

Report On Corporate Governance

"Corporate Governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society" (Sir Adrian Cadbury in 'Global Corporate Governance Forum', World Bank, 2000).

The Bank believes in adopting and adhering to the best standards of corporate governance to all the stakeholders. The Bank's corporate governance is, therefore based on the following principles:

- Appropriate composition, size of the Board and commitment to adequately discharge its responsibilities and duties.
- Transparency and independence in the functions of the Board.
- Independent verification and assured integrity of financial reporting.
- Adequate risk management and Internal Control.
- Protection of shareholders' rights and priority for investor relations.
- Timely and accurate disclosure on all matters concerning operations and performance of the Bank.

The Bank believes that good corporate governance leads to the optimal utilization of resources and enhances the value of the enterprise and an ethical behavior of the enterprise leads to honoring and protecting the rights of all the stakeholders.

The Report on the Bank's corporate governance, as per the applicable provisions of the Clause 49 is as under:

Board of Directors

Composition, Meeting and Attendance

The composition of the Board of Directors of the Bank is governed by the Banking Regulation Act, 1949 and Clause 49 of the Listing Agreement. The Board of Directors, comprising a combination of executive and non-executive Directors, presently consists of nine members, of whom six are non-executive Directors. The Chairman of the Board is a non-executive Director and five out of nine Directors are independent. The Board mix provides a combination of professionalism, knowledge and experience required in the banking industry. The responsibilities of the Board *inter alia* include formulation of policies, taking new initiatives, performance review, monitoring of plans, pursuing of policies and procedures.

A Brief description of the Directors, along with the companies in which they hold directorship and the membership of the committees of the Board are furnished hereunder:

Dr. Shankar Acharya, Non-Executive Part-time Chairman

Dr. Shankar Acharya, B.A. (Hons.) from Oxford University and Ph. D. (Economics) from Harvard University, aged 61 years, has considerable experience in various fields of economics and finance. He is honorary professor at the Indian Council for Research on International Economic Relations (ICRIER) and a Board Member of ICRIER, the National Council

of Applied & Economic Research and the National Institute of Public Finance and Policy. He was Chief Economic Adviser, Ministry of Finance (1993-2001), Member, Prime Minister's Economic Advisory Council (2001-2003) and Member, Twelfth Finance Commission (2004). Earlier, he held several senior positions in the World Bank, including Director of World Development Report (1979) and Research Adviser. Dr. Acharya has authored four books on the Indian economy and numerous scholarly articles on a wide range of economic and financial topics. He was appointed as the Non-Executive Part-time Chairman of the Bank at the Annual General Meeting held on 20th July, 2006.

Dr. Shankar Acharya was a member of Audit Committee of the Bank until 8th May 2007.

Mr. Uday Kotak, Executive Vice-Chairman and Managing Director

Mr. Uday Kotak, B.Com, MMS (Masters in Management Studies), aged 48 years, is the Executive Vice-Chairman and Managing Director of the Bank and its principal founder and promoter. Over the past 21 years, he has built a team of professionals who have been given independent charge of various businesses in Kotak Mahindra group. He was responsible for starting the business as a start-up venture in a limited range of activities and then building it up into a full financial services group, many of the constituents of which are among the leading players in their respective fields. He is also on the Board of Indian Council for Research on International Economic Relations (ICRIER) and Indian School of Business.

He is on the Board of the following companies:

Kotak Forex Brokerage Limited
Kotak Mahindra Asset Management Company Limited
Kotak Mahindra Capital Company Limited
Kotak Mahindra Prime Limited
Kotak Mahindra Old Mutual Life Insurance Limited
Kotak Securities Limited

Mr. Uday Kotak is also a member of the Investor Relations (Shareholders'/ Investor Grievance) Committee of the Bank, Chairman of the Audit Committee of Kotak Mahindra Capital Company Limited and Kotak Securities Limited, member of the Audit Committee of Kotak Mahindra Asset Management Company Limited.

Mr. K. M. Gherda

Mr. K. M. Gherda, B.Com., A.C.A., F.C.A. (England & Wales), F.C.S., aged 78 years, was the Non-Executive Chairman of the Bank. His term as the Chairman expired at the end of the Annual General Meeting of the Bank held on 20th July 2006 but he continues on the Board of the Bank as a Non-Executive Director. Mr. Gherda has over 51 years of financial and management experience with foreign and Indian companies. He served 27 years with Tata Electric Companies and retired as their Vice-Chairman and Managing Director. He was also on the Local Advisory Board of the Bank of Nova Scotia in India and was, at one point, its Chairman. He has a long association with the Bank and has been on its Board as an independent director since 1986. He was the President of the Bombay Management

Association and the Regional Director for India of the Institute of Internal Auditors, Florida. He is on the Board of the following companies:

ASL Advanced Systems Private Limited
Deutsche Asset Management (India) Private Limited
Emersons Network Power India Private Limited
K M Dastur Reinsurance Brokers Private Limited
Kotak Mahindra Trusteeship Services Limited
(Formerly known as Kotak Mahindra Private Equity Trustee Limited)
Nelito Systems Limited
Pallonji Leasing Private Limited
Tata Ceramics Limited
Universal Ferro & Allied Chemicals Limited
Vakksh Capital Company Limited
WTI Advanced Technology Limited
Yashmun Engineers Limited
Zenta Private Limited (upto 31st March, 2007)

Mr. K. M. Gherda is also Chairman of the Audit Committee of the Bank and member of the Audit Committee of Tata Ceramics Limited and Deutsche Asset Management (India) Private Limited.

Mr. Anand Mahindra

Mr. Anand Mahindra, aged 52 years, a graduate of Harvard University and a MBA from Harvard Business School, is the co-promoter of the Bank. He is also the Vice-Chairman and Managing Director of Mahindra & Mahindra Limited. He was the President of the Confederation of Indian Industry (CII) for 2003-04, Vice-President of the CII for 2002-03 and was Chairman of the CII Agriculture Committee for 2000-03 and the CII Agro Tech for 2002. Additionally, he is the key promoter of the Indian Farmers and Industry Alliance (IFIA), which has been established to promote farmers' interests and bring about more effective management of the agricultural sector. He is on the Board of the following companies:

Angular Constructions Private Limited
Automartindia Limited
Avion Aerosols Private Limited
M.A.R.K. Hotels Private Limited
Mahindra Forgings Limited
(Formerly known as Mahindra Automotive Steels Limited)
Mahindra & Mahindra Financial Services Limited
Mahindra & Mahindra Limited
Mahindra Holdings & Finance Limited
Mahindra Sona Limited
Mahindra Ugine Steel Company Limited
Mahindra Gesco Developers Limited
Mahindra International Limited
MW.Com India Private Limited
National Stock Exchange of India Limited
Tech Mahindra Limited

He is a member of the Share Transfer & Shareholders/Investors Grievance Committee of Mahindra & Mahindra Limited.

