



KOTAK MAHINDRA BANK LIMITED

Earnings Update - Q2 FY04
Unaudited Results

October 22, 2003



The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on October 22, 2003, approved the unaudited financial results for the quarter and half year ended September 30, 2003.

Consolidated Financials

Rs million

	Q2 FY04	Q1 FY04	Growth (%)	H1 FY04	H1 FY03	Growth (%)	FY03
	(3 months)	(3 months)		(6 months)	(6 months)		(12 months)
Financing activities	1,121.6	1,038.4	8%	2,159.9	1,852.1	17%	3,845.9
Fee income	773.3	446.9	71%	1,210.8	848.5	43%	1,667.1
Treasury	583.8	568.2	3%	1,152.0	158.2	628%	1,096.1
Others	139.3	84.9	75%	233.7	322.5	-28%	539.3
Total Revenues	2,618.0	2,138.4	22%	4,756.4	3,181.3	50%	7,148.4

Rs million

	Q2 FY04	Q1 FY04	Growth (%)	H1 FY04	H1 FY03	Growth (%)	FY03
	(3 months)	(3 months)		(6 months)	(6 months)		(12 months)
Total operating profits before retail liabilities and insurance losses	985.9	769.1	28%	1,755.1	784.0	124%	2,050.8
<i>Loss on Retail liabilities and branch banking</i>	<i>(93.0)</i>	<i>(84.8)</i>	-	<i>(177.8)</i>	-	-	-
<i>Loss on Insurance</i>	<i>(138.8)</i>	<i>(108.5)</i>	-	<i>(247.3)</i>	<i>(153.5)</i>	-	<i>(423.2)</i>
<i>Bank related expenses</i>	-	-	-	-	<i>(63.7)</i>	-	<i>(208.0)</i>
Profit Before Tax	754.1	575.8	31%	1,329.9	566.8	135%	1,419.6
PAT (before minority interest/ adjustments)	450.3	319.6	41%	769.95	325.65	136%	781.84
PAT (after minority interest/ associates)	389.4	290.2	34%	679.6	317.2	114%	733.2
EPS (diluted) (Rs)	6.5	4.9	33%	11.4	5.4	113%	12.4

Consolidated Financials

Asset Profile

Rs million

Advances	As on September 30th 2003	As on June 30th 2003	Growth (%) QoQ	As on March 31st 2003	Growth Vis-à-vis FY 03 (%)
• Commercial Vehicles	8,752	7,615	14.9%	7,126	23%
• Auto loans	19,485	17,836	9.2%	17,718	10%
• Personal loans	2,388	2,227	7.2%	1,877	27%
• Home loans	250	-	-	-	-
• Others	4,446	*4,648	-4.3%	1,524	192%
• Corporate Banking	2362	2,036	-	2,096	13%
Total Advances	37,683	34,362	9.7%	30,341	24%
Treasury Assets	16,117	*23,814	-32.3%	10,437	54%
Total Assets	53,800	58,176	-7.5%	40,778	32%

* a significant part of the increase was on account of temporary increase in advances / investments

Disbursements

Rs million

	Q2 FY04	Q1 FY04	Growth (%) (QoQ)	FY03
• Commercial Vehicles	2,286	1,581	45%	6,916
• Auto Loans	4,063	3,142	29%	11,900
• Personal Loans	644	630	2%	1,898
• Home Loans	261	-	-	-
• Corporate Banking	1,773	1,777	-	2,781

Consolidated Financials

Analytical Ratios

Rs million

	As on September 30 th 2003	As on March 31 st 2003
Net-worth after minority interest	11,235	10,556
Book value per share (Rs)	190	178
Gross NPAs	384	222
Net NPAs	76	75
Net NPAs (%)	0.20%	0.25%
Annualised Return on Assets (%)	1.9%	1.2%
Annualised Return on Net-worth (%)	12.5%	7.2%
Annualised Pre-Tax Return on Net-worth (%) (before losses of retail liabilities and insurance businesses)	32.2%	20.3%

