



KOTAK MAHINDRA BANK LIMITED

**Earnings Update – Q3 FY05
Unaudited Results**

January 24, 2005

The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on January 24, 2005, approved the unaudited financial results for the quarter and nine months period ended December 31, 2004.

Group Performance Highlights

- Consolidated total income up 32% to Rs 3,969.2 mn in Q3 FY05 from Rs 3,006.0 mn in Q3 FY04.
- Consolidated fee income (including life insurance premium) up 41% to Rs 1,683.7 mn in Q3 FY05 from Rs 1,195.2 mn in Q3 FY04.
- Consolidated advances up 42% YoY to Rs 62.3 bn as on December 31, 2004. Commercial vehicle advances crossed the Rs 15 bn mark, up 45% YoY.
- Kotak Mahindra Bank ranked among the top 10 Banks in India by 'Business Today - KPMG Best Banks 2004 survey'.
- The group added over 1,000 people during the current financial year and total employee strength is currently over 4,000.
- Net Interest Income (NII) of the Bank up 48% to Rs 575.4 mn in Q3 FY05 from Rs 388.4 mn in Q3 FY04.
- Kotak Life Insurance recorded 104% growth in premium income from Rs 341.0 mn in Q3 FY04 to Rs 695.1 mn in Q3 FY05. It reported a loss of Rs 115.0 mn for Q3 FY05 as compared to Rs 142.1 mn in Q3 FY04.
- Kotak Securities clocked average daily volumes of Rs 11.6 bn during Q3 FY05 (Rs 9.5 bn in Q3 FY04).
- Kotak Mahindra was awarded the International Financing Review (IFR) Asia 'India Equity House of the Year' award.
- Equity assets managed by the group in mutual fund, portfolio management and offshore funds was around Rs 32 bn as on December 31, 2004 (around Rs 16 bn as on December 31, 2003).
- AUM of various mutual funds distributed by Kotak Mahindra Bank and Kotak Securities was around Rs 39 bn as on December 31, 2004.

Consolidated Financials

Revenues

Rs million

	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	Growth (%)	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)		(12 months)
Financing activities	1,610.9	1,163.2	1,465.9	4,378.0	3,262.2	34.2%	4,617.6
Fee Income	997.0	862.5	754.4	2,483.2	1,741.3	42.6%	2,703.3
Premium income	686.7	332.7	465.9	1,416.5	666.1	112.7%	1,465.1
Treasury / Investments	552.5	482.6	423.6	1,406.4	1,660.9	-15.3%	2,295.0
Others	122.1	165.0	67.6	272.3	396.7	-31.4%	570.0
Total Revenues	3,969.1	3,006.0	3,177.5	9,956.3	7,727.2	28.8%	11,651.0

Profits

Rs million

	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	Growth (%)	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)		(12 months)
Profit before loss on retail liabilities & branch banking and life insurance	1,005.9	1,104.1	884.6	2,714.4	2,859.2	-5.1%	4,217.5
<i>Loss on retail liabilities & branch banking</i>	(122.4)	(121.6)	(138.6)	(380.2)	(299.5)	-	(419.2)
<i>Loss on life insurance</i>	(115.0)	(142.1)	(139.3)	(401.8)	(389.4)	-	(491.2)
Profit Before Tax	768.5	840.4	606.7	1,932.3	2,170.3	-11.0%	3,307.1
PAT (before minority interest/ adjustments)	481.3	506.4	354.6	1,169.7	1,276.4	-8.4%	2,004.0
PAT (after minority interest/ associates)	434.3	442.8	325.0	1,066.3	1,122.4	-5.0%	1,741.6
EPS (diluted) (Rs)	3.6	3.7	2.7	8.9	9.4	-5.2%	14.5

Consolidated treasury PBT for Q3 FY05 was lower by Rs 160.9 mn vis-à-vis Q3 FY04 (Rs 43.2 mn in Q3 FY05 as compared to Rs 204.1 mn in Q3 FY04). The group has fixed income treasury operations in the Bank and Kotak Mahindra Capital Company Limited, which is a primary dealer.

