



KOTAK MAHINDRA BANK LIMITED

Earnings Update – FY06 Results

May 15, 2006

This document is not an offer of securities for sale in the United States of America. Securities may not be offered or sold in the United States of America unless they are registered or exempt from registration. Any public offering of securities to be made in the United States of America will be made by means of a prospectus that will contain detailed information about the Kotak Mahindra Group and management, as well as financial statements.

Highlights ^a

- Consolidated total income (excluding Hutch*) up 57% to Rs 11,251.3 mn in Q4FY06 from Rs 7,155.9 mn in Q4FY05. For FY06, the total income (excluding Hutch) up 67% to Rs 28,541.1 mn from Rs 17,115.1 mn in FY05.
- Consolidated PAT (excluding Hutch) up 104% to Rs 1,308.1 mn in Q4FY06 from Rs 642.8 mn in Q4FY05. For FY06 the Consolidated PAT (pre Hutch) up 100% to Rs 3,424.5 mn from Rs 1,709.1 mn in FY05.
- Consolidated advances up 46% to Rs 104.2 bn as on March 31, 2006, with retail loans comprising 87% of the portfolio.
- The Group employee strength was around 6,700 as on March 31, 2006 (around 4,400 employees as on March 31, 2005).
- Net Interest Income (NII) of the Bank (Standalone) for FY06 up 57% to Rs 3,549.3 mn.
- PAT of the Bank (Standalone) up 39% to Rs 1,182.3 mn in FY06 from Rs 848.9 mn in FY05.
- Other income of the Bank (Standalone) up 84% to Rs 2,429.3 mn in FY06 from Rs 1,324.3 mn in FY05. Of this fees from distribution of financial products were Rs 1,177.9 mn in FY06 up from Rs 260.8 mn in FY05. In Q4FY06, fees from distribution of financial products were Rs 624.9 mn up from Rs 170.6 mn in Q4FY05. This has resulted into a profit in the retail liabilities and branch banking segment for the last quarter and the year.
- Deposits of the Bank grew by 53% to Rs 65.7 bn (including current and savings deposits of Rs 12.5 bn) as on March 31, 2006 from Rs 43.0 bn (including current and savings deposits of Rs 5.4 bn) as on March 31, 2005. Total number of deposit accounts were around 168,200 as on March 31, 2006 (66,400 as on March 31, 2005).
- Group's stressed assets portfolio on the books was Rs 4.2 bn with outstanding recoverable of around Rs 24 bn.
- Kotak Investment Banking was ranked no. 1 in the league table for Book Runners/Lead Managers in public equity offerings on the basis of value of transactions during 2005-06 as per PRIME Database. It also topped the Bloomberg M&A league tables for calendar year 2005.
- Kotak Securities with a market share of 8.5% in FY06 (6.3% in FY05), clocked average daily volumes of over Rs 24.4 bn during FY06 (Rs 10.6 bn in FY05). For Q4FY06 the average daily volumes were over Rs 35.7bn (Rs 15.6 bn in Q4FY05).
- Total assets managed/ advised by the Group were Rs 186.5 bn (Rs 97.4 bn as on March 31, 2005).
- In April 2006, Kotak Mahindra Bank raised approximately US\$ 100 million through issue of 15,000,000 Global Depository Shares (GDS). The GDS were placed at US\$ 6.66 per GDS (~ Rs 300). The GDS increases the book value per share by Rs 10.5.

* Sale of stake in Hutchison Essar Limited (Hutch) has been discussed under Strategic Developments during FY06 on page 3.

^a **Consolidated numbers for FY 06 are unaudited. Bank stand-alone numbers are audited.**

Strategic Developments during FY06

- On March 15, 2006, Kotak Group agreed to buy 25% stake held by Goldman Sachs Mauritius LLC (GS) in Kotak Mahindra Capital Company Limited (KMCC) and Kotak Securities Limited (KS) for Rs 3,330 mn. The consideration for the 25% stake in KS is Rs 1,230 mn and the consideration for the 25% stake in KMCC is Rs 2,100 mn. As on March 31, 2006, KMCC (consolidated along with its subsidiaries and share of associates) had a net worth of Rs 8,750 mn and KS had a net worth of Rs 4,986 mn. The transaction will be completed after the receipt of necessary regulatory approvals. Kotak Group and Goldman Sachs have also entered into a business co-operation agreement for a period of up to one year.
- On March 1, 2006, Kotak Group sold its entire effective economic interest of 3.2% (at the Bank level) in Hutchison Essar Limited (Hutch) resulting in a consolidated profit after tax of Rs 3.87 bn.
- In October 2005, the Kotak Mahindra Group ownership in Kotak Mahindra Prime increased to 100% following the acquisition of 40% stake held by Ford Credit International (FCI). Simultaneously, Kotak Mahindra Group sold its entire holding in Ford Credit Kotak Mahindra (FCKM) to FCI. Subsequently, KMP has also bought the entire retail car finance portfolio of FCKM.