Mr. Cyril Shroff

Mr. Cyril Shroff, B.Com, L.L.B., aged 47 years, is a Solicitor, High Court,

Mumbai and Advocate on record, Supreme Court of India. He is the managing partner of the law firm M/s. Amarchand & Mangaldas & Suresh A. Shroff & Co. and practices in the area of corporate law and project finance. He has been a member of numerous Government committees. He is on the Board of the following companies:

Grasim Industries Limited
Osin's Connoisseurs of Art Private Limited
Thirumalai Chemicals Limited (Upto 24th April, 2007)

Mr. Cyril Shroff is also a partner in M/s. Suresh A. Shroff & Co. and M/s. Amarchand Mangaldas & Hiralal Shroff & Co.

Mr. Cyril Shroff is a Chairman of the Shareholders' Grievance/Allotment and Transfer Committee of Grasim Industries Limited.

Mr. Pradeep N. Kotak

Mr. Pradeep N. Kotak, B.Com, aged 53 years, is the Chairman and Managing Director of Kotak Agri International Private Limited and has vast experience in agricultural sector. Mr. Pradeep Kotak has been in both the domestic and international commodities market, for more than 31 years. He has also served as Chairman of the Indian Oilseeds and Producers Exporters Association (IOPEA), Mumbai where he led many delegations to foreign countries throughout North America, the Far East and the Middle East. He has represented India at many international conferences. He has also served as the Vice President of The Federation of Oilseeds and Foods Association (FOFSA), International Consultative Group, London, where he used to be consulted by the U. K. Agricultural Ministry and other world bodies. He is also a Co-Chairman (International Trade Committee) 2005-2006 and Committee Member Agri Business and Rural Development Wing for the year 2004-2005 of Indian Merchant Chambers. He is on the Board of the following companies:

Asian Machinery & Equipment Private Limited
Kotak Agri International Private Limited
Kotak Thaker Farm Private Limited

Mr. Pradeep Kotak is a Chairman of the Investor Relations (Shareholders'/Investor Grievance) Committee of the Bank. He was appointed as a member of the Audit Committee of the Bank w.e.f 8th May 2007.

Mr. Shivaji Dam

Mr. Shivaji Dam, B.Com, AICWA, ACA, ACS, aged 50 years, has a strong accounting and cost accounting background with over 23 years experience, of which 17 years have been with the Kotak Group. He has experience in fields such as corporate finance, proprietary investments and investment banking within the Kotak Group. He led the Kotak Group into the life insurance business and was managing director of Kotak Mahindra Old Mutual Life Insurance Limited, a subsidiary of the Bank, for four years. He is on the Board of the following companies:

Kotak Mahindra Old Mutual Life Insurance Limited
Kotak Mahindra Prime Limited
Kotak Securities Limited

Mr. Shivaji Dam is a member of the Audit Committee of the Bank.

Mr. C. Jayaram, Executive Director

Mr. C. Jayaram, B. A. (Economics), PGDM-IIM, Kolkata, aged 51 years, is an Executive Director of the Bank and is currently in charge of the Wealth Management Business of the Kotak Group. He has a varied experience of over 29 years in many areas of finance and business and was the CEO of Kotak Securities Limited. He has been with the Kotak Group for 17 years and has been instrumental in building some of the new businesses of the Kotak Group. He is on the Board of the following companies:

Kotak Mahindra Asset Management Company Limited
Kotak Mahindra Investments Limited
Kotak Mahindra Prime Limited
Kotak Securities Limited

Mr. C. Jayaram is a member of Audit Committee of Kotak Securities Limited and also a member of the Investor Relations (Shareholders'/Investor Grievance) Committee of the Bank. He was a member of Audit Committee of the Bank and has resigned w.e.f 8th May 2007.

Mr. Dipak Gupta, Executive Director

Mr. Dipak Gupta, B.E. (Electronics), PGDM – IIM, Ahmedabad, aged 46 years, is an Executive Director of the Bank and has over 19 years experience in the financial services industry, out of which 15 years have been with the

Kotak Group. He was responsible for leading the Kotak Group's initiatives into the banking arena and is in charge of the retail banking business and operations. He was also the CEO of Kotak Mahindra Prime Limited, a subsidiary company of the Bank. He is on the Board of the following companies:

Kotak Forex Brokerage Limited
Kotak Mahindra Capital Company Limited
Kotak Mahindra Investments Limited
Kotak Mahindra Prime Limited
Kotak Mahindra Old Mutual Life Insurance Limited

Mr. Dipak Gupta is also member of the Investor Relations (Shareholder's/Investor Grievance) Committee of the Bank, Audit Committee of Kotak Mahindra Prime Limited, Kotak Mahindra Capital Company Limited and Kotak Mahindra Old Mutual Life Insurance Limited and He is a Chairman of the Audit Committee Kotak Mahindra Investments Limited.

Note: The Committee Memberships of Audit Committee, Shareholders'/Investors Grievance Committee are considered.

The following table gives the composition of Bank's Board and the number of outside directorships held by each of the Directors and the committee positions held by the Directors as on 31st March 2007.

Name of Directors	Position	No. of Directorships in other Companies		No. of Committee Positions held in Bank and other Public Companies	
		Public	Other	Chairman	Member
Dr. Shankar Acharya	Independent Non-Executive Part-time Chairman	Nil	Nil	Nil	1
Mr. Uday Kotak	Executive Vice-Chairman & Managing Director, Promoter	6	Nil	2	2
Mr. K. M. Gherda	Independent Director	7	6	1	1
Mr. Anand Mahindra	Non-Executive Director, Promoter	11	4	Nil	1
Mr. Cyril Shroff	Independent Non-Executive Director	2	1	1	Nil
Mr. Pradeep N. Kotak	Independent Non-Executive Director	Nil	3	1	Nil
Mr. Shivaji Dam	Independent Non-Executive Director	3	Nil	Nil	1
Mr. C. Jayaram	Executive Director	4	Nil	Nil	3
Mr. Dipak Gupta	Executive Director	5	Nil	1	4

Notes:

1. The Committee Memberships mentioned above are of only Statutory Committees as per Clause 49 of the Listing Agreement with Stock Exchanges, namely Audit Committee and Shareholders'/Investors Grievance Committee.
2. None of the Directors on the Board is a member of more than ten committees and the Chairman of more than five committees in all the companies in which he is a Director (for this purpose the membership of Audit Committee and Shareholders' Grievance Committee have been taken into consideration). All the Directors have made disclosures regarding their membership on various committees in other companies.
3. In Compliance with the clause 49 of the Listing Agreement, an independent director on the board of the Bank has been appointed on the boards of Material Non-listed Indian subsidiaries of the Bank as mentioned below:

Kotak Mahindra Old Mutual Life Insurance Limited
Kotak Mahindra Prime Limited
Kotak Securities Limited

Board Meetings

Scheduling and selection of agenda items for Board Meetings

Dates of the Board Meetings are decided in advance. The Board Meetings are convened by giving appropriate notice after obtaining the approval of the Chairman and the Executive Vice-Chairman and Managing Director. The Board meets at least once a quarter to review the results and other items on the agenda and also on the occasion of the annual shareholders' meeting. When necessary, additional meetings are held.

