



**Earnings Update – Q1 FY08**

**Unaudited Results**

*July 24, 2007*



## **Performance Highlights**

- Consolidated total income up 79% to Rs 13,924 mn in Q1 FY08 from Rs 7,766 mn in Q1 FY07.
- Consolidated PAT (excl Life Insurance) up 43% to Rs 1,642 mn in Q1 FY08 from Rs 1,146 mn in Q1 FY07. Including Life Insurance, consolidated PAT up 40% to Rs 1,459 mn in Q1 FY08 from Rs 1,044 mn in Q1 FY07.
- Consolidated advances up 56% YoY to Rs 166 bn as on June 30, 2007, with retail and commercial loans comprising 87% of the portfolio. Consolidated NIM for Q1 FY08 at 5.1% (5.3% in Q1 FY07).
- The Group employee strength was over 12,300 as on June 30, 2007 (7,800 employees as on June 30, 2006).
- As on June 30, 2007, the Bank had 123 full-fledged bank branches (65 branches as on June 30, 2006) across 87 locations. The Bank targets to have a total of 200 branches by mid next year.
- Net Interest Income (NII) of the Bank (Standalone) for Q1 FY08 was up 77% YoY to Rs 2,120 mn from Rs 1,194 mn in Q1 FY07.
- PAT of the Bank (Standalone) up 99% to Rs 477 mn in Q1 FY08 from Rs 239 mn in Q1 FY07.
- Capital adequacy ratio of the Bank as on June 30, 2007 was 11.3% (14.7% as on June 30, 2006).
- Deposits of the Bank grew by 49% to Rs 114 bn<sup>1</sup> as on June 30, 2007 from Rs 76 bn<sup>1</sup> as on June 30, 2006. CASA deposits<sup>1</sup> comprised 22% of total deposits (16% as on June 30, 2006).
- Kotak Securities clocked average daily volumes of over Rs 40 bn in Q1FY08 (8.3% of total daily average market volumes) (Rs 40 bn in Q1 FY07).
- Total assets managed/ advised by the Group (excluding alternate assets) were Rs 293 bn (Rs 182.3 bn as on June 30, 2006).
- Consolidated Net NPA as at June 30, 2007 excluding stressed asset portfolio is 0.29% (0.24% as on June 30, 2006).
- Total commitments of alternate assets (private equity and real estate funds) under management by the Group were around Rs 30 bn.
- Kotak India Alternate Opportunities Fund with focus on investing in real estate and alternate opportunities received commitments of Rs 16 bn (US\$ 400 mn). Kotak India Venture Fund 1 with focus on investing in biotechnology and allied sectors received commitments of Rs over 2 bn.
- Acted as Global Co-ordinator and Book Running Lead Manager to the Rs 92 billion DLF IPO, the largest IPO in India till date.
- Kotak Investment Bank was awarded the “Best Investment Bank” in the domestic category in India by Finance Asia for two years in a row.
- Kotak Investment Banking was ranked No. 5 in Asia by MergerMarket and No. 3 in India by Bloomberg in the M&A league tables by value for first half of calendar year 2007.
- Kotak Mahindra Capital Company was ranked no 1 for Book runner for domestic IPOs and No. 1 for QIPs and PSU divestments through auctions in Q1 FY08 based on value of deals by Prime Database.
- The Bank has proposed to issue up to 17 mn equity shares, through an offering either in the domestic or international market, subject to approvals.

## Consolidated Financials

### Revenues

Rs million

	Q1 FY08	Q1 FY07	Growth (%) YOY	Q4 FY07	FY07
	(3 months)	(3 months)		(3 months)	(12 months)
Financing activities	5,336	2,986	79%	5,040	15,241
Fee Income *	2,839	2,478	15%	2,972	10,562
Premium income	1,988	1,214	64%	4,581	9,505
Treasury / Investments	3,547	984	260%	1,213	6,769
Others	214	105	104%	427	863
<b>Total Revenues</b>	<b>13,924</b>	<b>7,766</b>	<b>79%</b>	<b>14,233</b>	<b>42,940</b>