Company-wise Profit After Tax

Rs million

	Q2 FY04	Q1 FY04	Growth (%)	H1 FY04	H1 FY03	Growth (%)	FY03
	(3 months)	(3 months)		(6 months)	(6 months)		(12 months)
Kotak Mahindra Bank (Standalone)	198.4	193.4	3%	391.8	236.1	66%	449.6
Kotak Mahindra Capital Company	171.0	133.2	28%	304.2	56.4	439%	309.9
Kotak Securities	163.9	62.4	163%	226.3	142.7	59%	243.6
Kotak Mahindra Primus	33.8	29.3	15%	63.1	37.5	68%	109.4
Kotak Mahindra AMC & Trustee Co.	17.0	3.2	350%	20.2	13.3	51%	32.3
OM Kotak Mahindra Life Insurance	(138.8)	(108.5)	-	(247.3)	(153.5)	-	(423.3)
Others	5.0	(10.6)	-	(5.6)	(6.9)	-	143.1
Total consolidated profit after tax	450.3	302.4	49%	752.8	325.6	131%	864.7
Less : Minority interest & other adjustments	59.9	(15.2)	-	75.1	27.5	-	155.0
Add : Equity affiliates	(1.0)	3.0	-	2.0	19.1	-	23.4
PAT (after minority interest/ adjustments)	389.4	290.2	34%	679.6	317.1	114%	733.1

Kotak Mahindra Bank - Standalone

Rs million

Revenues	Q2 FY04	Q1 FY04	H1 FY04	H1 FY03	FY 2003
Retail Lending Activities	486.9	441.2	928.1	900.0	1,920.8
Corporate Banking	24.2	14.6	38.7	-	-
Retail liabilities and branch banking loss	5.2	2.4	7.6	-	-
Treasury	285.5	192.5	478.0	-	-
Others	136.3	149.1	285.4	259.4	626.0
Total Revenues	938.1	799.8	1,737.9	1,159.5	2,546.8
Operating profit before losses on (i) retail liabilities & branch banking and (ii) banking related expenses	393.6	385.7	779.3	425.8	908.1
<i>Retail liabilities and branch banking loss</i>	<i>(93.0)</i>	<i>(84.8)</i>	<i>(177.8)</i>	-	-
<i>Banking expenses</i>	-	-	-	<i>(63.7)</i>	<i>(208.0)</i>
Profit before tax	300.6	300.9	601.5	362.1	700.1
Provision for tax	102.2	107.5	209.7	126.0	250.5
Profit after tax	198.4	193.4	391.8	236.1	449.6

Assets

Rs million

	As on September 30th 2003	As on June 30th 2003	QoQ Growth (%)	As on March 31st 2003	Growth Vis-à-vis FY 03 (%)
• Commercial Vehicles	8,752	7,615	15%	7,126	22.8%
• Personal loans	2,388	2,227	7%	1,877	27.2%
• Home loans	250	-	-	-	-
• Corporate Banking	2,362	2,036	16%	2,096	12.7%
• Others	1,754	2,035	-52%	1,307	34.2%
Total Advances	15,506	13,913	14%	12,406	25.0%
Treasury Assets	10,464	*17,953	-42%	7,067	48.1%
Total Assets	25,970	31,868	-19%	19,472	33.4%

* a significant part of the increase was on account of temporary increase in investments

Liabilities

	As on September 30 th 2003	As on June 30 th 2003	QoQ Growth (%)	As on March 31 st 2003	<i>Rs million</i> Growth Vis-à-vis FY 03 (%)
Deposits	8,903	18,382	-52%	2,568	246.7%
Borrowings	12,122	9,672	25%	11,404	6.3%

