



Earnings Update – Q2 FY07

Unaudited Results

October 19, 2006



The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on October 19, 2006, took on record the unaudited financial results for the quarter ended September 30, 2006.

Highlights

- Consolidated total income up 46% to Rs 9,035.0 mn in Q2FY07 from Rs 6,199.0 in Q2FY06.
- Consolidated PAT up 13% to Rs 939.0 mn in Q2FY07 from Rs 833.6 mn in Q2FY06. H1FY07 consolidated PAT up 53% YoY to Rs 1,983.3 mn.
- Consolidated advances up 48% YoY to Rs 120.7 bn as on September 30, 2006, with retail loans comprising 84% of the portfolio. Consolidated NIM for Q2FY07 at 5.1% (5.4% in Q2FY06).
- The Group employee strength was around 8,800 as on September 30, 2006 (5,200 employees as on September 30, 2005).
- As on September 30, 2006, the Bank had 78 full-fledged bank branches (44 branches as on September 30, 2005) across 49 towns and cities.
- Net Interest Income (NII) of the Bank (Standalone) for Q2FY07 up 65% to Rs 1,412.8 mn.
- PAT of the Bank (Standalone) up 12% to Rs 348.0 mn in Q2FY07 from Rs 311.7 mn in Q2FY06. This is after considering a) additional standard provision consequent to change in RBI guidelines of Rs 42.7 mn; b) provision for employee benefit as per revised AS 15 Rs 25.1 mn; c) royalty income of Rs Nil from Kotak Mahindra Prime (royalty income in Q2FY06 was Rs 111.5 mn).
- Capital adequacy ratio of the Bank as on September 30, 2006 was 12.38% (11.16% as on September 30, 2005). Tier I ratio was 9.69%.
- Deposits of the Bank grew by 49% to Rs 81.9 bn (including current and savings deposits of Rs 16.9 bn) as on September 30, 2006 from Rs 55.0 bn (including current and savings deposits of Rs 12.2 bn) as on September 30, 2005. Total number of deposit accounts were over 255,000 as on September 30, 2006 (113,000 as on September 30, 2005).
- Kotak Securities topped the Asiamoney 2006 Brokers Poll as the Best Local Broker. It was also awarded the Best Broker in India by Finance Asia.
- Kotak Mahindra Asset Management Company adjudged the best Mutual Fund House in the NDTV Business Leadership Award 2006.
- Total assets managed/ advised by the Group were Rs 210.5 bn (Rs 130.7 bn as on September 30, 2005).
- On account of adoption of the revised Accounting Standard (AS 15) on Employee Benefits, the impact for Q2FY07 is Rs 25.1 mn for the Bank (Standalone) and Rs 64.7 mn for the consolidated financials.

Consolidated Financials

Revenues

Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Financing activities	3,403.5	2,371.5	3,043.4	6,446.9	4,316.0	49.4%	9,404.1
Fee Income *	1,914.4	2,042.9	2,464.6	4,379.0	3,428.1	27.7%	8,595.5
Premium income	1,616.5	756.3	1,213.9	2,830.4	1,325.9	113.5%	6,121.2
Treasury / Investments	1,884.0	864.5	724.9	2,608.9	1,412.1	84.8%	3,699.7
Others	216.6	163.9	319.0	535.6	272.0	96.9%	720.6
Total Revenues	9,035.0	6,199.0	7,765.8	16,800.8	10,754.1	56.2%	28,541.1

* Brokerage income is net of sub brokerage

Profits

Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Profit before tax excl. retail liabilities & branch banking and life insurance	1,570.9	1,690.1	1,912.6	3,483.5	2,843.0	22.5%	6,557.9
<i>Retail liabilities</i>	(71.5)	(24.6)	(27.5)	(99.0)	(160.7)	-	17.8
<i>Life insurance</i>	(165.9)	(149.1)	(133.0)	(298.9)	(299.5)	-	(413.4)
Profit Before Tax	1,333.4	1,516.4	1,752.1	3,085.5	2,382.8	29.5%	6,162.3
PAT (after MI/ associates)	939.0	833.6	1,044.3	1,983.3	1,298.3	52.8%	3,424.6
EPS (diluted) (Rs) (non annualised)	2.86	2.69	3.24	6.08	4.20	44.8%	11.01