Consolidated Financials

Assets

Rs million

	As on December 31, 2004	As on December 31, 2003	Growth (%)	As on March 31, 2004
Advances				
• Commercial Vehicles	15,167	10,476	44.8%	12,389
• Auto loans	25,790	20,832	23.8%	22,164
• Personal loans	4,646	2,903	60.0%	3,065
• Home loans	2,853	501	469.4%	855
• Corporate Banking	5,445	3,396	60.4%	3,605
• Others	8,349	5,669	47.3%	4,428
Total Advances	62,250	43,777	42.2%	46,506
Treasury Assets	23,283	*24,727	-5.8%	*35,907
Total Assets	85,533	68,504	24.9%	82,412

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

Liabilities

Rs million

	As on December 31, 2004	As on December 31, 2003	Growth (%)	As on March 31, 2004
Deposits	31,937	**23,447	36.2%	**42,207
Borrowings	37,065	34,868	6.3%	31,036

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



Consolidated Financials

Analytical Ratios

	As on December 31, 2004	As on December 31, 2003	As on March 31, 2004
Net-worth after minority interest (Rs mn)	13,428	11,900	12,331
Book value per share (Rs)	112	100	104
Gross NPAs (Rs mn)	486	399	296
Net NPAs (Rs mn)	191	111	82
Net NPAs (%)	0.3%	0.3%	0.2%
Annualised Return on Net-worth (%)	11.0%	13.3%	15.2%
Annualised Pre-Tax Return on Net-worth (%) (before loss on retail liabilities & branch banking and life insurance)	28.1%	34.0%	36.9%

Company-wise Profit After Tax

Rs million

	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	Growth	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(%)	(12 months)
Kotak Mahindra Bank (Standalone)	191.0	189.5	206.5	618.2	581.4	6.3%	787.3
Kotak Mahindra Capital Company	20.8	131.2	55.9	95.9	435.4	-78.0%	579.6
Kotak Securities	256.2	246.9	172.1	622.2	473.2	31.5%	854.6
Kotak Mahindra Primus	26.8	30.0	28.6	79.0	93.2	-15.2%	127.0
Kotak Mahindra AMC & Trustee Co	4.9	13.5	17.0	37.3	33.7	10.9%	45.6
Kotak Mahindra Old Mutual Life Insurance	(115.0)	(142.1)	(139.3)	(401.8)	(389.4)	-	(491.2)
Kotak Mahindra Investments	57.0	28.2	52.7	132.7	47.3	180.5%	88.5
International subsidiaries ¹	3.7	11.5	(13.2)	26.9	(11.0)	-	5.9
Others	14.4	(2.3)	3.3	15.7	(4.6)	-	(6.6)
Total consolidated profit after tax	459.7	506.4	383.6	1,226.1	1,259.2	-2.6%	1,990.5
Minority interest & other adjustments	(36.5)	(72.5)	(63.8)	(182.6)	(147.6)	-	273.0
Equity affiliates	11.1	8.8	5.3	22.9	10.8	110.9%	24.1
PAT (after minority interest / adjustments)	434.3	442.8	325.0	1,066.3	1,122.4	-5.0%	1,741.6

¹ International subsidiaries are reported with a lag of one quarter since they have followed calendar year as the financial year.

Kotak Mahindra Bank – Standalone
Rs million

	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	Growth (%)	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)		(12 months)
Retail Lending	737.2	444.9	664.5	1,984.6	1,284.1	54.5%	1,892.3
Corporate Banking	327.7	141.4	265.1	801.2	307.9	160.2%	622.1
Retail liabilities & branch banking	126.0	17.3	68.4	242.9	34.5	604.9%	80.8
Treasury	376.9	307.8	282.8	967.9	1,042.4	-7.1%	1,280.0
Corporate Centre	177.8	208.1	211.7	619.0	507.0	22.1%	670.0
Inter-segment revenue	(313.5)	(175.4)	(261.5)	(810.4)	(516.7)	-	(713.7)
Un-allocable revenue	1.1	-	0.8	4.0	-	-	-
Total Revenue	1,433.2	944.2	1,231.7	3,809.1	2,659.1	43.2%	3,831.4
Operating profit before loss on retail liabilities & branch banking	387.5	403.5	432.1	1,244.4	1,182.9	5.2%	1,627.0
Loss on Retail liabilities & branch banking	(122.4)	(121.6)	(138.6)	(380.2)	(299.5)	-	(419.2)
Profit before tax	265.0	281.9	293.5	864.2	883.5	-2.2%	1,207.9
Provision for tax	74.0	92.4	87.0	246.0	302.1	-18.6%	420.6
Profit after tax	191.0	189.5	206.5	618.2	581.4	6.3%	787.3

