



KOTAK MAHINDRA BANK LIMITED (CONSOLIDATED)

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

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 2006

Rs lakhs

Sr No	Particulars	Quarter Ended		Half Year Ended		Year Ended
		Sep-06 (Unaudited)	Sep-05 (Unaudited)	Sep-06 (Unaudited)	Sep-05 (Unaudited)	Mar-06 (Audited)
1	Interest earned (a+b+c+d)	43,373.51	28,288.18	83,134.63	52,684.67	118,447.68
	(a) Interest/discount on advances/bills	32,980.09	21,771.66	62,767.92	40,675.82	90,969.30
	(b) Income on investments	8,675.96	5,499.50	16,393.78	10,409.55	22,951.23
	(c) Interest on balances with RBI & other banks	1,215.34	386.48	1,997.02	667.85	2,004.06
	(d) Others	502.12	630.54	1,975.91	931.45	2,523.09
2	(a) Other income (other than non recurring) (see Note 2 and 7)	46,976.23	33,701.76	84,873.53	54,856.52	166,963.72
	(b) Other Income (non recurring)	-	-	-	-	12,659.41
3	Total income (1+2)	90,349.74	61,989.94	168,008.16	107,541.19	298,070.81
4	Interest expended	21,372.84	11,962.19	40,131.83	22,667.89	51,956.74
5	Operating expenses (a+b)	53,570.09	32,535.55	92,670.82	58,007.04	166,707.30
	(a) Payments to and Provisions for employees (see Note 6)	14,473.02	10,272.42	29,924.13	18,576.59	43,845.13
	(b) Other operating expenses (see Note 3)	39,097.07	22,263.13	62,746.69	39,430.45	122,862.17
6	Total expenditure (4+5)	74,942.93	44,497.74	132,802.65	80,674.93	218,664.04
7	Operating Profit (3-6)	15,406.81	17,492.20	35,205.51	26,866.26	79,406.77
8	Other provisions & contingencies (see Note 1)	2,072.46	2,365.69	4,349.96	3,076.04	5,124.15
9	(a) Profit before tax (before non recurring income) (7-8-2b)	13,334.35	15,126.51	30,855.55	23,790.22	61,623.21
	(b) Profit before tax (non recurring income)	-	-	-	-	12,659.41
10	Provision for taxes (see Note 8)	4,843.14	5,406.59	11,122.89	8,746.08	21,300.19
11	(a) Profit after tax before Minority Interest (before non recurring) (9a – 10)	8,491.21	9,719.92	19,732.66	15,044.14	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)	(439.51)	1,354.58	786.43	2,043.73	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)	459.38	(29.21)	887.24	(16.86)	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)	9,390.10	8,336.13	19,833.47	12,983.55	34,245.94
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)	9,390.10	8,336.13	19,833.47	12,983.55	72,974.90

17	Paid Up Equity Capital - (Face Value of Rs. 10 per share)	32,504.63	30,835.88	32,504.63	30,835.88	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.					
	Before non recurring income	2.89	2.70	6.15	4.21	11.09
	Non recurring income	-	-	-	-	12.55
	Earnings per Share Basic Rs. (Total)	2.89	2.70	6.15	4.21	23.64
	(ii) Earnings per Share Diluted Rs.					
	Before non recurring income	2.86	2.69	6.08	4.20	11.01
	Non recurring income	-	-	-	-	12.46
	Earnings per Share Diluted Rs. (Total)	2.86	2.69	6.08	4.20	23.47

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		Half Year Ended		Year Ended
	Sep-06 (Unaudited)	Sep-05 (Unaudited)	Sep-06 (Unaudited)	Sep-05 (Unaudited)	Mar-06 (Audited)
Commission, Fees, Exchange and brokerage	19,263.23	19,136.62	44,038.85	33,214.31	86,699.42
Premium on insurance business	16,164.99	7,562.56	28,303.76	13,258.97	61,212.21
Profit on sale of investments incl. revaluation (insurance business)	6,618.63	1,905.62	2,749.39	2,507.95	8,955.01
Profit on sale of investments incl. revaluation others	2,233.61	1,653.81	3,952.85	1,131.46	3,155.29
Others	2,695.77	3,443.15	5,828.68	4,743.83	6,941.79
Total – Other income (Other than non recurring)	46,976.23	33,701.76	84,873.53	54,856.52	166,963.72
Profit on sale of investments (non recurring)	-	-	-	-	12,659.41
Total – Other income	46,976.23	33,701.76	84,873.53	54,856.52	179,623.13

