


KOTAK MAHINDRA BANK LIMITED (CONSOLIDATED)

Registered Office: 36-38A, Nariman Bhavan, 227, Nariman Point, Mumbai 400 021

UNAUDITED FINANCIAL RESULTS FOR THE PERIOD APRIL TO JUNE 2006
Rs Lakhs

Sr No	Particulars	Quarter Ended		Year ended
		June-06 (Unaudited)	June-05 (Unaudited)	Mar-06 (Audited)
1	Interest earned (a+b+c+d)	39,761.12	24,396.49	118,447.68
	(a) Interest/discount on advances/ bills	29,787.83	18,904.16	90,969.30
	(b) Income on investments	7,717.82	4,910.05	22,951.23
	(c) Interest on balances with RBI & other banks	781.68	281.37	2,004.06
	(d) Others	1,473.79	300.91	2,523.09
2	(a) Other income {other than non recurring} (see Notes 2 and 11)	37,897.30	21,154.76	166,963.72
	(b) Other income {non recurring}	-	-	12,659.41
3	Total income (1+2)	77,658.42	45,551.25	298,070.81
4	Interest expended	18,758.99	10,705.70	51,956.74
5	Operating expenses (a+b)	39,100.73	25,471.49	166,707.30
	(a) Payments to and Provisions for employees (see Note 9)	15,451.11	8,304.17	43,845.13
	(b) Other operating expenses	23,649.62	17,167.32	122,862.17
6	Total expenditure (4+5)	57,859.72	36,177.19	218,664.04
7	Operating Profit (3-6)	19,798.70	9,374.06	79,406.77
8	Other provisions & contingencies (see Notes 1, 10 and 15)	2,277.50	710.35	5,124.15
9	(a) Profit before tax {before non recurring income} (7-8-2b)	17,521.20	8,663.71	61,623.21
	(b) Profit before tax {non recurring income}	-	-	12,659.41
10	Provision for taxes (see Note 14)	6,279.75	3,339.49	21,300.19
11	(a) Profit after tax before Minority Interest {before non recurring} (9a - 10)	11,241.45	5,324.22	40,323.02
	(b) Profit after tax before Minority Interest (non recurring)	-	-	12,659.41
12	(a) Less: Share of Minority Interest (other than non recurring)	1,225.94	689.15	6,302.09
	(b) Less : Share of Minority Interest {non recurring}	-	-	3,166.12
13	(a) Add: Share in Profit of associates (other than non recurring)	427.86	12.35	225.01
	(b) Add : Share in Profit of associates {non recurring}	-	-	29,235.67
14	Consolidated Profit after tax attributable to the Group {other than non recurring} (11a- 12a+13a)	10,443.37	4,647.42	34,245.94

Sr No	Particulars	Quarter Ended		Year ended
		June-06 (Unaudited)	June-05 (Unaudited)	Mar-06 (Audited)
15	Consolidated Profit after tax attributable to the Group {non recurring} (11b-12b+13b)	-	-	38,728.96
16	Consolidated Profit after tax attributable to the Group {including non recurring} (14+15)	10,443.37	4,647.42	72,974.90
17	Paid Up Equity Capital - (Face Value Rs. 10 per share)	32,473.02	12,332.35	30,929.46
18	Group Reserves (excluding Minority Interest)			193,781.29
19	Minority Interest			27,086.50
20	Analytical Ratios			
	(i) Earnings per Share Basic Rs. (See Notes 5)			
	Before non recurring income	3.26	1.51	11.09
	Non recurring income	-	-	12.55
	Earnings per Share Basic Rs. Total	3.26	1.51	23.64
	(ii) Earnings per Share Diluted Rs. (See Notes 5)			
	Before non recurring income	3.24	1.50	11.01
	Non recurring income	-	-	12.46
	Earnings per Share Diluted Rs. Total	3.24	1.50	23.47


KOTAK MAHINDRA BANK LIMITED (STANDALONE)

