



KOTAK MAHINDRA BANK LIMITED

Earnings Update – Q2 FY05
Unaudited Results

October 28, 2004

The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on October 28, 2004, approved the unaudited financial results for the quarter and half year ended September 30, 2004.

Group Performance Highlights

- Fee Income (including Insurance Premium) constituted 38% of consolidated revenues for Q2 FY05 (29% of revenues in Q2 FY04).
- Consolidated advances were up 48% year on year to Rs 55.7 bn as on Sep 30, 2004.
- The Bank currently operates with 23 full-fledged branches across 16 cities in India. It proposes to have 75 to 100 full-fledged branches by end of FY08, across 30-40 cities.
- Net Interest Income (NII) of the Bank up 50% to Rs 547.4 mn in Q2 FY05 from Rs 365.1 mn in Q2 FY04.
- Current and savings deposits up 65% from Rs 1.7 bn as on June 30, 2004 to Rs 2.8 bn as on Sep 30, 2004.
- Kotak Investment Banking was Book Running Lead Manager to the Rs 53.2 bn IPO of National Thermal Power Corporation Limited (NTPC) in October 2004. The NTPC IPO generated the highest demand (Rs 707 bn) ever for an Indian IPO and the highest number of applications of around 1.48 mn.
- Kotak Life Insurance recorded 130% growth in premium income from Rs 206.8 mn in Q2 FY04 to Rs 477.0 mn in Q2 FY05.
- Equity assets managed by the group in the mutual fund, portfolio management and offshore funds around Rs 25 bn as on Sep 30, 2004 (around Rs 11 bn as on Sep 30, 2003).
- AUM of various mutual funds distributed by Kotak Mahindra Bank and Kotak Securities around Rs 46 bn as on Sep 30, 2004.
- Launched a private equity fund with target corpus Rs 4 – 4.5 bn.

Consolidated Financials

Revenues

Rs million

	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	Growth (%)	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Financing activities	1,465.9	1,081.5	1,301.2	2,767.1	2,099.1	31.8%	4,617.6
Fee Income	752.8	562.3	731.7	1,484.5	878.3	69.0%	2,702.3
Premium income	465.9	202.2	264.0	729.8	333.4	118.9%	1,465.1
Treasury / Investments	423.6	592.1	430.3	853.9	1,178.4	-27.5%	2,295.0
Others	69.3	155.8	82.6	151.9	232.2	-34.6%	571.0
Total Revenues	3,177.5	2,593.8	2,809.7	5,987.2	4,721.2	26.8%	11,651.0

Profits

Rs million

	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	Growth (%)	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Total operating profits before retail liabilities and life insurance losses	884.6	985.9	823.8	1,708.4	1,755.1	-2.7%	4,217.5
<i>Loss on Retail liabilities and branch banking</i>	(138.6)	(93.0)	(119.2)	(257.8)	(177.8)	--	(419.2)
<i>Loss on Life Insurance</i>	(139.3)	(138.8)	(147.5)	(286.9)	(247.3)	--	(491.2)
Profit Before Tax	606.7	754.1	557.1	1,163.8	1,329.9	-12.5%	3,307.1
PAT (before minority interest/ adjustments)	354.6	450.3	333.8	688.4	770.0	-10.6%	2,004.0
PAT (after minority interest/ associates)	325.0	389.4	307.0	632.0	679.6	-7.0%	1,741.6
EPS (diluted) (Rs)	2.7	3.3	2.6	5.3	5.7	-7.2%	14.5

Consolidated profit before tax (PBT) for Q2 FY05 was Rs 606.7 mn as compared to Rs 754.1 mn in Q2 FY04. The fall in PBT was primarily due to lower treasury earnings. Consolidated treasury (equity/equity related and debt) PBT for Q2 FY05 was Rs 39.1 mn as compared to Rs 329.1 mn in Q2 FY04. The group has fixed income treasury operations in the Bank and Kotak Mahindra Capital Company, which is a primary dealer.

