



**KOTAK MAHINDRA BANK LIMITED (CONSOLIDATED)**

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

**UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTH PERIOD 31<sup>ST</sup> DECEMBER 2005**

*Rs lakhs*

Sr No	Particulars	Quarter Ended		Nine Months Ended		Year Ended
		31-Dec-05 (Unaudited)	31-Dec-04 (Unaudited)	31-Dec-05 (Unaudited)	31-Dec-04 (Unaudited)	31-Mar-05 (Audited)
1	<b>Interest earned (a+b+c+d)</b>	<b>29,850.53</b>	<b>20,657.98</b>	<b>82,535.20</b>	<b>55,626.85</b>	<b>77,612.59</b>
	(a) Interest/discount on advances/bills	23,027.96	16,111.46	63,703.78	43,811.17	61,735.19
	(b) Income on investments	5,718.23	3,764.85	16,127.78	9,771.43	13,015.28
	(c) Interest on balances with RBI & other banks	388.56	457.83	1,056.40	1,275.41	1,564.55
	(d) Others	715.78	323.84	1,647.24	768.84	1,297.57
2	<b>Other income (see Notes 2, 12, 14 &amp; 15)</b>	<b>35,506.41</b>	<b>19,033.49</b>	<b>90,362.93</b>	<b>43,936.20</b>	<b>93,502.66</b>
	<b>(A) Total income (1+2)</b>	<b>65,356.94</b>	<b>39,691.47</b>	<b>172,898.13</b>	<b>99,563.05</b>	<b>171,115.25</b>
3	<b>Interest expended</b>	13,483.99	9,326.43	36,151.88	23,870.43	32,865.35
4	<b>Operating expenses (e+f)</b>	<b>36,819.51</b>	<b>22,299.61</b>	<b>94,826.55</b>	<b>55,104.32</b>	<b>105,510.70</b>
	(e) Payments to and Provisions for employees (see Note 16)	10,188.81	5,474.37	28,706.70	15,631.49	25,094.64
	(f) Other operating expenses (see Note 3)	26,630.70	16,825.24	66,119.85	39,472.83	80,416.06
	<b>(B) Total expenditure (3+4)</b>	<b>50,303.50</b>	<b>31,626.04</b>	<b>130,978.43</b>	<b>78,974.75</b>	<b>138,376.05</b>
	<b>(C) Operating Profit (A-B)</b>	<b>15,053.44</b>	<b>8,065.43</b>	<b>41,919.70</b>	<b>20,588.30</b>	<b>32,739.20</b>
	(D) Other provisions & contingencies (see Notes 1 & 15)	403.37	380.18	3,479.41	1,265.01	1,782.94
	<b>(E) Profit before tax</b>	<b>14,650.07</b>	<b>7,685.25</b>	<b>38,440.29</b>	<b>19,323.29</b>	<b>30,956.26</b>
	(F) Provision for taxes (see Note 17)	5,005.87	2,872.49	13,751.95	7,626.38	11,567.39
	<b>(G) Profit after tax before Minority Interest (E – F)</b>	<b>9,644.20</b>	<b>4,812.76</b>	<b>24,688.34</b>	<b>11,696.91</b>	<b>19,388.87</b>
	(H) Less: Share of Minority Interest	1,561.79	580.59	3,605.52	1,262.51	2,630.72
	(I) Add: Share in Profit of associates	98.62	110.93	81.77	228.63	332.52
	<b>Consolidated Profit after tax attributable to the Group (G - H + I)</b>	<b>8,181.03</b>	<b>4,343.10</b>	<b>21,164.59</b>	<b>10,663.03</b>	<b>17,090.67</b>
5	Paid Up Equity Capital - (Face Value of Rs 10 per share)	30,909.28	11,994.55	30,909.28	11,994.55	12,332.35
6	Group Reserves (excluding Minority Interest)					134,352.17
7	Minority Interest					35,991.71
8	<b>Analytical Ratios</b>					
	(i) Earnings per Share Basic Rs. (see Notes 4 & 5)	2.65	1.45	6.86	3.57	5.70
	(ii) Earnings per Share Diluted Rs. (see Notes 4 & 5)	2.62	1.44	6.82	3.55	5.66

**UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTH PERIOD 31<sup>ST</sup> DECEMBER 2005**
*Rs lakhs*

Sr No	Particulars	Quarter Ended		Nine Months Ended		Year Ended
		31-Dec-05 (Reviewed)	31-Dec-04 (Reviewed)	31-Dec-05 (Reviewed)	31-Dec-04 (Reviewed)	31-Mar-05 (Audited)
1	<b>Interest earned (a+b+c+d)</b>	<b>18,219.48</b>	<b>11,296.38</b>	<b>48,569.37</b>	<b>29,751.79</b>	<b>42,030.49</b>
	(a) Interest/discount on advances/ bills	14,247.61	8,191.76	38,084.08	21,981.72	31,986.67
	(b) Income on investments	3,838.11	2,813.99	10,026.21	6,996.48	9,094.86
	(c) Interest on balances with RBI & other banks	115.56	264.67	428.73	705.08	879.75
	(d) Others	18.20	25.96	30.35	68.51	69.21
2	<b>Other income (see Notes 12, 14 &amp; 15)</b>	<b>4,872.81</b>	<b>3,035.22</b>	<b>15,781.54</b>	<b>8,339.15</b>	<b>13,207.74</b>
	<b>(A) Total income (1+2)</b>	<b>23,092.29</b>	<b>14,331.60</b>	<b>64,350.91</b>	<b>38,090.94</b>	<b>55,238.23</b>
3	<b>Interest expended</b>	9,088.39	5,542.10	23,893.87	13,929.01	19,482.27
4	<b>Operating expenses (e+f)</b>	9,440.81	5,901.02	25,607.10	14,793.30	22,449.99
	(e) Payments to and Provisions for employees (see Note 16)	3,777.29	1,815.60	9,846.43	4,936.55	7,763.16
	(f) Other operating expenses	5,663.52	4,085.42	15,760.67	9,856.75	14,686.83
	<b>(B) Total expenditure (3+4)</b>	<b>18,529.20</b>	<b>11,443.12</b>	<b>49,500.97</b>	<b>28,722.31</b>	<b>41,932.26</b>
	<b>(C) Operating Profit (A-B)</b>	<b>4,563.09</b>	<b>2,888.48</b>	<b>14,849.94</b>	<b>9,368.63</b>	<b>13,305.97</b>
	<b>(D) Other provisions &amp; contingencies (see Notes 1 and 15)</b>	<b>148.81</b>	<b>238.15</b>	<b>2,629.19</b>	<b>727.11</b>	<b>1,466.93</b>
	<b>(E) Profit before tax</b>	<b>4,414.28</b>	<b>2,650.33</b>	<b>12,220.75</b>	<b>8,641.52</b>	<b>11,839.04</b>
	(F) Provision for taxes (see Note 17)	1,150.00	740.00	3,871.00	2,460.00	3,350.00
	<b>(G) Profit after tax (E - F)</b>	<b>3,264.28</b>	<b>1,910.33</b>	<b>8,349.75</b>	<b>6,181.52</b>	<b>8,489.04</b>
5	<b>Paid Up Equity Capital - (Face Value Rs. 10 per share)</b>	30,909.28	11,994.55	30,909.28	11,994.55	12,332.35
6	<b>Reserves excluding revaluation reserves</b>					62,755.02
7	<b>Analytical Ratios</b>					
	(i) % of shares held by Govt. of India	Nil	Nil	Nil	Nil	Nil
	(ii) % Capital adequacy ratio (see Notes 10 & 19)	11.05%	13.73%	11.05%	13.73%	12.80%
	(iii) Earnings per Share Basic Rs. (see Notes 4 & 5)	1.06	0.64	2.71	2.07	2.83
	(iv) Earnings per Share Diluted Rs. (see Notes 4 & 5)	1.05	0.63	2.69	2.06	2.81
8	<b>Non Promoter Shareholding</b>					
	(i) No. of shares	128,013,200	47,490,524	128,013,200	47,490,524	50,873,504
	(ii) % of shareholding	41.42%	39.59%	41.42%	39.59%	41.25%