The agenda of the board meetings is drafted by the Company Secretary along with the explanatory notes and these are distributed in advance to the Directors. Every Board member is free to suggest the inclusion of items on the agenda. All divisions/departments in the Bank are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion/approval/decision in the Board/Committee Meetings. All such matters are communicated to the Company Secretary in advance so that the same could be included in the Agenda for the Board Meetings.

The agenda papers are prepared by the concerned officials of the respective department and are approved by the Executive Director/s and/or Executive Vice-Chairman and Managing Director. Duly approved agenda papers are circulated to the Board by the Company Secretary. Additional items on the agenda are permitted with the permission of the Chairman.

To address specific urgent need, meetings are also convened at short notice. The Board also passes resolution by Circulation on need basis.

Minutes of the proceedings of the board meeting are prepared within 48 hours of the Meeting as per the requirement laid down by the Reserve Bank of India. Draft minutes are circulated to the Chairman for his comments. The minutes of all the Committees of the Board of Directors of the Bank and the minutes of the Board of Directors of the subsidiary companies of the Bank are placed before the Board.

The quarterly, half-yearly and the annual results for the consolidated entity and for the Bank stand alone are first placed before the Audit Committee of the Bank and thereafter the same are placed before the Board of Directors.

A Compliance Certificate, signed by the Executive Vice-Chairman and Managing Director in respect of various laws, rules and regulations applicable to the Bank is placed before the Board, every quarter.

The Bank has put in place a post meeting follow-up, review and reporting process for the action taken on decisions of the Board. The Company Secretary submits follow-up Action Taken Report to the Board at each meeting on the compliance of the decisions/instructions of the Board.

During the year under review, ten meetings of the Board of Directors were held on 14th April 2006, 15th May 2006, 9th June 2006, 20th July 2006, 29th August 2006, 29th September 2006, 19th October 2006, 5th December 2006, 22nd January 2007 and 9th March 2007. Subsequently, one meeting of the Board of Directors was held on 8th May 2007. The maximum time gap between any two meetings was not more than three calendar months. The average duration of the Board Meetings held is approximately three hours.

The details of Directors' attendance at Board Meetings held during the year commencing 1st April 2006 and ending 31st March 2007 and at the last AGM are as under :

Sr. No.	Directors	Board Meetings attended during the year, out of the total 10 meetings held	Whether attended last AGM held on 20 th July 2006.
1.	Dr. Shankar Acharya	7	Yes
2.	Mr. Uday Kotak	10	Yes
3.	Mr. K. M. Gherda	9	Yes
4.	Mr. Anand Mahindra	4	Yes
5.	Mr. Cyril Shroff	4	No
6.	Mr. Pradeep N. Kotak	9	Yes
7.	Mr. Shivaji Dam	9	Yes
8.	Mr. C. Jayaram	10	Yes
9.	Mr. Dipak Gupta	10	Yes

Information supplied to the Board is as under:

The Directors are presented with important information on operations of the Bank as well as that which requires deliberation at the highest level. Information is provided on various critical items such as annual operating plans and budgets, minutes of meetings of the Audit Committee and other committees of the Board, details of joint ventures or collaboration agreements and non-compliance, if any with regulatory or statutory guidelines or with the listing requirements etc.

Disclosures of interest are duly received from all Directors and there is no potential conflict of interest in any transaction of the Bank with any Directors.

Directors' Remuneration

Remuneration of the Directors for the year ended 31st March 2007 is as follows:

Name of Director	Sitting fees (Rs. '000)	Salary & Perquisites (Rs. '000)
Dr. Shankar Acharya	160.00	419.35 (See Note 1 below)
Mr. Uday Kotak	—	9207.20 * (See Note 2 below)
Mr. K. M. Gherda	342.50	—
Mr. Anand Mahindra	80.00	—
Mr. Cyril Shroff	97.50	—
Mr. Pradeep N. Kotak	217.50	—
Mr. Shivaji Dam	305.00	—
Mr. C. Jayaram	—	17269.81 * (See Note 2 below)
Mr. Dipak Gupta	—	16755.67 * (See Note 2 below)

*The amount shown above excludes gratuity payable under the Payment of

Gratuity Act and incentives, but includes ESOP compensation expenditure, if any, value of car perquisites under the Income Tax Act, 1961, superannuation if any.

Notes:

1. Dr. Shankar Acharya was appointed as the Non-Executive Part-time Chairman of the Bank at the Annual General Meeting held on 20th July, 2006. The Reserve Bank of India ("RBI") vide its letter dated 16th June 2006 has approved an appointment on a remuneration of Rs. 6,00,000 (Rupees Six lakhs Only) per annum.
2. The Reserve Bank of India ("RBI") vide its letter dated 23rd June 2006 has approved the annual incentive payable to Mr. Uday Kotak, Executive Vice-Chairman and Managing Director (Rs. 30 lakhs), Mr. C. Jayaram (Rs. 45 lakhs) and Mr. Dipak Gupta (Rs. 30 lakhs), Executive Directors of the Bank for the financial year ended 31st March, 2006.
3. The performance incentives to the Executive Directors are based on the recommendation of the Executive Vice-Chairman and Managing Director of the Bank. The Board of Directors of the Bank decides the performance bonus to be paid to the Executive Vice-Chairman and Managing Director and the Executive Directors on the basis of the performance of the Bank and the fulfilment of responsibilities assigned to them.
4. At the Annual General Meeting of the Bank held on 26th July 2005, the shareholders approved the re-appointment of Mr. C. Jayaram and Mr. Dipak Gupta, the Executive Directors of the Bank, on the revised terms of remuneration, from 1st January 2006 till 30th September 2009. The RBI granted its approval for the re-appointment of Mr. C. Jayaram and Mr. Dipak Gupta up to 31st December 2008.

5. At the Annual General Meeting of the Bank held on 26th July 2005, the shareholders approved the re-appointment of Mr. Uday Kotak, Executive Vice-Chairman & Managing Director of the Bank on the revised terms of remuneration for a period up to 30th September 2009. The RBI granted its approval for the re-appointment of Mr. Uday Kotak from 22nd March 2006 to 21st March 2009.
6. The Agreements with Mr. Uday Kotak, Mr. C. Jayaram and Mr. Dipak Gupta may be terminated by mutual consent or by giving not less than 3 calendar months notice in writing. In the event of termination of the Agreement, the liability of the Bank shall be limited to providing only the salary and perquisites as prescribed by the Agreement for a period of three months from the date of notice.
7. The Non-Executive Directors of the Bank except Dr. Shankar Acharya are not paid any remuneration other than the sitting fees.

