



Earnings Update – Q1 FY07

Unaudited Results

July 20, 2006





The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on July 20, 2006, took on record the unaudited financial results for the quarter ended June 30, 2006.

Highlights

- Consolidated total income up 70% to Rs 7,765.8 mn in Q1FY07 from Rs 4,555.1 in Q1FY06.
- Consolidated PAT up 125% to Rs 1,044.3 mn in Q1FY07 from Rs 464.7 mn in Q1FY06.
- Consolidated advances up 38% YoY to Rs 106.5 bn as on June 30, 2006, with retail loans comprising 86% of the portfolio. Consolidated NIM for Q1FY07 at 5.3%.
- The Group employee strength was around 7,800 as on June 30, 2006 (over 4,800 employees as on June 30, 2005).
- Net Interest Income (NII) of the Bank (Standalone) for Q1FY07 up 61% to Rs 1,114.1 mn.
- PAT of the Bank (Standalone) up 21% to Rs 239.1 mn in Q1FY07 from Rs 196.8 mn in Q1FY06. This is after considering a) additional standard provision of Rs 29.6 mn; b) provision for employee benefit as per revised AS 15 Rs 50.6 mn; c) royalty income of Rs Nil from Kotak Mahindra Prime (royalty income in Q1FY06 was Rs 115.7 mn) d) negative contribution from the stressed asset business during Q1FY06.
- Capital adequacy ratio of the Bank as on June 30, 2006 was 14.7% (12.5% as on June 30, 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).
- Other income of the Bank (Standalone) up 78% to Rs 642.9 mn in Q1FY07 from Rs 360.3 mn in Q1FY06. Of this fees from distribution of financial products were Rs 292.2 mn in Q1FY07 up from Rs 91.6 mn in Q1FY06.



- Deposits of the Bank grew by 57% to Rs 76.5 bn (including current and savings deposits of Rs 12.5 bn) as on June 30, 2006 from Rs 48.8 bn (including current and savings deposits of Rs 7.9 bn) as on June 30, 2005. Total number of deposit accounts were around 200,000 as on June 30, 2006 (86,300 as on June 30, 2005).
- Bank emerged winner in 33 categories in the Asiamoney Private Banking Poll 2006; including the Best Private Bank award in Southern Asia.
- Kotak Investment Bank was awarded "Best Investment Bank In India" for 2006 by FinanceAsia.
- Kotak Securities clocked average daily volumes of over Rs 40.4 bn during Q1FY07 (Rs 14.6 bn in Q1FY06).
- Total assets managed/ advised by the Group were Rs 182.3 bn (Rs 105.3 bn as on June 30, 2005).
- On May 31, 2006, Kotak Group completed the buy out of 25% stake held by Goldman Sachs Mauritius LLC (GS) in Kotak Mahindra Capital Company Limited (KMCC) and Kotak Securities Limited (KS) for Rs 3,330.0 mn. As a result, from May 31, 2006, KMCC and KS have become wholly owned subsidiaries of the Bank. The transaction has resulted in increase in the consolidated net worth by Rs. 281.5 mn.
- Trading and Principal Division (including Primary Dealership) of KMCC is proposed to be de-merged into the Bank subject to necessary approvals. It is envisaged that as a result of this proposed restructuring, net worth around Rs 1,750.0 mn will get consolidated into the Bank.
- Trading and clearing operations and strategic division of Kotak Mahindra Securities Limited (KMSL) is proposed to be de-merged into KMCC subject to necessary approvals. Subsequent to the de-merger, KMSL shall carry on fund management business for alternate asset classes.
- On account of adoption of the revised Accounting Standard 15 (AS 15) on Employee Benefits, the impact on opening networth is Rs. 102.3 mn for the Bank (Standalone) and Rs. 171.5 mn for the consolidated financials. The impact for Q1FY07 is Rs 50.6 mn for the Bank (Standalone) and Rs 81.5 mn for the consolidated financials.