\* Brokerage income is net of sub brokerage

### Profits

Rs million

	Q1 FY08	Q1 FY07	Growth (%) YOY	Q4 FY07	FY07
	(3 months)	(3 months)		(3 months)	(12 months)
<b>Profit before tax excl. retail liabilities &amp; branch banking and life insurance</b>	<b>2,656.3</b>	<b>1,912.6</b>	<b>39%</b>	<b>2,615.3</b>	<b>8,766.5</b>
<i>Retail liabilities</i>	(387.2)	(27.5)		(219.2)	(423.3)
<i>Life insurance</i>	(247.4)	(133.0)		(96.1)	(556.3)
<b>Profit Before Tax</b>	<b>2,021.6</b>	<b>1752.1</b>	<b>15%</b>	<b>2,300.0</b>	<b>7,786.9</b>
<b>PAT (after MI/ associates)</b>	<b>1,459.4</b>	<b>1,044.3</b>	<b>40%</b>	<b>1,703.3</b>	<b>5,382.4</b>
<b>EPS (diluted) (Rs)</b>	<b>4.43</b>	<b>3.24</b>		<b>5.18</b>	<b>16.47</b>

## Consolidated Financials

### Assets

*Rs million*

	As on June 30, 2007	As on June 30, 2006	Growth (%) YOY	As on March31, 2007
<b>Advances</b>				
• Commercial vehicles & Construction equipments	27,878	19,943	40%	25,781
• Auto loans	35,697	29,466	21%	36,108
• Personal loans	22,103	11,691	89%	19,763
• Home loans	18,578	11,639	60%	17,533
• Corporate Banking	22,234	15,127	47%	23,785
• Stressed Assets acquired	4,892	3,450	42%	5,123
• Others	34,816	15,211	129%	27,642
<b>Total Advances</b>	<b>166,199</b>	<b>106,526</b>	<b>56%</b>	<b>155,734</b>
Investments/ Treasury Assets	110,838	49,764	123%	91,285
<b>Total Advances and Investments</b>	<b>277,037</b>	<b>156,290</b>	<b>77%</b>	<b>247,019</b>

### Liabilities

*Rs million*

	As on June 30, 2007	As on June 30, 2006	Growth (%) YOY	As on March31, 2007
Deposits	131,171	59,307	121%	96,610
Borrowings	91,371	59,158	54%	99,859

**Consolidated Financials**  
**Analytical Ratios**

	As on June 30, 2007	As on June 30, 2006	As on March 31, 2007
Net-worth (Rs mn)	33,774	28,158	32,330
Book value per share (Rs)	103.5	86.7	99.1
Net Interest Margin (%)	5.1%	5.3%	5.2%
Net NPAs (%) (excluding stressed assets portfolio)	0.29%	0.24%	0.17%
Return on average Net-worth (%)	17.7%	16.5%	19.6%

**Company-wise Profit After Tax**

*Rs million*

	Q1 FY08	Q1 FY07	Growth (%) YOY	Q4 FY07	FY07
	(3 months)	(3 months)		(3 months)	(12 months)
Kotak Mahindra Bank (Standalone)	476.8	239.1	99%	372.6	1,413.7
Kotak Mahindra Prime	137.2	111.7	23%	243.8	573.4
Kotak Mahindra Capital Company	191.7	129.5	48%	205.6	678.7
Kotak Securities	617.8	688.0	-10%	750.7	2,557.1
International subsidiaries	72.1	49.7	45%	79.3	350.1
Kotak Mahindra AMC & Trustee Co	34.2	33.4	2%	12.4	114.7
Kotak Mahindra Investments	78.5	55.5	41%	152.3	262.5
Others	0.6	0.8		(0.4)	0.3
<b>Total consolidated profit after tax (excl Life Insurance)</b>	<b>1,609.0</b>	<b>1,307.7</b>	<b>23%</b>	<b>1,816.2</b>	<b>5,950.5</b>
Equity Affiliates	<b>33.5</b>	<b>42.8</b>		<b>39.5</b>	<b>144.3</b>
Minority interest and other adjustments (excl Life Insurance)	(0.6)	(204.5)		(77.7)	(280.6)
<b>PAT (after minority interest / adjustments) (excl Life Insurance)</b>	<b>1,641.9</b>	<b>1,146.1</b>	<b>43%</b>	<b>1,778.1</b>	<b>5,814.2</b>
Kotak Mahindra Old Mutual Life Insurance (Group share)	(182.5)	(101.8)	79%	(74.8)	(431.8)
<b>PAT (after minority interest / adjustments)</b>	<b>1,459.4</b>	<b>1,044.3</b>	<b>40%</b>	<b>1,703.3</b>	<b>5,382.4</b>

