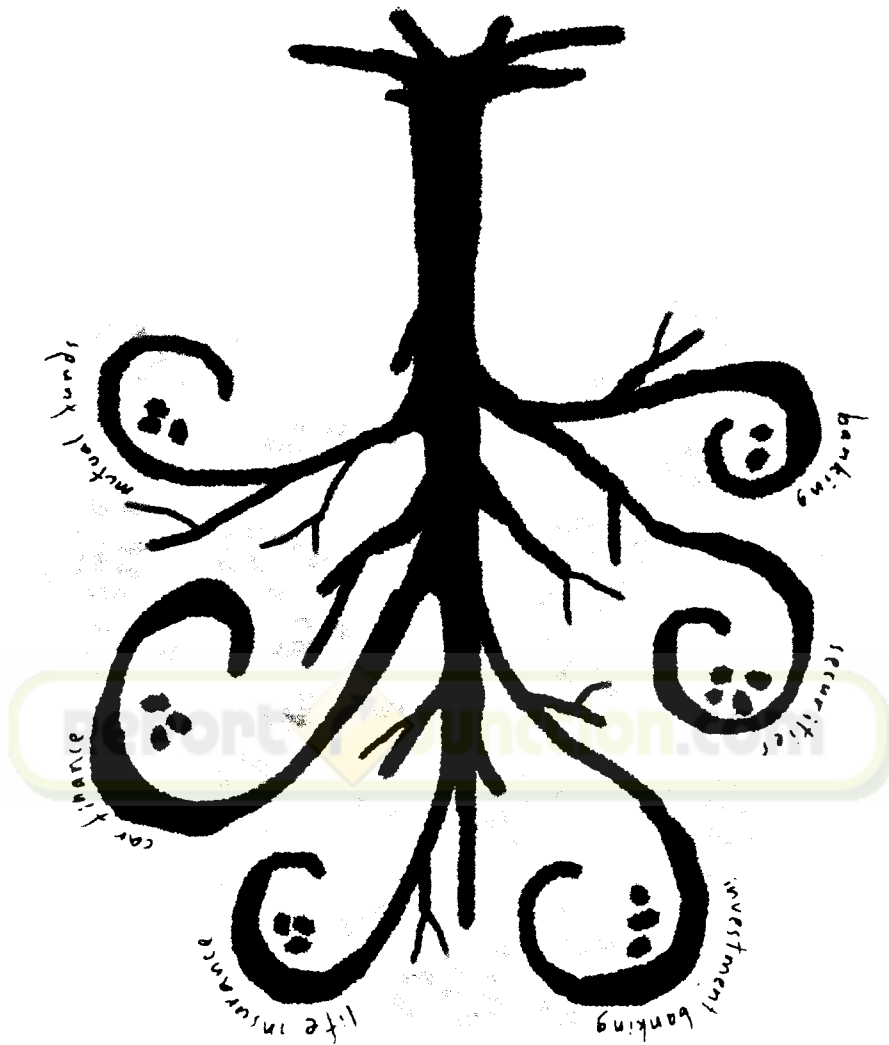






1=9



The force within

From the Managing Director



Each of our businesses benefits from the trust associated with a bank. Our unique structure can help us become the most preferred brand in the category.

In October 2003, Goldman Sachs published a watershed report forecasting that India will be the world's third largest economy by 2032.

In December 2003, Fortune magazine said "There are more than 350,000 people working in IT services outsourcing in India now and the number is expected to surpass one million before 2008."

In February 2004, The Economist brought out a special issue on India's prospects stating "The reason India is expected to outperform the rich world is that it is the only country where the proportion of working-age people will increase well into the 2020s."

In May 2004, India demonstrated a new resilience in transitioning from one Government to another.

Dr Manmohan Singh, the first architect of Indian reforms is now Prime Minister. P Chidambaram, who presented what industry deemed a Dream Budget in 1997, is now Finance Minister.

I believe India's long-term GDP story is intact. From the word go, the Government is striving to arrive at a balance between designing a Common Minimum Programme to improve the lot of the common man, while simultaneously trying to attract Fortune 500 firms to invest in India.

Agricultural income is growing on the back of a good monsoon. India is a preferred destination for jobs. The Government is working towards making it a preferred destination for investment.

India is taking her place on the global stage with a newfound sense of confidence and pride.

6=1

Kotak is structured as six different businesses. But starting with our conversion into a bank, we adopted a common brand identity and present one synchronised face to the customer.

The results of this exercise are already evident. Each of our businesses benefits from the trust associated with a bank.

Kotak Securities is India's largest stockbroking house. Average daily volumes were over Rs 1,000 crore in the last quarter of 2003-04. Assets under management with portfolio management services were around Rs 1,100 crore in March 2004. Institutional Equities nearly trebled average daily volumes for the year. From the Rs 1,000 crore Maruti IPO to the Rs 10,000 crore ONGC IPO, Kotak Investment Banking lead managed some of the biggest offerings to hit the market this year.