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

Rs. lakhs

Particulars	Quarter Ended		Half Year Ended		Year Ended
	Sep-06 (Unaudited)	Sep-05 (Unaudited)	Sep-06 (Unaudited)	Sep-05 (Unaudited)	Mar-06 (Audited)
Policy holders' reserves, surrender expense and claims	19,347.70	8,008.79	25,547.61	13,306.37	59,162.93
Brokerage	3,920.04	2,834.37	7,247.58	5,062.07	13,083.46
Depreciation	1,760.42	1,523.55	3,418.57	2,850.59	6,071.17
Rent, taxes and lighting	1,962.15	1,462.07	3,748.58	2,701.20	5,716.73
Others	12,106.76	8,434.35	22,784.35	15,510.22	38,827.88
Total – Other operating expenses	39,097.07	22,263.13	62,746.69	39,430.45	122,862.17

- The consolidated financial results are prepared in accordance with Accounting Standard – 21, "Consolidated Financial Statements " and (AS) -23 " Accounting for investment in associates in consolidated financial statement " issued by Institute of Chartered Accountants of India.
- 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 period April to September 2006 include 100% share of profits with effect from 31st May, 2006 (74.99% till 30th May, 2006) of KMCC, its subsidiaries, KS 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.
- Effective 1st April, 2006, Kotak Group 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.1,714.74 lakhs (net of deferred tax) 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 have not been recast. The payments to and provisions for employees for the quarter ended 30th September, 2006 include provision for employee benefits of Rs. 646.67 lakhs and Rs. 1,461.28 lakhs for the half year ended 30th September, 2006.

- 7 Other income in the consolidated results for the reporting periods is net of sub-brokerage paid in the broking subsidiary amounting to Rs. 1,086.18 lakhs for the quarter ended 30th September, 2006 and for half year ended 30th September, 2006 Rs. 2,598.50 lakhs (for the quarter ended 30th September, 2005 Rs. 1,592.15 lakhs; half year ended 30th September, 2005 Rs. 2,455.42 lakhs and for the year ended 31st March, 2006 Rs. 5,406.17 lakhs).
- 8 Provision for taxes (net of deferred tax) for the quarter ended 30th September, 2006, includes Fringe Benefit Tax provision amounting to Rs. 164.57 lakhs and for half year ended 30th September, 2006 Rs. 372.74 lakhs (for the quarter ended 30th September, 2005 Rs. 144.35 lakhs and half year ended 30th September, 2005 Rs. 255.75 lakhs and for the year ended 31st March, 2006 Rs. 250.00 lakhs).
- 9 Figures for the previous period/ year have been regrouped wherever necessary to conform to current period's presentation.
- 10 The above results were taken on record at the Audit Committee meeting and at the meeting of the Board of Directors held on 19th October, 2006.



KOTAK MAHINDRA BANK LIMITED (STANDALONE)

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UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 2006

Rs lakhs

Sr No	Particulars	Quarter Ended		Half Year Ended		Year Ended
		Sep-06 (Unaudited)	Sep-05 (Unaudited)	Sep-06 (Reviewed)	Sep-05 (Reviewed)	Mar-06 (Audited)
1	Interest earned (a+b+c+d)	29,517.29	16,279.33	53,740.56	30,349.89	69,402.26
	(a) Interest/discount on advances/ bills	22,985.48	12,606.29	41,790.61	23,836.47	53,904.79
	(b) Income on investments	5,741.20	3,460.35	10,785.61	6,188.10	14,354.95
	(c) Interest on balances with RBI & other banks	762.37	206.90	1,106.30	313.17	1,053.03
	(d) Others	28.24	5.79	58.04	12.15	89.49
2	Other income	6,246.63	7,305.90	12,675.40	10,908.73	24,293.15
3	(A) Total income (1+2)	35,763.92	23,585.23	66,415.96	41,258.62	93,695.41
4	Interest expended	15,389.52	7,664.53	28,472.24	14,805.48	33,908.86
5	Operating expenses (e+f)	13,503.13	9,151.53	25,886.89	16,166.29	38,730.24
	(e) Payments to and Provisions for employees (see Note 5)	6,017.91	3,566.47	11,826.74	6,127.84	15,382.33
	(f) Other operating expenses	7,485.22	5,585.06	14,060.15	10,038.45	23,347.91
6	(B) Total expenditure (4+5)	28,892.65	16,816.06	54,359.13	30,971.77	72,639.10
7	Operating Profit (A-B)	6,871.27	6,769.17	12,056.83	10,286.85	21,056.31
8	Other provisions & contingencies (see Notes 1, 6 and 11)	1,743.32	2,035.65	3,213.19	2,480.38	3,696.76
9	Profit before tax	5,127.95	4,733.52	8,843.64	7,806.47	17,359.55
10	Provision for taxes (see Note 9)	1,648.00	1,616.00	2,973.00	2,721.00	5,536.50
11	Profit after tax (9-10)	3,479.95	3,117.52	5,870.64	5,085.47	11,823.05
12	Paid Up Equity Capital - (Face Value Rs. 10 per share)	32,504.63	30,835.88	32,504.63	30,835.88	30,929.46
13	Reserves excluding revaluation reserves (See Note 2)					54,345.21
14	Analytical Ratios					
	(i) % of shares held by Govt. of India	Nil	Nil	Nil	Nil	Nil
	(ii) % Capital adequacy ratio (see Notes 12 and 13)	12.38%	11.16%	12.38%	11.16%	11.27%
	(iii) Earnings per Share Basic Rs. (see Note 14)	1.07	1.01	1.82	1.65	3.83
	(iv) Earnings per Share Diluted Rs. (see Note 14)	1.06	1.00	1.80	1.64	3.80
15	Public Shareholding (see Note 15)					
	(i) No. of shares	143,760,048	127,249,200	143,760,048	127,249,200	128,216,169
	(ii) % of shareholding	44.23%	41.27%	44.23%	41.27%	41.45%



