



KOTAK MAHINDRA BANK LTD.
(formerly Kotak Mahindra Finance Ltd.)

Earnings Update - FY2002-03

MUMBAI, JUNE 23, 2003

The Board of Directors of Kotak Mahindra Bank Limited at their meeting held today approved the audited financial results for the year ended 31st March, 2003.

Pursuant to the resolution passed by the shareholders at the Extraordinary General Meeting held on 30th December, 2002 and the issue of Banking Licence by RBI on 6th February 2003, the Company converted itself into a Commercial Bank with effect from 22nd March, 2003. The Financial Statements for the year ended 31st March, 2003 have, therefore, been prepared as per Accounting Standards 21 and 23 issued by the Institute of Chartered Accountants of India and the RBI guidelines which are applicable to banks. The Bank has accordingly, changed some of the accounting policies to ensure compliance with banking regulations issued by RBI and practices that are prevalent in the banking industry. As a result, the previous year's figures are not strictly comparable with those of the current year.

Results Highlights

Kotak Mahindra Bank – Consolidated

For the year ended 31st March 2003

	Rs million	
	FY2003	FY2002
Revenue		
- Fund based	5481	4933
- Non fund based	1667	1127
Total	7148	6060
<i>Operating Profit before bank expenses and losses of life insurance</i>	2051	1767
Bank related expenses	(208)	--
Life Insurance losses	(423)	(234)
Profit Before Tax	1420	1533
PAT (before minority interest/ adjustments)	865	956
PAT (after minority interest/ associates)	733	841

- Consolidated total income at Rs 7148 mn (Rs 6060 mn) grew by 17.9%. The fund based income at Rs 5481 mn (Rs 4933 mn) registered a growth of 11.1%, non fund based income of Rs 1667 mn (Rs 1127 mn) rose by 47.9%
- During the year, Kotak Mahindra Finance Ltd became the first company in India to convert itself into a commercial bank. The Bank became operational towards the end of the year. During the year, apart from expenditure and investments towards its foray into banking, the Group continued to make substantial investments in the life insurance business



- The consolidated profit before banking expenses and life insurance losses prior to minority interest grew by 16.1% to Rs 2051 mn (Rs 1767 mn)

Segment-wise income break-up

	Rs million	
	FY2003	FY2002
Lending Activities	1914	1266
Auto Finance	2214	1878
Investment Banking	235	297
Trading & Principal Investments	651	1032
Insurance	504	189
Broking	1097	815
Group Services	867	575
Others	305	610
Less: Inter-segment revenues	(639)	(602)
Total Income	7148	6060

Asset profile

	Rs million		
	FY2003	FY2002	Growth (%)
Commercial Vehicles	7864	5703	38
Auto Finance	17718	13560	31
Retail Loans	1877	725	159
Corporate Finance	1496	1722	(13)
Others	1386	1949	(29)
Total Advances	30341	23659	28
Treasury Assets	10437	5868	78
Total	40778	29527	38

Consolidated profit break-up

	Rs million	
	FY2003	FY2002
Kotak Mahindra Bank (Standalone)	449.6	545.2
<i>Add: Profits after tax from</i>		
Kotak Mahindra Capital Company	309.9	561.1
Kotak Securities	243.6	158.3
Kotak Mahindra Primus	109.4	44.5
Kotak Mahindra AMC/ Trustee	32.4	9.6
OM Kotak Mahindra Life Insurance	(423.3)	(234.3)
Kotak Mahindra Investments	153.1	(18.0)
Others	(10.0)	(110.4)
Total consolidated profit after tax	864.7	956.0
Less: Minority interest & other adjustments	131.6	115.1
PAT (after minority interest/ adjustments)	733.1	840.9
Consolidated EPS	12.4	14.2
Consolidated net worth (net of minority interest)	10556	9695
Book value per share	178.3	163.7