Rs million

Segmental PBT	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	Growth (%)	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)		(12 months)
Retail Lending	184.0	154.6	189.0	541.8	455.6	18.9%	618.3
Corporate Banking	91.5	37.3	85.6	242.3	74.6	224.7%	237.3
Retail liabilities & branch banking	(122.4)	(121.6)	(138.6)	(380.2)	(299.5)	-	(419.2)
Treasury	(36.0)	15.6	(35.0)	(87.6)	197.2	-	169.3
Corporate Centre	146.9	196.1	191.8	543.8	455.6	19.4%	602.2
Un-allocable revenue	1.1	-	0.8	4.0	-	-	-
Total PBT	265.0	281.9	293.5	864.2	883.5	-2.2%	1,207.9

Kotak Mahindra Bank - Standalone
Rs million

Assets	As on December 31, 2004	As on December 31, 2003	Growth (%)	As on March 31, 2004
Advances				
• Commercial Vehicles	15,167	10,476	44.8%	12,389
• Personal loans	4,646	2,903	60.0%	3,065
• Home loans	2,853	501	469.4%	855
• Corporate Banking	5,445	3,396	60.4%	3,622
• Others	2,840	1,117	154.3%	1,040
Total Advances	30,952	18,393	68.3%	20,970
Treasury Assets	16,606	*19,734	-15.8%	*28,828
Total Assets	47,559	38,127	24.7%	49,798

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

Rs million

Liabilities	As on December 31, 2004	As on December 31, 2003	Growth (%)	As on March 31, 2004
Deposits	34,795	**24,142	44.1%	**44,593
Borrowings	8,633	9,325	-7.4%	5,116

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

Bank Performance Highlights

- Kotak Mahindra Bank ranked among the top 10 Banks in India by 'Business Today - KPMG Best Banks 2004 survey'.
- As on December 31, 2004, the Bank had 29 full-fledged bank branches across 20 cities in India. The Bank proposes to have a total of 75 to 100 full-fledged branches by end of FY08 across 30-40 cities.
- NII up 48% at Rs 575.4 mn in Q3 FY05 (Rs 388.4 mn in Q3 FY04).
- Current and savings deposits were Rs 2.9 bn as on December 31, 2004 and the Bank had around 40,000 current and savings accounts.
- Fees from third party distributed products at Rs 46.7 mn for Q3 FY05 grew around 4 times as compared to Q3 FY04. The mutual fund assets under management distributed by the Bank were around Rs 20.6 bn as on December 31, 2004.
- Advances up 68% YoY to Rs 30.9 bn, with retail loans comprising 82% of the portfolio.
- Commercial vehicle advances crossed Rs 15 bn mark, up 45% YoY.
- During the quarter, the Bank raised Rs 837.0 mn as Tier-II capital by way of private placement of bonds.
- PBT of the Bank for Q3 FY05 was Rs 265.0 mn (Rs 281.9 mn in Q3 FY04), after accounting for loss of Rs 36.0 mn in the treasury segment (profit of Rs 15.6 mn in Q3 FY04).
- PBT of the retail lending segment was up 19% from Rs 154.6 mn in Q3 FY04 to Rs 184.0 mn in Q3 FY05.
- Net NPA of the Bank was 0.4% of net advances as on December 31, 2004 (0.4% as on December 31, 2003).
- Capital adequacy ratio as on December 31, 2004 was 13.73%, after considering Tier-II capital and audited results for period ended September 30, 2004.

