



## **KOTAK MAHINDRA BANK LIMITED**

Earnings Update – Q1 FY05  
Unaudited Results

*July 26, 2004*

The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on July 26, 2004, took on record the unaudited financial results for the quarter ended June 30, 2004.

### **Performance Highlights**

- The Bank currently operates with 20 full-fledged branches across 14 cities in India. It plans to convert a significant number of its retail lending branches into retail bank branches during the current financial year.
- Bank proposes to have a total of around 50 full-fledged bank branches by end of FY05. It had 17 full-fledged branches at the end of FY04.
- Net Interest Income (NII) of the Bank up 60% to Rs 459.4 mn from Rs 287.1 mn.
- Fee Income (including Insurance Premium) constituted 35% of consolidated revenues for Q1FY05 (21% of revenues in Q1FY04).
- Kotak Investment Banking topped the M&A league tables for the first half of calendar 2004 in terms of value of deals announced (Source: Bloomberg – India targets). Also announced two prestigious M&A transactions – Ebay’s purchase of Baazee.com and Hutch Essar purchase of Aircel.
- Kotak Securities awarded “Best Equity House” in India by FinanceAsia.
- Kotak Life Insurance recorded 106% growth in gross premium income from Rs 137.1mn in Q1FY04 to Rs 282.7 mn in Q1FY05.
- Equity assets managed by the group in the mutual fund, portfolio management and offshore funds around Rs 21 bn as on June 30, 2004.
- AUM of various mutual funds distributed by Kotak Mahindra Bank and Kotak Securities around Rs 42 bn as on June 30, 2004.
- In July 2004, Kotak Mutual Fund launched IPO of Kotak Equity FOF (Fund of Fund) scheme and collected around Rs 1.87 bn.

## Consolidated Financials

### Revenues

*Rs million*

	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
Financing activities	1,301.2	1,017.7	27.9%	1,356.2	4,618.8
Fee income	715.7	315.8	126.6%	940.3	2,672.0
Insurance Premium	264.0	131.2	101.1%	799.0	1,465.1
Treasury / Investments	437.4	586.0	-25.4%	613.2	2,298.7
Others	102.1	76.4	33.6%	216.0	600.0
<b>Total Revenues</b>	<b>2,820.4</b>	<b>2,127.2</b>	<b>32.6%</b>	<b>3,924.7</b>	<b>11,654.7</b>

### Profits

*Rs million*

	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
<b>Total operating profits before retail liabilities and life insurance losses</b>	<b>823.8</b>	<b>769.1</b>	<b>7.1%</b>	<b>1,362.0</b>	<b>4,217.5</b>
<i>Loss on Retail liabilities and branch banking</i>	(119.2)	(84.8)	-	(119.7)	(419.2)
<i>Loss on Life Insurance</i>	(147.5)	(108.5)	-	(101.8)	(491.2)
<b>Profit Before Tax</b>	<b>557.1</b>	<b>575.8</b>	<b>-3.2%</b>	<b>1,140.5</b>	<b>3,307.1</b>
PAT (before minority interest/ associates/ adjustments)	333.8	319.6	4.4%	731.3	2,004.0
<b>PAT (after minority interest/ associates / adjustments)</b>	<b>307.0</b>	<b>290.2</b>	<b>5.8%</b>	<b>619.2</b>	<b>1,741.6</b>
<b>EPS (diluted) (Rs)</b>	<b>5.1</b>	<b>4.9</b>	<b>4.3%</b>	<b>10.3</b>	<b>29.0</b>

## Consolidated Financials

### Assets

*Rs million*

	As on June 30th 2004	As on June 30th 2003	Growth (%) YOY	As on March 31st 2004
<b>Advances</b>				
• Commercial Vehicles	13,450	8,587	56.6%	12,389
• Car Loans	23,384	17,836	31.1%	22,164
• Personal Loans	3,374	2,315	45.7%	3,065
• Home Loans	1,445	23	6227.5%	855
• Corporate + SME	3,117	2,376	31.2%	3,605
• Others	3,150	3,225	-2.4%	4,428
<b>Total Advances</b>	<b>47,920</b>	<b>34,362</b>	<b>39.5%</b>	<b>46,506</b>
Investments / Treasury Assets	18,150	*23,814	-23.8%	*35,907
<b>Total Advances and Investments</b>	<b>66,071</b>	<b>58,176</b>	<b>13.6%</b>	<b>82,412</b>