Consolidated Financials

Assets

Rs million

	As on September 30, 2006	As on September 30, 2005	Growth (%) YOY	As on March 31, 2006
Advances				
• Commercial vehicles	21,698	18,029	20%	18,731
• Auto loans	31,334	28,299	11%	30,637
• Personal loans	13,914	7,598	83%	10,069
• Home loans	13,225	6,294	110%	9,707
• Corporate Banking	19,451	9,232	111%	13,357
• Others	21,048	11,880	77%	21,698
Total Advances	120,671	81,333	48%	104,199
Investments / Treasury Assets	61,022	37,537	63%	50,487
Total Assets	181,693	118,870	53%	154,686

Liabilities

Rs million

	As on September 30, 2006	As on September 30, 2005	Growth (%) YOY	As on March 31, 2006
Deposits	68,756	49,315	39%	56,167
Borrowings	66,608	41,966	59%	57,979

Consolidated Financials

Analytical Ratios

	As on September 30, 2006	As on September 30, 2005	As on March 31, 2006
Net-worth (Rs mn)	29,153	15,981	22,471
Book value per share (Rs)	89.69	51.83	72.65
Net Interest Margin (%)	5.1%	5.4%	5.1%
Net NPAs (%) (excluding stressed assets portfolio)	* 0.20%	0.32%	0.21%
Return on average Net-worth (%)	15.4%	16.9%	20.6%
Pre-Tax Return on average net-worth (%) (before retail liabilities and life insurance businesses)	27.0%	37.1%	39.5%

* Net NPA including stressed assets portfolio as on September 30, 2006 was 0.44%

Company-wise Profit After Tax

Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Kotak Mahindra Bank (Standalone)	348.0	311.7	239.1	587.1	508.5	15.4%	1,182.3
Kotak Mahindra Prime	109.2	14.1	111.7	220.8	27.5	704.4%	208.8
Kotak Mahindra Capital Company	154.2	81.5	129.5	283.7	116.0	144.7%	565.7
Kotak Securities	314.3	521.1	688.0	1,002.4	861.1	16.4%	2,155.4
International subsidiaries	24.7	38.5	49.7	74.5	39.2	90.0%	133.3
Kotak Mahindra AMC & Trustee Co	45.7	33.0	33.4	79.0	52.3	51.2%	76.3
Kotak Mahindra Old Mutual Life Insurance	(169.0)	(149.1)	(137.5)	(306.5)	(299.5)	-	(432.4)
Kotak Mahindra Investments	21.7	82.5	55.5	77.2	130.6	-40.9%	278.0
Others	0.6	33.7	0.8	1.5	67.7	-	67.9
Total consolidated profit after tax	849.4	967.1	1,170.2	2,019.7	1,503.3	34.3%	4,235.3
Equity Affiliates	45.9	(2.9)	42.8	88.7	(1.7)	-	22.5
Minority interest and other adjustments	43.6	(130.6)	(168.7)	(125.1)	(203.3)	-	(833.3)
PAT (after minority interest / adjustments)	939.0	833.6	1,044.3	1,983.3	1,298.3	52.8%	3,424.6

Kotak Mahindra Bank – Standalone

Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Lending	1,964.7	1,270.7	1,624.0	3,588.8	2,277.6	57.6%	4,928.0
Corporate Banking	807.5	409.7	833.1	1,640.6	724.9	126.3%	1,817.0
Retail Liabilities	743.0	411.7	736.9	1,480.0	617.9	139.5%	2,019.8
Treasury and Investments	992.5	525.6	652.0	1,644.5	1,005.7	63.5%	1,884.1
Venture Fund Management	50.7	34.8	44.2	94.9	54.8	73.2%	176.8
Corporate Centre	-	159.8	-	-	299.1	-	547.8
Inter-segment revenue	(982.0)	(453.8)	(825.1)	(1,807.0)	(854.1)	-	(2,006.3)
Un-allocable revenue(net)		-		-	-	-	2.3
Total Revenue	3,576.4	2,358.5	3,065.2	6,641.6	4,125.9	61.0%	9,369.5
Profit before tax	512.8	473.3	371.6	884.4	780.6	13.3%	1,736.0
Provision for tax	164.8	161.6	132.5	297.3	272.1	-	553.7
Profit after tax	348.0	311.7	239.1	587.1	508.5	15.5%	1,182.3

