



KOTAK MAHINDRA BANK LIMITED

Earnings Update – Q3 FY06 Unaudited Results

January 17, 2006

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The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on January 17, 2006, took on record the unaudited financial results for the quarter ended December 31, 2005.

Performance Highlights

- Consolidated total income up 65% YoY to Rs 6,535.7 mn in Q3FY06 from Rs 3,969.1 mn in Q3FY05.
- Consolidated PBT up 91% to Rs 1,465.0 mn in Q3FY06 from Rs 768.5 mn in Q3FY05.
- Consolidated PAT up 88% to Rs 818.1 mn in Q3FY06 from Rs 434.3 mn in Q3FY05.
- Consolidated advances up 44% YoY to Rs 89.9 bn as on December 31, 2005, with retail loans comprising 89% of the portfolio.
- The group employee strength was around 6,000 as on December 31, 2005 (around 4,100 employees as on December 31, 2004).
- Net Interest Income (NII) of the Bank (Standalone) for Q3FY06 up 59% YoY to Rs 913.1 mn. Net Interest Margin of the Bank for Q3FY06 was 4.6%.
- PAT of the Bank (Standalone) up 71% to Rs 326.4 mn in Q3FY06 from Rs 191.0 mn in Q3FY05.
- Deposits of the Bank grew by 88% to Rs 65.5 bn (including current and savings deposits of Rs 18.5 bn) as on December 31, 2005 from Rs 34.8 bn (including current and savings deposits of Rs 2.9 bn) as on December 31, 2004. Total number of deposit accounts was around 139,700 as on December 31, 2005 (39,600 as on December 31, 2004).
- Kotak Investment Banking topped the Bloomberg India M&A Financial Advisory (India announced deals) league table and the India Advisory Partners Indata League table for the year ended December 2005.
- Kotak Securities clocked average daily volumes of around Rs 25.0 bn during Q3FY06 (around Rs 11.6 bn in Q3FY05).
- Equity assets managed by the group in mutual fund, portfolio management and offshore funds was Rs 65.5 bn as on December 31, 2005 (Rs 32.3 bn as on December 31, 2004), of which AUM in PMS was Rs 24.3 bn as on December 31, 2005 (Rs 17.4 bn as on December 31, 2004).
- During the quarter, the Kotak Mahindra Group ownership in Kotak Mahindra Primus Ltd 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. Further, the name of Kotak Mahindra Primus Ltd has been changed to Kotak Mahindra Prime Ltd (KMP).
- Kotak Mahindra (UK) Ltd received the license to conduct its operation in Dubai from its branch in the Dubai International Finance Centre (DIFC).

Consolidated Financials

Revenues

Rs million

	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	Growth (%)	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)		(12 months)
Financing activities	2,236.1	1,610.9	2,371.5	6,552.1	4,378.0	49.7%	6,227.2
Fee Income	1,923.9	992.2	2,042.9	5,351.9	2,476.7	116.1%	3,980.7
Insurance Premium	1,177.7	686.7	756.3	2,503.6	1,416.5	76.7%	4,608.9
Treasury / Investments	1,000.0	557.2	864.5	2,412.1	1,412.8	70.7%	1,908.4
Others	198.1	122.1	163.9	470.2	272.3	72.7%	386.4
Total Revenues	6,535.7	3,969.1	6,199.0	17,289.8	9,956.3	73.7%	17,111.5

Profits

Rs million

	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	Growth (%)	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)		(12 months)
Total operating profits before retail liabilities and life insurance losses	1,634.7	1,005.9	1,690.1	4,470.4	2,717.4	64.7%	4,018.0
<i>Loss on Retail liabilities and branch banking</i>	(53.5)	(122.4)	(24.6)	(214.2)	(380.2)	-	(464.3)
<i>Loss on Life Insurance</i>	(116.2)	(115.0)	(147.0)	(412.2)	(401.8)	-	(458.0)
Profit Before Tax	1,465.0	768.5	1,516.4	3,844.0	1,932.3	98.9%	3,095.6
PAT (before minority interest/ associates/ adjustments)	964.4	481.3	975.7	2,468.8	1,169.7	111.1%	1,938.9
PAT (after minority interest/ associates / adjustments)	818.1	434.3	833.6	2,116.5	1,066.3	98.5%	1,709.1
EPS (diluted) (Rs) (non annualised) *	2.6	1.4	2.7	6.8	3.6	92.1%	5.7

