



Earnings Update – Q2 FY07

Unaudited Results

October 19, 2006



The Board of Directors of Kotak Mahindra Bank Limited at their meeting held on October 19, 2006, took on record the unaudited financial results for the quarter ended September 30, 2006.

Highlights

- Consolidated total income up 46% to Rs 9,035.0 mn in Q2FY07 from Rs 6,199.0 in Q2FY06.
- Consolidated PAT up 13% to Rs 939.0 mn in Q2FY07 from Rs 833.6 mn in Q2FY06. H1FY07 consolidated PAT up 53% YoY to Rs 1,983.3 mn.
- Consolidated advances up 48% YoY to Rs 120.7 bn as on September 30, 2006, with retail loans comprising 84% of the portfolio. Consolidated NIM for Q2FY07 at 5.1% (5.4% in Q2FY06).
- The Group employee strength was around 8,800 as on September 30, 2006 (5,200 employees as on September 30, 2005).
- As on September 30, 2006, the Bank had 78 full-fledged bank branches (44 branches as on September 30, 2005) across 49 towns and cities.
- Net Interest Income (NII) of the Bank (Standalone) for Q2FY07 up 65% to Rs 1,412.8 mn.
- PAT of the Bank (Standalone) up 12% to Rs 348.0 mn in Q2FY07 from Rs 311.7 mn in Q2FY06. This is after considering a) additional standard provision consequent to change in RBI guidelines of Rs 42.7 mn; b) provision for employee benefit as per revised AS 15 Rs 25.1 mn; c) royalty income of Rs Nil from Kotak Mahindra Prime (royalty income in Q2FY06 was Rs 111.5 mn).
- Capital adequacy ratio of the Bank as on September 30, 2006 was 12.38% (11.16% as on September 30, 2005). Tier I ratio was 9.69%.
- Deposits of the Bank grew by 49% to Rs 81.9 bn (including current and savings deposits of Rs 16.9 bn) as on September 30, 2006 from Rs 55.0 bn (including current and savings deposits of Rs 12.2 bn) as on September 30, 2005. Total number of deposit accounts were over 255,000 as on September 30, 2006 (113,000 as on September 30, 2005).
- Kotak Securities topped the Asiamoney 2006 Brokers Poll as the Best Local Broker. It was also awarded the Best Broker in India by Finance Asia.
- Kotak Mahindra Asset Management Company adjudged the best Mutual Fund House in the NDTV Business Leadership Award 2006.
- Total assets managed/ advised by the Group were Rs 210.5 bn (Rs 130.7 bn as on September 30, 2005).
- On account of adoption of the revised Accounting Standard (AS 15) on Employee Benefits, the impact for Q2FY07 is Rs 25.1 mn for the Bank (Standalone) and Rs 64.7 mn for the consolidated financials.

Consolidated Financials

Revenues

Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Financing activities	3,403.5	2,371.5	3,043.4	6,446.9	4,316.0	49.4%	9,404.1
Fee Income *	1,914.4	2,042.9	2,464.6	4,379.0	3,428.1	27.7%	8,595.5
Premium income	1,616.5	756.3	1,213.9	2,830.4	1,325.9	113.5%	6,121.2
Treasury / Investments	1,884.0	864.5	724.9	2,608.9	1,412.1	84.8%	3,699.7
Others	216.6	163.9	319.0	535.6	272.0	96.9%	720.6
Total Revenues	9,035.0	6,199.0	7,765.8	16,800.8	10,754.1	56.2%	28,541.1

* Brokerage income is net of sub brokerage

Profits

Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Profit before tax excl. retail liabilities & branch banking and life insurance	1,570.9	1,690.1	1,912.6	3,483.5	2,843.0	22.5%	6,557.9
<i>Retail liabilities</i>	(71.5)	(24.6)	(27.5)	(99.0)	(160.7)	-	17.8
<i>Life insurance</i>	(165.9)	(149.1)	(133.0)	(298.9)	(299.5)	-	(413.4)
Profit Before Tax	1,333.4	1,516.4	1,752.1	3,085.5	2,382.8	29.5%	6,162.3
PAT (after MI/ associates)	939.0	833.6	1,044.3	1,983.3	1,298.3	52.8%	3,424.6
EPS (diluted) (Rs) (non annualised)	2.86	2.69	3.24	6.08	4.20	44.8%	11.01

