



“Discussion on the Merger of ING Vysya Bank with Kotak Mahindra Bank”

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Moderator: Ladies and gentlemen, good day and welcome to the conference call on announcement of merger of ING Vysya Bank with Kotak Mahindra Bank. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Uday Kotak. Thank you and over to you Sir!

Uday S. Kotak: Good morning friends and welcome to this call where we are very happy to share with you the announcement of the merger of Kotak Mahindra Bank and ING Vysya Bank. This is an all-stock amalgamation where as part of the merger process, ING Vysya Bank will merge with Kotak Mahindra Bank and shares will be issued to all the shareholders of ING Vysya Bank in the ratio of 725 shares of Kotak for every 1,000 shares of ING Vysya Bank.

This is a merger between the two banks and therefore all the subsidiaries of Kotak Mahindra Bank will continue to be subsidiary post the merger transaction. We are truly

excited with this opportunity which has come from the point of view of a philosophy we have discussed, that is, building capacity for sustained growth for the future. Post this merger the total branch network of the entity based on the current branch numbers will be in excess of 1,200.

What is extremely exciting is the complementarity and the mix of the branch network. Prior to the merger the Kotak presence in the west was 46%, in the north 34%, south 15% and the east 5%. So, we had stronger footprints in the west and the north which combined form 80% of our network. On the other hand, ING Vysya has 64% of its 573 branches in the south of India. Post-merger, the mix moves to the combined presence of 30% in the west, 27% in the north, 38% in the south and 5% in the east. We therefore will have a significantly more balanced portfolio between south, west and the north of India.

Again, the interesting aspect is the complementarity even within this network in the major cities. Mumbai and Delhi is where Kotak has had around 90 branches each and there we get about 35 branches in each of these cities from the ING Vysya network. So combined we go to 124 branches each. On the other hand, ING Vysya brings in significant strength and positioning in the Bengaluru and Hyderabad markets. In Bengaluru, ING Vysya has 40 branches versus Kotak's 20; the combined network will be 60 and in Hyderabad ING Vysya has 20 and Kotak has 8, therefore on a combined basis 28. We continue with our combined strength in the west, which is Ahmedabad and Pune and have almost equal presence in Chennai and Kolkata.

The other very interesting aspect is what we think is a medium term advantage, which is particularly strong presence of ING Vysya Bank in Andhra Pradesh. At one stage, about a year ago people would have been wondering about the network of over 170 branches in Andhra Pradesh when there was the whole issue of the division of the state. We genuinely believe going forward considering that the two states have been clearly announced this is an opportunity because both Seemandhra and Telangana will now be focused on growing their individual states and with the presence of over 100 branches in Seemandhra and 70 in Telangana, we believe that with the right strategy and as the development of the two states progresses this could in fact turnout to be an opportunity for the combined entity in the future.

The complementarity across product and customer segments is also excellent. We look at some of the areas where we see the ability to really leverage the combined network. Kotak Mahindra Bank has been one of the large lenders in the tractor financing business amongst banks. With the significant network of ING Vysya in Andhra Pradesh and Karnataka. We believe that we can actually provide products like tractor financing

to all the customers including in rural and semi urban Andhra Pradesh and Karnataka where there is a pretty deep presence of ING Vysya.

We see also complementarity in our product suite as the recovery steadily happens in the Indian economy across the whole range of products, which includes commercial vehicles, car finance, etc. where Kotak Mahindra Bank has been traditionally well positioned and will be able to effectively distribute these products to the entire network of ING Vysya. ING Vysya and Kotak Mahindra, again if you look at it historically, Kotak Mahindra Bank especially in the last few years has demonstrated a growth of over 40% in the SA segment and ING Vysya, which has a significant position in the trader and small businesses community has had a strength in the current account segment; so, on a combined basis again the synergies make pretty strong in compelling to grow both SA and CA across our network.

I am also excited about the product suites, which are wealth management, asset management and insurance businesses to be provided as a combined entity. In short, we do believe that this is an opportunity to expand customer and product horizon and get a larger share of customer wallet serving customers nationally and internationally. I would also want to mention the ING relationship here, we would like to strongly focus on building the international relationships with MNCs which ING will bring to the merged entity. We believe that it will enable us to serve the Indian arms of International customers and at the same time be able to offer product to Indian customers looking at international access.