Consolidated Balance Sheet as at 31st March, 2003

Rs million

	As at 31 st March, 2003	As at 31 st March, 2002
CAPITAL AND LIABILITIES		
Capital	592.1	592.1
Reserves and Surplus	9963.9	9103.4
Minorities Interest	2736.8	2468.6
Employees' Stock Options (Grants) Outstanding	0.1	-
Deposits	2026.1	1765.1
Borrowings	26802.8	17325.4
Policy Holders' Funds	267.9	34.9
Other Liabilities and Provisions	4229.3	4037.7
Total	46619.0	35327.2
ASSETS		
Cash and Balances with Reserve Bank of India	540.5	26.0
Balances with banks and money at call and short notice	1008.9	1581.0
Investments	10437.0	5868.0
Advances	30341.4	23658.6
Fixed Assets	1197.9	952.0
Other Assets	2869.6	2954.6
Goodwill on Consolidation	223.7	287.0
Total	46619.0	35327.2

Kotak Mahindra Bank – standalone

Rs million

	FY2003	FY2002
Income		
Interest earned	1736.4	1222.4
Other income	810.4	650.0
Total	2546.8	1872.4
Operating profit before bank related expenses and tax		
	908.6	750.1
Bank related expenses	208.5	--
Profit before tax	700.1	750.1
Provision for tax	250.5	204.9
Profit after tax	449.6	545.2

- With net interest income growing by 26.9% at Rs 868.1 mn (Rs 684 mn) and other income registering 24.7% growth, operating profit (before bank related expenses and tax) for FY03 grew by 21%. Other income includes royalty income Rs 430 mn (Rs 398.8 mn) and securitisation income of Rs 78.4 mn
- During FY03, the company spent Rs 208.5 mn on converting itself into a bank. The expenses include amount spent on infrastructure, restructuring, technology and people

- The Bank has also provided for Rs 115.6 mn towards diminution in value of its investment in Fascel Ltd., cellular service provider in Gujarat. This has been sold in April 2003. A subsidiary of the Bank has also sold its investment in Fascel Ltd. The impact on consolidated accounts on account of this is a net profit of Rs. 20.5 mn
- Owing to bank related expenses, the Bank reported a 6.7% decrease in PBT and a 17.5% decline in PAT
- Customers Asset during the year grew by 23.6% to Rs 12405.75 mn driven by commercial vehicle finance and retail finance

	FY2003	FY2002
Gross NPA (Rs mn)	100.6	375.7
Net NPA (Rs mn)	13.17	0.05
Net Advances (Rs mn)	12405.7	10036.5
Net NPA %	0.106	0.001
Capital Adequacy Ratio %	25.97	30.47

- The net NPA of the Bank is among the lowest in the industry. At the same time, the capital adequacy ratio is far higher than stipulated by the Reserve Bank of India

For the Quarter ended 31st March 2003

Total income at Rs 806.5 mn (Rs 526.2 mn), was up by around 53% while operating profit before bank related expenses stood at Rs 241.6 mn (Rs 238 mn). During Q4FY03 significant investments to the tune of Rs 70.5 mn were made in technology and people for conversion to a banking platform. As a result, profits after tax at Rs 100.6 mn (Rs 193.0 mn) were down by 48%.

Dividend

The Board of Directors recommended a dividend of 21% for the year ended March 31, 2003.

Board of Directors

Dr. Shankar Acharya, former Chief Economic Advisor, Ministry of Finance, Government of India, joined the Board of Directors of the Bank in May 2003. Mr. S.A.A. Pinto and Mr. M.R. Punja stepped down from the Board at the meeting on June 23, 2003. Both Mr. Pinto and Mr. Punja have been directors of the company since 1986 and have contributed substantially to the group.

Stock Options

The Remuneration (ESOP) Committee approved grants of 131,300 options to certain employees of the Bank and its subsidiary companies. These options would be exercisable at Rs 10 per share and are exercisable between October 2005 and March 2007. The total outstanding options amount to 1,001,300 constituting 1.69% of the equity.