Consolidated Financials

Revenues

Rs million

	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05	Growth (%)
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)	
Financing activities	2,852.0	1,849.3	2,236.1	9,404.1	6,227.2	51.0%
Fee Income *	3,243.6	1,503.9	1,923.9	8,595.5	3,980.7	115.9%
Premium income	3,617.7	3,192.3	1,177.7	6,121.2	4,608.9	32.8%
Treasury / Investments	1,287.6	496.2	1,000.0	3,699.7	1,911.9	93.5%
Others	250.5	114.2	198.1	720.6	386.4	86.5%
Total Revenues (excluding Hutch)	11,251.3	7,155.9	6,535.7	28,541.1	17,115.1	66.8%
Income on sale of stake in Hutch	1,265.9	-	-	1,265.9	-	-
Total Revenues (including Hutch)	12,517.3	7,155.9	6,535.7	29,807.1	17,115.1	74.2%

* Brokerage income is net of sub brokerage

Consolidated Financials

Profits

Rs million

	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05	Growth (%)
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)	
Profit before tax excl. retail liabilities & branch banking and life insurance (excluding Hutch)	2,098.5	1,303.6	1,639.0	6,576.8	4,018.0	63.7%
<i>Retail liabilities & branch banking</i>	232.1	(84.1)	(53.5)	17.8	(464.3)	-
<i>Life insurance</i>	(12.3)	(56.2)	(120.5)	(432.4)	(458.0)	-
Profit Before Tax (excluding Hutch)	2,318.3	1,163.3	1,465.0	6,162.3	3,095.6	99.1%
PAT (after MI/ associates) (excluding Hutch)	1,308.1	642.8	818.2	3,424.6	1,709.1	100.4%
EPS (diluted) (Rs) (excluding Hutch) *	4.2	2.1	2.6	11.0	5.7	94.7%
PAT (after MI/ associates) (including Hutch)	5,181.0	642.8	818.2	7,297.5	1,709.1	327.0%
EPS (diluted) (Rs) (including Hutch) *	16.7	2.1	2.6	23.5	5.7	314.7%

* Adjusted for 3:2 bonus issued in August 2005

Consolidated Financials

Assets

Rs million

	As on March 31, 2006	As on March 31, 2005	Growth (%)
Advances			
• Commercial vehicles	18,731	17,175	9.1%
• Auto loans	30,653	25,975	18.0%
• Personal loans	10,069	5,421	85.7%
• Home loans	9,707	4,006	142.3%
• Corporate Banking	13,357	9,004	48.3%
• Others	21,698	9,866	119.9%
Total Advances	104,214	71,447	45.9%
Investments / Treasury Assets	50,487	27,057	86.6%
Total Assets	154,702	98,504	57.1%

Liabilities

Rs million

	As on March 31, 2006	As on March 31, 2005	Growth (%)
Deposits	56,167	38,326	46.5%
Borrowings	57,979	37,236	55.7%

Consolidated Financials

Company-wise Profit After Tax

Rs million

	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05	Growth (%)
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)	
Kotak Mahindra Bank (Standalone)	347.3	230.8	326.4	1,182.3	848.9	39.3%
Kotak Mahindra Capital Company *	267.2	62.3	182.6	565.7	158.2	257.6%
Kotak Securities	804.1	433.7	490.2	2,155.4	1,055.9	104.1%
Kotak Mahindra Prime	95.2	13.3	86.2	208.8	92.3	126.1%
Kotak Mahindra AMC & Trustee Co	10.2	7.7	13.8	76.3	45.1	69.4%
Kotak Mahindra Old Mutual Life Insurance	(12.3)	(56.2)	(120.5)	(432.4)	(458.0)	-
Kotak Mahindra Investments	82.1	72.5	65.2	278.0	205.2	35.5%
International subsidiaries #	25.3	98.5	68.7	133.3	125.4	6.3%
Others *	(2.6)	22.1	2.7	67.9	37.8	79.5%
Total consolidated profit after tax	1,616.7	884.6	1,115.3	4,235.3	2,110.7	100.7%
Equity Affiliates*	14.3	10.4	9.9	22.5	33.3	-32.4%
Minority interest- Goldman JVs*	(272.9)	(154.1)	(186.4)	(730.7)	(345.2)	-
Balance MI and other adjustments	(50.1)	(98.2)	(120.6)	(102.6)	(89.6)	-
PAT (after minority interest / adjustments) *	1,308.1	642.8	818.2	3,424.6	1,709.1	100.4%
PAT on sale of stake in Hutch	3,872.9	-	-	3,872.9	-	-
PAT (after minority interest / adjustments)	5,181.0	642.8	818.2	7,297.5	1,709.1	327.0%