* Adjusted for 3:2 bonus issued in August 2005

Consolidated Financials

Assets

Rs million

	As on December 31, 2005	As on December 31, 2004	Growth (%) YOY	As on March 31, 2005
Advances				
• Commercial Vehicles	19,080	15,167	25.8%	17,175
• Car Loans	28,711	25,790	11.3%	25,975
• Personal Loans	9,034	4,646	94.5%	5,421
• Home Loans	7,806	2,853	173.6%	4,006
• Corporate + SME	10,278	5,445	88.8%	9,004
• Others	14,958	8,349	79.1%	9,866
Total Advances	89,866	62,250	44.4%	71,447
Investments / Treasury Assets	38,356	23,283	64.7%	27,057
Total Advances and Investments	128,222	85,533	49.9%	98,504

Liabilities

Rs million

	As on December 31, 2005	As on December 31, 2004	Growth (%) YOY	As on March 31, 2005
Deposits	59,155	31,937	85.2%	38,326
Borrowings	43,367	37,065	17.0%	38,073

Consolidated Financials

Analytical Ratios

	As on December 31, 2005	As on December 31, 2004	As on March 31, 2005
Net-worth before minority interest (Rs mn)	19,703	16,865	18,255
Net-worth after minority interest (Rs mn)	17,583	13,428	14,668
Book value per share (Rs)*	56.89	44.78	47.58
Gross NPAs (Rs mn)	686	486	372
Net NPAs (Rs mn)	329	191	202
Net NPAs (%)	0.4%	0.3%	0.3%
Annualised Return on average Net-worth (%)	17.5%	11.0%	12.7%
Annualised Pre-Tax Return on average Net-worth (%) (before loss on branch banking and life insurance businesses)	37.0%	28.1%	29.7%

*Adjusted for 3:2 bonus issued in August 2005

Company-wise Profit After Tax

Rs million

	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	Growth	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(%)	(12 months)
Kotak Mahindra Bank (Standalone)	326.4	191.0	311.7	835.0	618.2	35.1%	848.9
Kotak Mahindra Capital Company	182.6	20.8	81.5	298.6	95.9	211.2%	158.2
Kotak Securities	490.2	256.2	521.1	1,351.3	622.2	117.2%	1,055.9
Kotak Mahindra Prime	86.2	26.8	14.1	113.6	79.0	43.8%	92.3
Kotak Mahindra AMC & Trustee Co	13.8	4.9	33.0	66.1	37.3	76.9%	45.1
Kotak Mahindra Old Mutual Life Insurance	(120.5)	(115.0)	(149.1)	(420.1)	(401.8)	-	(458.0)
Kotak Mahindra Investments	65.2	57.0	82.5	195.8	132.7	47.6%	205.2
International subsidiaries #	68.7	3.7	38.5	107.9	26.9	301.6%	125.4
Others	2.7	14.4	33.7	70.5	15.7	347.4%	37.8
Total consolidated profit after tax	1,115.3	459.7	967.1	2,618.6	1,226.1	113.6%	2,110.7
Less: Minority interest & other adjustments	(307.0)	(36.5)	(130.6)	(510.3)	(182.6)	-	(434.9)
Add: Equity affiliates	9.9	11.1	(2.9)	8.2	22.9	-	33.3
PAT (after minority interest / adjustments)	818.1	434.3	833.6	2,116.5	1,066.3	98.5%	1,709.1

For FY05, the financials for international subsidiaries are for 15 month period from January 2004 to March 2005 and for YTD FY05, they are for 9 month period from January 2005 to September 2005.

Kotak Mahindra Bank – Standalone
Rs million

	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	Growth (%)	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)		(12 months)
Retail Lending	1,157.8	737.2	1,270.7	3,435.4	1,984.6	73.1%	2,935.6
Corporate Banking	458.8	327.7	409.7	1,183.7	801.2	47.7%	1,060.3
Retail Liabilities and Branch Banking	444.2	126.0	411.7	1,062.1	242.9	337.2%	503.5
Treasury	538.9	376.9	525.6	1,544.5	967.9	59.6%	1,339.8
Corporate Centre	225.5	177.8	194.6	579.4	619.0	-6.4%	836.7
Inter-segment revenue	(515.9)	(313.5)	(453.8)	(1,370.0)	(810.4)	-	(1,155.4)
Un-allocable revenue(net)	-	1.1	-	-	4.0	-	3.3
Total Revenue	2,309.2	1,433.2	2,358.5	6,435.1	3,809.1	68.9%	5,523.8
Operating profit before losses on retail liabilities & branch banking	494.9	432.1	497.9	1,436.3	856.9	67.6%	1,648.2
Retail Liabilities and Branch Banking loss	(53.5)	(122.4)	(24.6)	(214.2)	(380.2)	-	(464.3)
Profit before tax	441.4	265.0	473.4	1,222.1	864.2	41.4%	1,183.9
Provision for tax	115.0	74.0	161.6	387.1	246.0	57.4%	335.0
Profit after tax	326.4	191.0	311.7	835.0	618.2	35.1%	848.9