I would like to focus on another extremely important point, which is the shareholding structure post the proposed merger. First, in terms of capital adequacy, on a combined basis, we will be continuing to be well capitalized at 16.5% capital adequacy ratio and therefore will not require any fresh capital post-merger for quite some time and that will be the basis of how we are approaching this, which is growth of the combined entity without any requirement of any short-term or medium-term dilution, post the merger.

Another interesting aspect is the liquidity which the merged entity will have from stock point of view and if you look at the current shareholding of the two entities, ING Vysya Bank has ING Group at about 43%, domestic investors at 29% and FIIs at 28%, so on a combined basis against a maximum limit of foreign ownership of 74%, ING Vysya is at about 71% foreign ownership.

This would on a standalone basis prove as a challenge for investors in terms of liquidity post the 74% foreign ownership cap. On the other hand, if you look at the mix of

Kotak, the holding of the promoter family is 40% and the total foreign holding is 42.6% as it stands today and the picture on the post-merger if you look at it is a total foreign holdings of less than 47%; promoters i.e. our family coming down to coming down to 34%, ING Group becoming the second largest single shareholder at 6.5% and the combined foreign ownership as I mentioned, less than 47%.

As you know under current government policy, we have the ability to go to 74% with FIPB approvals and at this stage we believe therefore there is enough headroom and liquidity for investors both global and local to be investors in the merged entity without any restrictions on foreign ownership, and therefore the fact that ING Vysya gets merged with Kotak Mahindra Bank is also relevant because Kotak is also an index stock in the Nifty.

I must here again reiterate our excitement of business cooperation framework, which we have entered into with the ING Group, it is a framework for future cooperation and we see significant ability for us to expand our product suite especially in the international market. We are also very excited with the management team of ING Vysya Bank, led by Uday Sareen. I had in fact had an occasion to meet quite a few of the senior leadership at ING Vysya Bank along with Uday and Shailendra and I do believe that there is significant opportunity for us to be learning about some of the very interesting and high quality best practices which are there in ING Vysya Bank.

We are particularly enthused on three areas, which they bring number; one, the SME Business, which ING Vysya Bank has done a very good job at. We are also excited about the digital opportunity. Uday Sareen himself has spent a couple of years in Germany with ING's consumer banking foray in Germany and ING is world renowned for its digital banking, which we think is a plus as we are also focused on building the digital platform faster in the future. Third, of course is the international cooperation.

On our side, we do believe that this adds a significant segment opportunity for us. We had a very strong presence in the mass affluent and the high net worth segment. We also see complementarity on our strengths in the corporate segment as also our presence in the investment banking and advisory businesses, which we can make them available to a much larger set of customers both domestically and for international clients of ING Vysya Bank.

The whole purpose of the merger is to focus on growth. We are conscious of the fact that sustained growth is the basis of building the future and the primary driver of the merger is revenue synergies, complementarities and growth potential and cost effectiveness over time. We will also therefore work towards a proper well thought

through structured integration plan. We have identified a team of people within our setup who will be focused to plan and work towards integration within the framework of law and we are truly excited about the opportunity where we can build an outstanding financial institution for the future.

In terms of approvals there is a requirement of shareholders approval, regulatory approvals, which include RBI, Competition Commission, IRDA and any other regulatory approval, which will be required. We are hopeful, subject to the due approval process, that we shall be able to complete this proposed merger by end of March, so that we can commence April 1, as one single entity in the market place.

With this I like to open up the floor for debate. I have got our entire management team here with us this morning. We look forward to really making this merger happen which we think can be a defining moment for both the institutions. With that I will open up the floor for Q&A.

Moderator: Thank you very much. The first question is from the line of Manish Karwa from Deutsche Bank. Please go ahead.

Manish Karwa: Uday, congratulations on a good deal. Just had two small questions; one while the opportunity is well known, in your view what are the challenges in terms of fitment especially from employees point of view? ING has about 3,000 odd employees, which belong to the old generation banking and relative to trade union do you think there is a small challenge there?