Bank Performance Highlights

- Kotak Mahindra Bank currently operates with 8 full-fledged bank branches across 6 cities. The Bank has three branches in Mumbai {Nariman Point, Andheri (East) and Santacruz (Linking Road)} and one each in New Delhi, Gurgaon, Noida, Ahmedabad and Vadodara. The Bank has an arrangement with UTI Bank for sharing its network over 1,000 ATMs, free of cost to its customers. Additionally, the customers, through Visa debit cards, have access to the entire VISA network of 4,500 ATMs in India and 800,000 ATMs worldwide, at a nominal cost and get, accepted in more than 56,000 establishments across India and over 10 million establishments worldwide.
- The Bank plans to open 4 additional full-fledged branches in the current quarter i.e. Q3FY04. It plans to have a total of 15 to 18 full-fledged branches by end of this financial year and about 50 to 75 branches over 3 years.
- For H1FY04, the Bank made Rs 10.1 mn as fees from distribution of mutual funds and life insurance products. The mutual fund assets under management distributed by the Bank as on September 30, 2003 were Rs 4.3 bn. The Bank is a corporate agent of OM Kotak Mahindra Life Insurance.
- Total advances have grown by 25% during H1FY04 (as compared to FY03).
- Net Interest Income (NII) for Q2FY04 was up 29% at Rs 376.3 mn vis-à-vis Rs 290.8 mn for Q1FY04.
- Average yield on advances during Q2FY04 for commercial vehicles was 12.85%, personal loans 21.05% and home loans was 8.22%.
- Average yield on earning assets during Q2FY04 was 10.84% and the gross spread was 4.99% (4.23% in Q1FY04). The gross spread during Q2FY04 is higher as the fall in the lending rates was less than the decrease in average cost of borrowing.

- Income from treasury operations increased by 48% from Rs 192.5 mn in Q1FY04 to Rs 285.5 mn in Q2FY04.
- Asset quality

	Q2 FY04	Q1 FY04	FY 03
Gross NPA (Rs mn)	240.2	203.6	100.6
Net NPA (Rs mn)	50.2	56.8	13.2
Net NPA %	0.32	0.41	0.11

Gross NPA includes Rs 40.2 mn (Rs 53.6 mn in Q1FY04) and Net NPA includes Rs 36.2 mn (Rs 48.2 mn in Q1FY04) on account of on account of new RBI norm of 90 days. This norm has been adopted by the Bank from Q1FY04, whereas RBI has mandated that this be followed from March 2004.

- During Q2FY04, the Bank has provided Rs. 25.9 mn towards provisions and contingencies as against a write back of Rs 20.4 mn in Q1FY04 on account of recoveries made against accounts written off as bad in the previous years.
- Capital Adequacy

	Q2 FY04	Q1 FY04	FY 03
Capital Adequacy Ratio	19.6%	**14.5%	25.9%

** Capital adequacy reduction in Q1FY04 was primarily on account of temporary increase in advances / investments.

Key Subsidiaries – Highlights

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

Rs million

	Q2 FY04	Q1 FY04	H1 FY04	H1 FY03	FY 2003
Total income	371.0	364.4	735.4	251.0	891.4
Profit before tax	247.4	222.8	470.2	76.6	478.8
Profit after tax	171.0	133.2	304.2	56.4	309.9

- Goldman Sachs renewed its joint venture with Kotak Mahindra Capital Company (investment banking) and Kotak Securities (stock broking) for a further period of 2 years. This partnership is now around 8 years old and the group continues to work closely with Goldman Sachs in investment banking and stock broking businesses.
- In the past few months, the company has been awarded
 - § “The Best Equity House in India” for the year 2002-2003 by Asiamoney
 - § “The Best Equity House in India” for the Year 2002-2003 by Euromoney
 - § “The Best Investment Bank” by Financeasia
- Lead manger to two successful IPOs of UCO Bank and Indian Overseas Bank (IOB) during the quarter. UCO Bank issue oversubscribed by 17.3 times and IOB issue oversubscribed by 6.3 times.
- Mandated by McDowell & Co and UB Holdings Limited to act as managers to the counter offer for Herbertsons.
- Mandated by the Government to act as book runners for stake sale in Dredging Corporation of India.
- The company is also a primary dealer (PD). The total segmental pre-tax profit for the trading and principal business for H1FY04 was Rs 472.19 mn (Rs 13.82 mn in H1FY03).