Consolidated Financials

Assets

Rs million

	As on September 30, 2006	As on September 30, 2005	Growth (%) YOY	As on March 31, 2006
Advances				
• Commercial vehicles	21,698	18,029	20%	18,731
• Auto loans	31,334	28,299	11%	30,637
• Personal loans	13,914	7,598	83%	10,069
• Home loans	13,225	6,294	110%	9,707
• Corporate Banking	19,451	9,232	111%	13,357
• Others	21,048	11,880	77%	21,698
Total Advances	120,671	81,333	48%	104,199
Investments / Treasury Assets	61,022	37,537	63%	50,487
Total Assets	181,693	118,870	53%	154,686

Liabilities

Rs million

	As on September 30, 2006	As on September 30, 2005	Growth (%) YOY	As on March 31, 2006
Deposits	68,756	49,315	39%	56,167
Borrowings	66,608	41,966	59%	57,979

Consolidated Financials

Analytical Ratios

	As on September 30, 2006	As on September 30, 2005	As on March 31, 2006
Net-worth (Rs mn)	29,153	15,981	22,471
Book value per share (Rs)	89.69	51.83	72.65
Net Interest Margin (%)	5.1%	5.4%	5.1%
Net NPAs (%) (excluding stressed assets portfolio)	* 0.20%	0.32%	0.21%
Return on average Net-worth (%)	15.4%	16.9%	20.6%
Pre-Tax Return on average net-worth (%) (before retail liabilities and life insurance businesses)	27.0%	37.1%	39.5%

* Net NPA including stressed assets portfolio as on September 30, 2006 was 0.44%

Company-wise Profit After Tax

Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Kotak Mahindra Bank (Standalone)	348.0	311.7	239.1	587.1	508.5	15.4%	1,182.3
Kotak Mahindra Prime	109.2	14.1	111.7	220.8	27.5	704.4%	208.8
Kotak Mahindra Capital Company	154.2	81.5	129.5	283.7	116.0	144.7%	565.7
Kotak Securities	314.3	521.1	688.0	1,002.4	861.1	16.4%	2,155.4
International subsidiaries	24.7	38.5	49.7	74.5	39.2	90.0%	133.3
Kotak Mahindra AMC & Trustee Co	45.7	33.0	33.4	79.0	52.3	51.2%	76.3
Kotak Mahindra Old Mutual Life Insurance	(169.0)	(149.1)	(137.5)	(306.5)	(299.5)	-	(432.4)
Kotak Mahindra Investments	21.7	82.5	55.5	77.2	130.6	-40.9%	278.0
Others	0.6	33.7	0.8	1.5	67.7	-	67.9
Total consolidated profit after tax	849.4	967.1	1,170.2	2,019.7	1,503.3	34.3%	4,235.3
Equity Affiliates	45.9	(2.9)	42.8	88.7	(1.7)	-	22.5
Minority interest and other adjustments	43.6	(130.6)	(168.7)	(125.1)	(203.3)	-	(833.3)
PAT (after minority interest / adjustments)	939.0	833.6	1,044.3	1,983.3	1,298.3	52.8%	3,424.6