Rs million

Segmental PBT	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Lending	298.0	283.1	158.7	456.6	560.4	-18.5%	1,146.1
Corporate Banking	202.7	105.1	194.2	396.9	165.3	140.1%	386.6
Retail Liabilities	(94.0)	(24.6)	(27.5)	(121.5)	(160.7)	-	17.8
Treasury and Investments	87.2	9.3	22.8	110.0	(7.0)	-	(173.9)
Venture Fund Management	19.0	12.2	23.4	42.4	23.4	81.4%	86.4
Corporate Centre	-	88.2	-	-	199.3	-	270.6
Un allocable Expenditure				-	-	-	2.3
Total PBT	512.8	473.3	371.6	884.4	780.6	13.3%	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 September 30, 2006	As on September 30, 2005	Growth (%) YOY	As on March 31, 2006
Advances				
• Commercial vehicles	21,698	18,029	20.4%	18,731
• Personal loans	13,903	7,598	83.0%	10,069
• Home loans	13,225	6,294	110.1%	9,707
• Corporate Banking	19,538	9,286	110.4%	13,358
• Others	15,500	5,778	168.3%	11,620
Total Advances	83,864	46,985	78.5%	63,485
Investment / Treasury Assets	37,102	26,217	41.5%	28,555
Total Assets	120,966	73,202	65.2%	92,041

Liabilities
Rs million

	As on September 30, 2006	As on September 30, 2005	Growth (%) YOY	As on March 31, 2006
Deposits	81,940	54,979	49.0%	65,659
Borrowings	24,671	9,309	165.0%	16,092

Bank Performance Highlights

- As on September 30, 2006, the Bank had 78 full-fledged bank branches (44 branches as on September 30, 2005) across 49 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 (Standalone) for Q2FY07 up 64% YoY to Rs 1,412.8 mn (Rs 861.5 mn in Q2FY06).
- PAT of the Bank (Standalone) up 12% to Rs 348.0 mn in Q2FY07 from Rs 311.7 mn in Q2FY06. This is after considering a) additional standard provision consequent to the change in RBI guidelines of Rs 42.7 mn; b) provision for employee benefit as per revised AS 15 Rs 25.1 mn; c) royalty income of Rs Nil from Kotak Mahindra Prime (royalty income in Q2FY06 was Rs 111.5 mn).
- Advances up 79% YoY to Rs 83.9 bn. Personal loans up 83% to Rs 13.9 bn.
- Deposits of the Bank grew by 49% to Rs 81.9 bn (including current and savings deposits of Rs 16.9 bn) as on September 30, 2006 from Rs 55.0 bn (including current and savings deposits of Rs 12.2 bn) as on September 30, 2005. Total number of deposit accounts were over 255,000 as on September 30, 2006 (113,000 as on September 30, 2005).
- Fees from distribution of financial products were Rs 205.7 mn in Q2FY07 (Rs 245.9 mn in Q2FY06).
- Capital adequacy ratio of the Bank as on September 30, 2006 was 12.38% (11.16% as on September 30, 2005). Tier I ratio was 9.69%.
- Following the circulars issued by RBI, the Bank has increased its provision on standard assets from 0.50% to 0.63% in Q1 FY 07 and from 0.63% to 0.75% in Q2 FY 07 in respect of personal loans and from 0.40% to 0.55% in Q1 FY 07 and from 0.55% to 0.70% in Q2 FY 07 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 and Rs 42.7 mn in Q2FY07.

Key Subsidiaries – Highlights

Kotak Mahindra Prime – car finance, other lending

Rs million

	Q2 FY07 (3 months)	Q2 FY06 (3 months)	Q1 FY07 (3 months)	H1 FY07 (6 months)	H1 FY06 (6 months)	FY06 (12 months)
Total income	957.2	706.4	962.0	1,919.2	1,377.3	3,032.0
Profit before royalty & taxes	157.8	137.9	162.9	320.7	273.8	546.2
Profit after royalty before taxes	157.8	22.3	162.9	320.7	42.5	311.1
Profit after tax	109.2	14.1	111.7	220.8	27.5	208.8

Receivables for car finance were Rs 31.3 bn as on September 30, 2006

Kotak Mahindra Capital Company – investment banking and primary dealer

Rs million

	Q2 FY07 (3 months)	Q2 FY06 (3 months)	Q1 FY07 (3 months)	H1 FY07 (6 months)	H1 FY06 (6 months)	FY06 (12 months)
Total income	467.8	254.2	442.2	910.0	443.1	1,542.4
Profit before tax	204.6	114.5	170.7	375.3	156.7	764.9
Profit after tax	154.2	81.5	129.5	283.7	116.0	565.7