Note :

On March 1, 2006, Kotak Group sold its entire effective economic interest of 3.2% (at the Bank shareholder level) in Hutchison Essar Limited (Hutch) resulting in a consolidated post tax profit of Rs 3.87 bn. In order to facilitate comparison, all numbers for Q4FY06 and FY06 in this document are excluding the profit on sale of stake in Hutch.

Consolidated Financials

Revenues

Rs million

	Q1 FY07	Q1 FY06	Growth (%) YOY	Q4 FY06	FY06
	(3 months)	(3 months)		(3 months)	(12 months)
Financing activities	3,043.4	1,892.7	61%	2,852.0	9,404.1
Fee Income *	2,464.6	1,397.2	76%	3,243.6	8,595.5
Premium income	1,213.9	569.6	113%	3,617.7	6,121.2
Treasury / Investments	724.9	535.6	35%	1,287.6	3,699.7
Others	319.0	160.0	99%	250.5	720.6
Total Revenues	7,765.8	4,555.1	70%	11,251.3	28,541.1

* Brokerage income is net of sub brokerage

Profits

Rs million

	Q1 FY07	Q1 FY06	Growth (%) YOY	Q4 FY06	FY06
	(3 months)	(3 months)		(3 months)	(12 months)
Profit before tax excl. retail liabilities & branch banking and life insurance	1,912.6	1,151.5	66%	2,087.4	6,557.9
<i>Retail liabilities</i>	(27.5)	(136.2)	-	232.1	17.8
<i>Life insurance</i>	(133.0)	(149.0)	-	(1.2)	(413.4)
Profit Before Tax	1,752.1	866.4	102%	2,318.3	6,162.3
PAT (after MI/ associates)	1,044.3	464.7	125%	1,308.1	3,424.6
EPS (diluted) (Rs) *	3.24	1.50	116%	4.22	11.01

* Adjusted for 3:2 bonus issued in August 2005

Consolidated Financials

Assets

Rs million

	As on June 30, 2006	As on June 30, 2005	Growth (%) YOY	As on March 31, 2006
Advances *				
• Commercial vehicles	19,943	17,521	14%	18,731
• Auto loans	29,466	27,178	8%	30,637
• Personal loans	11,691	6,396	83%	10,069
• Home loans	11,639	5,219	123%	9,707
• Corporate Banking	15,127	9,510	59%	13,357
• Others	18,661	11,382	64%	21,698
Total Advances	106,526	77,207	38%	104,199
Investments / Treasury Assets	49,764	30,378	64%	50,487
Total Assets	156,290	107,585	45%	154,686

* Assets securitised in Q1FY07: Commercial vehicles – Rs 996.8 mn, Corporate Banking – Rs 500.0 mn, Auto loans – Rs 970.0 mn

Liabilities

Rs million

	As on June 30, 2006	As on June 30, 2005	Growth (%) YOY	As on March 31, 2006
Deposits	59,307	43,390	37%	56,167
Borrowings	59,158	40,014	48%	57,979



Consolidated Financials

Analytical Ratios

	As on June 30, 2006	As on June 30, 2005	As on March 31, 2006
Net-worth before minority interest (Rs mn)	28,411	18,810	25,402
Net-worth after minority interest (Rs mn)	28,158	15,138	22,471
Book value per share (Rs) *	86.71	49.10	72.65
Net Interest Margin (%)	5.3%	5.1%	5.1%
Gross NPAs (Rs mn)	662	492	520
Net NPAs (Rs mn)	275	255	235
Net NPAs (%)	0.26%	0.30%	0.23%
Return on average Net-worth (%)	16.5%	12.5%	20.6%
Pre-Tax Return on average net-worth (%) (before retail liabilities and life insurance businesses)	30.2%	31.1%	39.5%