Uday S. Kotak: I think Manish if you first of all look at the overall picture, on a consolidated basis we, at the bank, are about 30,000 employees, at the bank standalone we, are at about 18,000 employees and ING Vysya Bank is about 10,000 employees. We believe that the total number of employees in the unionized category is about 3,000. We first of all welcome each and every employee across ING Vysya Bank into our combined entity and Manish at this stage it would be fair for me to say that we will do our best in terms of really going into this with an open mind to make this work for all the employees of the company and in our mind there is no concept of old and new. We are looking at embracing the combined 40,000 employees of our combined merged firm and with all our mind and hearts I am speaking on behalf of all of us literally all 30,000 of us at Kotak looking forward to building this into a warm and strong combined relationship without any mindset of bias or prejudice.

Manish Karwa: I would assume ING Vysya brand will cease to exist and it will become Kotak post-merger?

Uday S. Kotak: Yes we have announced that yesterday that this is the merger of ING Vysya Bank with Kotak Mahindra Bank and therefore from a point of view of the transaction the continuing entity is Kotak Mahindra Bank, which will continue as the entity with the brand.

Manish Karwa: In terms of shareholding ING would be an FDI investment or FII investment?

Uday S. Kotak: It will be an FDI investment to the best of our knowledge.

Manish Karwa: Lastly, there is some difference on the savings rate that you pay on savings account holders. Any thoughts, whether ING's saving account holder will straightaway get 5.5% to 6% or we can think that along the way over the next six months?

Uday S. Kotak: First of all Manish, both in terms of our spirit and as per law post-merger all depositors will get the same rate. Therefore whatever are the rates which we are giving to our saving deposit holders at the time of the merger will be the rate applicable to all savings deposit holders of ING Vysya Bank and depending on what our rate is which is at present 5% below 100,000 and 6% above 100,000. Whatever that rate is at the point of the merger will be applicable to all their depositors and we actually think about that as an opportunity. We are least concerned, philosophically, about what the short-term hits to our P&L may be coming out of differential in saving rates. We think once again like we did with our own savings rate when we went ahead about three years ago we think this is an opportunity to grow our depositor and savers franchise at a faster rate than competition. If you look at our own savings deposits growth over the last three years while the industry has grown between 15% and 20% we have grown at 40%. Therefore whatever is the rate prevailing for our bank at the point of the merger we think will be an opportunity for us to get much deeper inroads into the 2 million customer franchise, which ING Vysya Bank has.

Manish Karwa: Thanks and congratulations once again.

Moderator: Thank you. The next question is from the line of Arindam Bhattacharjee from Genesis Investment Management LLP. Please go ahead.

Arindam Bhattacharjee: Congratulations. I just have follow-up to that question. Could you talk a little about the challenges in other areas like technology, integration you mentioned there is a team working on it and also from the regulatory side do you see any pressure to have to actually reduce some of the branch network in some of the cities. It will be very helpful, thanks?

Uday S. Kotak: Thank you Arindam. I will first ask my colleague Dipak Gupta to answer the question on the technology integration and challenges there and thereafter I will take on the regulatory question.

Dipak Gupta: The technology side basically we have our core-banking on Finacle and ING Vysya is on FIS which is the Fidelity Profile System. So we have to sit together and see how we integrate the two systems but we have a reasonable time. Both the systems are reasonably world class and we have got to see over period of time, and make them work well. So that is part of the entire integration planning process.

Uday S. Kotak: Arindam, on your question on the regulatory side, first of all we do believe that within the broad framework of banking policy in India, this merger would fit into most of the regulatory probably all the regulatory requirements from our policy framework subject of course to approvals by the different regulators, which we respect the regulatory process and we will take it step-by-step. On branches, our view is that there is very little overlap of branches and therefore we are hopeful that the approvals for the branches post-merger we should get almost all or most if not all the branches post-merger and however we will go through that process. As I mentioned if you look at the network there is very little overlap, which really needs to be eliminated from a regulatory point of view.

Arindam Bhattacharjee: Thank you.

Moderator: Thank you. The next question is from the line of Aditya Narain from Citibank. Please go ahead.