Employee Stock Options

The details of the options granted during the year under the Kotak Mahindra Equity Option Scheme 2005 to the Directors are as under:

Committees Of The Board Of Directors

The Board has constituted several committees to deal with specific matters and delegated powers for different functional areas. The Audit Committee, Shareholders'/Investor Grievance Committee have been constituted in accordance with the guidelines issued by the Reserve Bank of India, Securities and Exchange Board of India read with requirements of the Companies Act, 1956. Besides the above, the Board has also set up other committees such as ESOP/Compensation Committee, Share Transfer and Routine Transactions Committee (START), Management Committee,

Name of Director	Date of Grant	No. of Options granted	Exercise Price	Exercise Period	Options Vested	Vesting Date
Series 1 of Kotak Mahindra Equity Option Scheme 2005						
Mr. C. Jayaram	26th April 2006	85,000	Rs. 150/- per share	30th June 2007 to 31st May 2008	30%	30th June 2007
				30th June 2008 to 31st May, 2009	30%	30th June 2008
Mr. Dipak Gupta		75,000		31st July 2009 to 31st May, 2010	40%	31st July 2009

Note:

The RBI vide its letter dated 23rd June 2006 has approved stock options granted under Series 1 of Kotak Mahindra Equity Option Scheme 2005 to Mr. Dipak Gupta and Mr. C. Jayaram.

Premises Committee, Asset Liability Committee (ALCO), Nomination Committee, Investment Committee, Risk Management Committee, Information Technology Committee, First Tier Audit Committee, Customer Services Committee and Committee on Frauds.

Audit Committee

The Audit Committee of the Bank comprises of four members, with any three forming the quorum. The terms of reference of the Audit Committee of the Bank are as follows:

- a. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- c. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- d. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to the financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in the draft audit report.
- e. Reviewing with the management, the quarterly financial statements before submission to the board for approval.
- f. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- g. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- h. Discussion with internal auditors any significant findings and follow up there on.
- i. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- k. To review the functioning of the Whistle Blower mechanism.
- l. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The majority of the members of the Committee are non-executive independent Directors. All members of the Committee are financial literate within the meaning of the Clause 49 of the listing agreement. Mr. K. M. Gherda and Mr. Shivaji Dam possess accounting and financial management expertise.

Mr. K. M. Gherda is the Chairman and the Company Secretary acts as the Secretary to the Committee. The Chairman of the Committee was present at the last Annual General Meeting to answer the queries of the shareholders.

During the year, ten meetings of the Committee were held on 15th May 2006, 19th May 2006, 22nd May 2006, 20th July 2006, 10th August 2006, 29th August 2006, 19th October 2006, 5th December 2006, 20th December 2006 and 22nd January 2007. The Committee meets for approximately two hours. The maximum time gap between any two meetings was not more than four calendar months. The Meetings were attended by the members of the Committee, as detailed below:

Name of Members of Audit Committee	Meetings Attended
Mr. K. M. Gherda (Chairman)	10
Dr. Shankar Acharya	4
Mr. Shivaji Dam	9
Mr. C. Jayaram	10

The Audit Committee was reconstituted by the Board at its meeting held on 8th May 2007 consisting of Mr. K. M. Gherda (Chairman), Mr. Pradeep Kotak and Mr. Shivaji Dam with any two forming the quorum.

The Bank has constituted a First Tier Audit Committee as per the guidelines issued by the Reserve Bank of India. The Committee comprises of four members viz., Mr. Dipak Gupta-Executive Director, Mr. Chandrashekhar Sathe-Group Head-Risk Management, Mr. Ravi Duvvuru Group Head-Compliance and Mr. Jaimin Bhatt-Group Chief Financial Officer. Where the internal audit report pertains to specific businesses, the specific Business Head also attends the meeting. The Committee screens the matters entrusted to the Audit Committee and also the routine matters such as overseeing the programme of inspections and compliance of inspection reports so as not to burden the Audit Committee with matters of detail. During the year, 9 meetings of the Committee were held. The Committee meets for approximately three hours.

Investor Relations (Shareholders'/Investor Grievance) Committee

The Investor Relations Committee of the Bank consists of four members, with any two forming the quorum. Presently the Committee consists of Mr. Pradeep Kotak (Chairman), Mr. Uday Kotak, Mr. C. Jayaram and Mr. Dipak Gupta. The Investor Relations Committee reviews the complaints received

from the shareholders and ensures redressal thereof. The constitution and composition of the Committee is in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and the criteria specified by the Reserve Bank of India. The Company Secretary acts as the Secretary and has been appointed as the Compliance Officer of the Committee.

During the year, two meetings of the Committee were held on 11th July 2006 and 23rd January 2007. The Committee meets for approximately thirty minutes. All the meetings were attended by all the members of the Committee.

On monthly basis, the members of the Committee are sent investor grievance reports giving brief details of the complaints received by the Bank. During the year under review, 135 investor complaints were received. All of these have been resolved during the year. As on 31st March 2007, 13 instruments of transfer of shares, comprising 4855 shares were pending and since then the same have been processed. No penalties or strictures were imposed on the Bank by any of the Stock Exchanges, SEBI or any other statutory authority on any matter related to capital markets, during the last three years.

Esop/Compensation Committee

The ESOP/Compensation Committee of the Bank comprises of three members, with any two forming the quorum. The constitution and composition of the Committee is in accordance with the guidelines issued by Reserve Bank of India.

The ESOP/Compensation Committee has been constituted to recommend/review overall compensation structure and policies; consider grant of stock options to employees; review compensation levels vis-à-vis other banks and industry in general and determine the compensation payable to the Directors including performance/achievement bonus and perquisites. The performance bonus to the Executive Directors is based on the recommendation of the Executive Vice-Chairman and Managing Director of the Bank. The Board of Directors of the Bank decides the performance bonus to be paid to the Executive Vice-Chairman and Managing Director and the Executive Directors on the basis of the performance of the Bank and the fulfilment of responsibilities assigned to them. Non-Executive Directors at present, are not paid commission over and above the sitting fees. The Bank has issued stock options to its employees and the employees of its subsidiaries under various stock option plans, details of which are provided in the Directors' Report.