* Adjusted for 3:2 bonus issued in August 2005

Company-wise Profit After Tax

Rs million

	Q1 FY07	Q1 FY06	Growth (%) YOY	Q4 FY06	FY06
	(3 months)	(3 months)		(3 months)	(12 months)
Kotak Mahindra Bank (Standalone)	239.1	196.8	21%	347.3	1,182.3
Kotak Mahindra Capital Company	129.5	34.4	276%	267.2	565.7
Kotak Securities	688.0	340.0	102%	804.1	2,155.4
Kotak Mahindra Prime	111.7	13.3	740%	95.2	208.8
Kotak Mahindra AMC & Trustee Co	33.4	19.3	73%	10.2	76.3
Kotak Mahindra Old Mutual Life Insurance	(137.5)	(150.5)	-	(12.3)	(432.4)
Kotak Mahindra Investments	55.5	48.1	15%	82.1	278.0
International subsidiaries	49.7	0.7	-	25.3	133.3
Others	0.8	34.0	-98%	(2.6)	67.9
Total consolidated profit after tax	1,170.2	536.2	118%	1,616.7	4,235.3
Equity Affiliates	42.8	1.2	-	14.3	22.5
Minority interest- Goldman JVs #	(158.4)	(102.7)	54%	(272.9)	(730.7)
Balance MI and other adjustments	(10.3)	30.1	-	(50.1)	(102.6)
PAT (after minority interest / adjustments)	1,044.3	464.7	125%	1,308.1	3,424.6

For Q1FY07, Minority interest – Goldman JV's has been considered upto May 30, 2006 as KMCC and KS have become wholly owned subsidiaries of the Bank from May 31, 2006



Kotak Mahindra Bank – Standalone

Rs million

Segmental Revenue	Q1 FY07	Q1 FY06	Q4 FY06	FY06
	(3 months)	(3 months)	(3 months)	(12 months)
Lending	1,624.0	1,006.9	1,492.6	4,928.0
Corporate Banking	833.1	315.1	633.3	1,817.0
Retail liabilities	736.9	206.2	957.8	2,019.8
Treasury and Investments	652.0	480.1	339.6	1,884.1
Venture Fund Management	44.2	20.0	44.2	176.8
Corporate Centre	-	139.3	101.0	547.8
Inter-segment revenue	(825.1)	(400.3)	(636.3)	(2,006.3)
Un-allocable revenue(net)	-	-	2.3	2.3
Total Revenue	3,065.2	1,767.3	2,934.5	9,369.5
Profit before tax	371.6	307.3	513.9	1,736.0
Provision for tax	132.5	110.5	166.6	553.7
Profit after tax	239.1	196.8	347.3	1,182.3

Rs million

Segmental PBT	Q1 FY07	Q1 FY06	Q4 FY06	FY06
	(3 months)	(3 months)	(3 months)	(12 months)
Lending	158.7	277.3	320.3	1,146.1
Corporate Banking	194.2	60.2	122.5	386.6
Retail liabilities	(27.5)	(136.2)	232.1	17.8
Treasury	22.8	(16.3)	(163.9)	(173.9)
Venture Fund Management	23.4	11.2	15.7	86.4
Corporate Centre	-	111.1	(15.1)	270.6
Un-allocable revenue(net)	-	-	2.3	2.3
Total PBT	371.6	307.3	513.9	1,736.0

As a result of cessation of a significant part of revenues in the corporate centre segment, effective April 1, 2006, corporate centre ceases to be a segment. Hence, the segment results are not comparable.

Kotak Mahindra Bank – Standalone
Assets
Rs million

	As on June 30, 2006	As on June 30, 2005	Growth (%) YOY	As on March 31, 2006
Advances *				
• Commercial vehicles	19,943	17,521	13.8%	18,731
• Personal loans	11,691	6,396	82.8%	10,069
• Home loans	11,639	5,219	123.0%	9,707
• Corporate Banking	15,128	9,510	59.1%	13,358
• Others	14,114	4,916	187.1%	11,620
Total Advances	72,515	43,562	66.5%	63,485
Investment / Treasury Assets	28,210	20,862	35.2%	28,555
Total Assets	100,725	64,424	56.3%	92,041