Consolidated Financials

Asset Profile

Rs million

	As on September 30, 2004	As on September 30, 2003	Growth (%)	As on March 31, 2004
Advances				
• Commercial Vehicles	14,391	8,752	64.4%	12,389
• Auto loans	25,047	19,485	28.5%	22,164
• Personal loans	3,940	2,388	65.0%	3,065
• Home loans	2,127	250	750.8%	855
• Corporate Banking ¹	4,151	2,655	56.4%	3,605
• Others	6,033	4,153	45.3%	4,428
Total Advances	55,689	37,683	47.8%	46,506
Treasury Assets	20,828	16,117	29.2%	*35,907
Total Assets	76,517	53,800	42.2%	82,412

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

Rs million

Liabilities	As on September 30, 2004	As on September 30, 2003	Growth (%)	As on March 31, 2004
Deposits	30,477	8,566	255.8%	** 42,207
Borrowings	30,024	34,401	-12.7%	31,036

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

¹ Small and Medium Enterprises (SME) business is being reflected under Corporate Banking with effect from Q3 FY04. Previous period figures have been accordingly reclassified.

Consolidated Financials

Analytical Ratios

	As on September 30, 2004	As on September 30, 2003	As on March 31, 2004
Net-worth after minority interest (Rs mn)	12,991	11,241	12,331
Book value per share (Rs)	108	94	104
Gross NPAs (Rs mn)	424	384	296
Net NPAs (Rs mn)	163	104	82
Net NPAs (%)	0.3%	0.3%	0.2%
Annualised Return on Net-worth (%)	10.0%	12.5%	15.2%
Annualised Pre-Tax Return on Net-worth (%) (before losses of retail liabilities and life insurance businesses)	27.0%	32.2%	36.9%

Company-wise Profit After Tax

Rs million

	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	Growth (%)	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Kotak Mahindra Bank (Standalone)	206.5	198.4	220.6	427.1	391.8	9.0%	787.3
Kotak Mahindra Capital Company	55.9	171.0	19.3	75.1	304.2	-75.3%	579.6
Kotak Securities	172.1	163.9	193.9	365.9	226.3	61.7%	854.6
Kotak Mahindra Primus	28.6	33.8	23.7	52.3	63.1	-17.2%	127.0
Kotak Mahindra AMC & Trustee Co	17.0	17.0	15.5	32.5	20.2	60.8%	45.6
Kotak Mahindra Old Mutual Life Insurance	(139.3)	(138.8)	(147.5)	(286.9)	(247.3)	--	(491.2)
Kotak Mahindra Investments	52.7	11.3	23.0	75.7	19.1	296.4%	88.5
International subsidiaries	(13.2)	(4.9)	36.4	23.2	(22.4)	--	5.9
Others	3.3	(1.4)	(2.0)	1.3	(2.4)	--	(6.6)
Total consolidated profit after tax	383.6	450.3	382.8	766.3	752.8	1.8%	1,990.5
Minority interest & other adjustments	(63.8)	(59.9)	(82.3)	(146.1)	(75.1)	--	(273.0)
Equity affiliates	5.3	(1.0)	6.5	11.8	2.0	488.5%	24.1
PAT (after minority interest / adjustments)	325.0	389.4	307.0	632.0	679.6	-7.0%	1,741.6



Kotak Mahindra Bank – Standalone

Rs million

	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	Growth (%)	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Retail Lending Activities	664.5	443.7	582.8	1,247.3	839.2	48.6%	1,892.3
Corporate Banking ²	265.1	100.7	208.4	473.4	168.9	180.2%	622.1
Retail liabilities and branch banking	68.4	15.4	48.6	116.9	19.6	496.8%	80.8
Treasury	282.8	402.6	308.2	591.0	737.1	-19.8%	1,280.0
Corporate Centre	211.7	175.6	231.7	441.2	332.0	32.9%	670.0
Inter segment revenue	(261.5)	(216.2)	(235.4)	(496.9)	(381.9)	-	(713.7)
Un allocable revenue	0.8	-	-	2.9	-	-	-
Total Revenue	1,231.7	921.8	1,144.3	2,375.9	1,715.0	38.5%	3,831.4
Operating profit before loss on retail liabilities & branch banking	432.1	393.6	424.8	856.9	779.4	9.9%	1,627.0
Retail liabilities and branch banking loss	(138.6)	(93.0)	(119.2)	(257.8)	(177.8)	--	(419.2)
Profit before tax	293.5	300.6	305.6	599.1	601.5	-0.4%	1,207.9
Provision for tax	87.0	102.2	85.0	172.0	209.7	-18.0%	420.6
Profit after tax	206.5	198.4	220.6	427.1	391.8	9.0%	787.3