\* A significant part of this is due to temporary increase in investments

## Consolidated Financials

### Liabilities

*Rs million*

	As on June 30th 2004	As on June 30th 2003	Growth (%) YOY	As on March 31st 2004
Deposits	25,685	**18,375	39.8%	**42,207
Borrowings	25,632	30,752	-16.7%	31,036

\*\* A significant part of this is due to temporary increase in deposits



## Consolidated Financials

### Analytical Ratios

	As on June 30th 2004	As on June 30th 2003	As on March 31st 2004
Net-worth after minority interest (Rs mn)	12,666	10,846	12,331
Book value per share (Rs)	213	183	207
Gross NPAs (Rs mn)	347	353	296
Net NPAs (Rs mn)	104	84	42
Net NPAs (%)	0.2%	0.2%	0.1%
Annualised Return on average Net-worth (%)	9.8%	10.8%	15.2%
Annualised Pre-Tax Return on average Net-worth (%) (before loss on retail liabilities and branch banking and life insurance businesses)	26.4%	28.7%	36.9%

### Company-wise Profit After Tax

*Rs million*

	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
Kotak Mahindra Bank (Standalone)	220.6	193.4	14.1%	205.9	787.3
Kotak Mahindra Capital Company	19.3	133.2	-85.5%	144.1	579.6
Kotak Securities	193.9	62.5	210.4%	381.4	854.6
Kotak Mahindra Primus	23.7	29.4	-19.4%	33.8	127.0
Kotak Mahindra AMC & Trustee Co	15.5	3.2	382.0%	11.9	45.6
Kotak Mahindra Old Mutual Life Insurance	(147.5)	(108.5)	-	(101.8)	(491.2)
Kotak Mahindra Investments	23.0	7.8	193.6%	41.2	88.5
International subsidiaries	36.4	(17.5)	-	16.8	5.9
Others	(2.0)	(1.0)	-	(2.0)	(6.6)
<b>Total consolidated profit after tax</b>	<b>382.8</b>	<b>302.4</b>	<b>26.6%</b>	<b>731.3</b>	<b>1,990.5</b>
Less: Minority interest & other adjustments	82.3	15.2	-	125.4	273.0
Add: Equity affiliates	6.5	3.0	117.3%	13.2	24.1
<b>PAT (after minority interest / adjustments)</b>	<b>307.0</b>	<b>290.2</b>	<b>5.8%</b>	<b>619.2</b>	<b>1,741.6</b>

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

Segmental Revenues	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
Retail Lending	582.8	395.5	47.4%	608.1	1,892.3
Corporate Banking	208.4	68.2	205.3%	314.3	622.1
Retail Liabilities and Branch Banking	48.6	4.2	1044.5%	46.3	80.8
Treasury	318.9	335.9	-5.1%	234.6	1,287.7
Corporate Centre	231.7	156.4	48.1%	163.0	670.0
Inter segment revenue	(235.4)	(165.7)	-	(197.0)	(713.7)
<b>Net Revenues</b>	<b>1,155.0</b>	<b>794.6</b>	<b>45.3%</b>	<b>1,169.2</b>	<b>3,839.1</b>
<b>Operating profit before losses on retail liabilities &amp; branch banking</b>	<b>424.8</b>	<b>385.8</b>	<b>10.1%</b>	<b>444.1</b>	<b>1,627.0</b>
<i>Retail Liabilities and Branch Banking loss</i>	(119.2)	(84.8)	-	(119.7)	(419.2)
<b>Profit before tax</b>	<b>305.6</b>	<b>300.9</b>	<b>1.6%</b>	<b>324.4</b>	<b>1,207.9</b>
Provision for tax	85.0	107.5	-	118.5	420.6
<b>Profit after tax</b>	<b>220.6</b>	<b>193.4</b>	<b>14.1%</b>	<b>205.9</b>	<b>787.3</b>