For FY05, the financials for international subsidiaries are for 15 month period from January 2004 to March 2005 and for Q4FY05, they are for six months period from October 2004 to March 2005

* excluding profit on sale of stake in Hutch

Consolidated Financials

Analytical Ratios

	As on March 31, 2006	As on March 31, 2005
Net-worth before minority interest (Rs mn)	25,180	18,268
Net-worth after minority interest (Rs mn)	22,471	14,668
Book value per share (Rs) #	72.7	47.6
Net Interest Margin (%)	5.1%	5.3%
Gross NPAs (Rs mn)	520	372
Net NPAs (Rs mn)	235	202
Net NPAs (%)	0.23%	0.28%
Return on average Net-worth (%) (excl Hutch)	20.6%	12.6%
Pre-Tax Return on average net-worth (%) (before branch banking and life insurance businesses) (excl Hutch)	39.5%	29.7%

The GDS issue will increase the book value per share by Rs 10.5

Kotak Mahindra Bank – Standalone
Rs million

Segmental Revenue	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05	Growth (%)
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)	
Retail Lending	1,492.6	951.0	1,157.8	4,928.0	2,935.6	67.9%
Corporate Banking	633.3	259.1	458.8	1,817.0	1,060.3	71.4%
Retail liabilities & branch banking	957.8	260.6	444.2	2,019.8	503.5	301.1%
Treasury	339.6	372.6	538.9	1,884.1	1,343.4	40.2%
Corporate Centre	145.2	217.7	225.5	724.6	836.7	-13.4%
Inter-segment revenue	(636.3)	(344.9)	(515.9)	(2,006.3)	(1,155.4)	-
Un-allocable revenue(net)	2.3	(0.8)	-	2.3	3.3	-
Total Revenue	2,934.5	1,715.4	2,309.2	9,369.5	5,527.4	69.6%
Profit before tax excluding retail liabilities & branch banking	281.8	403.9	494.9	1,718.1	1,648.2	4.2%
Retail liabilities & branch banking	232.1	(84.1)	(53.5)	17.8	(464.3)	-
Profit before tax	513.9	319.8	441.4	1,736.0	1,183.9	46.6%
Provision for tax	166.6	89.0	115.0	553.7	335.0	65.3%
Profit after tax	347.3	230.8	326.4	1,182.3	848.9	39.3%

Rs million

Segmental PBT	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05	Growth (%)
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)	
Retail Lending	320.3	274.0	265.4	1,146.1	815.8	40.5%
Corporate Banking	122.5	9.6	98.7	386.6	251.9	53.5%
Retail liabilities & branch banking	232.1	(84.1)	(53.5)	17.8	(464.3)	-
Treasury	(163.9)	(60.8)	(2.9)	(173.9)	(148.4)	-
Corporate Centre	0.6	181.8	133.6	357.0	725.6	-50.8%
Un-allocable revenue(net)	2.3	(0.8)	-	2.3	3.3	-
Total PBT	513.9	319.8	441.4	1,736.0	1,183.9	46.6%

Kotak Mahindra Bank – Standalone

Assets *Rs million*

	As on March 31, 2006	As on March 31, 2005	Growth (%)
Advances			
• Commercial vehicles	18,731	17,175	9.1%
• Personal loans	10,069	5,421	85.7%
• Home loans	9,707	4,006	142.3%
• Corporate Banking	13,358	9,021	48.1%
• Others	11,620	4,548	155.5%
Total Advances	63,485	40,171	58.0%
Treasury Assets	28,555	18,270	56.3%
Total Assets	92,041	58,441	57.5%

Liabilities *Rs million*

	As on March 31,2006	As on March 31,2005	Growth (%)
Deposits	65,659	42,995	52.7%
Borrowings	16,092	9,018	78.4%

