Rs 7 bn. India Growth Fund has made four investments aggregating to around Rs 900 mn across sectors.
- On October 4, 2005, the Kotak Mahindra Group ownership in Kotak Mahindra Primus (KMP) has gone up to 100% following the acquisition of 40% stake held by Ford Credit International (FCI). Simultaneously, Kotak Mahindra Group has sold its entire holding in Ford Credit Kotak Mahindra to FCI. The transaction will increase the consolidated book value per share by Rs 2.33. The royalty payments from KMP to Kotak Mahindra Bank have since been terminated.
- The Bank has proposed to issue up to 15 mn equity shares, through an offering either in the domestic or international market, subject to necessary regulatory approvals, including that from the Reserve Bank of India.

Consolidated Financials

Revenues

Rs million

	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	Growth (%)	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Financing activities	2,371.5	1,465.9	1,944.5	4,316.0	2,767.1	56.0%	6,227.2
Fee Income	1,893.8	752.8	1,385.2	3,278.9	1,484.5	120.9%	3,980.7
Insurance Premium	756.3	465.9	569.6	1,325.9	729.8	81.7%	4,608.9
Treasury / Investments	1,013.6	425.3	547.6	1,561.3	855.6	82.5%	1,908.4
Others	163.9	67.6	108.1	272.0	150.2	81.1%	386.4
Total Revenues	6,199.0	3,177.5	4,555.1	10,754.1	5,987.2	79.6%	17,111.5

Profits

Rs million

	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	Growth (%)	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Total operating profits before retail liabilities and life insurance losses	1,690.1	884.6	1,151.5	2,843.0	1,708.4	66.4%	4,018.0
<i>Loss on Retail liabilities and branch banking</i>	(24.6)	(138.6)	(136.2)	(160.7)	(257.8)	-	(464.3)
<i>Loss on Life Insurance</i>	(149.1)	(139.3)	(150.5)	(299.5)	(286.9)	-	(458.0)
Profit Before Tax	1,516.4	606.7	866.4	2,382.8	1,163.8	104.7%	3,095.6
PAT (before minority interest/ associates/ adjustments)	975.7	354.6	532.4	1,508.2	688.4	119.1%	1,938.9
PAT (after minority interest/ associates / adjustments)	833.6	325.0	464.7	1,298.3	632.0	105.4%	1,709.1
EPS (diluted) (Rs) (non annualised) *	2.69	1.08	1.50	4.20	2.11	100.0%	5.66

* Adjusted for 3:2 bonus issued in August 2005

Consolidated Financials

Assets

Rs million

	As on September 30, 2005	As on September 30, 2004	Growth (%) YOY	As on March 31, 2005
Advances				
• Commercial Vehicles	18,029	14,391	25.3%	17,175
• Car Loans	28,299	25,047	13.0%	25,975
• Personal Loans	7,598	3,940	92.9%	5,421
• Home Loans	6,294	2,127	195.9%	4,006
• Corporate + SME	9,232	4,151	122.4%	9,004
• Others	11,880	6,033	96.9%	9,866
Total Advances	81,333	55,689	46.0%	71,447
Investments / Treasury Assets	37,537	20,828	80.2%	27,057
Total Advances and Investments	118,870	76,517	55.4%	98,504

Liabilities

Rs million

	As on September 30, 2005	As on September 30, 2004	Growth (%) YOY	As on March 31, 2005
Deposits	49,315	30,477	61.8%	38,326
Borrowings	44,293	30,024	47.5%	38,073



Consolidated Financials

Analytical Ratios

	As on September 30, 2005	As on September 30, 2004	As on March 31, 2005
Net-worth before minority interest (Rs mn)	19,846	16,316	18,255
Net-worth after minority interest (Rs mn)	15,981	12,991	14,668
Book value per share (Rs)*	** 51.83	43.38	47.58
Gross NPAs (Rs mn)	594	424	372
Net NPAs (Rs mn)	168	163	202
Net NPAs (%)	0.2%	0.3%	0.3%
Annualised Return on average Net-worth (%)	16.9%	10.0%	12.6%
Annualised Pre-Tax Return on average Net-worth (%) (before loss on branch banking and life insurance businesses)	37.1%	27.0%	29.7%