- *Assets securitised in Q1FY07: Commercial vehicles – Rs 996.8 mn, Corporate Banking – Rs 500.0 mn*

Liabilities
Rs million

	As on June 30, 2006	As on June 30, 2005	Growth (%) YOY	As on March 31, 2006
Deposits	76,489	48,819	56.7%	65,659
Borrowings	13,418	7,937	69.0%	16,092

Bank Performance Highlights

- As on June 30, 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 Q1 FY07 was up 61% YoY to Rs 1,114.1 mn (Rs 693.0 mn in Q1FY06).
- PAT of the Bank (Standalone) up 21% to Rs 239.1 mn in Q1FY07 from Rs 196.8 mn in Q1FY06. This is after considering a) additional standard provision of Rs 29.6 mn; b) provision for employee benefit as per revised AS 15 Rs 50.6 mn; c) royalty income of Rs Nil from Kotak Mahindra Prime (royalty income in Q1FY06 was Rs 115.7 mn) d) negative contribution from the stressed asset business during Q1FY06.
- Advances up 67% YoY to Rs 72.5 bn. Personal loans up 83% to Rs 11.7 bn.
- Deposits of the Bank grew by 57% to Rs 76.5 bn (including current and savings deposits of Rs 12.5 bn) as on June 30, 2006 from Rs 48.8 bn (including current and savings deposits of Rs 7.9 bn) as on June 30, 2005. Total number of deposit accounts were around 200,000 as on June 30, 2006 (86,300 as on June 30, 2005).
- Bank emerged winner in 33 categories in the Asiamoney Private Banking Poll 2006; including the Best Private Bank award in Southern Asia.
- Fees from distribution of financial products were Rs 292.2 mn in Q1FY07 up from Rs 91.6 mn in Q1FY06.
- Capital adequacy ratio of the Bank as on June 30, 2006 was 14.7% (12.5% as on June 30, 2005).
- During Q1FY07 the Bank issued Rs 329.0 mn of Bonds eligible to be classified as Tier II Capital. As on June 30, 2006, the Bank had issued Rs 2,729.0 mn of such Bonds.
- Following the circulars issued by RBI, during Q1FY07, the Bank has increased its provision on standard assets from 0.50% to 0.63% in respect of personal loans and from 0.40% to 0.55% in respect of loans and advances qualifying as capital market exposure, residential housing loans beyond Rs 2.0 mn and commercial real estate loans. This has resulted in an increase in provision on standard assets by Rs. 29.6 mn in Q1FY07.

Key Subsidiaries – Highlights

Kotak Mahindra Capital Company – investment banking and primary dealer

Rs million

	Q1 FY07	Q1 FY06	Growth (%)	Q4 FY06	FY06
	(3 months)	(3 months)	YOY	(3 months)	(12 months)
Total income	442.2	188.9	134%	689.1	1,542.4
Profit before tax	170.7	42.2	305%	350.6	764.9
Profit after tax	129.5	34.4	276%	267.2	565.7

- Kotak Investment Bank was awarded “Best Investment Bank In India” for 2006 by FinanceAsia.
- Kotak Investment Banking acted as sole financial advisor to Mahindra Group on acquisition of the Chakan unit of Amforge.
- Kotak Investment Banking through its International subsidiaries acted as Joint Global Co-ordinator and Joint Book runner to two GDR issues aggregating to US\$ 270 mn.
- Kotak Investment Banking also completed the domestic equity offering of Sun TV of Rs 6.0 bn.
- Mandated by the Bombay Stock Exchange to find a strategic partner
- Segmental profit before tax for Trading and Principal Investments stood at Rs 84.5 mn for Q1FY07 as compared to a loss of Rs 53.3 mn for Q1FY06.
- Trading and Principal Division (including Primary Dealership) of KMCC is proposed to be demerged into the Bank subject to necessary approvals.