**Kotak Mahindra Bank – Standalone**
*Rs million*

Revenues	Q1 FY08	Q1 FY07	Q4 FY07	FY07
	(3 months)	(3 months)	(3 months)	(12 months)
Lending	3,302.9	1,624.0	3,204.4	9,164.4
Corporate Banking	1,222.5	833.1	1,048.1	3,741.9
Retail Liabilities	1,250.4	737.0	1,093.8	3,621.7
Treasury and Investments	1,932.8	652.0	1,265.4	4,084.9
Venture Fund Management	36.2	44.2	45.4	178.4
<i>Inter-segment revenue</i>	(1,820.9)	(825.1)	(1,446.6)	(4,413.9)
<i>Un-allocable revenue(net)</i>	20.8	-	0.3	0.3
<b>Total Revenue</b>	<b>5,944.5</b>	<b>3,065.2</b>	<b>5,210.7</b>	<b>16,377.6</b>

*Rs million*

Profits	Q1 FY08	Q1 FY07	Q4 FY07	FY07
	(3 months)	(3 months)	(3 months)	(12 months)
Lending	433.2	158.7	476.2	1,124.1
Corporate Banking	310.3	194.2	193.7	1,016.5
Retail Liabilities	(387.2)	(27.5)	(219.2)	(423.3)
Treasury and Investments	277.8	22.8	(13.0)	236.1
Venture Fund Management	11.9	23.4	17.4	78.8
<i>Un-allocable revenue(net)</i>	20.8	-	0.3	0.3
<b>Total Profit before tax</b>	<b>666.8</b>	<b>371.6</b>	<b>455.4</b>	<b>2,032.5</b>
Provision for tax	190.0	132.5	82.8	618.8
<b>Profit after tax</b>	<b>476.8</b>	<b>239.1</b>	<b>372.6</b>	<b>1,413.7</b>

**Kotak Mahindra Bank – Standalone**
**Assets**
*Rs million*

	<b>As on June 30, 2007</b>	<b>As on June 30, 2006</b>	<b>Growth (%) YOY</b>	<b>As on March31, 2007</b>
<b>Advances</b>				
• Commercial vehicles & Construction equipments	27,878	19,943	40%	25,781
• Personal loans	21,350	11,691	83%	19,553
• Home loans	18,578	11,639	60%	17,533
• Corporate Banking	22,234	15,128	47%	23,825
• Others	26,113	14,114	85%	22,548
<b>Total Advances</b>	<b>116,154</b>	<b>72,515</b>	<b>60%</b>	<b>1,09240</b>
<b>Investment / Treasury Assets</b>	81,020	28,210	187%	68,620
<b>Total Assets</b>	<b>197,174</b>	<b>100,725</b>	<b>96%</b>	<b>177,860</b>

**Liabilities**
*Rs million*

	<b>As on June 30, 2007</b>	<b>As on June 30, 2006</b>	<b>Growth (%) YOY</b>	<b>As on March31, 2007</b>
Deposits	136,337	76,489	78%	110,001
Borrowings	35,928	13,418	167%	50,998

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### **Bank Performance Highlights**