KOTAK MAHINDRA BANK LIMITED (STANDALONE)

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SEGMENT RESULTS

Rs lakhs

Sr No	Particulars	Quarter Ended		Half Year Ended		Year Ended
		Sep-06 (Unaudited)	Sep-05 (Unaudited)	Sep-06 (Reviewed)	Sep-05 (Reviewed)	Mar-06 (Audited)
1	Segment Revenue (see Note 3)					
	Lending	19,647.35	12,707.04	35,887.54	22,776.11	49,280.26
	Corporate Banking	8,074.55	4,097.29	16,405.69	7,248.75	18,169.89
	Treasury and Investments	9,924.61	5,255.70	16,444.52	10,056.72	18,841.34
	Retail Liabilities	7,430.33	4,116.57	14,799.80	6,178.97	20,198.39
	Venture Fund Management	506.89	348.06	948.79	547.67	1,767.59
	Corporate Centre	-	1,598.09	-	2,991.31	5,478.05
	Total	45,583.73	28,122.75	84,486.34	49,799.53	113,735.52
	Less: Inter segment revenue	9,819.81	4,537.52	18,070.38	8,540.91	20,062.82
	Add: Unallocable revenue	-	-	-	-	22.71
	Total Revenue	35,763.92	23,585.23	66,415.96	41,258.62	93,695.41
2	Segment Results (see Note 3)					
	Lending	2,979.61	2,830.69	4,566.13	5,603.77	11,461.36
	Corporate Banking	2,026.53	1,051.44	3,968.83	1,653.39	3,866.03
	Treasury and Investments	872.07	92.88	1,099.90	(70.35)	(1,738.56)
	Retail Liabilities	(939.84)	(245.84)	(1,215.10)	(1,607.49)	178.42
	Venture Fund Management	189.58	122.12	423.88	233.63	863.77
	Corporate Centre	-	882.23	-	1,993.52	2,705.82
	Total	5,127.95	4,733.52	8,843.64	7,806.47	17,336.84
	Add: Unallocable revenue	-	-	-	-	22.71
	Profit Before Tax	5,127.95	4,733.52	8,843.64	7,806.47	17,359.55
3	Segment Assets (see Note 3)					
	Lending	647,695.93	379,855.02	647,695.93	379,855.02	496,089.22
	Corporate Banking	318,382.80	219,261.55	318,382.80	219,261.55	283,622.61
	Treasury and Investments	567,680.14	322,959.19	567,680.14	322,959.19	361,271.68
	Retail Liabilities	370,261.41	148,403.07	370,261.41	148,403.07	255,993.09
	Venture Fund Management	-	-	-	-	-
	Corporate Centre	-	53,386.14	-	53,386.14	35,117.57
	Total	1,904,020.28	1,123,864.97	1,904,020.28	1,123,864.97	1,432,094.17
	Less: Inter segment assets	551,855.21	321,896.88	551,855.21	321,896.88	417,111.76
	Total Assets	1,352,165.07	801,968.09	1,352,165.07	801,968.09	1,014,982.41
4	Segment Liabilities (see Note 3)					
	Lending	583,979.95	338,457.39	583,979.95	338,457.39	438,634.63
	Corporate Banking	297,841.86	204,766.71	297,841.86	204,766.71	261,269.35
	Treasury and Investments	517,469.78	318,908.14	517,469.78	318,908.14	356,429.02
	Retail Liabilities	371,784.82	151,722.62	371,784.82	151,722.62	258,063.10
	Venture Fund Management	-	-	-	-	-
	Corporate Centre	-	29,343.76	-	29,343.76	31,549.25
	Total	1,771,076.41	1,043,198.62	1,771,076.41	1,043,198.62	1,345,945.35
	Less: Inter segment liabilities	551,855.21	321,896.88	551,855.21	321,896.88	417,111.76
	Total Liabilities	1,219,221.20	721,301.74	1,219,221.20	721,301.74	928,833.59
5	Unallocated Assets/(Liabilities)- (net)	2,205.88	(516.72)	2,205.88	(516.72)	(874.15)