During the year, six meetings of the Committee were held on 15th April 2006, 26th April 2006, 15th May 2006, 19th October 2006, 29th October 2006 and 18th November 2006. The Committee meets for approximately thirty minutes. The Meetings were attended by the members of the Committee, as detailed below:

Name of Members of ESOP/Compensation Committee	Meetings Attended
Mr. Anand Mahindra (Chairman)	3
Mr. K. M. Gherda	6
Mr. Cyril Shroff	4

Share Transfer And Routine Transactions (Start) Committee

The START Committee of the Bank consists of three members, with any two forming the quorum. The term of reference of the START Committee is as follows:

- To approve transfer, transmission, transposition, name deletion, consolidation and splitting of share and debenture certificates of the Company.
- To issue duplicate share/debenture certificates.
- To apply for registration of the Company with various authorities of any state or Centre including sales tax authorities, income tax authorities, shops & establishment authorities, and to do or perform all matters relating to such matters.
- To apply, in the name of and for the Company for telephone, telex, fax and other telecommunication and electrical/electronic connections and to do all matters relating to such applications.
- To open, operate and close Bank Accounts of the Company and change the operating instructions of existing Bank Accounts of the Company.
- To authorise persons to sign on behalf of the Company Share Certificates, Share Allotment Letters, Deposit Receipts.
- To authorise persons to represent the Company at General Meetings of any company or cooperative society of which the Company is a shareholder/member.
- To fix the dates for Closure of the Company's Register of Members and Debenture holders and Transfer Books of Shares or Debentures and/or fixing Record Dates, in consultation with the Stock Exchanges.
- To authorise the opening of Securities General Ledger Account or any other account with any scheduled banks or with any department of the Reserve Bank of India.
- To authorise persons to execute Loan Agreements, Demand Promissory Notes and any other documents as may be necessary for lending out of any line of credit sanctioned to the Company.
- To authorise officials of the Company to execute transfer deeds on behalf of the Company.
- To authorise officials of the Company to sign documents for registration of motor vehicles and to do all acts and things for the transfer of any such motor vehicles.
- To authorise employee(s) or others to execute, for and on behalf of the Company, agreements, applications, deeds, documents and any other writings in connection with the business of the Company and, if required, to issue Power of Attorney in favour of such persons for the purpose.
- To authorise employee(s) or others to represent the Company before any Court, Tribunal, Consumer Redressal Forum or any Statutory

or other Authority on any matter relating to the operations of the Company or with which the Company is in any way connected or to represent the Company generally or for any specific purpose or purposes and, if required, issue Power of Attorney in favour of such persons for the purpose.

- (o) To appoint or change nominees to hold shares for and on behalf of the Company in any subsidiary/associate companies.
- (p) To grant permission and authorise incorporation of companies, with a prefix "Kotak Mahindra" before the name.
- (q) To authorise the use of the Common Seal of the Company and to appoint persons to sign/countersign documents, etc. on which the Common Seal is to be affixed.

During the year, forty five meetings of the Committee were held. The Committee meets for approximately thirty minutes. The Meetings were attended by the members of the Committee, as detailed below:

Name of Members of START Committee	Meetings Attended
Mr. Uday Kotak	45
Mr. C. Jayaram	37
Mr. Dipak Gupta	41

Nomination Committee

The Nomination Committee of the Bank consists of three members, with any two forming the quorum. Presently, the Committee consists of Mr. Uday Kotak (Chairman), Mr. C. Jayaram and Mr. Dipak Gupta. The terms of reference of the Committee include appointment of senior management personnel and making recommendations to the Board for appointment of Directors or filling of vacancies on the Board.

During the year, two meetings of the Committee were held on 14th April 2006 and on 1st June 2006 and all Directors attended the meetings.

Management Committee

The Management Committee of the Bank consists of four members, with any three forming the quorum. The Committee has been constituted to review all important matters to be placed before the Board; assess adequacy of policies on an on-going basis; review business operations; corporate governance; implementation of policies; to establish systems for facilitating efficient operations and to approve donations. The Committee consists of Mr. Uday Kotak (Chairman), Mr. C. Jayaram, Mr. Dipak Gupta and Mr. Shivaji Dam.

During the year, six meetings of the Committee were held on 11th May 2006, 5th July 2006, 19th July 2006, 21st September 2006, 13th October 2006 and 4th December 2006. The Meetings were attended by the members of the Committee, as detailed below:

Name of Members of Management Committee	Meetings Attended
Mr. Uday Kotak (Chairman)	6
Mr. C. Jayaram	5
Mr. Dipak Gupta	6
Mr. Shivaji Dam*	—

*The Committee was reconstituted by the Board at its meeting held on 9th March 2007 whereby, Mr. Shivaji Dam was included as the member of the Management Committee.

Committee On Frauds

Pursuant to the directives of the Reserve Bank of India, the Bank has constituted a Committee on Frauds on 27th January 2004 for monitoring and reviewing all the frauds involving amounts of Rs. 1 crore and above. The Committee consists of five members viz., Mr. Uday Kotak, Mr. K. M. Gherda, Mr. Pradeep N. Kotak, Mr. C. Jayaram and Mr. Dipak Gupta with any two forming the quorum. During the year, no fraud of an amount exceeding Rs. 1 crores was reported and as a result, no meeting of the Committee was held during the year.

Customer Services Committee

The Bank has, pursuant to the directives issued by the Reserve Bank of India, constituted a Customer Services Committee on 22nd September 2004. The Committee consists of three members viz., Mr. Pradeep Kotak (Chairman), Mr. Uday Kotak and Mr. Dipak Gupta. The Committee has been constituted to bring about ongoing improvements in the quality of customer services provided by the Bank. The Committee would also oversee the functioning of the Customer Service Standing Committee, compliance with the recommendations of the Committee on Procedures and Performance Audit and Public Services (CPPAPS) and also mount innovative measures for enhancing the quality of customer service and improving the level of customer satisfaction for all categories of cliental, at all times.

During the year, two meetings of the Committee were held on 11th July 2006 and 23rd January 2007. All the meetings were attended by all the members of the Committee.

Code of Conduct

The Board of Directors of the Bank at its meeting held on 15th May 2006 adopted the Code of Conduct for the purpose of clause 49 applicable to Directors and Senior Management personnel. This Code of Conduct has been posted on the website of the Bank, i.e. www.kotak.com.

General Meetings

During the last three years, two Extraordinary General Meetings, three Annual General Meetings i.e. Twenty First, Twentieth, Nineteenth Annual General Meetings of the Bank and a Court Convened meeting of equity

shareholders were held at Indian Merchants' Chamber, Walchand Hirachand Hall, 4th Floor, Churchgate, Mumbai 400 020.