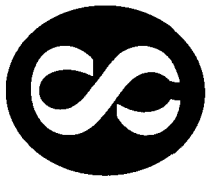
OM KotakMahindra's life insurance premium grew by 274% to over Rs 150 crore. Kotak Mutual Fund's corpus grew 77% to Rs 5,290 crore. Kotak Car Finance advances grew 25% to Rs 2,200 crore. Commercial vehicle advances grew 74% to Rs 1,200 crore.

What is unique about these numbers is how each business is tapping into group synergies and how the customer is experiencing a near seamless quality across all of our offerings. Kotak Mahindra Bank and Kotak Securities serve as distribution channels for mutual funds and insurance. Kotak Car Finance customers with proven credentials are offered personal loans by Kotak Mahindra Bank. The Corporate Bank benefits from the client relationships of Kotak Investment Banking.

In many ways, the analogy with the Indian cricket team is tantalising. The Indian cricket team, too, is a mix of youth and experience. It no longer relies on one or two individuals, but benefits from the complementary strengths of all players. Above all, the eleven players are playing as one team and the team has proved invincible, not just on home soil but even overseas. The story of the Indian team can be summed up as 11=1.

If we can inculcate the spirit of 6=1 in every employee at Kotak, the equation will read as 3000=1. If we can achieve that kind of customer focus, we can aspire to be the most preferred brand in the category.

**Uday Kotak: Executive Vice Chairman
and Managing Director, Kotak Mahindra Bank**



Apr

May

Bank branches launched in New Delhi and Gurgaon

Rs 1,000 crore IPO of Maruti Suzuki

OM Kotak launches Kotak Safe Investment Plan: a capital guaranteed unit-linked plan

Asiamoney awards Best Domestic Equity House in India to Kotak Investment Banking

Aug

Report Junction.com

Bank opens branch in Ahmedabad

Bank launches FUNDStoHOME: online remittance service for NRIs

Bank launches Agri-finance

Kotak announces renewal of strategic alliances with Goldman Sachs



Dec

Kotak Mutual Fund launches Kotak Global India: garners over Rs 360 crore

Car Finance advances cross Rs 2,000 crore

Commercial Vehicle advances cross Rs 1,000 crore

AUM of Kotak Mutual Fund cross Rs 5,000 crore

Bank opens branches in Chennai and Hyderabad

AUM of Portfolio Management Services crosses Rs 1,000 crore

Year at a glance

Jun

Euromoney awards
Best Equity House in India
to Kotak Investment
Banking



Jul

Financeasia awards
Best Investment Bank in India
to Kotak Investment
Banking

Kotak Floater scheme launched
by Kotak Mutual Fund

Bank launches Home Finance

Oct

Bank launches branch
in Vadodara

Kotak Mutual Fund launches
Kotak Income Plus

Uday Kotak awarded
Entrepreneur of the Year
by Ernst & Young



Nov

OM Kotak launches
Kotak Superannuation
Group Plan

Jan

CNBC India Mutual Fund
of the Year Award 2004 to
Kotak Bond Wholesale Plan
(Growth)

Bank opens branches in
Bangalore and Kolkata

Feb

Kotak Mahindra
Asset Management Company
adjudged the Best
Wealth Creator (Debt) for
2003 by Outlook Money

Mar

Consolidated annual revenues
cross Rs 1,000 crore

Average daily volumes of
Kotak Securities cross
Rs 1,000 crore in the last quarter

Rs 10,000 crore ONGC IPO



The new banking mantra

Last year's annual report spoke about how the challenge for the year ahead would be to implement the branch and ATM rollout on schedule and offer a higher value proposition to a relatively smaller but affluent customer base. Implementation, it emphasised, would be the key.

RETAIL BANKING

Kotak Mahindra Bank now has 17 full-fledged branches across nine cities and intends adding about 20 more during the current year. It is on course to having a network of 60 to 75 branches by March 2006.

Several new products were introduced during the year: home finance, agri-finance, dealer finance, online NRI remittances, payable at par cheques, EFT services and Saral (for lending to sub-prime customers) to name a few.

Most importantly, the value proposition to customers was personalised investment advice, as summed up in the advertising campaign - 'Think Investments. Think Kotak.'

This platform is based on two market factors: One, sheer comfort level and inertia prevents customers from switching banks. Two, declining interest rates prompted traditional savers to look at alternatives beyond deposits.

Being a bank with a proven background across financial services in general and investment advice in particular, gave Kotak a distinct edge. Personalised investment advice, as a banking platform, was an idea whose time had come.

On the lending side, lower interest rates fuelled a wave of consumerism and, being a traditionally strong brand in the personal loans segment, the advances grew to over Rs 300 crore (a 63% rise over the previous year).

Spurred by a good monsoon and an economy on the fast track, commercial vehicle advances grew to over Rs 1,200 crore (a 74% rise from last year).