Aditya Narayan: Congratulations on the transaction. I had three questions. The first one is really the fact that this transaction seems to remain in the work for quite a bit and if you could give us some sense on what were the issues that took so long because otherwise there seems to be a lot of complementarity. Whether it was price, technology or whatever were the other drivers? The second one is on the branch network. Now while you are doubling your branch network the number of customers is only going up by about a quarter suggesting to some extent either ING's branches are underutilized or it could also suggest that the scope of these branches tends to cap out or it is a little limited and we have that experience with some of the other acquisitions that have happened with older private sectors banks in the past. So if you could throw some light on that. The third thing is from a book perspective again with old private sector banks and this is not necessarily one but very often post proper due diligence they have tended to have a right down of the book, What is your perspective on that?

Uday S. Kotak: Great Aditya. First of all you are absolutely right. We have had a long relationship with ING including them being shareholders in Kotak Mahindra Bank in 2007 and then post the global financial crisis they deciding to exit that shareholding. I think, Aditya there comes a point of time when it makes sense for all parties to look at a potential transaction and first of all keep in mind that this had to make sense from the point of view of the promoters of ING Vysya Bank either to make sense primarily from the point of view of the board of ING Vysya Bank and it had to make commercial sense from the point of view of the board of the Kotak Mahindra Bank and as you may probably accuse me that I take too long in things which is a fair observation but there comes a time when these different things merge and combine together and probably this is one of those moments and also keep in mind, Aditya that we, as a business and as a bank have also in our last few quarters given our outlook which is more positive for the future of the Indian economy compared to what we may have felt a year and year and a half ago and therefore the decision making process is also driven by that confidence in the future of the Indian economy. Also, keep in mind that there were significant issues about one year ago about the whole status of Andhra Pradesh as the very major state in which ING Vysya Bank had a very large presence and as mentioned to you now that while the two states may be still having challenges to face we think the future of the two states is looking significantly better then the way we may have felt about it a year ago and therefore we do believe that you may obviously want to get a perspective more from the ING Group side from them but from our side our confidence level in doing a deal today is significantly higher than what it was probably about a year ago and the two other questions, which you asked with reference to branch and with reference to customers,

Jaimin Bhatt: Aditya you talked about 8 million but that includes the group, which will include insurance, stock broking, mutual fund, and what not, if I look at the bank standalone that would be between 4 and 5 million.

Uday S. Kotak: Therefore our bank standalone customer base out of the 8 million customers, we have is between four and five million and therefore it is a much better ratio at the bank level. Also, keep in mind that the ability for the combined entity to be able to offer lot more products to an existing customer base and a branch network significantly increases. As I mentioned just a simple example of tractor financing, ING Vysya Bank has limited or close to zero presence currently in tractor financing with its significant network in the south. We would be delighted to see how on a combined basis the tractor financing product is offered to the branch network and similar product menu, which we can really leverage of the branch network of the ING Vysya Bank. Having said that we do believe that the combined network will require significant effort from both sides to focus on

increased efficiencies of the entire network. Therefore, we are aware and cognizant, as you have highlighted, about the challenges of making this combined network significantly more productive than today. Your last question on the book perspective, I would like to believe that our approach to challenges in the book if any, will be consistent with our philosophy and we will do what is the right thing to work towards a pretty high level approach to any issues in the book if there are as we sort of get deeper into this going forward and we believe that there is pretty significant part of the bank particularly SME business which is looking extremely robust. Obviously like in the overall banking scenario, there will be patches where there will be challenges in the book and based on public disclosure of what they have disclosed there are some spots, which have been disclosed by them and our approach will be just do the right thing from a medium-term point of view and on a combined basis we are less concerned about the immediate quarterly issues but focused on building sustainable value and therefore if there are any issues in the book we will address them.

Aditya Narayan: Great thanks and all the best.

Moderator: Thank you. The next question is from the line of Rajeev Verma from Bank of America. Please go ahead.

Rajeev Verma: Congrats once again. Lot of my questions, have been answered but I guess going on the point that you just talked about on the cost to income ratio, I just wanted to know obviously over the medium-term you have done a great job but are there any low hanging fruits that you see where in the next six to 12 months you think you could start seeing that coming down?