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UNAUDITED FINANCIAL RESULTS FOR THE PERIOD APRIL TO JUNE 2006
Rs Lakhs

Sr No	Particulars	Quarter Ended		Year ended
		June-06 (Reviewed)	June-05 (Reviewed)	Mar-06 (Audited)
1	Interest earned (a+b+c+d)	24,223.27	14,070.56	69,402.26
	(a) Interest/discount on advances/ bills	18,805.13	11,230.18	53,904.79
	(b) Income on investments	5,044.41	2,727.75	14,354.95
	(c) Interest on balances with RBI & other banks	343.93	106.27	1,053.03
	(d) Others	29.80	6.36	89.49
2	Other income	6,428.77	3,602.83	24,293.15
3	Total income (1+2)	30,652.04	17,673.39	93,695.41
4	Interest expended	13,082.72	7,140.95	33,908.86
5	Operating expenses (a+b)	12,383.76	7,014.76	38,730.24
	(a) Payments to and Provisions for employees (see Note 9)	5,808.83	2,561.37	15,382.33
	(b) Other operating expenses	6,574.93	4,453.39	23,347.91
6	Total expenditure (4+5)	25,466.48	14,155.71	72,639.10
7	Operating Profit (3-6)	5,185.56	3,517.68	21,056.31
8	Other provisions & contingencies (see Note 1, 10 and 15)	1,469.87	444.73	3,696.76
9	Profit before tax	3,715.69	3,072.95	17,359.55
10	Provision for taxes (see Note 14)	1,325.00	1,105.00	5,536.50
11	Profit after tax (9 - 10)	2,390.69	1,967.95	11,823.05
12	Paid Up Equity Capital - (Face Value Rs. 10 per share)	32,473.02	12,332.35	30,929.46
13	Reserves excluding revaluation reserves			54,345.21
14	Analytical Ratios			
	(i) % of shares held by Govt. of India	NIL	NIL	Nil
	(ii) % Capital adequacy ratio (see Note 16 and 17)	14.66%	12.52%	11.27%
	(iii) Earnings per Share Basic Rs. *	0.75	0.64	3.83
	(iv) Earnings per Share Diluted Rs. *	0.74	0.63	3.80
	* See Notes 5			
15	Non Promoter Shareholding			
	(i) No. of shares	143,761,747	50,877,004	128,216,169
	(ii) % of shareholding	44.27%	41.25%	41.45%



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SEGMENT RESULTS

Rs Lakhs

Sr No	Particulars	Quarter Ended		Year ended
		June-06 (Reviewed)	June-05 (Reviewed)	Mar-06 (Audited)
1	Segment Revenue (see Note 6)			
	Corporate Banking	8,331.14	3,151.46	18,169.89
	Lending	16,240.19	10,069.07	49,280.26
	Retail Liabilities	7,369.47	2,062.40	20,198.39
	Treasury and Investments	6,519.91	4,801.02	18,841.34
	Venture Fund Management	441.90	199.61	1,767.59
	Corporate Centre	-	1,393.22	5,478.05
	Total	38,902.61	21,676.78	113,735.52
	Less: Inter segment revenue	8,250.57	4,003.39	20,062.82
	Add: Unallocable revenue	-	-	22.71
	Total Revenue	30,652.04	17,673.39	93,695.41
2	Segment Results (see Note 6)			
	Corporate Banking	1,942.30	601.95	3,866.03
	Lending	1,586.52	2,773.08	11,461.36
	Retail Liabilities	(275.26)	(1,361.65)	178.42
	Treasury and Investments	227.83	(163.23)	(1,738.56)
	Venture Fund Management	234.30	111.51	863.77
	Corporate Centre	-	1,111.29	2,705.82
	Total	3,715.69	3,072.95	17,336.84
	Add: Unallocable revenue	-	-	22.71
	Profit Before Tax	3,715.69	3,072.95	17,359.55
3	Segment Assets (see Note 6)			
	Corporate Banking	311,092.01	184,815.11	283,622.61
	Lending	572,456.59	341,990.71	496,089.22
	Retail Liabilities	301,197.31	103,022.82	255,993.09
	Treasury and Investments	452,683.03	313,080.74	361,271.68
	Venture Fund Management	-	-	-
	Corporate Centre	-	48,170.26	35,117.57
	Total	1,637,428.94	991,079.64	1,432,094.17
	Less: Inter segment assets	484,760.23	285,788.48	417,111.76
	Total Assets	1,152,668.71	705,291.16	1,014,982.41
4	Segment Liabilities (See Note 6)			
	Corporate Banking	292,549.72	171,414.36	261,269.35
	Lending	511,722.84	303,404.60	438,634.63
	Retail Liabilities	301,753.38	106,056.54	258,063.10
	Treasury and Investments	399,362.17	309,116.44	356,429.02
	Venture Fund Management	-	-	-
	Corporate Centre	-	21,996.65	31,549.25
	Total	1,505,388.11	911,988.59	1,345,945.35
	Less: Inter segment liabilities	484,760.23	285,788.48	417,111.76
	Total Liabilities	1,020,627.88	626,200.11	928,833.59
5	Unallocated Assets/ (Liabilities) – (net)	(761.99)	(2,035.70)	(874.15)