*Rs million*

Segmental Profit before tax	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
Retail Lending	168.9	156.5	7.9%	162.7	618.3
Corporate Banking	65.2	28.8	126.4%	162.6	237.3
Retail Liabilities and Branch Banking	(119.2)	(84.8)	-	(119.7)	(419.2)
Treasury	(16.5)	65.1	-	(27.9)	169.3
Corporate Centre	207.2	139.9	48.1%	134.1	602.2
Un allocable Expenditure	-	(4.6)	-	12.6	-
<b>Total PBT</b>	<b>305.6</b>	<b>300.9</b>	<b>1.6%</b>	<b>324.4</b>	<b>1,207.9</b>

**Kotak Mahindra Bank – Standalone**

**Assets** *Rs million*

	<b>As on June 30th 2004</b>	<b>As on June 30th 2003</b>	<b>Growth (%) YOY</b>	<b>As on March 31st 2004</b>
Advances				
• Commercial Vehicles	13,450	8,587	56.6%	12,389
• Personal Loans	3,374	2,315	45.7%	3,065
• Home Loans	1,445	23	6139.9%	855
• Corporate + SME	3,162	2,356	34.2%	3,622
• Others	1,583	227	596.7%	1,040
<b>Total Advances</b>	<b>23,014</b>	<b>13,508</b>	<b>70.4%</b>	<b>20,970</b>
Treasury Assets	13,930	*17,952	-22.4%	*28,828
<b>Total Advances and Investments</b>	<b>36,944</b>	<b>31,460</b>	<b>17.4%</b>	<b>49,798</b>

\*A significant part of this is due to temporary increase in investments

**Liabilities** *Rs million*

	<b>As on June 30th 2004</b>	<b>As on June 30th 2003</b>	<b>Growth (%) YOY</b>	<b>As on March 31st 2004</b>
Deposits	28,499	**18,382	55.0%	**44,593
Borrowings	4,304	9,631	-55.3%	5,116

\*\*A significant part of this is due to temporary increase in deposits

### **Bank Performance Highlights**

- Kotak Mahindra Bank currently operates with 20 full-fledged bank branches across Mumbai (5), New Delhi (2), Noida, Gurgaon, Ahmedabad (2), Vadodara, Chennai, Kolkata, Hyderabad, Bangalore, Ludhiana, Pune, Surat and Rajkot.
- The Bank plans to convert to convert a significant number of its retail lending branches into retail bank branches during the current financial year.
- The Bank proposes to have a total of 50 full-fledged branches by end of FY05. It had 17 full-fledged braches at the end of FY04.
- Fees from wealth management advisory at Rs 20.3 mn for Q1FY05 grew over 6 times as compared to Q1FY04. The mutual fund assets under management distributed by the Bank were around Rs 19 bn as on June 30, 2004.
- NII for Q1FY05 was Rs 459.4 mn up by 60% (Rs 287.1 mn in Q1FY04).
- Asset quality

	<b>As on June 30th, 2004</b>	<b>As on June 30th, 2003</b>	<b>As on March 31st, 2003</b>
Gross NPA (Rs mn)	236	222	200
Net NPA (Rs mn)	54	54	35
Net NPA%	0.2%	0.4%	0.2%

- Capital Adequacy

	<b>As on June 30th, 2004</b>	<b>As on June 30th, 2003</b>	<b>As on March 31st, 2003</b>
Capital Adequacy Ratio	14.69%	14.51%	15.25%

### Key Subsidiaries – Highlights

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

*Rs million*

	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
Total income	115.8	364.4	-68.2%	318.0	1365.5
Profit before tax	21.5	222.8	-90.4%	179.6	836.2
Profit after tax	19.2	133.2	-85.6%	144.1	579.6

- Started the year by winning all three prestigious awards for second year in running - “Best Investment Bank” in India by FinanceAsia, “Best Equity House” in India by Euromoney and “Best Domestic Equity House” in India by Asiamoney.
- Awarded “Best Investment Bank in India” by Global Finance.
- Topped the M&A league tables for the first half of calendar 2004 in terms of value of deals announced (Source: Bloomberg – India targets).
- Announced two prestigious M&A transactions – Ebay’s purchase of Baazee.com and Hutch Essar purchase of Aircel.
- Successfully completed the Rs 32.5 bn follow on equity offering for ICICI Bank and Rs 1.1 bn IPO for NDTV amidst choppy market conditions, political uncertainty and declining secondary markets.
- Segmental profit before tax for Trading and Principal Investments stood at Rs 7.84 mn for Q1FY05 as against Rs 239.79 mn for Q1FY04.