**SEGMENT RESULTS**
*Rs lakhs*

Sr No	Particulars	Quarter Ended		Nine Months Ended		Year Ended
		31-Dec-05 (Reviewed)	31-Dec-04 (Reviewed)	31-Dec-05 (Reviewed)	31-Dec-04 (Reviewed)	31-Mar-05 (Audited)
1	<b>Segment Revenue</b>					
	Retail Lending activities	11,578.03	7,372.42	34,354.14	19,845.56	29,355.56
	Corporate Banking	4,588.32	3,277.38	11,837.07	8,011.63	10,602.78
	Treasury	5,388.75	3,768.51	15,445.47	9,678.69	13,398.42
	Retail Liabilities and Branch banking	4,441.57	1,259.99	10,620.55	2,429.28	5,035.23
	Corporate Centre	2,254.65	1,777.54	5,793.62	6,189.99	8,367.44
	<b>Total</b>	<b>28,251.32</b>	<b>17,455.84</b>	<b>78,050.85</b>	<b>46,155.15</b>	<b>66,759.43</b>
	Less: Inter segment revenue	5,159.03	3,135.18	13,699.94	8,104.40	11,553.85
	Add: Unallocable revenue	-	10.94	-	40.19	32.65
	<b>Total Revenue</b>	<b>23,092.29</b>	<b>14,331.60</b>	<b>64,350.91</b>	<b>38,090.94</b>	<b>55,238.23</b>
2	<b>Segment Results {see Note 11}</b>					
	Retail Lending activities	2,654.35	1,839.98	8,258.12	5,418.45	8,158.28
	Corporate Banking	987.27	914.62	2,640.66	2,422.61	2,519.04
	Treasury	(28.74)	(360.30)	(99.09)	(875.54)	(1,483.77)
	Retail Liabilities and Branch banking	(534.96)	(1,224.33)	(2,142.45)	(3,802.22)	(4,643.34)
	Corporate Centre	1,336.36	1,469.42	3,563.51	5,438.03	7,256.18
	<b>Total</b>	<b>4,414.28</b>	<b>2,639.39</b>	<b>12,220.75</b>	<b>8,601.33</b>	<b>11,806.39</b>
	Add: Unallocable revenue	-	10.94	-	40.19	32.65
	<b>Profit Before Tax</b>	<b>4,414.28</b>	<b>2,650.33</b>	<b>12,220.75</b>	<b>8,641.52</b>	<b>11,839.04</b>
3	<b>Segment Assets</b>					
	Retail Lending activities	432,193.86	257,700.02	432,193.86	257,700.02	3,15,866.55
	Corporate Banking	317,345.68	114,241.38	317,345.68	114,241.38	1,50,097.20
	Treasury	279,056.10	283,738.44	279,056.10	283,738.44	3,23,007.96
	Retail Liabilities and Branch banking	189,927.24	57,953.93	189,927.24	57,953.93	75,236.14
	Corporate Centre	32,043.15	40,803.63	32,043.15	40,803.63	50,303.51
	<b>Total</b>	<b>1,250,566.0</b>	<b>754,437.40</b>	<b>1,250,566.0</b>	<b>754,437.40</b>	<b>9,14,511.36</b>
	Less: Inter segment assets	354,396.57	223,567.18	354,396.57	223,567.18	2,64,083.73
	<b>Total Assets</b>	<b>896,169.46</b>	<b>530,870.22</b>	<b>896,169.46</b>	<b>530,870.22</b>	<b>6,50,427.63</b>
4	<b>Segment Liabilities {see Note 11}</b>					
	Retail Lending activities	378,137.13	231,292.59	378,137.13	231,292.59	2,85,834.49
	Corporate Banking	296,362.17	102,818.77	296,362.17	102,818.77	1,38,283.41
	Treasury	272,479.93	284,622.08	272,479.93	284,622.08	3,24,320.81
	Retail Liabilities and Branch banking	193,721.78	61,791.57	193,721.78	61,791.57	81,635.79
	Corporate Centre	26,678.53	7,428.13	26,678.53	7,428.13	7,844.61
	<b>Total</b>	<b>1,167,379.5</b>	<b>687,953.14</b>	<b>1,167,379.5</b>	<b>687,953.14</b>	<b>8,37,919.11</b>
	Less: Inter segment liabilities	354,396.57	223,567.18	354,396.57	223,567.18	2,64,083.75
	<b>Total Liabilities</b>	<b>812,982.97</b>	<b>464,385.96</b>	<b>812,982.97</b>	<b>464,385.96</b>	<b>5,73,835.36</b>
5	Unallocated Assets/(Liabilities) - (net)	<b>713.37</b>	<b>900.94</b>	<b>713.37</b>	<b>900.94</b>	<b>(1,504.90)</b>

**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		Nine Months Ended		Year Ended
	Dec-05 (Unaudited)	Dec-04 (Unaudited)	Dec-05 (Unaudited)	Dec-04 (Unaudited)	Mar-05 (Audited)
Commission, Fees, Exchange and brokerage	19,307.64	9,955.07	54,013.43	24,751.39	39,902.98
Premium on insurance business	11,776.59	6,867.38	25,035.56	14,165.82	46,088.66
Profit on sale of investments	2,690.69	880.29	2,944.49	2,868.31	4,449.03
Others	1,731.49	1,330.75	8,369.45	2,150.68	3,061.99
<b>Total – Other income</b>	<b>35,506.41</b>	<b>19,033.49</b>	<b>90,362.93</b>	<b>43,936.20</b>	<b>93,502.66</b>