NOTES:

- Provisions and contingencies are net of recoveries made against accounts which have been written off as bad in the previous year/s.
- Details of other income forming part of the Consolidated unaudited results are as follows:

Rs. lakhs

Particulars	Quarter Ended June 06 (Unaudited)	Quarter Ended June 05 (Unaudited)	For the period April 05 to March 06 (Audited)
Commission, Fees, Exchange and brokerage	24,775.62	14,077.69	86,699.42
Premium on insurance business	12,138.77	5,696.41	61,212.21
Profit on sale of investments incl. revaluation (insurance business)	(3,869.24)	602.33	8,955.01
Profit on sale of investments incl. revaluation others	1,719.24	(522.35)	3,155.29
Others	3,132.91	1,300.68	6,941.79
Total – Other income (Other than non recurring)	37,897.30	21,154.76	166,963.72
Profit on sale of investments (non recurring)	-	-	12,659.41
Total – Other income	37,897.30	21,154.76	179,623.13

- Details of other expenditure forming part of Consolidated unaudited results are as follows:

Rs. lakhs

Particulars	Quarter Ended June 06 (Unaudited)	Quarter Ended June 05 (Unaudited)	For the period April 05 to March 06 (Audited)
Policy holders' reserves, surrender expenses and claims	6,199.91	5,297.58	59,162.93
Brokerage	3,327.54	2,227.70	13,083.46
Depreciation	1,658.15	1,327.04	6,071.17
Rent, taxes and lighting	1,786.43	1,239.13	5,716.73
Others	10,677.59	7,075.87	38,827.88
Total – Other operating expenses	23,649.62	17,167.32	122,862.17

- The Board of Directors of the Bank at its meeting held on 15th May, 2006, approved the dividend @ 6.0% for the year ended 31st March, 2006, subject to the approval of the shareholders at the Annual General Meeting (AGM) to be held later today. Subsequent to 31st March, 2006 the Bank has issued 15,000,000 Global Depository Shares (GDS) representing 15,000,000 underlying equity shares and allotted 435,578 equity shares pursuant to exercise of employee stock options. Out of the above, the audited results for the year ended 31st March, 2006 include dividend proposed on 15,005,625 equity shares allotted upto the date of completion of audit. The Bank is required to pay dividend on the remaining 429,953 equity shares as they rank pari-passu with existing equity shares for dividend. The dividend will be paid after the approval of shareholders at the AGM.
- During the quarter, the Bank granted 2,546,600 equity shares to employees of the Bank and its subsidiaries under employee stock options scheme. 435,578 options were exercised by the employees during the quarter. The stock options outstanding as at 30th June, 2006 are 5,812,272.
- Till 31st March, 2006, the Bank had classified Corporate Centre, whose principal activity consisted of strategic and portfolio investments and group activities as a separate segment. Consequent to cessation of a significant part of revenues in the aforesaid segment, effective 1st April, 2006, Corporate Centre ceases to be a segment. Accordingly, the Bank has changed its business segments. Consequent to the same, the segment results for the reporting period are strictly not comparable. The revised business segments and their principal activities are as under :