General Meetings	Day, Date and Time	Special Resolutions passed thereat
Court Convened Meeting of Equity Shareholders	Tuesday, 5th December 2006, 11:00 a.m.	Resolution with the requisite majority of shareholders prescribed u/s. 391 of the Companies Act, 1956 for approving the arrangement embodied in the Scheme of Arrangement between Kotak Mahindra Capital Company Limited, the Bank and their respective shareholders and creditors.
Twenty First Annual General Meeting	Thursday, 20th July 2006, 12:00 noon	Special Resolution u/s 309(4) of the Companies Act, 1956 and u/s 35-B of the Banking Regulation Act, 1949 for appointment of Dr. Shankar Acharya as part-time Chairman of the Bank for three years on terms of remuneration to be fixed by the Board of Directors of the Bank.
Extraordinary General Meeting	Thursday, 27th October 2005, 12:00 noon	Special Resolution u/s 81 (1A) of the Companies Act, 1956 for issue and allotment of equity shares and/or equity shares through depository receipts, in the course of one or more international or domestic public offerings and/or private placements basis in domestic and/or one or more international market(s).
Twentieth Annual General Meeting	Tuesday, 26th July 2005 12:00 noon	1. Special Resolution u/s 81 (1A) of the Companies Act, 1956 for issue and allotment of equity shares to the employees of the Bank under "Kotak Mahindra Equity Option Scheme 2005". 2. Special Resolution u/s 81 (1A) of the Companies Act, 1956 for issue and allotment of equity shares to the employees of the subsidiaries of the Bank under "Kotak Mahindra Equity Option Scheme 2005"

General Meetings	Day, Date and Time	Special Resolutions passed thereat
Extraordinary General Meeting	Monday, 27th December 2004 11:30 a.m.	1. Special Resolution u/s 81 (1A) of the Companies Act, 1956 for issue and allotment of shares on preferential basis. 2. Special Resolution for increasing the ceiling limit on total holdings of Foreign Institutional Investors (FIIs)/ SEBI approved sub-accounts of FII in the equity share capital of the Bank.
Nineteenth Annual General Meeting	Monday, 26 th July, 2004 11.30 a.m.	Special Resolution u/s 81 (1A) of the Companies Act, 1956 for issue of equity shares in terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines to employees of the Bank and its subsidiary companies under the various ESOP Schemes of the Bank formulated and implemented from time to time.

Disclosures

- The Bank has not entered into any material financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms etc., in which they are either directly or through their relatives interested as Directors and /or Partners. The Bank consults the firm in which one of the Bank's director is a partner from time to time and bills are raised by the firm on the Bank for professional services. The Bank has not entered into any material financial or commercial transactions with its subsidiaries and other related parties as per AS-18 that may have potential conflict with the interest of the Bank at large.
- During the last three years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and /or SEBI and /or any other statutory authorities on matters relating to capital market.

Shareholders' Information

Date of Incorporation : 21st November 1985.
 Registration No. : 11-38137 TA
 Corporate Identification No. : L65110MH1985PLC038137
 Registered Office : 36-38A, Nariman Bhavan, 227, Nariman Point, Mumbai- 400 021.
 Tel. No. (022) 66581100
 Fax No. : (022) 22855577
 Website : www.kotak.com

Contact : Ms. Bina Chandarana,
Company Secretary & Sr. Vice President

Registrars & Share Transfer Agents : Karvy Computershare Private Limited (earlier Karvy Consultants Limited)

(i) Karvy House, 46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad-500 034
Tel Nos. : (040) 23420815/816/817
Fax No. : (040) 23420814

(ii) 7, Andheri Industrial Estate, Off Veera Desai
Road, Andheri (West), Mumbai-400 058.
Tel Nos. : (022) 2636 7226/2636 9044
Fax No. : (022) 26310882
Website : www.karvy.com

Annual General Meeting

Date and Time : Thursday, 5th July 2007 at 12:00 noon.

Venue : Indian Merchants' Chamber, Walchnd Hirachand Hall, 4th Floor, Churchgate, Mumbai - 400 020.

Date of Book Closure : 26th June 2007 to 5th July 2007 (both days inclusive) for payment of dividend

Dividend Payment Date : On or after Friday, 6th July 2007.

Investor Relations

The Bank publishes consolidated results on a quarterly basis. The same are also reviewed by the Audit Committee before submission to the Board. Along with the quarterly results, an earnings update is also prepared and posted on the website of the Bank. Every quarter, the Executive Vice-Chairman and Managing Director and the Executive Director(s) participate on a call with the analysts/shareholders, the transcripts of which are posted on the website of the Bank. The Bank also has dedicated personnel to respond to queries from investors.

Financial Calendar: For each calendar quarter, the financial results are reviewed and taken on record by the Board during the last week of the month subsequent to the quarter ending. The audited annual accounts as at 31st March are approved by the Board, after a review thereof by the Audit Committee. The Annual General Meeting to consider such annual accounts is held in the second quarter of the financial year.

Stock Exchanges on which listed:

Sr. No.	Name & Address of Stock Exchange	Market Scrip Code
1.	The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai 400 023	500247
2.	National Stock Exchange of India Limited Exchange Plaza, 5 th Floor, Bandra-Kurla Complex, Bandra, Mumbai 400 051	KOTAKBANK
3.	Luxembourg Stock Exchange BP 165, L-2011 Luxembourg	KMBLYD744A

The annual fees for 2007-08 have been paid to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, where the shares of the Bank are listed.

Trading of shares to be in compulsorily dematerialized form:

The Securities and Exchange Board of India has included the equity shares of the Bank in the list of shares in which trading is compulsorily in dematerialized form, from 29th November 1999. The equity shares of the Bank have been activated for dematerialisation with the National Securities Depository Limited with effect from 4th August 1998 and with the Central Depository Services (India) Limited with effect from 26th February 1999 vide ISIN INE237A01010.

Share Transfer System: Applications for transfers, transmission and transposition are received by the Bank at its Registered Office or at the office(s) of its Registrars & Share Transfer Agents. As the shares of the Bank are in dematerialised form, the transfers are duly processed by NSDL/ CDSL in electronic form through the respective depository participants. Shares which are in physical form are processed by the Registrars & Share Transfer Agents on a regular basis and the certificates despatched directly to the investors.

Investor Helpdesk: Share transfers, dividend payments and all other investor related activities are attended to and processed at the office of our Registrars & Share Transfer Agents. For lodgement of Transfer Deeds and any other documents or for any grievances/complaints, kindly contact Karvy Computershare Private Limited, contact details of which are provided elsewhere in the Report.

For the convenience of the investors, transfers and complaints from the investors are accepted at the Registered Office between 9:30 a.m. to 5:30 p.m. from Monday to Friday except on bank holidays:

As advised by Securities and Exchange Board of India ("SEBI") the Bank has designated email- id of its Compliance Officer i.e. bina.chandrana@kotak.com for the purpose of registering complaints by the investors. The same has also been displayed on the website of the Bank.

Kotak Mahindra Bank Limited

Registered Office : 36-38A, Nariman Bhavan,
227, Nariman Point,
Mumbai 400 021.
Tel. No. : (022) 66581100
Fax : (022) 2285 5577
E-mail : bina.chandarana@kotak.com
Website : www.kotak.com

Transfer to Investor Education and Protection Fund: Pursuant to Section 205C of the Companies Act, 1956, dividends that are unclaimed for a period of seven years get transferred to the Investor Education and Protection Fund administered by the Central Government. The table given below gives the dates of dividend declaration since 1999-00 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government.