Bank Performance Highlights

- As on March 31, 2006, the Bank had 65 full-fledged bank branches across 43 towns and cities in India. The Bank proposes to have a total of around 110 full-fledged branches by March 2007 across 65 towns and cities.
- Net Interest Income (NII) of the Bank for Q4 FY06 was up 61% YoY to Rs 1,081.8 mn. For FY06 NII of the Bank grew 57% to Rs 3,549.3 mn from Rs 2,254.8 mn in FY05.
- PAT up 51% to Rs 347.3 mn in Q4FY06 from Rs 230.8 mn in Q4FY05. For FY06 PAT up 39% to Rs 1,182.3 mn from Rs 848.9 mn in FY05.
- Advances up 58% YoY to Rs 63.5 bn. Personal loans up 86% to 10.1 bn.
- Deposits of the Bank grew by 53% to Rs 65.7 bn (including current and savings deposits of Rs 12.5 bn) as on March 31, 2006 from Rs 43.0 bn (including current and savings deposits of Rs 5.4 bn) as on March 31, 2005. Total number of deposit accounts was around 1,68,200 as on March 31, 2006 (66,400 as on March 31, 2005).
- PBT of the retail lending segment was up 17% to Rs 320.3 mn in Q4FY06 from Rs 274.0 mn in Q4FY05.
- Fees from distribution of financial products were Rs 1,177.9 mn in FY06 up from Rs 260.8 mn in FY05, and in Q4FY06 fees from distribution of financial products were Rs 624.9 mn up from Rs 170.6 mn in Q4FY05. This is one of the primary reasons for a profit in the retail liabilities and branch banking segment for the last quarter and the year. As on March 31, 2006 the mutual fund assets under management distributed by the Bank were around Rs 40.1 bn (Rs 23.3 bn as on March 31, 2005).
- Capital adequacy ratio of the Bank as on March 31, 2006 was 11.27% (12.80% as on March 31, 2005). Tier I ratio was 8.07%.
- The royalty agreement between KMP and the Bank has been terminated with effect from October 4, 2005. Royalty income of Rs 235.1 mn has been considered in FY06 as against Rs 458.1 mn for FY05.

Key Subsidiaries – Highlights

Kotak Mahindra Capital Company – investment banking and primary dealer

Rs million

	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)
Total income (including Hutch)	1,745.6	224.5	402.5	2,598.9	629.6
Profit before tax (excluding Hutch)	350.6	64.3	257.6	764.9	191.3
Profit after tax (excluding Hutch)	267.2	62.3	182.6	565.7	158.2
Profit before tax (including Hutch)	1,407.1	64.3	257.6	1,821.4	191.3
Profit after tax (including Hutch)	1,323.7	62.3	182.6	1,622.2	158.2

- Kotak Investment Banking topped the domestic IPO league tables for the fourth year running as Book Runners (*Source : Prime Database*).
- Kotak Investment Banking was ranked no. 1 in the Bloomberg M&A league tables for calendar year 2005.
- Kotak Investment Banking through its International subsidiaries acted as Joint Global Co-ordinator Joint Book runner to the US\$ 54 mn GDR issue of Dhampur Sugar mills Limited.
- Kotak Investment Banking acted as sole advisors to Mantri Developers, Vimta Labs and Jindal Polyfilms in private equity placement transactions.
- During Q4FY06, Kotak Investment Banking successfully completed domestic equity offerings of Andhra Bank, Bank of Baroda, Union Bank, GVK Power, M&M Financial Services and GSPL.
- Segmental profit for Trading and Principal Investments (excluding Hutch) stood at Rs 201.8 mn for FY06 as compared to profit before tax of Rs 120.1 mn for FY05.

Kotak Securities – stock broking
Rs million

	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)
Total income	2,227.9	1,289.0	1,429.2	6,207.3	3,296.5
Profit before tax	1,225.4	678.4	707.0	3,204.8	1,641.1
Profit after tax	804.1	433.7	490.2	2,155.4	1,055.9