SYNCHRONISED RETAIL BANKING

One of the unique features of Kotak Mahindra Bank is the way its systems are synchronised across different product offerings to give the customer a near seamless experience.

A customer can, through a payment gateway, transfer funds into his/her online broking account. He/she can buy and sell Mutual funds online and offline. In its first year, Kotak Mahindra Bank distributed a host of mutual funds to the tune of nearly Rs 1,400 crore.

Banking overview

The new age bank combines the role of a trusted advisor with the convenience of a supermarket, to offer wealth management solutions.

Dipak Gupta: Executive Director, Kotak Mahindra Bank

Banks are turning out to be an important and trusted source of advice for a customer's insurance needs. This is reflected in the fact that Kotak Mahindra Bank mobilised life insurance premium of around Rs 20 crore during 2003-04. (Banking and Insurance regulations allow a bank to distribute one brand of insurance, and OM Kotak Mahindra is Kotak's insurance provider of choice in the life insurance segment.)

A synchronised retail bank offers the dual benefits of trust and convenience. Banks enjoy a high degree of trust among customers. As more products and services become available under its roof, sheer convenience becomes a reason for purchase since the trust factor is already in place. It is the supermarket syndrome.

Walmart is number one on the list of Fortune 500 companies. It is also number one on the list of the most admired companies globally. Malls are drivers of tourism in countries like Singapore and Dubai. Closer home, a mall and multiplex culture is seeping into the cultural landscape. All Kotak has done is taken a page out of the supermarket book.

SYNCHRONISED CORPORATE BANKING

As in retail banking, so also in corporate banking, Kotak Mahindra Bank is privileged to have access to a large base of Group clients.

The Corporate Bank first arrived at a clear customer profile. Its biggest strengths lay in servicing small and medium-size companies, understanding their business in-depth and offering them solutions at every step of the value chain.

Corporate and institutional customers are offered working capital, trade services, transaction banking, securitisation, money market and foreign exchange services. The Corporate Bank has already established a presence as a provider of value-added services to customers in the area of third party product distribution.

The challenge for the year ahead is to take this unique model and scale it across clients and geographies.

TREASURY

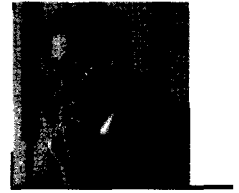
Treasury played an important role in Kotak's smooth transition from a NBFC to a Commercial Bank, particularly in the area of liquidity management.

As a NBFC, Kotak was raising resources through debentures, consortium funding from banks, commercial paper and foreign currency loans. After conversion, the Bank had to raise resources through deposits (both demand and term deposits), certificates of deposit, foreign exchange liabilities and other money market placements. This switchover happened swiftly and smoothly.

In the year ahead, higher stability in treasury income is expected on account of increased client flows. The required infrastructure for this is already in place. Derivatives will be a primary focus area as there is growing demand from clients for structured products.



The birth of an investing class



Investing in stocks is now a culture and not just a mere fad. India has made the transition from being a nation of savers to a nation of investors.

C Jayaram: Executive Director, Kotak Mahindra Bank

Fiscal 2003-04 is not the first time the stock markets saw a rally. But while earlier rallies have been led by individual companies or sectors, what the market witnessed this year was an all round bull-run based on sound economic fundamentals.

Stock investment (or share bazaar, as it is popularly known) entered the cultural milieu. CNBC discovered a new, more mainstream audience and announced plans to start a Hindi channel. News channels began running stock tickers. The stock boom became cover story material for news magazines. The favourable environment was rendered even more so, with structural changes in capital markets like dematerialisation and T+2 rolling settlements, making it a safer place.

Last year's annual report had said India is moving from a savings mindset to an investment mindset. This year, the leap from saving to investing was taken in full.

The BSE Sensex leapt 86% from 3,080 levels to 5,740 adding Rs 6,11,463 crore to gross market capitalisation. The average daily volumes in the market grew from 23.4 crore shares in 2002-03 to 43.7 crore shares in 2003-04. Even the primary market witnessed a revival. There were 29 equity share issues (up from six the previous year).

A SYNCHRONISED STOCKBROKING HOUSE

Being India's largest stockbroking house (servicing retail as well as institutional clients), Kotak Securities was well placed in terms of infrastructure, reach and technology to benefit from the revival in the markets. Average daily volumes were over Rs 1,000 crore in the last quarter of 2003-04.

Kotak Securities has 275 retail offices (own and franchised) across 110 cities and towns. Online trading is gaining importance as a channel and there too, Kotak Securities has created a platform that offers investors convenience as well as security. Kotak Securities' retail reach is underlined by the fact that it ranked number one in almost all IPOs for mobilisation of new issue applications.

Assets under management in portfolio management services grew nearly four times from Rs 270 crore in March 2003 to nearly Rs 1,100 crore in March 2004.

Kotak Securities distributed over Rs 2,200 crore of various mutual funds and mobilised over Rs 13 crore of life insurance premium for OM Kotak Mahindra.