Kotak Securities – stock broking
Rs million

	Q1 FY07	Q1 FY06	Growth (%) YOY	Q4 FY06	FY06
	(3 months)	(3 months)		(3 months)	(12 months)
Total income	2,141.4	1,033.3	107%	2,227.9	6,207.3
Profit before tax	1,010.4	493.5	105%	1,225.4	3,204.8
Profit after tax	688.0	340.0	102%	804.1	2,155.4

- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 40.4 bn during Q1FY07 as compared to around Rs 14.6 bn during Q1FY06. Average daily volumes for FY 06 were Rs 24.4 bn.
- Average daily volumes on www.kotaksecurities.com (online) during Q1FY07 increased to Rs 4.7 bn from Rs 1.4 bn during Q1FY06. Average daily volumes for FY 06 were around Rs 2.5 bn.
- AUM in Portfolio Management Services (PMS) was Rs 20.9 bn as on June 30, 2006 (Rs 20.8 bn as on June 30, 2005).
- Kotak Institutional Equities continues to maintain the fast pace of growth in revenues. Q1FY07 has seen the division increase its institutional client base, reach and research coverage. The division has also achieved record growth in volumes and market share in the F&O segment.
- Kotak Securities has a network of over 746 offices (own & franchisees) across 249 cities and towns and services over 245,000 secondary market customers.

Kotak Mahindra Prime – car finance, other lending
Rs million

	Q1 FY07	Q1 FY06	Growth (%) YOY	Q4 FY06	FY06
	(3 months)	(3 months)		(3 months)	(12 months)
Total income	962.0	670.9	43%	907.1	3,032.0
Profit before royalty & taxes	162.9	135.9	20%	137.8	546.2
Profit after royalty before taxes	162.9	20.2	706%	137.8	311.1
Profit after tax	111.7	13.3	740%	95.2	208.8

- Receivables for car finance were Rs 28.9 bn as on June 30, 2006. During Q1FY07, KMP has securitised receivables of Rs 970.0 mn.

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

	Q1 FY07	Q1 FY06	Growth (%) YOY	Q4 FY06	FY06
	(3 months)	(3 months)		(3 months)	(12 months)
Total income	136.2	79.8	71%	108.0	393.1
Profit before tax (AMC)	33.7	21.8	55%	4.3	78.3
Profit after tax (AMC)	21.0	14.2	48%	2.5	50.6
Profit before tax (Trustee Company)	17.4	7.5	131%	11.0	37.7
Profit after tax (Trustee Company)	12.4	5.1	144%	7.7	25.7

- Total AUM as on June 30, 2006 was Rs 110.1 bn (Rs 65.0 bn as on June 30, 2005). Equity AUM as on June 30, 2006 was Rs 27.0 bn (Rs 10.6 bn as on June 30, 2005).
- KMAMC has 48 branches and satellite offices servicing over 461,000 investors.

Kotak Mahindra Old Mutual Life Insurance - life insurance
Rs million

	Q1 FY07	Q1 FY06	Growth (%) YOY	Q4 FY06	FY06
	(3 months)	(3 months)		(3 months)	(12 months)
Premium income	1,236.6	592.0	109%	3,639.8	6,218.5
Loss	(137.5)	(150.5)	-	(12.3)	(432.4)

- Kotak Life Insurance (KLI) premium income grew to Rs 1,236.6 mn in Q1 FY07 from Rs 592.0 mn in Q1 FY06.
- KLI has a network of 51 branches in 39 cities (45 branches in FY06).
- As on June 30, 2006, KLI had over 198,000 individual policies on books representing a basic sum assured of approximately Rs 91.9 bn (excluding riders). Additionally, KLI had around 143 group policies covering 173,900 lives with an aggregate sum assured of approximately Rs 53.9 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

Biswadeep Gupta

Genesis Burson-Marsteller

Tel: +91 22 66607681

Fax: +91 22 24911788

E-mail: biswadeep.gupta@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