Kotak Mahindra Bank – Standalone

Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Lending	1,964.7	1,270.7	1,624.0	3,588.8	2,277.6	57.6%	4,928.0
Corporate Banking	807.5	409.7	833.1	1,640.6	724.9	126.3%	1,817.0
Retail Liabilities	743.0	411.7	736.9	1,480.0	617.9	139.5%	2,019.8
Treasury and Investments	992.5	525.6	652.0	1,644.5	1,005.7	63.5%	1,884.1
Venture Fund Management	50.7	34.8	44.2	94.9	54.8	73.2%	176.8
Corporate Centre	-	159.8	-	-	299.1	-	547.8
Inter-segment revenue	(982.0)	(453.8)	(825.1)	(1,807.0)	(854.1)	-	(2,006.3)
Un-allocable revenue(net)		-		-	-	-	2.3
Total Revenue	3,576.4	2,358.5	3,065.2	6,641.6	4,125.9	61.0%	9,369.5
Profit before tax	512.8	473.3	371.6	884.4	780.6	13.3%	1,736.0
Provision for tax	164.8	161.6	132.5	297.3	272.1	-	553.7
Profit after tax	348.0	311.7	239.1	587.1	508.5	15.5%	1,182.3

Rs million

Segmental PBT	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	Growth (%)	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)		(12 months)
Lending	298.0	283.1	158.7	456.6	560.4	-18.5%	1,146.1
Corporate Banking	202.7	105.1	194.2	396.9	165.3	140.1%	386.6
Retail Liabilities	(94.0)	(24.6)	(27.5)	(121.5)	(160.7)	-	17.8
Treasury and Investments	87.2	9.3	22.8	110.0	(7.0)	-	(173.9)
Venture Fund Management	19.0	12.2	23.4	42.4	23.4	81.4%	86.4
Corporate Centre	-	88.2	-	-	199.3	-	270.6
Un allocable Expenditure				-	-	-	2.3
Total PBT	512.8	473.3	371.6	884.4	780.6	13.3%	1,736.0

As a result of cessation of a significant part of revenues in the corporate centre segment, effective April 1, 2006, corporate centre ceases to be a segment. Hence, the segment results are not comparable.

Kotak Mahindra Bank – Standalone
Assets
Rs million

	As on September 30, 2006	As on September 30, 2005	Growth (%) YOY	As on March 31, 2006
Advances				
• Commercial vehicles	21,698	18,029	20.4%	18,731
• Personal loans	13,903	7,598	83.0%	10,069
• Home loans	13,225	6,294	110.1%	9,707
• Corporate Banking	19,538	9,286	110.4%	13,358
• Others	15,500	5,778	168.3%	11,620
Total Advances	83,864	46,985	78.5%	63,485
Investment / Treasury Assets	37,102	26,217	41.5%	28,555
Total Assets	120,966	73,202	65.2%	92,041

Liabilities
Rs million

	As on September 30, 2006	As on September 30, 2005	Growth (%) YOY	As on March 31, 2006
Deposits	81,940	54,979	49.0%	65,659
Borrowings	24,671	9,309	165.0%	16,092

Bank Performance Highlights

- As on September 30, 2006, the Bank had 78 full-fledged bank branches (44 branches as on September 30, 2005) across 49 towns and cities in India. The Bank proposes to have a total of around 110 full-fledged branches by March 2007 across 65 towns and cities.
- Net Interest Income (NII) of the Bank (Standalone) for Q2FY07 up 64% YoY to Rs 1,412.8 mn (Rs 861.5 mn in Q2FY06).
- PAT of the Bank (Standalone) up 12% to Rs 348.0 mn in Q2FY07 from Rs 311.7 mn in Q2FY06. This is after considering a) additional standard provision consequent to the change in RBI guidelines of Rs 42.7 mn; b) provision for employee benefit as per revised AS 15 Rs 25.1 mn; c) royalty income of Rs Nil from Kotak Mahindra Prime (royalty income in Q2FY06 was Rs 111.5 mn).
- Advances up 79% YoY to Rs 83.9 bn. Personal loans up 83% to Rs 13.9 bn.
- Deposits of the Bank grew by 49% to Rs 81.9 bn (including current and savings deposits of Rs 16.9 bn) as on September 30, 2006 from Rs 55.0 bn (including current and savings deposits of Rs 12.2 bn) as on September 30, 2005. Total number of deposit accounts were over 255,000 as on September 30, 2006 (113,000 as on September 30, 2005).
- Fees from distribution of financial products were Rs 205.7 mn in Q2FY07 (Rs 245.9 mn in Q2FY06).
- Capital adequacy ratio of the Bank as on September 30, 2006 was 12.38% (11.16% as on September 30, 2005). Tier I ratio was 9.69%.
- Following the circulars issued by RBI, the Bank has increased its provision on standard assets from 0.50% to 0.63% in Q1 FY 07 and from 0.63% to 0.75% in Q2 FY 07 in respect of personal loans and from 0.40% to 0.55% in Q1 FY 07 and from 0.55% to 0.70% in Q2 FY 07 in respect of loans and advances qualifying as capital market exposure, residential housing loans beyond Rs 2.0 mn and commercial real estate loans. This has resulted in an increase in provision on standard assets by Rs 29.6 mn in Q1FY07 and Rs 42.7 mn in Q2FY07.