Uday S. Kotak: Rajeev, I think there are really two aspects to cost to income. One is where, we are taking costs in the present for which the returns are down the road therefore for example if we are opening a branch network of say 150 branches a year and if you take an annualized full cost of say Rs. 2 crore per branch in metros. So in all Rs. 250 to 300 crore as we are doing now. That increase in cost for future improvement of our productivity impacting short-term cost to income is I think cost for building markets. There is a second element of cost which we have analyzed on a combined basis which really has to distinguish between what one calls as muscle vs. fat. Cost which is fat may be on our side of their side. So, on a combined basis our focus is to continue cost which builds muscle but find out efficient ways of how cost which are not muscles are adequately addressed and our approach here again particularly because this is an integration which we think is extremely clear and important will be to handle this to improve productivity and efficiency and also, it will be evolutionary and not revolutionary.

Rajeev Verma: I appreciate thanks. Just one last thing, I mean too early for you to get this but would you if we had to take a guess, how much do you think would be muscle versus fat?

Uday S. Kotak: First of all every day in the morning when I wake up my wife tells me, Uday you yourself have too much fat better start getting some muscles. So, I would say it starts with me personally. Therefore we must have an open mind to this and not make any preconceived judgments but in any organization whether it is Kotak or ING Vysya there is an element of fat which we will address in an evolutionary manner and the core focus will be growth and not just cost.

Rajeev Verma: Appreciate thanks a lot and Best of luck.

Moderator: Thank you. The next question is from the line of Anish Tawakley from Barclays. Please go ahead.

Anish Tawakley: Congratulations on the deal. Two questions. One on slide #6 one of the things you mentioned is less need for branch expansion. Could you talk about how going forward your branch expansion plan changes as a consequence of the deal and secondly when we used to look at ING we always used to sort of factor in the fact that some of the revenues come because of their overseas relationship. Could you help quantify what that would be and like how easy or difficult would it be to retain?

Uday S. Kotak: I think pretty clearly we have done a mapping of each of the cities and towns across the network. So, we are in a certain position as Kotak and they are in a certain position as ING Vysya and post-merger, our approach will be to be looking at the fact that we have gone out on our own statement that we want to reach 1,000 branches by 2016 from the current level of about 641. This obviously significantly on a merged basis frontend our need for reaching that and we actually go a level which is 20% to 25% higher than what we would have hoped to reach in 2016 and therefore obviously on a merged basis we will take a more measured approach to branch expansion; that does not mean we will stop new branches at the 1,200 odd number but we will be very focused on pockets where we need incremental branches rather than the current approach which was to go out and grab land. So, it will be certainly more measured, more thoughtful and filling the gap rather than rushing to conquer space.

Anish Tawakley: Uday, if I may, sort of just follow up on that. If we had sort of looked at the 1,000 branch plan that you had prior to this announcement, for example would that metro plan at least have been more about Bengaluru and Hyderabad and therefore now you do not need it or was that more deepening in because we had also heard that your incremental branches in Mumbai and Delhi are still very profitable so you would have

been expanding that. So I guess the question is this filling the gaps that you are planning to fill earlier or is this in addition to what you would have done earlier focusing on metros actually?

Uday S. Kotak:

I agree. First of all I think look at Mumbai and Delhi. Mumbai and Delhi on a combined basis, we moved from an average of about 90 branches to about 125 branches each. If you look at our current mix in network Mumbai and Delhi is about 30% to 35% of our total branch network. Therefore if I use your framework on a 1,000 branches identify Mumbai, Delhi let us say around 140, 150 as the number against that we get to 125 on this basis itself. On Bengaluru actually I am just sharing something. We had a review on the branch side just a few weeks ago. When my colleagues on the branch banking side were not aware about discussions and they were actually lamenting the fact the Bengaluru branches are doing extremely well and we need to speed up our presence in Bengaluru and on Hyderabad we have only eight branches and we have looked at competition. Lot of the competition has significantly higher presence in Hyderabad than our combined network of 28 branches and there is very little overlap in some of the other cities in Kolkata we more than double but overall I think yes we will do more but the speed and the size of what we need to do more has to a certain extend the marginal utility of the incremental branch is getting reasonable vacate by this approach and I will ask my colleague Shanti to give her perspective particularly in the context of Bangalore.