Rs million

Segmental PBT	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	Growth (%)	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)		(12 months)
Retail Lending	265.4	184.0	283.1	825.8	541.8	52.4%	815.8
Corporate Banking	98.7	91.5	105.1	264.1	242.3	9.0%	251.9
Retail Liabilities and Branch Banking	(53.5)	(122.4)	(24.6)	(214.2)	(380.2)	-	(464.3)
Treasury	(2.9)	(36.0)	9.3	(9.9)	(87.6)	-	(148.4)
Corporate Centre	133.6	146.9	100.4	356.4	543.8	-34.5%	725.6
Un allocable Expenditure	-	1.1	-	-	4.0	-	3.3
Total PBT	441.4	265.0	473.4	1,222.1	864.2	41.4%	1,183.9

Kotak Mahindra Bank – Standalone
Assets
Rs million

	As on December 31, 2005	As on December 31, 2004	Growth (%) YOY	As on March 31, 2005
Advances				
• Commercial Vehicles	19,080	15,167	25.8%	17,175
• Personal Loans	9,034	4,646	94.4%	5,421
• Home Loans	7,806	2,853	173.6%	4,006
• Corporate + SME	10,485	5,445	92.6%	9,021
• Others	6,764	2,840	138.1%	4,548
Total Advances	53,169	30,952	71.8%	40,171
Treasury Assets	27,854	16,606	67.7%	18,270
Total Advances and Investments	81,023	47,559	70.4%	58,441

Liabilities
Rs million

	As on December 31, 2005	As on December 31, 2004	Growth (%) YOY	As on March 31, 2005
Deposits	65,497	34,795	88.2%	42,995
Borrowings	9,178	8,633	6.3%	9,855

Bank Performance Highlights

- As on December 31, 2005, the Bank had 53 full-fledged bank branches across 34 cities in India.
- Net Interest Income (NII) of the Bank for Q3FY06 was up 59% YoY to Rs 913.1 mn. Net Interest Margin for Q3FY06 was 4.6%.
- PAT up 71% to Rs 326.4 mn in Q3FY06 from Rs 191.0 mn in Q3FY05.
- Advances up 72% YoY to Rs 53.2 bn.
- Deposits of the Bank grew by 88% to Rs 65.5 bn (including current and savings deposits of Rs 18.5 bn) as on December 31, 2005 from Rs 34.8 bn (including current and savings deposits of Rs 2.9 bn) as on December 31, 2004. Total number of deposit accounts was around 139,700 as on December 31, 2005 (39,600 as on December 31, 2004).
- PBT of the retail lending segment was up 44% to Rs 265.4 mn in Q3FY06 from Rs 184.0 mn in Q3FY05.
- During Q3FY06, the standard provisioning has been increased from 0.25% to 0.40% on advances other than agri finance & SME finance as per RBI guidelines.
- Loss in the retail liabilities & branch banking segment was Rs 53.5 mn in Q3FY06 as compared to Rs 122.4 mn in Q3FY05.
- PBT of the Bank includes Rs 125.6 mn on account of profit on sale of stake in Ford Credit Kotak Mahindra Ltd as part of the realignment of the Joint Ventures with Ford Credit International.
- Fees from distribution of financial products were Rs 215.6 mn in Q3FY06 up from Rs 46.7 mn in Q3FY05. The mutual fund assets under management distributed by the Bank were around Rs 38.0 bn as on December 31, 2005 (Rs 20.6 bn as on December 31, 2004).
- Capital adequacy ratio as on December 31, 2005 was 11.05% (13.73% as on December 31, 2004).
- During Q3FY06 the Bank issued Rs 180 mn of Bonds eligible to be classified as Tier II Capital. As on December 31, 2005, the Bank had issued Rs 2.4 bn of such Bonds.
- 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 YTD FY06 including Rs. 3.7 mn for Q3FY06. In the absence of this termination, royalty for Q3FY06 would have been Rs 115.7 mn.

Key Subsidiaries – Highlights

Kotak Mahindra Capital Company – investment banking and primary dealer

Rs million

	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Total income	402.5	135.3	261.9	853.3	405.1	629.6
Profit before tax	257.6	31.2	114.5	414.3	127.0	191.3
Profit after tax	182.6	20.8	81.5	298.6	95.9	158.2