Key Subsidiaries – Highlights

Kotak Mahindra Prime – car finance, other lending

Rs million

	Q2 FY07 (3 months)	Q2 FY06 (3 months)	Q1 FY07 (3 months)	H1 FY07 (6 months)	H1 FY06 (6 months)	FY06 (12 months)
Total income	957.2	706.4	962.0	1,919.2	1,377.3	3,032.0
Profit before royalty & taxes	157.8	137.9	162.9	320.7	273.8	546.2
Profit after royalty before taxes	157.8	22.3	162.9	320.7	42.5	311.1
Profit after tax	109.2	14.1	111.7	220.8	27.5	208.8

Receivables for car finance were Rs 31.3 bn as on September 30, 2006

Kotak Mahindra Capital Company – investment banking and primary dealer

Rs million

	Q2 FY07 (3 months)	Q2 FY06 (3 months)	Q1 FY07 (3 months)	H1 FY07 (6 months)	H1 FY06 (6 months)	FY06 (12 months)
Total income	467.8	254.2	442.2	910.0	443.1	1,542.4
Profit before tax	204.6	114.5	170.7	375.3	156.7	764.9
Profit after tax	154.2	81.5	129.5	283.7	116.0	565.7

- Kotak Investment Banking successfully completed the Rs 4.7 bn domestic equity offering of Tech Mahindra, which was subscribed over 71 times.
- Kotak Investment Banking also acted as Global Co-ordinator and Sole Book runner for two large Qualified Institutional Placements (QIPs) – Rs 3.5 bn Kalpataru Power Transmission and Rs 4.8 bn Mahindra Gesco Developers giving us approximately 80% of the market share of QIP's to date.
- Kotak Investment Banking also acted as financial advisors to Mahindra & Mahindra for their acquisition of 67.9% stake in JECO Holding AG of Germany, the largest outbound auto component acquisition by an Indian Company.
- Kotak Investment Banking acted as sole financial advisors to Raymond in setting up a transnational joint venture denim company with UCO textiles of Belgium, by contribution of their respective existing denim businesses, creating a company with an estimated enterprise value of Euro 200 mn.
- Segmental PBT for Trading and Principal Investments stood at Rs 182.1 mn for H1FY07 as compared to a loss of Rs 36.8 mn for H1FY06.

Kotak Securities – stock broking
Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	1,479.4	1,517.0	2,141.4	3,620.8	2,550.2	6,207.3
Profit before tax	481.8	779.0	1,010.4	1,491.5	1,272.4	3,204.8
Profit after tax	314.3	521.1	688.0	1,002.4	861.1	2,155.4

- Kotak Securities (retail, online and institutional segments) clocked average daily volumes of over Rs 26.3 bn during Q2FY07 as compared to around Rs 23.0 bn during Q2FY06. Average daily volumes for FY06 were Rs 24.4 bn.
- Average daily volumes on www.kotaksecurities.com (online) during Q2FY07 increased to Rs 3.2 bn from Rs 2.2 bn during Q2FY06. Average daily volumes for FY06 were around Rs 2.5 bn.
- AUM in Portfolio Management Services (PMS) was Rs 23.4 bn as on September 30, 2006 (Rs 25.7 bn as on September 30, 2005).
- Kotak Institutional Equities continues to maintain growth in revenues. H1FY07 has seen the company increase its institutional client base, reach and research coverage. The company has also consolidated its market share in the F&O segment.
- Kotak Securities topped the Asiamoney 2006 Brokers Poll as the Best Local Broker.
- Kotak Securities was awarded the Best Broker in India by Finance Asia for 2006.
- Network of over 762 offices (own & franchisees) across 267 cities and towns and services over 269,000 secondary market customers. .