*Adjusted for 3:2 bonus issued in August 2005

** Does not include the impact of Rs 2.33 per share on acquisition of stake in KMP held by FCI

Company-wise Profit After Tax

Rs million

	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	Growth (%)	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Kotak Mahindra Bank (Standalone)	311.7	206.5	196.8	508.5	427.1	19.1%	848.9
Kotak Mahindra Capital Company	81.5	55.9	34.4	116.0	75.1	54.4%	158.2
Kotak Securities	521.1	172.1	340.0	861.1	365.9	135.3%	1,055.9
Kotak Mahindra Primus	14.1	28.6	13.3	27.5	52.3	-47.5%	92.3
Kotak Mahindra AMC & Trustee Co	33.0	17.0	19.3	52.3	32.5	60.9%	45.1
Kotak Mahindra Old Mutual Life Insurance	(149.1)	(139.3)	(150.5)	(299.5)	(286.9)	-	(458.0)
Kotak Mahindra Investments	82.5	52.7	48.1	130.6	75.7	72.5%	205.2
International subsidiaries #	38.5	(13.2)	0.7	39.2	23.2	68.8%	125.4
Others	33.7	3.3	34.0	67.7	1.3	-	37.8
Total consolidated profit after tax	967.1	383.6	536.2	1,503.3	766.3	96.2%	2,110.7
Less: Minority interest & other adjustments	130.6	63.8	72.7	203.3	146.1	-	434.9
Add: Equity affiliates	(2.9)	5.3	1.2	(1.7)	11.8	-	33.3
PAT (after minority interest / adjustments)	833.6	325.0	464.7	1,298.3	632.0	105.4%	1,709.1

For FY05, the financials for international subsidiaries are for 15 month period from January 2004 to March 2005. For H1FY05, the financials are for 6 month period from January 2005 to June 2005.

Kotak Mahindra Bank – Standalone
Rs million

	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	Growth (%)	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Retail Lending	1,270.7	664.5	1,006.9	2,277.6	1,247.3	82.6%	2,935.6
Corporate Banking	409.7	265.1	315.1	724.9	473.4	53.1%	1,060.3
Retail Liabilities and Branch Banking	411.7	68.4	206.2	617.9	116.9	428.4%	503.5
Treasury	525.6	282.8	480.1	1,005.7	591.0	70.2%	1,339.8
Corporate Centre	194.6	211.7	159.3	353.9	441.2	-19.8%	836.7
Inter-segment revenue	(453.8)	(261.5)	(400.3)	(854.1)	(496.9)	-	(1,155.4)
Un-allocable revenue(net)	-	0.8	-	-	2.9	-	3.3
Total Revenue	2,358.5	1,231.7	1,767.3	4,125.9	2,375.9	73.7%	5,523.8
Operating profit before losses on retail liabilities & branch banking	497.9	432.1	443.5	941.4	856.9	9.9%	1,648.2
Retail Liabilities and Branch Banking loss	(24.6)	(138.6)	(136.2)	(160.7)	(257.8)	-	(464.3)
Profit before tax	473.4	293.5	307.3	780.6	599.1	30.3%	1,183.9
Provision for tax	161.6	87.0	110.5	272.1	172.0	58.2%	335.0
Profit after tax	311.7	206.5	196.8	508.5	427.1	19.1%	848.9

Rs million

Segmental PBT	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	Growth (%)	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Retail Lending	283.1	189.0	277.3	560.4	357.8	56.6%	815.8
Corporate Banking	105.1	85.6	60.2	165.3	150.8	9.6%	251.9
Retail Liabilities and Branch Banking	(24.6)	(138.6)	(136.2)	(160.7)	(257.8)	-	(464.3)
Treasury	9.3	(35.0)	(16.3)	(7.0)	(51.5)	-	(148.4)
Corporate Centre	100.4	191.8	122.3	222.7	396.9	-43.9%	725.6
Un allocable Expenditure	-	0.8	-	-	2.9	-	3.3
Total PBT	473.4	293.5	307.3	780.6	599.1	30.3%	1,183.9