Notes:-

1. Provisions and contingencies are net of recoveries made against accounts which have been written off as bad in the previous year/s.
2. The Board of Directors of the Bank at its meeting held on 15th May, 2006, approved the dividend @ 6.00% for the year ended 31st March, 2006, which has been approved by the shareholders at the Annual General Meeting. 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 up to the date of book closure. Out of the above the audited results for the year ended 31st March, 2006 include dividend proposed on 15,005,625 equity shares allotted up to the date of completion of audit. The Bank has paid dividend on the remaining 429,953 equity shares as they rank pari-passu with existing equity shares for dividend.
3. 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 with those of the previous period. 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 organisation 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.

4. Status of shareholder complaints received during the quarter ended 30th September, 2006 :

Total complaints pending as at 30 th June, 2006	NIL
Total complaints received during the quarter ended 30 th September, 2006	37
Total complaints resolved during the quarter ended 30 th September, 2006	37
Total complaints pending as at 30 th September, 2006	NIL

5. 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 (net of deferred tax) 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 have not been recast. The payments to and provisions for employees include provision for employee benefits of Rs. 251.02 lakhs for the quarter ended 30th September, 2006 and Rs. 757.08 lakhs for the half year ended 30th September, 2006.
6. 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. Consequent to a clarification received from the RBI, the Bank has written back floating provision amounting to Rs. 158.88 lakhs on those assets which have been fully realised.

7. The Board of Directors of the Bank has approved the scheme of merger of the Trading and Principal (including primary dealership) division of Kotak Mahindra Capital Company Ltd. (KMCC) into the Bank. Further, in order to meet a license condition of the RBI, the Bank has invested Rs. 234.19 lakhs in Kotak Mahindra Securities Limited during the quarter ended 30th September, 2006 and Rs.1,376.44 lakhs subsequent to quarter ended 30th September, 2006 as additional capital in four indirect subsidiaries, which has made them direct subsidiaries of the Bank.
8. During the half year ended 30th September, 2006, 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 amounting to 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.
9. Provision for taxes (net of deferred tax) for the quarter ended 30th September, 2006, includes fringe benefit tax provision amounting to Rs. 54.00 lakhs, for half year ended 30th September, 2006 Rs. 129.00 lakhs (for the quarter ended 30th September, 2005 Rs. 60.00 lakhs and half year ended 30th September, 2005 Rs.105.00 lakhs) and for the year ended 31st March, 2006 Rs. 250.00 lakhs.
10. During the quarter ended 30th September, 2006, the Bank has subscribed to the rights issue of equity shares of its subsidiary, Kotak Mahindra Old Mutual Life Insurance Limited (Kotak Life) amounting to Rs. 12.28 crores and Rs. 22.67 crores for the half year ended 30th September, 2006. The total investment made by the Bank in Kotak Life as on 30th September, 2006 is Rs. 147.42 crores.
11. During the half year ended 30th September, 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 0.75% during the half year ended 30th September, 2006 in respect of personal loans and from 0.40% to 0.70% 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. 427.15 lakhs during the quarter ended 30th September, 2006 and Rs. 722.70 lakhs during the half year ended 30th September, 2006.
12. The capital adequacy as on 30th September, 2006 is after considering the audited financial results up to 31st March, 2006, and also the increased capital on account of GDS issue (Note 8 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 5 above).
13. As on 30th September, 2006, the Bank has raised Rs. 272.90 crores 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 September, 2006.
14. During the quarter ended 30th September, 2006, 316,108 options were exercised by the employees and 751,686 for the half year ended 30th September, 2006. The stock options outstanding as at 30th September, 2006 are 5,388,639.
15. Public shareholding as at 30th September, 2006 has been computed in accordance with the definition of promoters as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended on 26th May, 2006.
16. Figures for the previous period/ year have been regrouped wherever necessary to conform to current period's presentation.
17. The above results were taken on record at the Audit Committee meeting and at the meeting of the Board of Directors held on 19th October, 2006. The results for the half year ended 30th September, 2006 have been subjected to limited review by the Statutory Auditors.

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

Dipak Gupta
Executive Director

Mumbai, 19th October, 2006