Year	Dividend- Type	Date of Declaration	Due Date of Transfer
1999-00	Interim	28 th March 2000	27 th May 2007
2000-01	Final	3 rd August 2001	3 rd September 2008
2001-02	Special Interim	28 th January 2002	10 th March 2009
2001-02	Final	26 th September 2002	26 th October 2009
2002-03	Final	31 st July 2003	1 st August 2010
2003-04	Final	26 th July 2004	27 th August 2011
2004-05	Final	26 th July 2005	27 th August 2012
2005-06	Final	20 th July 2006	19 th August 2013

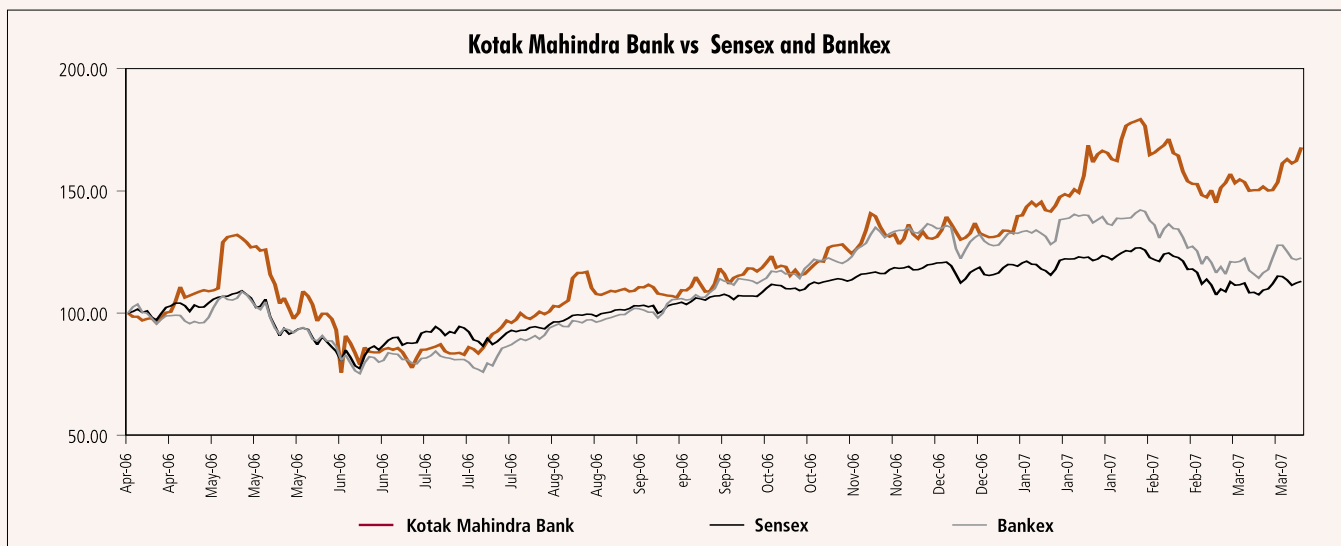
Share Price Details

The Monthly high and low quotation of shares traded on BSE :

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Bse Sensex (Close)	Bankex
April 2006	324.50	255.00	311.45	12042.56	5245.79
May 2006	400.00	260.00	295.95	10398.61	4769.87
June 2006	311.00	210.00	242.70	10609.25	4348.79
July 2006	288.00	231.40	285.50	10743.88	4781.14
August 2006	347.00	276.05	314.15	11699.05	5308.01
September 2006	346.00	300.00	331.80	12454.42	6038.87
October 2006	356.00	318.00	346.65	12961.90	6484.06
November 2006	413.00	345.00	380.75	13696.31	7179.71
December 2006	419.90	365.00	399.40	13786.91	7085.73
January 2007	486.80	399.00	465.90	14090.92	7260.09
February 2007	529.00	407.00	423.75	12938.09	6408.01
March 2007	480.90	402.00	479.65	13072.10	6542.01

The Monthly high and low quotation of shares traded on NSE:

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	S&p & Cnx Nifty	Bank Nifty
April 2006	323.80	252.00	310.90	3557.60	4549.80
May 2006	399.95	260.40	294.40	3071.05	4123.55
June 2006	311.00	210.00	244.00	3128.20	3708.90
July 2006	285.50	229.00	284.00	3143.20	4078.80
August 2006	349.70	273.60	312.30	3413.90	4594.85
September 2006	345.00	301.20	333.40	3588.40	5276.25
October 2006	356.90	319.10	347.15	3744.10	5588.70
November 2006	413.00	342.60	381.40	3954.50	6198.30
December 2006	419.80	362.15	399.80	3966.40	6008.75
January 2007	495.00	380.90	466.85	4082.70	5953.95
February 2007	528.25	402.30	424.90	3745.30	5240.30
March 2007	481.00	402.00	479.40	3821.55	5308.50



Share Holding:

Shareholding Pattern :

Category	As on 31 st March 2007		As on 31 st March 2006	
	No. of Shares Held	Percentage of Shares	No. of Shares Held	Percentage of Shares
A. Promoters Holding				
Promoters	18,13,04,442	55.59	18,10,78,456	58.55
Sub-Total	18,13,04,442	55.59	18,10,78,456	58.55
B. Non-Promoters Holding				
1. Institutional Investors				
a. Mutual Funds & UTI	1,38,14,183	4.24	1,13,83,635	3.68
b. Banks, Financial Institutions, Insurance Companies (State/Central Govt. Institutions)	5,40,427	0.16	48,140	0.02
c. Foreign Institutional Investors	7,31,54,886	22.43	6,44,17,081	20.83
Sub-Total	8,75,09,496	26.83	7,58,48,856	24.52
C. Others				
a. Private Corporate Bodies	41,99,692	1.29	35,24,076	1.14
b. Indian Public including Directors & relatives	4,40,82,937	13.51	4,40,37,273	14.24
c. NRIs/OCBs	45,06,974	1.38	46,13,685	1.49
d. Global Depository Shares (GDS)	37,08,523	1.14	—	—
e. Foreign Bodies DR	5,91,259	0.18	—	—
f. Clearing Members	2,52,385	0.08	1,92,279	0.06
Sub-Total	5,73,41,770	17.58	5,23,67,313	16.93
Grand Total	32,61,55,708	100.00	30,92,94,625	100.00

The increase in capital is due to allotment of 18,61,083 equity share of Rs. 10/- each under various ESOP Schemes of the Bank and allotment of 1,50,00,000 equity shares underlying GDS during the financial year 2006-07.