Kotak Mahindra Bank – Standalone
Assets
Rs million

	As on September 30, 2005	As on September 30, 2004	Growth (%) YOY	As on March 31, 2005
Advances				
• Commercial Vehicles	18,029	14,391	25.3%	17,175
• Personal Loans	7,598	3,940	92.9%	5,421
• Home Loans	6,294	2,127	195.9%	4,006
• Corporate + SME	9,286	4,236	119.2%	9,021
• Others	5,778	2,383	142.5%	4,548
Total Advances	46,985	27,077	73.5%	40,171
Treasury Assets	26,217	16,125	62.6%	18,270
Total Advances and Investments	73,202	43,202	69.4%	58,441

Liabilities
Rs million

	As on September 30, 2005	As on September 30, 2004	Growth (%) YOY	As on March 31, 2005
Deposits	54,979	33,749	62.9%	42,995
Borrowings	11,498	5,516	108.5%	9,855

Bank Performance Highlights

- As on September 30, 2005, the Bank had 44 full-fledged bank branches (23 branches as on September 30, 2004) across 27 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.
- Net Interest Income (NII) of the Bank for Q2FY06 up 57% YoY to Rs 861.5 mn. PAT up 51% to Rs 311.7 mn in Q2FY06 from Rs 206.5 mn in Q2FY05.
- Advances up 74% YoY to Rs 47.0 bn.
- Deposits of the Bank grew by 63% to Rs 55.0 bn as on September 30, 2005 from Rs 33.7 bn as on September 30, 2004. Total number of deposit accounts was around 113,200 as on September 30, 2005 (30,500 as on September 30, 2004).
- PBT of the retail lending segment was up 50% to Rs 283.1 mn in Q2FY06 from Rs 189.0 mn in Q2FY05.
- Loss in the retail liabilities & branch banking segment was Rs 24.6 mn in Q2FY06 as compared to Rs 138.6 mn in Q2FY05. The reduction in losses was primarily on account of fees earned from distribution of financial products (mutual funds (including new fund offerings) and life insurance).
- Fees from third party distributed products were Rs 245.8 mn in Q2FY06 up from Rs 22.8 mn in Q2FY05. The mutual fund assets under management distributed by the Bank were around Rs 40.5 bn as on September 30, 2005 (Rs 15.4 bn as on September 30, 2004).
- Capital adequacy ratio as on September 30, 2005 was 11.16% (12.95% as on September 30, 2004).
- During Q2FY06 the Bank issued Rs 720 mn of Bonds eligible to be classified as Tier II Capital. As on September 30, 2005, the Bank had issued Rs 2,220 mn of such Bonds.
- From this quarter, the Bank has adopted the RBI guidelines dated July 13, 2005, on accounting for purchase/sale of non performing assets. The Bank has also adopted a policy of providing floating provision on such assets. The net impact on the profit for the quarter is Nil.

Key Subsidiaries – Highlights

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

Rs million

	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	261.9	154.0	188.9	450.8	269.8	629.6
Profit before tax	114.5	74.4	42.2	156.7	95.9	191.3
Profit after tax	81.5	55.9	34.4	116.0	75.1	158.2

- Kotak Investment Banking topped the Bloomberg India IPO Underwriter and M&A Financial Advisory (India announced deals) league tables for the nine month period ended September 2005.
- Kotak Investment Banking was awarded the “Best Investment Bank 2005” by Global Finance.
- Kotak Investment Banking acted as exclusive advisor to Hutchison Essar for its acquisition of the cellular business of BPL. It also acted as exclusive financial advisor to GE Shipping on the de-merger of its offshore business.
- Other transactions completed during Q2FY06 include Standard & Poor's transaction relating to the acquisition of a controlling stake in CRISIL Ltd through a voluntary conditional tender offer structure and Raymond Ltd's acquisition of Ring Plus Aqua Ltd assisting it in increasing its presence in the engineering sector.
- During Q2FY06, Kotak Investment Banking successfully completed domestic equity offerings of IDFC, HT Media, IL&FS Investsmart and Nicholas Piramal.
- 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.
- Kotak Investment Banking is acting as the financial advisors to the recently announced (October 2005) and ongoing acquisition of a majority stake in printing inks market leader Micro Inks by Hubergroup, Germany, by way of an alliance of the Bilakhia's with Hubergroup.
- Segmental loss for Trading and Principal Investments stood at Rs 36.8 mn for H1FY06 as compared to profit before tax of Rs 55.1 mn for H1FY05.