Rs million

Segmental PBT	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	Growth (%)	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Retail Lending Activities	189.0	144.4	168.9	357.8	301.0	18.9%	618.3
Corporate Banking ²	85.6	8.5	65.2	150.8	37.3	303.8%	237.3
Retail liabilities and branch banking	(138.6)	(93.0)	(119.2)	(257.8)	(177.8)	--	(419.2)
Treasury	(35.0)	116.5	(16.5)	(51.5)	181.6	--	169.3
Corporate Centre	191.8	119.6	205.1	396.9	259.5	52.9%	602.2
Un allocable Expenditure net of Un allocable Income	0.8	4.6	2.1	2.9	-	--	-
Total PBT	293.5	300.6	305.6	599.1	601.5	-0.4%	1,207.9

² SME business, which was earlier shown under Retail Lending Activities, is being reflected under Corporate Banking with effect from Q3 FY04. Previous period figures have been accordingly reclassified.

Kotak Mahindra Bank - Standalone
Rs million

Assets	As on September 30, 2004	As on September 30, 2003	Growth (%)	As on March 31, 2004
Advances				
• Commercial Vehicles	14,391	8,752	64.4%	12,389
• Personal loans	3,940	2,388	65.0%	3,065
• Home loans	2,127	250	750.8%	855
• Corporate Banking	4,236	2,655	59.5%	3,622
• Others	2,383	1,461	63.1%	1,040
Total Advances	27,077	15,506	74.6%	20,970
Treasury Assets	16,125	10,464	54.1%	* 28,828
Total Assets	43,202	25,970	66.4%	49,798

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

Rs million

Liabilities	As on September 30, 2004	As on September 30, 2003	Growth (%)	As on March 31, 2004
Deposits	33,749	8,903	279.1%	** 44,593
Borrowings	5,516	12,122	-54.5%	5,116

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

Bank Performance Highlights

- Kotak Mahindra Bank currently operates with 23 full-fledged bank branches across 16 cities.
- The Bank proposes to have a total of 75 to 100 full-fledged branches by end of FY08 across 30-40 cities.
- NII up 50% at Rs 547.5 mn in Q2 FY05 (Rs 365.1 mn in Q2 FY04).
- Current and savings deposits up 65% from Rs 1.7 bn as on June 30, 2004 to Rs 2.8 bn as on Sep 30, 2004. Current and savings accounts up 42% from over 21,000 as on June 30, 2004 to over 30,000 as on Sep 30, 2004.
- Fees from third party distributed products at Rs 43.4 mn for Q2 FY05 grew over 4 times as compared to Q2 FY04. The mutual fund assets under management distributed by the Bank were around Rs 15.4 bn as on Sep 30, 2004.
- Advances up 75% to Rs 27.1 bn, with retail loans comprising is 84% of the portfolio.
- Profit before tax (PBT) of the Bank for Q2 FY05 was Rs 293.5 mn (Rs 300.6 mn in Q2 FY04), after accounting for loss of Rs 35.0 mn in the treasury segment (profit of Rs 116.5 mn in Q2 FY04).
- PBT for the retail lending segment was up 31% from Rs 189.0 mn in Q2 FY05 to Rs 144.4 mn in Q2 FY04.
- Asset quality

	As on September 30, 2004	As on September30, 2003	As on March 31, 2004
Gross NPA (Rs mn)	292	240	200
Net NPA (Rs mn)	92	50	35
Net NPA%	0.3%	0.3%	0.2%

- Capital adequacy ratio as on Sep 30, 2004 was 12.95% (based on the last audited net worth). The capital adequacy ratio, if current year profits are considered, would be 14.24%.