Segment	Principal activity
Corporate Banking	Wholesale borrowings and lendings and services to corporate sector
Lending	Commercial vehicle finance, personal loans, home loans, agriculture finance and other loans/services.
Retail liabilities	Retail borrowings covering savings and current accounts and banking branch network and services.
Treasury and Investments	Money market, forex market, derivatives and investments
Venture Fund Management	Management of venture capital and private equity fund

The above segments have been identified based on the organization structure, the customer segment, products and services offered and its relation to risk and reward, and the internal reporting process.

A transfer pricing mechanism between all the above segments has been established to arrive at interest cost on the borrowings of the segments.

7. Status of shareholder complaints received during the quarter ended 30th June 2006 :

Total complaints pending as at 31 st March 2006	Nil
Total complaints received during the quarter ended 30 th June 2006	36
Total complaints resolved during the quarter ended 30 th June 2006	36
Total complaints pending as at 30 th June 2006	Nil

8. On 15th March, 2006, Kotak Group agreed to buy 25.01% stake held by Goldman Sachs Mauritius LLC (GS) in Kotak Mahindra Capital Limited (KMCC) and Kotak Securities Limited (KS). The consideration for the acquisition of 25.01% stake of GS is Rs. 333.00 crores. The transaction was consummated on 31st May, 2006. KS bought the stake held by GS in KMCC while KMCC bought the stake held by GS in KS. Subsequent to this KMCC and KS have become wholly owned subsidiaries of the Bank. Consequent to the above, the consolidated results for the quarter April to June 2006 include 100% share of profits with effect from 31st May, 2006 (74.99% till 30th May, 2006) of KMCC, its subsidiaries and KS with effect from 31st May, 2006 and incremental share in profits of associate. The excess of the book value of the net assets acquired over purchase consideration amounting to Rs. 28.15 crores has been accounted as capital reserve.
9. Effective 1st April, 2006, the Bank adopted the revised Accounting Standard 15 (AS 15) on Employee Benefits. Pursuant to its adoption, the additional obligations of the Bank for the period up to 31st March, 2006 amounted to Rs. 1,023.28 lakhs (standalone) and Rs. 1,714.74 lakhs (consolidated) (net of deferred tax) for the period up to 31st March, 2006 and in accordance with AS 15, the said additional obligation has been charged to the opening reserves as at 1st April, 2006. The figures for the previous periods has not been recast. The payments to and provisions for employees for the quarter ended 30th June, 2006 include provision for employee benefits of Rs. 506.06 lakhs (standalone) and Rs. 814.61 lakhs (consolidated).
10. Upto 31st May, 2006, in accordance with the RBI guidelines on purchase of non-performing assets, the Bank was recognising income at individual asset level. The Bank had also created a floating provision towards such assets, equivalent to the income recognised on individual accounts under a portfolio, wherever, the total collection was less than the cost paid for that portfolio. Vide circular dated 22nd June, 2006, the RBI has mandated specific conditions for creation and utilisation of floating provisions. Consequent to the same, the Bank has discontinued its policy of creating floating provisions for a portfolio and continues to recognise income at the asset level. In respect of the existing floating provision held, the Bank is in correspondence with the RBI for approval related to its utilisation.
11. Other income in the consolidated results for the reporting periods is net of sub-brokerage paid in the broking subsidiary amounting to Rs. 1,512.32 lakhs for the quarter ended 30th June, 2006 (Quarter ended 30th June, 2005 Rs. 863.27 lakhs), for the year ended 31st March, 2006 Rs. 5,406.17 lakhs.
12. During the quarter, the Bank raised Rs. 450.05 crores on issue of 15,000,000 GDS representing 15,000,000 underlying equity shares of Rs. 10/- each. The net issue expenses of Rs. 9.27 crores related to the aforesaid

issue have been charged to the securities premium account as allowed under Section 78 of the Companies Act, 1956.