Kotak Securities – stock broking

Rs million

	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	1,517.0	611.1	1,033.3	2,550.2	1,249.6	3,296.5
Profit before tax	779.0	265.1	493.5	1,272.4	562.0	1,641.1
Profit after tax	521.1	172.1	340.0	861.1	365.9	1,055.9

- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 23.0 bn during Q2FY06 as compared to around Rs 7.5 bn during Q2FY05.
- Average daily volumes on www.kotaksecurities.com (online) during Q2FY06 increased to Rs 2,169 mn from Rs 620 mn during Q2FY05. Average daily volumes for FY05 were around Rs 888 mn.
- AUM in Portfolio Management Services (PMS) was Rs 25.6 bn as on September 30, 2005 (Rs 13.3 bn as on September 30, 2004).
- Kotak Institutional Equities continued to gain market share with revenues rising more than 150% YoY in Q2FY06. This has been achieved through continuous investments in the research products, increased emphasis on marketing and client relationships, both in terms of depth and width. F&O volumes rose by more than 250% over Q2FY05.
- Kotak Securities has a network of over 533 offices (own & franchisees) across 192 cities and towns and over 182,000 secondary market clients.

Kotak Mahindra Primus – car finance

Rs million

	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	706.4	657.4	670.9	1,377.3	1,279.6	2,595.8
Profit before royalty & taxes	137.9	166.8	135.9	273.8	322.0	593.9
Profit after royalty before taxes	22.3	48.0	20.2	42.5	84.5	135.8
Profit after tax	14.1	28.6	13.3	27.5	52.3	92.3

- Advances at Rs 28.3 bn as on September 30, 2005, up 12% YoY.

Kotak Mahindra Asset Management Company – asset management
Rs million

	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	101.7	64.1	79.8	181.5	137.2	233.6
Profit before tax (AMC)	40.9	10.8	21.8	62.7	26.9	31.3
Profit after tax (AMC)	26.8	13.1	14.2	41.0	24.9	28.9
Profit before tax (Trustee Company)	9.3	6.1	7.5	16.8	11.9	25.2
Profit after tax (Trustee Company)	6.2	3.9	5.1	11.3	7.6	16.1

- Total AUM as on September 30, 2005 was Rs 82.2 bn (Rs 55.2 bn as on September 30, 2004). Equity AUM as on September 30, 2005 was Rs 17.1 bn (Rs 7.3 bn as on September 30, 2004).
- In September 2005, the new fund offer for Kotak Cash Plus garnered Rs 3.7 bn.
- In October 2005, Kotak Flexi Fund of Funds, a close ended fund of fund scheme garnered Rs 3.6 bn.
- Network of 24 branches.

Kotak Mahindra Old Mutual Life Insurance - life insurance
Rs million

	Q2 FY06	Q2 FY05	Q1 FY06	H1 FY06	H1 FY05	FY05
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Gross premium income	776.7	477.0	592.0	1368.7	759.7	4661.6
Loss	(149.1)	(139.3)	(150.5)	(299.5)	(286.9)	(458.0)

- Kotak Life Insurance (KLI) recorded 63% growth in premium income to Rs 776.7 mn in Q2FY06 from Rs 477.0 mn in Q2FY05.
- KLI has a network of 43 branches in 31 cities.
- As on September 30, 2005, KLI had over 138,000 individual policies on books representing a basic sum assured of Rs 63.7 bn (excluding riders). Additionally, the company had 85 group policies covering over 95,000 lives with an aggregate sum assured of Rs 26.7 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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