Kotak Mahindra Asset Management Company and Trustee Company – asset management
Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Total income	136.2	101.7	137.5	273.7	181.5	393.1
Profit before tax (AMC)	52.8	40.9	33.7	86.5	62.7	78.3
Profit after tax (AMC)	34.5	26.8	21.0	55.5	41.0	50.6
Profit before tax (Trustee Company)	16.5	9.3	17.4	33.9	16.8	37.7
Profit after tax (Trustee Company)	11.2	6.2	12.4	23.6	11.3	25.7

- Total AUM as on September 30, 2006 was Rs 117.0 bn (Rs 82.2 bn as on September 30, 2005). Equity AUM as on September 30, 2006 was Rs 28.9 bn (Rs 17.1 bn as on September 30, 2005).
- KMAMC has 52 branches and satellite offices servicing over 472,000 investors.
- KMAMC adjudged the best Mutual Fund House in the NDTV Business Leadership Award 2006.
- NFO of Kotak Twin Advantage Series 3 during Q2FY06 garnered Rs 3.2 bn.

Kotak Mahindra Old Mutual Life Insurance - life insurance
Rs million

	Q2 FY07	Q2 FY06	Q1 FY07	H1 FY07	H1 FY06	FY06
	(3 months)	(3 months)	(3 months)	(6 months)	(6 months)	(12 months)
Gross premium income	1,678.5	776.7	1,236.6	2,915.1	1,368.7	6,218.5
Loss	(169.0)	(149.1)	(137.5)	(306.4)	(299.5)	(432.4)

- Kotak Life Insurance (KLI) premium income grew 165% to Rs 1,678.5 mn in Q2FY07 from Rs 776.7 mn in Q2FY06.
- KLI has a network of 55 branches in 37 cities (45 branches in FY06).
- As on September 30, 2006, KLI had over 218,000 individual policies on books representing a basic sum assured of Rs 99.4 bn (excluding riders). Additionally, KLI had around 161 group policies covering over 231,000 lives with an aggregate sum assured of around Rs 66.1 bn.

Safe Harbor

This document contains certain forward-looking statements based on current expectations of Kotak Mahindra management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of Kotak Mahindra Group as well as its ability to implement the strategy. Kotak Mahindra does not undertake to update these statements.

This document does not constitute an offer or recommendation to buy or sell any securities of Kotak Mahindra Bank or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by Kotak Mahindra, including but not limited to units of its mutual fund and life insurance policies.

This document is not an offer of securities for sale in the United States of America. Securities may not be offered or sold in the United States of America unless they are registered or exempt from registration. Any public offering of securities to be made in the United States of America will be made by means of a prospectus that will contain detailed information about the Kotak Mahindra Group and management, as well as financial statements.

All investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities market. The performance of the sponsor, Kotak Mahindra Bank Limited, has no bearing on the expected performance of Kotak Mahindra Mutual Fund or any schemes thereunder.

Figures for the previous period/ year have been regrouped wherever necessary to conform to current period's/year's presentation. Totals in some columns / rows may not agree due to rounding off.

Contact

Jaimin Bhatt / Naozad Sirwalla

Kotak Mahindra Bank Limited

Tel: +91 22 6658 1100

Fax: +91 22 2285 5577

E-mail: jaimin.bhatt@kotak.com / naozad.sirwalla@kotak.com



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)

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

- Provisions and contingencies are net of recoveries made against accounts which have been written off as bad in the previous year/s.
- 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.
- 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.

- 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

- 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.
- 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