Shareholding Pattern for Non-Executive Directors :

Name of the Non – Executive Director	As on 31 st March 2007	
	No. of Shares Held	Percentage of Shares
Dr. Shankar Acharya	—	—
Mr. K. M. Gherda	10,000	0.00
Mr. Anand Mahindra	6,10,590	0.19
Mr. Cyril Shroff	8,76,875	0.27
Mr. Pradeep N. Kotak	5,29,140	0.16
Mr. Shivaji Dam	2,74,442	0.08

List of Top 10 Shareholders of Kotak Mahindra Bank Limited as on 31st March 2007:

Name	No of shares	% holding	Category
Uday Suresh Kotak	153131775	46.95	Indian Promoter
Melany Holdings Limited	14946659	4.58	FII
Madison Holding Ltd.	14946659	4.58	FII
Kotak Trustee Company Pvt. Ltd. (Beneficial Owner Mr. Uday S. Kotak)	13448530	4.12	Indian Promoter's Co.
Anuradha Mahindra	8619550	2.64	Indian Promoter

Name	No of shares	% holding	Category
Small Cap World Fund Inc.	5493262	1.68	FII
J. P. Morgan Fleming Asset Management (Europe) S.A.R.L. A/c Flagship Indian Investment Company (Mauritius) Limited	5488401	1.68	FII
UBS Securities Asia Limited A/c Swiss Finance Corporation (Mauritius) Limited	4273135	1.31	FII
Avion Aerosols Pvt. Ltd.	3848275	1.18	Indian Promoter's Co.
The Bank of New York (Depository)	3708523	1.14	Global Depository Shares (GDS)

Note: Melany Holdings Limited and Madison Holding Ltd. are the registered sub-accounts of M/s. Warburg Pincus International LLC, which is a Foreign Institutional Investor registered as such with Securities and Exchange Board of India.

Distribution Schedule as on 31st March, 2007

Sr. No.	Category From To	No. of Holders	% of Holders	No. of Shares	% of Shares
1.	1 - 100	19123	40.96	866573	0.27
2.	101 - 200	4342	9.30	710905	0.22
3.	201 - 300	3364	7.21	882029	0.27
4.	301 - 400	1506	3.23	562808	0.17
5.	401 - 500	4066	8.71	2012716	0.62
6.	501 - 1000	7858	16.83	6951062	2.13
7.	1001 - 2000	4170	8.93	6138021	1.88
8.	2001 - 3000	1113	2.38	2810585	0.86
9.	3001 - 4000	221	0.47	789679	0.24
10.	4001 - 5000	173	0.37	810194	0.25
11.	5001 - 10000	259	0.55	1883826	0.58
12.	10001 & ABOVE	487	1.04	301737310	92.51
	Total	46682	100.00	326155708	100.00

Shares held in physical and electronic mode by the promoters and others as on 31st March, 2007 are given in the below mentioned table:

Category	Physical mode		Electronic mode	
	Total Shares	% to Equity	Total Shares	% to Equity
Promoters	16,74,79,296	51.35%	1,38,25,146	4.24%
Others	61,39,917	1.88%	13,87,11,349	42.53%
Total	17,36,19,213	53.23%	15,25,36,495	46.77%

Compliance With Non-mandatory Requirements:

(1) The Board

The office of non-executive Chairman of the Bank is maintained by the Bank at its expenses and all the expenses incurred in performance of his duties are reimbursed by the Bank. Pursuant to Section 10(2A) of the Banking Regulation Act, 1949 all Directors other than its Chairman and / or Whole-time Directors cannot hold office continuously for a period exceeding eight years.

(2) Remuneration Committee

The Bank has set up ESOP / Compensation Committee of Directors to recommend/review overall compensation structure and policies of the Bank. Details of the said Committee have already been provided hereinabove.

(3) Shareholders' Rights

The quarterly results of the Bank are published in one English and one Marathi newspaper, having wide circulation in Maharashtra. Further, the quarterly results are also posted on the website of the Bank – www.kotak.com. Along with the quarterly results, detailed earnings updates are also given on the website of the Bank. Further, the quarterly investors'/analysts' conference call is made to discuss the financial results and performance of the Bank and the Group. The results are also available on www.sebidifar.nic.in. In view of the foregoing, the half-yearly results of the Bank are not sent to the shareholders individually.

(4) Audit qualifications

During the period under review, there were no audit qualifications in the Bank's financial statements. The Bank continues to adopt best accounting practices and has complied with the Accounting Standards and there is no difference in the treatment.

(5) Mechanism for evaluating non-executive Board Members

The Bank has constituted the Nomination Committee which evaluates every year whether the members of the Board adhere to the 'fit and proper' criteria as prescribed by the Reserve Bank of India. The adherence to the 'fit & proper' criteria by the members of the Nomination Committee, i.e. the Executive Directors is evaluated by the Board of Directors.

(6) Whistle Blower Policy

The Bank has adopted the Whistle Blower Policy pursuant to which employees of the Bank can raise their concerns relating to the fraud, malpractice or any other untoward activity or event which is against the interest of the Bank or society as a whole. The Bank hereby affirms that no personnel has been denied access to the audit Committee.

Other Disclosures

(A) The Management Discussion & Analysis Report

The Management Discussion & Analysis Report, giving an overview of the industry, the Bank's business and its financials is provided separately as a part of this Annual Report.

(B) Means of Communication

The Board of Directors of the Bank approves the unaudited financial results on a quarterly basis within one month of the quarter and the results are promptly forwarded to the stock exchanges and published in Business Standard in English and Sakal, Mumbai in Marathi (Regional Language), within 48 hours of the conclusion of the Board Meeting. The results as well as other press releases are simultaneously displayed on the Bank's website www.kotak.com. The website also displays all official news releases by the Bank from time to time as also the Earnings Updates and presentations made to investors and analysts. In addition to this, the quarterly results and earnings update are also prepared and posted on the website of the Bank. The Bank also publishes its Balance Sheet and Profit and Loss Account together

with the Auditors' Report in a newspaper as required in terms of Section 31 of the Banking Regulation Act, 1949 and Rule 15 of the Banking Regulation (Companies) Rules, 1949.

The Bank has also posted information relating to its financial results and shareholding pattern on Electronic Data Information Filing and Retrieval System (EDIFAR) at www.sebiedifar.nic.in

Declaration

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Bank have affirmed compliance to the Code of Conduct for the financial year ended March 31, 2007.

For Kotak Mahindra Bank Limited

Uday Kotak

Executive Vice Chairman and Managing Director

Dated 14th May, 2007

Auditors' Certificate On Corporate Governance

The Bank has obtained the certificate from the Auditors of the Bank regarding compliance with the provisions relating to corporate governance laid down in Clause 49 of the Listing Agreement with the Stock Exchanges. This report is annexed to the Directors' Report and will also be sent to the Stock Exchanges along with the annual return to be filed by the Bank.

Certificate

To the Members of KOTAK MAHINDRA BANK LIMITED

We have examined the compliance of conditions of Corporate Governance by **KOTAK MAHINDRA BANK LIMITED** ("the Bank") for the year ended on 31st March, 2007 as stipulated in Clause 49 of the Listing Agreement of the said Bank with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Bank's Management. Our examination was limited to a review of the procedures and implementation thereof adopted by the Bank for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us and the representations made to us by the Management, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

Nalin M. Shah
Partner
(Membership No. 15860)

Place : Mumbai
Date : 23rd May, 2007