Key Subsidiaries – Highlights

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

Rs million

	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	154.0	371.0	115.8	269.8	735.4	1365.5
Profit before tax	74.4	247.4	21.5	95.9	470.2	836.2
Profit after tax	55.9	171.0	19.3	75.1	304.2	579.6

- Book Running Lead Manager to the Rs 53.2 bn IPO of National Thermal Power Corporation Limited (NTPC) in October 2004. The NTPC IPO generated the highest demand (Rs 707 bn) ever for an Indian IPO and the highest number of applications of around 1.48 mn.
- Kotak Investment Banking through its International Subsidiaries acted as Joint Global Co-ordinator to the US\$ 30 mn GDR transaction of LIC Housing Finance Limited and as Co-Manager to the US\$ 890 mn ADR transaction of Hutchison Telecommunications International Limited.
- Successfully completed delisting reverse book building process for E-Serve, one of the pioneering transactions of this kind.
- Announced one of the largest overseas acquisitions by an Indian IT Services company in October 2004 - Patni Computer Systems Ltd. entered into an agreement to acquire Cymbal Corporation, a US based IT Services company.
- Segmental profit before tax for Trading and Principal Investments stood at Rs 55.1 mn for H1 FY05 as compared to Rs 472.2 mn for H1 FY04.

Kotak Securities - stock broking joint venture with Goldman Sachs

Rs million

	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	611.1	523.8	638.5	1,249.6	807.1	2,476.7
Profit before tax	265.1	261.4	296.9	562.0	361.0	1,346.8
Profit after tax	172.1	163.9	193.9	365.9	226.3	854.6

- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 7.5 bn during Q2 FY05 as compared to Rs 6.1 bn during Q2 FY04. Average daily volumes were Rs 7.2 bn during FY04.
- Average daily volumes on www.kotakstreet.com (online) during Q2 FY05 increased to Rs 620 mn from Rs 360 mn during Q2 FY04. Average daily volumes for FY04 were around Rs 420 mn.
- Turnover for Kotak Institutional Equities grew faster than the market, leading to a continuing improvement in market share and addition of new clients. Kotak Institutional Equities also continued to make market share gains in the equity derivatives segment.
- AUM in Portfolio Management Services (PMS) was around Rs 13.2 bn as on Sep 30, 2004 (Rs 7.8 bn as on Sep 30, 2003).
- Launched PMS for retail clients.

Kotak Mahindra Primus – auto finance joint venture with Ford Credit International

Rs million

	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	657.4	588.1	622.2	1279.6	1,030.7	2,363.6
Profit before royalty & taxes	166.8	163.9	155.2	322.0	320.9	644.4
Profit after royalty before taxes	48.0	52.7	36.5	84.5	98.4	191.9
Profit after tax	28.6	33.8	23.7	52.3	63.1	127.0

- Asset base crossed Rs 25 bn mark as on Sep 30, 2004, up 28% year on year.

Kotak Mahindra Asset Management Company – mutual fund management
Rs million

	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	64.13	52.4	73.1	137.23	100.9	232.1
Profit before tax (AMC)	10.8	15.6	16.1	26.9	17.3	36.4
Profit after tax (AMC)	13.1	14.4	11.8	24.9	16.0	33.9
Profit before tax (Trustee Company)	6.1	3.9	5.8	11.9	6.4	17.3
Profit after tax (Trustee Company)	3.9	2.6	3.7	7.6	4.2	11.7

- Total AUM as on Sep 30, 2004 was Rs 55.2 bn (Rs 39.1 bn as on Sep 30, 2003). Equity AUM as on Sep 30, 2004 was Rs 7.3 bn (Rs 1.9 bn as on Sep 30, 2003).
- In July 2004, launched Kotak Opportunities scheme and collected around Rs 660 mn in the IPO. Kotak Opportunities scheme invests in a mix of large and mid-cap stocks from various sectors.
- In Aug 2004, launched Kotak Floater Long Term scheme and collected around Rs 2.7 bn in the IPO. The investment objective of Kotak Floater Long Term Scheme 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.

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

	Q2 FY05	Q2 FY04	Q1 FY05	H1 FY05	H1 FY04	FY04
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Premium income	477.0	206.8	282.7	759.7	343.90	1,507.2
Loss	(139.3)	(138.8)	(147.5)	(286.9)	(247.3)	(491.2)

- First year premium in Q2 FY05 grew by 95% as compared to Q2 FY04.
- As on Sep 30, 2004, the company has over 89,000 individual policies on books representing a basic sum assured of Rs 28.6 bn (excluding riders). Additionally, the company had 55 group policies covering around 69,000 lives with an aggregate sum assured of Rs 19.3 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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