13. During the quarter ended 30th June, 2006, the Bank (standalone) has subscribed to the rights issue of equity shares of its subsidiary, Kotak Mahindra Old Mutual Life Insurance Limited (Kotak Life) amounting to Rs. 10.39 crores. The total investment made by the Bank (standalone) in Kotak Life as on 30th June, 2006 is Rs. 135.13 crores. In addition Kotak Mahindra Prime Limited has invested Rs. 60.94 crores.
14. Provision for taxes for the quarter April to June 06 include Rs. 75.00 lakhs (standalone) and Rs. 208.17 lakhs (consolidated) of provision for fringe benefit tax (for the quarter ended April to June 2005 Rs. 45.00 lakhs (standalone), Rs. 111.40 lakhs (consolidated) and for the year ended 31st March, 2006 Rs. 250.00 lakhs (standalone), Rs. 645.84 lakhs (consolidated)).
15. During the quarter ended 30th June, 2006, the RBI vide circular DBODNo.BP.BC.21/21.04.085/2005-2006 has increased provisioning requirements on standard assets in respect of personal loans, loans and advances qualifying as capital market exposure, residential housing loans beyond Rs. 20 lakhs and commercial real estate loans from 0.40% to 1.00%. Further, vide its circular DBODNo. BP.BC.21/21.04.048/2006-2007, the RBI has permitted the Banks to phase out the provisioning requirement over four quarters. The Bank has increased its provision on standard assets from 0.50% to 0.63% in respect of personal loans and from 0.40% to 0.55% in respect of loans and advances qualifying as capital market exposure, residential housing loans beyond Rs. 20 lakhs and commercial real estate loans. This has resulted in increase in provisions and contingencies by Rs. 295.55 lakhs during the quarter.
16. The capital adequacy as on 30th June, 2006 is after considering the audited financial results up to 31st March, 2006, and also the increased capital on account of GDS issue (Note 12 above) in line with the RBI guidelines. The capital adequacy ratio has also been adjusted for the impact on reserves consequent to implementation of AS 15 (Note 9 above),.
17. During the quarter April to June 2006, the Bank has raised Rs. 3,290.00 lakhs of Bonds eligible to be classified as Tier II Capital. As on 30th June, 2006, the Bank has raised Rs. 27,290.00 lakhs of Bonds eligible to be classified as Tier II Capital and the same has been considered for arriving at the capital adequacy as on 30th June, 2006.
18. The Board has in principal approved the merger of the Trading and Principal (including primary dealership) division of Kotak Mahindra Capital Company Ltd. (KMCC) into the Bank. The boards of KMCC and Kotak Mahindra Securities Ltd (KMSL) have also in principal approved the merger of the strategic investment division and trading and clearing operations of the NSE of KMSL into KMCC. Further, in order to meet a license condition of the Reserve Bank, the Bank proposes to invest additional capital in five indirect subsidiaries so as to take a 51% stake in these companies and make them direct subsidiaries of the Bank. The above is subject to necessary approvals.
19. Figures for the previous period/ year have been regrouped wherever necessary to conform to current period's presentation.
20. The above results were taken on record at the Audit Committee meeting and at the meeting of the Board of Directors held on 20th July, 2006.

By order of the Board of Directors
For Kotak Mahindra Bank Limited

Dipak Gupta
Executive Director

Mumbai, 20th July 2006