Shanti Ekambaram:

Two points, one I want to reiterate the Mumbai-Delhi strategy. We are currently around 90 and even in our internal plans we had decided that we should go up to about 120. So, this really has leapfrogged as far as that network is concerned. Bengaluru in particular in the last 18 months or so and particularly in the last 12 months we have seen enormous traction and one of the things that we were really focused on is how do we leapfrog Bengaluru in the next 12 months and actually focus on trying to expand our network there and in a few other locations like Pune, Chennai, Kolkata. So if you look at this and you look at the end result of the branches it actually almost fits in with some of the strategies that we had outlined except that it gives it us upfront and without having to roll it so, so extremely complementary.

Anish Tawakley:

The revenue question the ING dependent revenue?

Uday S. Kotak:

I think we are pretty confident and we had some discussions as well. ING and we are both excited to take this forward.

Anish Tawakley:

Could you quantify how the large that pool is?

- Uday S. Kotak:** We think the pool is very large and the combined entity has much greater ability to mine that because there is a framework for cooperation. ING has agreed for a one year lock in. We hope that they become long-term shareholders in the bank and we actually feel that with their presence particularly in Europe, our ability to obviously get that international corporate plan and suite of products, which we are including DCM, Investment Banking, Advisory and Capital Market we actually feel that there is much more product suite on a combined basis able to offer their customer base and a much larger balance sheet. Of course it is significantly larger and we actually do not worry about this the fact and the pool of revenues, which ING may have been making in fact we think this grows, over time.
- Anish Tawakley:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Suresh Ganapathy from Macquarie. Please go ahead.
- Suresh Ganapathy:** Just a technical clarification these 3,000 employees are all IBA wage negotiations and staff so these guys will come will go out of IBA right once they get observed by Kotak?
- Uday S. Kotak:** No we will respect all the current arrangements and we will embrace them on the same basis and it is finally the option of each employee to do what they think is right.
- Suresh Ganapathy:** So things like defined benefit, pension scheme and all will still continue for them if it is required if they want?
- Uday S. Kotak:** Nothing changes from our point of view unless any of the employees want to make a change.
- Suresh Ganapathy:** Couple of other quick clarifications. Is there any one off merger charges like in the sense under provided pension liabilities and stuff that you have envisage of course write down of the book is the different issue I mean that depends upon what call you take eventually but any one off merger charges?
- Jaimin Bhatt:** Actually there will be costs of course on the merger, which, like stamp duty and whatever which will go through. On one off pension thing which you talk about, they have a very small amount which in anyway stands to be absorbed before the end of this financial year.
- Suresh Ganapathy:** The lock in of ING obviously subjected to regulatory approvals right because typically RBI does not want for any entity to own more than 5% stake in one particular bank. So in case there is an issue then ING might have to sell a percentage and half or so right?

Uday S. Kotak: Let me again take this head on. First of all there is a bank in which ING was holding 43%. The rules for foreign banks and Indian banks independent of ING which was different and had a special status vis-à-vis the RBI. The fact of the matter is that a foreign bank can own 5% in an Indian Bank. Obviously, all this is subject to RBI approval, if it has branches on it's own in India. RBI policy allows a foreign bank subject to RBI approval to own up to 10% in an Indian Bank provided it has no branches in India. Now, post the satisfactory completion of the merger and subject to the regulator's approval, ING on it is own, at the point of the merger will have no foreign branches in India and therefore to our knowledge and obviously this is something, which the regulator will take a call on and we respect their call but to our knowledge, if ING Bank has no branches in India, the current RBI policy subject to its approval would enable ING to own up to 10% in an Indian Bank.

Suresh Ganapathy: Thanks so much for the clarification.

Moderator: Thank you. The next question is from the line of Adarsh P from Nomura Securities. Please go ahead.

Adarsh P: Congrats on the deal. Just question on synergies and the product you elaborated on the tractor financing. I just had a question regarding how do you see that for the SME space because I think bit of SME banking is a little bit more cost banking say in South of India. So how do you expect to extrapolate that advantage in the produce side in your network?