Key Subsidiaries - FY03 Highlights

Kotak Mahindra Capital Company- *investment banking joint venture with Goldman Sachs*

- Lackluster year for investment banking activities; Iraq war affected equity and debt markets and primary dealership revenues
- Profits before tax down by 43.2% at Rs 478.8 mn (Rs. 842.8 mn)
- Major deals - Equity offerings of I-Flex Solutions Limited, Divi's Laboratories Limited and Ballarpur Industries Limited, Merger of Orbitech Solutions with Polaris Software Lab, Purchase of equity in Satyam Computers by Warburg Pincus
- Exclusive advisor to Government of India for the disinvestment of Maruti Udyog Limited to Suzuki Motor Company and Book Running Lead Manager for Maruti Udyog IPO
- Ranked by Asia Money as the "Best Domestic Equity House" for the year 2002-03
- The company is also a primary dealer. The total segmental profit for the trading and principal business for FY03 was Rs 431.6 mn (Rs 758.2 mn)

Kotak Securities - *stock broking joint venture with Goldman Sachs*

- Total income up by 40% at Rs 1.1 bn (Rs 760.9 mn)
- Profit before tax up by 55% at Rs 388.8 mn (Rs 249.9 mn)
- Profits after tax up by 53.9% at Rs 243.6 mn (Rs 158.3 mn)
- Average daily retail volumes of around Rs 2 bn
- Assets under management in Portfolio Management Services over Rs 2.7 bn
- Network across 35 cities with over 150 outlets
- Secondary customer base of over 30,000
- Ranked No.1 by Prime Database for the highest mobilisation for public issues during 2002-03

Kotak Mahindra Primus - *auto finance joint venture with Ford Credit International*

- Total income at Rs 2.2 bn (Rs 1.9 bn), increased by around 12%
- Profits before royalty (to Kotak Mahindra Bank) and taxes up 28% to Rs 601.6 mn
- Profits after tax up 146% to Rs 109.4 mn (Rs 44.5 mn)
- 23% growth in disbursements at Rs 11.9 bn (Rs 9.67)
- Asset portfolio of Rs 17.6 bn (Rs 13.5 bn)
- Zero net NPAs
- 'Preferred financier' status with most manufacturers
- Consistently among the top 3 auto finance companies

Kotak Mahindra Asset Management Company – *mutual fund management*

- Revenue up by 15% at Rs 154.4 mn (Rs 134.8 mn)
- PBT at Rs 24.1 mn (Rs 3.7 mn), PAT at Rs 22.6 mn (Rs 1.8 mn)
- Total Assets Under Management (AUM) at Rs 29.9 bn (Rs 18.6 bn) up by 60%
- Offers 8 schemes with various underlying investment plans and options
- Over 110,000 retail customers, presence in 15 cities
- The K Bond Wholesale Plan (Growth) was adjudged the "Best Performing Open-ended Debt/Income Fund – Three Year" category by Moody's Investors Services for "The CNBC India Mutual Fund of the Year Award – 2003"
- Lipper, on behalf of The Economic Times' ET Mutual Fund Tracker, ranked K 30 at Number 2 in Diversified Equity Segment for the quarter ended March 2003



OM Kotak Mahindra Life Insurance - life insurance joint venture with Old Mutual

- 40,479 policies on books representing a sum assured of Rs 9.3 bn (excluding riders)
- Premium income at Rs 403.2 mn (Rs 75.8 mn)
- Net deficit for the year Rs 423.3 mn (Rs 237.9 mn)
- Branches increased from 13 to 30, spread across 28 cities
- Number of life advisors increased from 1,499 to 3,802
- Now offering full range of products from pure insurance to saving products and market-linked products, from child insurance to retirement solutions

Safe Harbor

This document contains certain forward-looking statements based on current expectations of Kotak Mahindra management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of Kotak Mahindra group as well as its ability to implement the strategy. Kotak Mahindra does not undertake to update these statements. This document does not constitute an offer or recommendation to buy or sell any securities of Kotak Mahindra.

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