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

	Q2 FY04	Q1 FY04	H1 FY04	H1 FY03	FY 2003
Total income	523.8	284.1	807.1	540.9	1,064.8
Profit before tax	261.4	99.7	361.0	208.6	388.8
Profit after tax	163.9	62.4	226.3	142.7	243.6

- Kotak Securities clocked average daily volumes of around Rs 6 bn during Q2FY04 as against Rs 2.3 bn during Q1FY04.
- Average daily volumes on www.kotakstreet.com (online) during Q2FY04 increased to Rs 350 mn from Rs 130 mn during Q1FY04.
- Assets under management in Portfolio Management Services were over Rs 7.8 bn as on September 30, 2003 up from Rs 4.5 bn as on June 30, 2003 and from Rs 2.7bn as on March 31, 2003.
- Kotak Securities operates through 36 branches and around 400 franchisees and coordinators. It has a network spread across 57 cities in India.

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

	Q2 FY04	Q1 FY04	H1 FY04	H1 FY03	FY 2003
Total income	518.4	512.3	1,030.7	966.0	2,197.4
Profit before royalty & taxes	163.9	157.0	320.9	270.9	601.7
Profit after royalty before taxes	52.7	45.7	98.4	58.5	171.7
Profit after tax	33.8	29.3	63.1	37.5	109.4

- Assets grew by 10% to Rs 19.5 bn as on September 30, 2003 from Rs 17.7 bn as on March 31, 2003.
- Disbursements for Q2FY04 were Rs 4.1 bn as compared to Rs 3.1 bn during Q1FY04.
- Gross NPAs were Rs 143.6 mn and Net NPAs were Rs 26 mn (0.1% of net advances).

Kotak Mahindra Asset Management Company – mutual fund management
Rs million

	Q2 FY04	Q1 FY04	H1 FY04	H1 FY03	FY 2003
Total income	52.4	48.5	100.9	68.8	154.4
Profit before tax	15.6	1.8	17.3	8.1	24.1
Profit after tax	14.4	1.6	16.0	1.0	22.6
Profit before tax (Trustee Company)	3.9	2.5	6.4	8.4	15.3
Profit after tax (Trustee Company)	2.6	1.6	4.2	5.3	9.7

- Total Assets Under Management (AUM) as on September 30, 2003 at Rs 39.1 bn, up from 29.9 bn as on March 31, 2003.
- Kotak Mahindra Mutual Fund was awarded the CRISIL Best Fund Award 2003 in the category of “Best Performing Open-end Income Fund” for Kotak Bond (wholesale plan).
- Offers 10 schemes with various underlying investment plans and options.
- Over 130,000 customers, presence in 23 cities through branches and investor service centers.
- During the quarter, the fund launched Kotak Floating Rate Scheme – “Kotak Floater”. Investment Objective of Kotak Floater is to reduce the interest rate risk associated with investments in fixed rate instruments by investing predominantly in floating rate securities, money market instruments, and using appropriate derivatives.

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

	Q2 FY04	Q1 FY04	H1 FY04	H1 FY03	FY 2003
Premium income	202.2	131.2	333.38	156.7	398.9
PBT/PAT	(138.8)	(108.5)	(247.3)	(153.5)	(423.3)

- The life insurance business is progressing steadily, with the total sum assured (excluding riders and including group) in the books as on September 30, 2003 up to Rs 29.4 bn from Rs 20.6 bn as on June 30, 2003.
- As on September 30, 2003, the company had around 50,000 individual policies on books representing a basic sum assured of Rs 13.1 bn (excluding riders). Additionally, the company had 33 group policies with an aggregate sum assured of Rs 16.3 bn.
- OM Kotak recently launched “Kotak Safe Investment Plan” (KSIP), which is an investment-cum-insurance plan, where the policyholder gets market-linked returns and the sum assured is guaranteed.

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.

Contact

Hemant Bohra Genesis Public Relations Pvt. Ltd. Tel: +91 22 56607681 Fax: +91 22 24911788 E-mail: hbohra@genesispr.com	Jaimin Bhatt / Naozad Sirwalla Kotak Mahindra Bank Limited Tel: +91 22 56581100 Fax: +91 22 22855577 E-mail: jaimin.bhatt@kotak.com / naozad.sirwalla@kotak.com
---	---