Uday S. Kotak: My sense is it is also about a mindset to handle the trading and business community and Vysya community which is renowned for its trading and business presence and I think the whole ability to build a SME business around business banking and dealing with the trading community is actually exciting for us and as we think about it, is much more than just a particular cast or community. It can be made into a much broader pan India model and we are hoping and obviously I completely share that the execution and detail are the key to make it work and build a scalable model.

Adarsh P: So SME side it will be safe to assume that the growth in the north and west is going to be significantly higher now when you get the ING expertise there or if you can just share what kind of growth that you would expect in your books say north and west. I know it is a little bit of tricky question but I think that is the piece which is relatively very attractive in this portfolio?

Uday S. Kotak: Yes we will learn from best practices of both the organizations on a combined network and we are completely open to learning trends and see how we can make it a scalable

national opportunity and as you have seen the breakup of our current network is 80% north and west versus theirs 64% south. Therefore if they have really done well in certain areas we would, on a combined basis, like to really see how to make it a scalable national model.

Adarsh P: The last question from my side on the merged entity basis how do you compare this on the liability side because in the asset size is great on retail urban retail now you heard an SME piece. How do you compare this merged entity vis-à-vis the big boys on the liability side and where do you think the opportunity is?

Uday S. Kotak: Again, as I mentioned, the SA opportunity is what we have done very well at. We have grown consistently over the last three or four years at 40% versus industry average of 15% to 18%. Therefore we do believe that the combined network will give us significant opportunity to grow SA. I think they have done quite well on the CA side. Therefore on a combined basis, we believe that both CA and SA, the liability side, will significantly benefit from the combined entity as long as we are able to focus on proper execution. On the liability side, continue our focus on stable and low cost liability as a key theme as we look at the merged entity together.

Adarsh P: Thanks Sir. That was very helpful.

Moderator: Thank you. The next question is from the line of Ashish Sharma from Enam Asset Management. Please go ahead.

Ashish Sharma: Good morning Sir. Just on the digital part you mentioned yesterday also in the media that this gives you an opportunity to sort of leverage the digital opportunity. Now with 1200 branches already would we see Kotak sort of rolling out the digital strategy little earlier than expected?

Uday S. Kotak: We are going very strongly for digital which we were doing in any case on our own but we shall now speed that up on a combined basis because we think on the physical network we would have reached a more meaningful presence and it is like it is a strategic call. At this state of evolution in Indian banking branches still matter but I have no doubt that will come on time and you can debate when whether it is five years from now or later when non-branch will become more and more the basis of customer engagement and even at this stage bulk of the acquisition is happening in the physical world. In the digital world it is much more conversion of the existing customer base in the digital world but I think and very difficult to take the exact number but five years from now the importance of branches will gradually come down very gradually and in

the short run branches matter, in the long run you have to be careful that you do not have too larger network when you have to start cutting down.

Ashish Sharma: One more question on the integration is when we know about ING, ING historically has a higher cost to income ratio we are close to 48% to 50% sort of a range. What sort of a timeframe you think for sort of improve the productivity of ING branches once it gets integrated with Kotak and for the consolidated entity what sort of cost to income ratio you sort of look at?

Uday S. Kotak: I divide cost to income; I am giving again another health comparison, between good cholesterol and bad cholesterol. Good cholesterol is something which you incur cost today for future income and therefore what I call is muscle and that is something which we will not compromise on because we see the India opportunity at the financial service opportunity and the banking opportunity not as a one or two year opportunity but at least five to 10 years opportunity. Therefore we will go all out to continue to build and strengthen the capacity of financial institutions. We are not in the mood to do quick monetization and therefore show dramatic upside quarter-on-quarter. That is not the plan. This is the medium-term plan to build a sustainable financial institution focused on muscle and ready to address fat in an evolutionary manner.

Ashish Sharma: Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Edward Petersen from Macquarie. Please go ahead.

Edward Petersen: Congratulations on your merger. Sir, just a little bit of flavor for of about how you see the asset quality in terms of combined group with NPLs and the restructured loans and how are you harmonized with the management that you have there?