- Kotak Securities had a market share of 8.5% in FY06 (6.3% in FY05).
- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 24.4 bn during FY06 as compared to around Rs 10.6 bn during FY05. For Q4FY06 the average daily volumes were over Rs 35.7bn (Rs 15.6 bn in Q4FY05).
- Average daily volumes on www.kotaksecurities.com (online) during FY06 increased to Rs 2.5 bn from Rs 0.9 bn during FY05. For Q4FY06 the average daily volumes were over Rs 3.8bn (Rs 1.4 bn in Q4FY05).
- AUM in Portfolio Management Services (PMS) was Rs 25.9 bn as on March 31, 2006 (Rs 18.4 bn as on March 31, 2005).
- Kotak Institutional Equities' revenues continued to grow in FY06. The financial year saw an unprecedented increase in FII participation in Indian capital markets. The sustained buoyancy in the capital markets also saw an increase in AUM of domestic mutual funds. Institutional investment coverage increased and also included stocks other than traditional investments in large cap stocks.
- Kotak Institutional equities increased its institutional client base, reach and research coverage. It also achieved strong growth in volumes and market share in the F&O segment. The research team currently covers approximately 117 stocks with a market capitalization of approximately US\$ 490.0 bn, which is approximately 68.0% of the total market capitalization in India.
- Kotak Securities has a network of over 660 offices (own & franchisees) across 232 cities and towns and services over 220,000 secondary market customers.

Kotak Mahindra Prime (formerly known as Kotak Mahindra Primus) – car finance, other lending
Rs million

	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)
Total income	907.1	647.2	747.6	3,032.0	2595.8
Profit before royalty & taxes	137.9	125.2	134.6	546.2	593.9
Profit after royalty before taxes	137.9	9.6	130.7	311.1	135.8
Profit after tax	95.2	13.3	86.2	208.8	92.3

- Receivables for car finance were Rs 30.3 bn as on March 31, 2006, up 17% YoY.
- During the year, in addition to car finance, the company has commenced other retail lending businesses

Kotak Mahindra Asset Management Company and Trustee Company – asset management
Rs million

	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)
Total income	108.0	48.5	103.4	393.1	233.6
Profit before tax (AMC)	4.2	2.6	11.4	78.3	31.2
Profit after tax (AMC)	2.5	2.6	7.1	50.6	28.9
Profit before tax (Trustee Company)	11.0	8.0	9.9	37.7	25.2
Profit after tax (Trustee Company)	7.7	5.1	6.7	25.7	16.1

- Total AUM as on March 31, 2006 was Rs 104.1bn (Rs 66.5 bn as on March 31, 2005). Equity AUM as on March 31, 2006 was Rs 31.3 bn (Rs 12.9 bn as on March 31, 2005).
- Kotak Mutual Fund bagged the Lipper India Fund Award 2006 for Best Bond Fund House and Kotak Bond Regular Plan was ranked the best debt fund over 3 years.
- Kotak Lifestyle NFO during Q4FY06 garnered Rs 8.7 bn from 85,000 investors.
- KMAMC has 47 branches and satellite offices across 47 cities and towns servicing around 436,000 investors.

Kotak Mahindra Old Mutual Life Insurance - life insurance
Rs million

	Q4 FY06	Q4 FY05	Q3 FY06	FY06	FY05
	(3 months)	(3 months)	(3 months)	(12 months)	(12 months)
Premium income	3,639.8	3,206.8	1,209.7	6,218.5	4,661.6
Loss	(12.3)	(56.2)	(120.5)	(432.4)	(458.0)

- Kotak Life Insurance (KLI) premium income grew to Rs 6,218.5 mn in FY06 from Rs 4,661.6 mn in FY05.
- First year premium adjusted for single premium for 1/10th up 82% to Rs 3,510 mn.
- KLI has a network of 45 branches in 34 cities (30 branches in FY05).
- Over 12,500 life advisors
- Offers wide range of products comprising 15 individual, 5 group and 1 rural policy.
- As on March 31, 2006, KLI had around 190,000 individual policies on books representing a basic sum assured of approximately Rs 85.8 bn (excluding riders). Additionally, the company had around 125 group policies covering over 152,000 lives with an aggregate sum assured of approximately Rs 41.2 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.

This document is not an offer of securities for sale in the United States of America. Securities may not be offered or sold in the United States of America unless they are registered or exempt from registration. Any public offering of securities to be made in the United States of America will be made by means of a prospectus that will contain detailed information about the Kotak Mahindra Group and management, as well as financial statements.

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.

Contact

Pooja Sabharwal

Genesis Burson-Marsteller

Tel: +91 22 66607681

Fax: +91 22 24911788

E-mail: pooja.sabharwal@bm.com**Jaimin Bhatt / Naozad Sirwalla**

Kotak Mahindra Bank Limited

Tel: +91 22 66581100

Fax: +91 22 22855577

E-mail: jaimin.bhatt@kotak.com / naozad.sirwalla@kotak.com