- As on June 30, 2007, the Bank had 123 full-fledged bank branches (65 branches as on June 30, 2006) across 87 locations. The Bank targets to have a total of 200 branches by mid next year.
- Net Interest Income (NII) of the Bank (Standalone) for Q1 FY08 was up 77% YoY to Rs 2,120 mn from Rs 1,194 mn in Q1 FY07.
- PAT of the Bank (Standalone) up 99% to Rs 477 mn in Q1 FY08 from Rs 239 mn in Q1 FY07.
- Advances up 60% to Rs 116 bn as on June 30, 2007 from Rs 73 bn as on June 30, 2006.
- Deposits of the Bank grew by 49% to Rs 114 bn<sup>1</sup> (including current and savings deposits of Rs 26 bn<sup>1</sup>) as on June 30, 2007 from Rs 76 bn<sup>1</sup> (including current and savings deposits of Rs 12.5 bn<sup>1</sup>) as on June 30, 2006. CASA deposits<sup>1</sup> comprised 22% of total deposits (16% as on June 30, 2006). Total number of deposit accounts was around 433,000 as on June 30, 2007 (200,000 as on June 30, 2006).
- Fees from distribution of financial products were Rs 153 mn in Q1FY08 (Rs 292 mn in Q1FY07)
- Capital adequacy ratio of the Bank as on June 30, 2007 was 11.3% (14.7% as on June 30, 2006). Tier I ratio was 7.4%.
- Subordinated debt outstanding as on 30<sup>th</sup> June, 2007 was Rs 4,400 mn.

1. excluding monies held as collection bankers.

## Key Subsidiaries – Highlights

### Kotak Mahindra Prime (KMP) – car finance, other lending

Rs million

	<b>Q1 FY08 (3 months)</b>	<b>Q1 FY07 (3 months)</b>	<b>Growth (%) YOY</b>	<b>Q4 FY07 (3 months)</b>	<b>FY07 (12 months)</b>
Total income	1,458.6	962.0	51%	1,367.6	4,436.3
Profit before royalty & taxes	198.0	162.9	22%	367.2	842.5
Profit after tax	137.2	111.7	23%	243.8	573.4

- Auto advances were Rs 36 bn as on June 30, 2007 up 21% YOY.
- Other advances were Rs 7 bn as on June 30, 2007.
- KMP also offers inventory funding to car dealers and has entered into strategic arrangement with various car manufacturers in India for being their preferred financier. It has also commenced other lending activities.

**Kotak Mahindra Capital Company (KMCC) – investment banking**
*Rs million*

	<b>Q1 FY08</b>	<b>Q1 FY07</b>	<b>Growth (%) YOY</b>	<b>Q4 FY07</b>	<b>FY07</b>
	<b>(3 months)</b>	<b>(3 months)</b>		<b>(3 months)</b>	<b>(12 months)</b>
Total income	531.1	442.2	20%	612.7	2,051.8
Profit before tax	290.4	170.8	70%	292.3	939.0
Profit after tax	191.7	129.5	48%	205.6	678.7

The numbers are not comparable as, the Trading and Principal Division (including Primary Dealership) of KMCC was de-merged into the Bank with effect from March 20, 2007.

- Awarded the “Best Investment Bank” in the domestic category in India by Finance Asia for two years in a row.
- Ranked No. 5 in Asia by MergerMarket and No. 3 in India by Bloomberg in the M&A league tables by value for first half of calendar year 2007.
- Ranked no 1 for Book runner for domestic IPOs and No. 1 for QIPs and PSU divestments through auctions in Q1 FY08 based on value of deals by Prime Database.
- Kotak Investment Banking was exclusive financial advisor to/ for
  - Mahindra & Mahindra on the merger of its forging entities into Mahindra Forgings Ltd. creating the 2nd largest forging company in India.
  - SREI Infrastructure Finance Limited in forming a Joint venture with BNP Paribas Leasing Group in a transaction valued at ~ US\$ 190 mn.
  - Private Equity Placement of Luminous Power Technologies Limited.
- Kotak Investment Banking was financial advisor to the Sheth Family in restructuring their shareholding in Great Offshore Limited in a transaction valued at ~ US\$ 145 mn.
- Acted as Joint Global Co-ordinator and Book runner to the Rs 21 billion QIP issue of IDFC and Rs 12.21 billion QIP issue of GVK Power.
- Acted as Global Co-ordinator and BRLM to the Rs 92 billion DLF IPO and Rs 17 billion HDIL IPO, which listed in July 2007.
- Successfully completed the divestment of the Government stake in Maruti Udyog Limited valued at US\$ 582 mn through an innovative French auction sale.