Uday S. Kotak: I think it is something, which we have certainly engaged ourselves into thinking on that. There are challenges to the economy. There are challenges to some sectors which the banking industry has faced particularly the construction sector and we are on top currently of our bank situation which we have shared with you and as we get deeper into understanding ING Vysya Bank's asset side which we obviously have done our due diligence, we do believe that there are challenges to a few sectors which are facing the banking industry. Our approach to this is, if there is any sort of pain in the balance sheet we would like to address it with the same philosophy as we have followed which is take a head on and think about this as a medium-term strategy but in the short run issues around asset quality if any we will address it head on and see how we can address it quicker rather than growth.

- Edward Petersen:** Thanks very much.
- Moderator:** Thank you. The next question is from the line of Amit Ganatra from Religare Invesco. Please go ahead.
- Amit Ganatra:** If I go through the slide #13 of the presentation you have provided the Kotak merged book value per share just wanted to know that has there been an adjustment in terms of excess that you have paid over the net assets required in this book value?
- Jaimin Bhatt:** This is a complete arithmetic addition of the two numbers, which are there in the half year. The expected adjustment is negligible at this stage so numbers may not change pretty much but this particular chart is really just putting the two numbers together.
- Amit Ganatra:** Because basically you are valuing bank at almost Rs. 15,000 crore and you are requiring Networth of around Rs. 7,000 to 8,000 crore. So there has to be some adjustment right?
- Dipak Gupta:** No there will not be because on accounting basis that Rs. 15,000 crore is the market value that you are paying out. It would not appear in the financial statements. It is a book to book merger, as they call it in accounting terminology; it is a pooling up interest method basically all the assets and these will be acquired at cost.
- Moderator:** Thank you. We will take the last question, which is from the line of Kajal Gandhi from ICICI Direct. Please go ahead.
- Kajal Gandhi:** Good morning Sir if you can share as a standalone bank the banking business network will be how much say ING plus Kotak?
- Uday S. Kotak:** I will ask Jaimin to answer that, I know on consolidated basis the combined Networth is Rs. 28000 Crore.
- Jaimin Bhatt:** We are currently at September, we were at just about, Rs. 12,000 crore and they were about Rs. 7,500 crore at the standalone level. So would be sort of Rs. 20,000 crore.
- Kajal Gandhi:** Rs. 20,000 crore as a standalone banking business Kotak plus ING.
- Jaimin Bhatt:** We were Rs. 12,000 crore at standalone level for Kotak and they are at about Rs. 7,500 so that would be adding up to about just Rs. 20,000 Crore overall at a total level.
- Kajal Gandhi:** Sir, if you can clarify just one more time just now you answered on the difference between NAV and the market cap that we are talking about. How will it get accounted?

- Jaimin Bhatt:** Kajal, the Rs.15,000 crore odd which people are talking about is the market value of the share which will be given out. When it comes to pure accounting each asset and each liability standing on the books of ING Vysya will be consolidated in the merged entity at cost. There is no change in the book.
- Uday S. Kotak:** We do not see any material change in the consolidated Networth of Rs. 28,000 crore as of end of September.
- Jaimin Bhatt:** Other than some cost and all, which will incur on the way on account of the merger.
- Kajal Gandhi:** Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor over to Mr. Uday Kotak for closing comments. Thank you.
- Uday S. Kotak:** Thank you friends and colleagues. We are truly excited and looking forward to a shared vision and execution across the two institutions over time. We are now focused. We are now completely in the mode to see how we can make the execution of this merged entity successful keeping in mind all the regulatory issues on the way and we believe that this is an important step in the consolidation of the Indian financial sector. We are obviously a great believer in the combined ability of the two institutions to add significant value to all its stakeholders which includes shareholders, employees and every other stakeholder in the Indian system. We are continuing to be great believers in our core philosophy which is concentrated India diversified financial services and very excited with the marathon opportunity we see in front of us in the Indian financial sector. I thank you all for your continuing interest and support in the plan of Kotak Mahindra Bank and going forward hopefully the merged entity which we will build together. Thank you very much ladies and gentlemen.
- Moderator:** Thank you. On behalf of Kotak Mahindra Bank that concludes this conference. Thank you for joining us. You may now disconnect your lines.