**Kotak Securities - retail and institutional equities joint venture with Goldman Sachs**
*Rs million*

	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
Total income	638.5	284.2	124.7%	908.0	2,476.7
Profit before tax	296.9	99.7	197.9%	587.4	1,346.8
Profit after tax	193.9	62.5	210.4%	381.4	854.6

- Awarded “Best Equity House” in India by FinanceAsia.
- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 7.6 bn during Q1FY05 as compared to Rs 2.5 bn during Q1FY04. Average daily volumes were Rs 7.2 bn during FY04.
- Average daily volumes on [www.kotakstreet.com](http://www.kotakstreet.com) (online) during Q1FY05 increased to Rs 530 mn from Rs 130 mn during Q1FY04. Average daily volumes for FY04 were around Rs 420 mn.
- Assets under management in Portfolio Management Services were around Rs 12 bn as on June 30, 2004 (Rs 4.5 bn as on June 30, 2003).
- Cash and Derivative market volumes in Q1FY05 were 250% of corresponding quarter of FY04 and Kotak Institutional Equities’ trading volumes in Q1 FY05 outperformed market growth.

**Kotak Mahindra Primus – car finance joint venture with Ford Credit International**
*Rs million*

	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
Total income	622.2	574.3	8.3%	591.4	2,363.6
Profit before royalty & taxes	155.2	157.0	-1.28%	165.5	644.4
Profit after royalty before taxes	36.5	45.7	-20.1%	46.7	191.9
Profit after tax	23.7	29.3	-19.1%	33.8	127.0

- Asset base as on June 30, 2004 Rs 23.4 bn as compared to Rs 17.8 bn as on June 30, 2003.

**Kotak Mahindra Asset Management Company – mutual fund management**
*Rs million*

	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
Total income (AMC)	73.1	48.5	50.5%	70.4	232.1
Profit before tax (AMC)	16.1	1.8	819.4%	8.6	36.4
Profit after tax (AMC)	11.8	1.6	625.9%	8.2	33.9
Profit before tax (Trustee Company)	5.8	2.5	132.9%	5.4	17.3
Profit after tax (Trustee Company)	3.7	1.6	132.5%	3.7	11.7

- Total AUM as on June 30, 2004 was Rs 56.5 bn (Rs 37.1 bn as on June 30, 2003). Equity AUM as on June 30, 2004 stood at Rs 6.1 bn (Rs 1.5 bn as on June 30, 2003).
- Presence in 49 cities through branches and franchisees.
- In July 2004, launched Kotak Equity FOF (Fund of Fund) scheme and collected around Rs 1.87 bn in the IPO. Kotak Equity FOF is a single-asset-class (equity), multi-manager FOF. The uniqueness being that Kotak Equity FOF's portfolio will be invested largely across schemes from multiple fund houses.

**Kotak Mahindra Old Mutual Life Insurance - life insurance joint venture with Old Mutual**
*Rs million*

	Q1 FY05	Q1 FY04	Growth (%) YOY	Q4 FY04	FY 04
	(3 months)	(3 months)		(3 months)	(12 months)
Gross premium income	282.7	137.1	106.2%	822.3	1,507.2
Loss	(147.5)	(108.5)	-	(101.8)	(491.2)

- Changed its name from OM Kotak Mahindra Life Insurance Company Limited to Kotak Mahindra Old Mutual Life Insurance Limited.
- First year premium in Q1FY05 grew by 67% as compared to Q1FY04.
- As on June 30, 2004, the company has over 80,000 individual policies on books representing a basic sum assured of Rs 26.3 bn (excluding riders). Additionally, the company had 42 group policies covering over 61,000 lives with an aggregate sum assured of Rs 17.6 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.*

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