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

*Rs. lakhs*

Particulars	Quarter Ended		Nine Months Ended		Year Ended
	Dec-05 (Unaudited)	Dec-04 (Unaudited)	Dec-05 (Unaudited)	Dec-04 (Unaudited)	Mar-05 (Audited)
Policy holders' reserves	10,036.28	5,303.40	21,183.92	10,353.82	36,954.29
Brokerage	3,119.98	2,354.78	8,182.05	5,734.32	9,234.93
Depreciation	1,529.27	1,216.66	4,379.86	3,255.83	4,549.41
Rent, taxes and lighting	1,470.80	1,056.91	4,172.00	2,857.42	4,190.74
Others	10,474.37	6,893.49	28,202.02	17,271.44	25,486.69
<b>Total – Other operating expenses</b>	<b>26,630.70</b>	<b>16,825.24</b>	<b>66,119.85</b>	<b>39,472.83</b>	<b>80,416.06</b>

- Consequent to the approval of the shareholders at the Annual General Meeting held on 26<sup>th</sup> July, 2005, the bonus allotment committee of the Board of Directors at its meeting held on 30<sup>th</sup> August, 2005, allotted bonus shares in the ratio of three equity shares for every two shares held. In accordance with Accounting Standard 20 (AS 20), Earnings Per Share issued by the Institute of Chartered Accountants of India (ICAI), the earnings per share for all the reporting periods including the previous quarter, nine months ended 31<sup>st</sup> December, 2004 and year ended 31<sup>st</sup> March, 2005 have been reworked as if the bonus shares were in existence during the said periods.
- During the quarter, the Bank allotted 734,000 equity shares to employees consequent to the exercise of employee stock options. As on 31<sup>st</sup> December, 2005, the employee stock options outstanding are 3,930,000.
- The shareholders, at the Extra Ordinary General Meeting (EGM) of the Bank held on 27<sup>th</sup> October, 2005, have approved the issue, offer, and allotment of equity shares not exceeding 15,000,000 of the face value Rs 10/- each in number up to an aggregate face value of Rs 1,500 lakhs in the course of one or more international or domestic public offering and/or private placement (including on a preferential basis).
- During the period April to December 2005, share issue expenses amounting to Rs. 87.17 lakhs have been charged off to the Share Premium account as allowed under Section 78 of the Companies Act, 1956.
- During the period April to December 2005, 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. 2,428.89 lakhs, including Rs 861.87 lakhs in the quarter October to December 2005. The total investment made by the Bank in Kotak Life as on 31<sup>st</sup> December 2005 is Rs. 18,099.18 lakhs.

9. The Bank's business has been segregated into the following segments whose principal activities are as under:

Segment	Principal activity
Treasury	Money market, forex market, derivatives and investments other than those handled by Corporate Centre
Corporate Banking	Wholesale borrowings and lendings and services to corporate sector
Retail liabilities and branch banking	Retail borrowings covering savings and current accounts; banking branch network and services and distribution of financial products
Retail Lending Activities	Commercial vehicle finance, personal loans, home loans, agriculture finance and other loans/services
Corporate Centre	Strategic investments and group activities

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.