Key Subsidiaries – Highlights

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

Rs million

	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Total income	135.4	312.1	154.0	405.1	1047.5	1365.5
Profit before tax	31.2	186.4	74.4	127.0	656.6	836.2
Profit after tax	20.8	131.2	55.9	95.9	435.4	579.6

- Kotak Mahindra was awarded the International Financing Review (IFR) Asia 'India Equity House of the Year' award.
- Kotak Investment Banking appointed as Book Running Lead Manager to the IPO of Jet Airways (India) Limited and the follow-on offering in Punjab National Bank.
- In November 2004, Kotak Investment Banking, through its International Subsidiaries, acted as Global Co-ordinator and Sole Book-runner to the US\$ 40 mn GDR transaction of Micro Inks Limited.
- Kotak Investment Banking acted as Advisors to Ambuja Cements India Limited (ACIL) for the deal involving Holcim's investment into the cement sector in India.
- Kotak Investment Banking successfully advised Mahindra & Mahindra on its acquisition of the Auto Component business of SAR Auto products through a joint venture.
- Segmental profit before tax for Trading and Principal Investments was Rs 72.5 mn for YTD FY05 as compared to Rs 587.6 mn for YTD FY04.



Kotak Securities - stock broking joint venture with Goldman Sachs

Rs million

	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Total income	818.6	760.6	611.1	2,022.6	1,568.6	2,476.7
Profit before tax	400.7	398.3	265.1	962.8	759.3	1,346.8
Profit after tax	256.2	246.9	172.1	622.2	473.2	854.6

- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 11.6 bn during Q3 FY05 as compared to Rs 9.5 bn during Q3 FY04. Average daily volumes were Rs 7.2 bn during FY04.
- Average daily volumes on www.kotakstreet.com (online) during Q3 FY05 increased to Rs 985 mn from Rs 555 mn during Q3 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 17.4 bn as on December 31, 2004 (Rs 12.2 bn as on December 31, 2003).
- Launched Infinity - retail PMS (minimum investment Rs 1 mn) in the previous quarter. AUM under Infinity was Rs 590 mn as on December 31, 2004.

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

Rs million

	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Total income	669.0	741.4	657.4	1948.6	1772.1	2,363.6
Profit before royalty & taxes	146.7	158.0	166.8	468.7	478.9	644.4
Profit after royalty before taxes	41.8	46.7	48.0	126.2	145.2	191.9
Profit after tax	26.8	30.0	28.6	79.0	93.2	127.0

- Asset base at Rs 25.7 bn as on December 31, 2004, up 24% YoY.

Kotak Mahindra Asset Management Company – mutual fund management
Rs million

	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Total income	47.9	60.8	64.1	185.1	161.7	232.1
Profit before tax (AMC)	1.8	10.5	10.8	28.7	27.8	36.4
Profit after tax (AMC)	1.5	9.6	13.1	26.3	25.6	33.9
Profit before tax (Trustee Company)	5.3	5.6	6.1	17.2	11.9	17.3
Profit after tax (Trustee Company)	3.4	3.8	3.9	11.0	8.0	11.7

- Total AUM as on December 31, 2004 was Rs 53.5 bn (Rs 51.9 bn as on December 31, 2003). Equity AUM as on December 31, 2004 was Rs 8.6 bn (Rs 2.7 bn as on December 31, 2003).
- In November 2004, launched Kotak Flexi Debt scheme and collected around Rs 686.7 mn in the IPO. Kotak Flexi Debt scheme is an open ended debt scheme investing in debt and money market securities.
- On December 30, 2004 launched Kotak Midcap, an equity scheme investing predominantly in mid-cap stocks.

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

	Q3 FY05	Q3 FY04	Q2 FY05	YTD FY05	YTD FY04	FY04
	(3 months)	(3 months)	(3 months)	(9 months)	(9 months)	(12 months)
Premium income	695.1	341.0	477.0	1454.8	684.9	1,507.2
Loss	(115.0)	(142.1)	(139.3)	(401.8)	(389.4)	(491.2)

- First year premium in Q3 FY05 grew by 84% as compared to Q3 FY04.
- As on December 31, 2004, Kotak Life Insurance had around 98,000 individual policies on books representing a basic sum assured of Rs 338.5 bn (excluding riders). Additionally, the company had 61 group policies covering around 80,000 lives with an aggregate sum assured of Rs 229.3 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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Totals in some columns / rows may not agree due to rounding off.

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