## Kotak Securities – stock broking

*Rs million*

	Q1 FY08	Q1 FY07	Growth (%) YOY	Q4 FY07	FY07
	(3 months)	(3 months)		(3 months)	(12 months)
Total income	2,147.1	2,141.4	0%	2,332.5	8,339.3
Profit before tax	837.8	1,010.4	-17%	1,039.7	3,651.2
Profit after tax	617.8	688.0	-10%	750.7	2,557.1

- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 40 bn during Q1FY08 (Rs 40 bn during Q1FY07). Average daily volumes for FY07 were Rs 37 bn.
- Kotak Securities accounted for 8.3% of total average daily market volumes in Q1FY08.
- AUM in Portfolio Management Services was Rs 26.23 bn as on June 30, 2007 (Rs 20.9 bn as on June 30, 2006).
- Kotak Securities is making significant investments to enhance distribution channel for life insurance and asset management products. It added around 250 full time employees during the quarter. It employs around 1,400 people.
- Kotak Institutional Equities has a strong research team with wide research coverage of over 144 companies. Its clientele includes Foreign Institutional Investors, Financial Institutions, Banks, Mutual Funds and Insurance companies. It has significant presence leading to a meaningful market share.
- Kotak Securities has a network of over 835 offices (own & franchisees) across 295 cities and towns and services around 338,000 secondary market customers.

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

	<b>Q1FY08</b>	<b>Q1FY07</b>	<b>Growth (%) YOY</b>	<b>Q4FY07</b>	<b>FY07</b>
	<b>(3 months)</b>	<b>(3 months)</b>		<b>(3 months)</b>	<b>(12 months)</b>
Total income	147.9	136.2	9%	138.4	544.3
Profit before tax (AMC)	33.7	33.7	0%	1.5	106.0
Profit after tax (AMC)	21.7	21.0	3%	0.8	68.3
Profit before tax (Trustee Company)	18.0	17.4	3%	16.9	67.4
Profit after tax (Trustee Company)	12.5	12.4	1%	11.6	46.4

- Total AUM as on June 30, 2007 was Rs 172.5 bn (Rs 110 bn as on June 30, 2006). Equity AUM as on June 30, 2007 was Rs 27.9 bn (Rs 26 bn as on June 30, 2006).
- KMAMC has 58 branches and satellite offices servicing over 527,000 investors.
- Launched Gold ETF an Open - Ended Gold Exchange Traded Fund which would invest in gold and endeavour to track the spot price of gold.

**Kotak Mahindra Old Mutual Life Insurance (KLI) - life insurance**
*Rs million*

	<b>Q1 FY08</b>	<b>Q1 FY07</b>	<b>Growth (%) YOY</b>	<b>Q4 FY07</b>	<b>FY07</b>
	<b>(3 months)</b>	<b>(3 months)</b>		<b>(3 months)</b>	<b>(12 months)</b>
Gross premium income	2,051.0	1,236.6	66%	4,667.4	9,715.1
Loss	(246.6)	(137.5)		(101.2)	(583.5)

- Kotak Life Insurance premium income grew 66% to Rs 2,051.0 mn in Q1FY08 from Rs 1,236.6 mn in Q1FY07.
  - First year regular premium income grew 120% to Rs 949.2 mn in Q1FY08 from Rs 431.5 mn in Q1FY07.
- KLI has a network of 79 branches in 51 cities (51 branches as on 30<sup>th</sup> June 2006).
- As on June 30, 2007, KLI had around 339,700 individual policies on books representing a basic sum assured of ~ Rs 206 bn (excluding riders). Additionally, KLI had around 260 group policies covering 528,100 lives with an aggregate sum assured of ~ Rs 155 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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