- Kotak Investment Banking topped the Bloomberg India M&A Financial Advisory (India announced deals) league table and the India Advisory Partners Indata League table for the year ended December 2005.
- Kotak Investment Banking acted as exclusive advisor to Hutchison Essar to the US \$ 1,153 mn acquisition by Hutchison Essar of the cellular business of BPL.
- Kotak Investment Banking acted as financial advisor to the Bilakhias for the US \$ 303 mn transaction for the acquisition of a majority stake in Micro Inks by Hubergroup, Germany. Kotak Investment Banking also acted as Manager to the mandatory open offer launched by Hubergroup.
- Kotak Investment Banking advised Thomas Cook AG in the US \$ 92 mn transaction for divestment of controlling stake in Thomas Cook (India) Limited to Dubai Financial LLC.
- Kotak Investment banking is advising Bain Capital on its indirect acquisition and tender offer to the shareholders of FCI OEN Connectors Limited for a transaction value of US \$ 55 mn.
- In December 2005, the International subsidiaries acted as Joint Global Co-ordinator and Joint Book runner to the US \$ 60 mn GDR issuance by Himatsingka Siede Limited, as Joint Lead Manager and Indian Financial Advisor to the US \$ 99 mn IL&FS Investmart GDR issue.
- During Q3FY06, Kotak Investment Banking successfully completed domestic equity offerings of PVR Cinemas and Punj Lloyd.
- Segmental profit for Trading and Principal Investments stood at Rs 113.8 mn for YTD FY06 as compared to profit before tax of Rs 72.4 mn for YTD FY05.



Kotak Securities – stock broking

Rs million

	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Total income	1,429.2	767.1	1,517.0	3,979.4	2,016.7	3,296.5
Profit before tax	707.0	387.3	779.0	1,979.4	949.3	1,641.1
Profit after tax	490.2	256.2	521.1	1,351.3	622.2	1,055.9

- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 25.0 bn during Q3FY06 as compared to around Rs 11.6 bn during Q3FY05.
- Average daily volumes on www.kotaksecurities.com (online) during Q3FY06 increased to Rs 2,672 mn from Rs 984 mn during Q3FY05.
- AUM in Portfolio Management Services (PMS) was Rs 24.3 bn as on December 31, 2005 (Rs 17.4 bn as on December 31, 2004).
- Kotak Institutional Equities continued to grow revenues in Q3FY06. This has been achieved through continuous investments in its research product, increased emphasis on marketing and client relationships, both in terms of depth and width. Market share from F&O and mutual funds registered a marked increase over Q3FY05.
- Kotak Securities has a network of over 644 offices (own & franchisees) across 203 cities and towns and over 200,000 secondary market clients.

Kotak Mahindra Prime (formerly known as Kotak Mahindra Primus) – car finance

Rs million

	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Total income	747.6	669.0	706.4	2,124.9	1,948.6	2,595.8
Profit before royalty & taxes	134.5	146.7	137.9	408.3	468.7	593.9
Profit after royalty before taxes	130.7	41.8	22.3	173.2	126.2	135.8
Profit after tax	86.2	26.8	14.1	113.6	79.0	92.3

- Receivables for car finance were Rs 28.6 bn as on December 31, 2005, up 13% YoY.
- During this quarter, in addition to car finance, the company has commenced other retail lending businesses.



Kotak Mahindra Asset Management Company – asset management

Rs million

	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Total income	103.4	47.9	101.7	285.1	185.1	233.6
Profit before tax (AMC)	11.4	1.8	40.9	74.1	28.7	31.3
Profit after tax (AMC)	7.1	1.5	26.8	48.1	26.3	28.9
Profit before tax (Trustee Company)	9.9	5.3	9.3	26.7	17.2	25.2
Profit after tax (Trustee Company)	6.7	3.4	6.2	18.0	11.0	16.1

- Total AUM as on December 31, 2005 was Rs 74.0 bn (Rs 53.5 bn as on December 31, 2004). Equity AUM as on December 31, 2005 was Rs 20.2 bn (Rs 8.6 bn as on December 31, 2004).
- In November 2005, the new fund offer for Kotak FMP Series 12 garnered Rs 3 bn.
- KMAMC has 41 branches and satellite offices across 41 cities and towns.

Kotak Mahindra Old Mutual Life Insurance - life insurance

Rs million

	Q3 FY06	Q3 FY05	Q2 FY06	YTD FY06	YTD FY05	FY05
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Gross premium income	1,209.7	695.1	776.7	2,578.4	1,454.8	4,661.6
Loss	(120.5)	(115.0)	(149.1)	(420.1)	(401.8)	(458.0)

- Kotak Life Insurance (KLI) recorded 74% growth in premium income to Rs 1,209.7 mn in Q3FY06 from Rs 695.1 mn in Q3FY05.
- KLI has a network of 44 branches in 34 cities.
- As on December 31, 2005, KLI had over 152,000 individual policies on books representing a basic sum assured of Rs 67.9 bn (excluding riders). Additionally, the company had 96 group policies covering over 125,000 lives with an aggregate sum assured of Rs 32.9 bn.
- During the quarter KLI launched Kotak Privileged Assurance Plan, a unique Unit Linked Insurance Plan that lets investor enjoy maximum equity exposure with capital protection over a short tenure.

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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