- Kotak Investment Banking successfully completed the Rs 4.7 bn domestic equity offering of Tech Mahindra, which was subscribed over 71 times.
- Kotak Investment Banking also acted as Global Co-ordinator and Sole Book runner for two large Qualified Institutional Placements (QIPs) – Rs 3.5 bn Kalpataru Power Transmission and Rs 4.8 bn Mahindra Gesco Developers giving us approximately 80% of the market share of QIP's to date.
- Kotak Investment Banking also acted as financial advisors to Mahindra & Mahindra for their acquisition of 67.9% stake in JECO Holding AG of Germany, the largest outbound auto component acquisition by an Indian Company.
- Kotak Investment Banking acted as sole financial advisors to Raymond in setting up a transnational joint venture denim company with UCO textiles of Belgium, by contribution of their respective existing denim businesses, creating a company with an estimated enterprise value of Euro 200 mn.
- Segmental PBT for Trading and Principal Investments stood at Rs 182.1 mn for H1FY07 as compared to a loss of Rs 36.8 mn for H1FY06.

Kotak Securities – stock broking
Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	1,479.4	1,517.0	2,141.4	3,620.8	2,550.2	6,207.3
Profit before tax	481.8	779.0	1,010.4	1,491.5	1,272.4	3,204.8
Profit after tax	314.3	521.1	688.0	1,002.4	861.1	2,155.4

- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 26.3 bn during Q2FY07 as compared to around Rs 23.0 bn during Q2FY06. Average daily volumes for FY06 were Rs 24.4 bn.
- Average daily volumes on www.kotaksecurities.com (online) during Q2FY07 increased to Rs 3.2 bn from Rs 2.2 bn during Q2FY06. Average daily volumes for FY06 were around Rs 2.5 bn.
- AUM in Portfolio Management Services (PMS) was Rs 23.4 bn as on September 30, 2006 (Rs 25.7 bn as on September 30, 2005).
- Kotak Institutional Equities continues to maintain growth in revenues. H1FY07 has seen the company increase its institutional client base, reach and research coverage. The company has also consolidated its market share in the F&O segment.
- Kotak Securities topped the Asiamoney 2006 Brokers Poll as the Best Local Broker.
- Kotak Securities was awarded the Best Broker in India by Finance Asia for 2006.
- Network of over 762 offices (own & franchisees) across 267 cities and towns and services over 269,000 secondary market customers. .

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

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	136.2	101.7	137.5	273.7	181.5	393.1
Profit before tax (AMC)	52.8	40.9	33.7	86.5	62.7	78.3
Profit after tax (AMC)	34.5	26.8	21.0	55.5	41.0	50.6
Profit before tax (Trustee Company)	16.5	9.3	17.4	33.9	16.8	37.7
Profit after tax (Trustee Company)	11.2	6.2	12.4	23.6	11.3	25.7

- Total AUM as on September 30, 2006 was Rs 117.0 bn (Rs 82.2 bn as on September 30, 2005). Equity AUM as on September 30, 2006 was Rs 28.9 bn (Rs 17.1 bn as on September 30, 2005).
- KMAMC has 52 branches and satellite offices servicing over 472,000 investors.
- KMAMC adjudged the best Mutual Fund House in the NDTV Business Leadership Award 2006.
- NFO of Kotak Twin Advantage Series 3 during Q2FY06 garnered Rs 3.2 bn.

Kotak Mahindra Old Mutual Life Insurance - life insurance
Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Gross premium income	1,678.5	776.7	1,236.6	2,915.1	1,368.7	6,218.5
Loss	(169.0)	(149.1)	(137.5)	(306.4)	(299.5)	(432.4)

- Kotak Life Insurance (KLI) premium income grew 165% to Rs 1,678.5 mn in Q2FY07 from Rs 776.7 mn in Q2FY06.
- KLI has a network of 55 branches in 37 cities (45 branches in FY06).
- As on September 30, 2006, KLI had over 218,000 individual policies on books representing a basic sum assured of Rs 99.4 bn (excluding riders). Additionally, KLI had around 161 group policies covering over 231,000 lives with an aggregate sum assured of around Rs 66.1 bn.

Safe Harbor

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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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