10. During the quarter October to December 2005, the Bank has raised Rs. 1,800 lakhs of Bonds eligible to be classified as Tier II Capital. As on 31<sup>st</sup> December, 2005, the Bank has raised Rs. 24,000 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 31<sup>st</sup> December, 2005.
11. Till 31<sup>st</sup> March, 2005 interest expenses on Tier II Capital and the said borrowing by the Bank was considered as part of Treasury. From 1<sup>st</sup> April, 2005, based on the transfer pricing arrived at, the Borrowing has been considered as part of Corporate Centre activities. Consequent to this, interest expenses amounting to Rs. 438.51 lakhs for the quarter October to December 2005, and Rs. 953.84 lakhs for the period April to December 2005, have been considered under Corporate Centre. Had the said classification been applied for the reporting periods, Corporate Centre results would have been lower by Rs. 252.15 lakhs for the year April 2004 to March 2005, with the results for the quarter October to December 2004 and for the period April to December 2004 lower by Rs. 100.52 lakhs.
12. The Bank, together with its 100% subsidiary, Kotak Mahindra Investments Limited (KMIL) held 35% stake in Ford Credit Kotak Mahindra Limited (FCKM). The investments in FCKM were accounted under AS 23 issued by the ICAI in the consolidated accounts of the Bank. Consequent to Ford realigning its joint ventures in the car finance business in India, the stake held in FCKM by the Bank and KMIL were sold to Ford Credit International, upon receipt of all necessary regulatory approvals, on 4<sup>th</sup> October 2005. Consequently, FCKM has not been considered as an associate for the period commencing April 1, 2005. Other income (consolidated results) include a sum of Rs. 29.11 lakhs being the profit on sale of FCKM (for the quarter October to December 2005 and for the period April to December 2005) and Rs. 1256.40 lakhs (standalone results) for the quarter October to December 2005 and for the period April to December 2005.
13. Kotak Mahindra Prime Ltd. (KMP) {earlier known as Kotak Mahindra Primus Ltd.} was held 60 % by the Bank and the balance 40% stake was held by Ford Credit International Inc. (FCI). On 4<sup>th</sup> October, 2005, KMP's 40% stake held by FCI was purchased by Kotak Mahindra Investment Ltd., a 100% subsidiary of the Bank, thus making KMP an entity held 100 % by the Bank and its wholly owned subsidiary.
14. The Royalty agreement between KMP and the Bank was terminated with effect from 4<sup>th</sup> October, 2005. The Bank (standalone) results, therefore, have recognised royalty income only upto 3<sup>rd</sup> October, 2005 (Rs. 2,351.30 lakhs for the period 1<sup>st</sup> April to 3<sup>rd</sup> October, 2005 and Rs. 37.32 lakhs from 1<sup>st</sup> October to 3<sup>rd</sup> October, 2005). In the absence of this termination, royalty for the quarter October to December 2005 would have been Rs. 1,156.99 lakhs.
15. The Bank had acquired non performing assets from other Banks and NBFCs in the past. The Reserve Bank of India had come out with Guidelines on purchase/ sale of non performing assets vide circular dated 13<sup>th</sup> July, 2005. The Bank had sought clarifications from the RBI in respect of portfolios acquired by it prior to issue of the Guidelines, based on which it had recognised income amounting to Rs 1,335.31 lakhs and also created a floating provision amounting to Rs 1,335.31 lakhs., during the period April to September 2005. Subsequently, the RBI has mandated vide its letter dated 26<sup>th</sup> December, 2005, in respect of a specific portfolio acquired, that income on such non performing assets can be recognised only after payment of the entire purchase consideration. Consequent to this, during the quarter October to December 2005, the Bank has reversed income recognised for the period April to September 2005 amounting to Rs. 1,335.31 lakhs (which forms part of "Other income") as well as reversed equivalent floating provision of Rs. 1,335.31 lakhs (forming part of Provisions and contingencies). Such reversal,



however, has no impact on the net profit of the Bank for the quarter October to December 2005 and for the period April to December 2005.

16. The Bank (standalone) has discontinued its policy of encashment of leave unavailed by the employees. No provision for leave encashment has, therefore, been made for the current period. Further, the balance accumulated provision for leave encashment made as at 31st March, 2005 amounting to Rs. 152.38 lakhs has been written back to the profit and loss account during the quarter April to June 2005 and for the period April to December 2005.
17. Provision for taxes for the quarter October to December 2005 includes Fringe Benefit Tax provision of Rs. 70 lakhs (standalone) and Rs. 198.96 lakhs (consolidated) and for the period April to December 2005 Rs. 175 lakhs (standalone) and Rs. 454.71 lakhs (consolidated).
18. Status of shareholder complaints received during the quarter October to December 2005:

Total complaints pending as at 30 <sup>th</sup> September, 2005	Nil
Total complaints received during the quarter October to December 2005	72
Total complaints resolved during the quarter October to December 2005	72
Total complaints pending as at 31 <sup>st</sup> December, 2005	Nil

19. The capital adequacy as on 31<sup>st</sup> December, 2005 is after considering the financial results upto 30<sup>th</sup> September, 2005, which have been audited for this purpose, in line with the Reserve Bank of India guidelines.
20. Figures for the previous period/ year have been regrouped wherever necessary to conform to current year's presentation.
21. The above results were taken on record at the Audit Committee meeting and at the meeting of the Board of Directors held on 17<sup>th</sup> January, 2006. The Bank standalone results for the nine months period April to December 2005 have been subjected to a limited review by the Statutory Auditors.

By order of the Board of Directors

For Kotak Mahindra Bank Limited

Mumbai, 17<sup>th</sup> January 2006

Dipak Gupta  
Executive Director