ANNUAL ACCOUNTS OF THE INDIAN BRANCHES

MARCH 31, 2006

citibank

Citigroup Centre,
Plot C-61, Bandra Kurla Complex,
G-Block, Bandra (East),
Mumbai - 400 051.

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BALANCE SHEET OF THE INDIAN BRANCHES AS AT MARCH 31, 2006

	Schedule	**As at 31.3.2006 (Rs. 000s)**	As at 31.3.2005 (Rs. 000s)
CAPITAL & LIABILITIES			
Capital	*1*	**5,013,625**	1,674,625
Reserves & Surplus	*2*	**38,457,369**	31,432,832
Deposits	*3*	**279,117,436**	214,844,229
Borrowings	*4*	**81,830,755**	58,031,988
Other liabilities and provisions (includes sub-ordinated debt of the face value of Rs. 3,200 million)	*5*	**49,955,388**	32,078,817
TOTAL		**454,374,573**	338,062,491
ASSETS			
Cash and balances with Reserve Bank of India	*6*	**25,281,750**	23,837,834
Balances with banks and money at call and short notice	*7*	**38,034,936**	23,907,173
Investments	*8*	**105,557,539**	81,198,511
Advances	*9*	**244,552,834**	181,109,137
Fixed Assets	*10*	**5,543,592**	5,496,474
Other Assets	*11*	**35,403,922**	22,513,362
TOTAL		**454,374,573**	338,062,491
Contingent Liabilities	*12*	**3,715,854,002**	1,895,897,863
Bills for Collection		**26,706,186**	28,353,789
NOTES TO ACCOUNTS	*18*		

Schedules referred to herein form an integral part of the Balance Sheet.

As per our report of even date.

For BSR & Co.
Chartered Accountants

For and on behalf of Citibank N.A. – India Branches

Sd/-
Akeel Master
Partner
Membership No: 46768

Sd/-
Sanjay Nayar
Chief Executive Officer – India

Sd/-
Abhijit Sen
Vice President &
Chief Financial Officer

Place: Mumbai
Date: 30 June 2006

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PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	**Year ended 31.3.2006 (Rs. 000s)**	Year ended 31.3.2005 (Rs. 000s)
I. INCOME			
Interest earned	*13*	**30,643,886**	22,027,009
Other income	*14*	**10,430,666**	9,437,975
TOTAL		**41,074,552**	31,464,984
II. EXPENDITURE			
Interest expended	*15*	**10,057,091**	7,520,954
Operating expenses	*16*	**15,246,423**	12,228,849
Provisions and Contingencies	*17*	**8,715,572**	5,714,923
TOTAL		**34,019,086**	25,464,726
III. PROFIT			
Net profit for the year		**7,055,466**	6,000,258
Profit brought forward		–	–
Transfer from Investment Fluctuation Reserve (see schedule 18 - Note V(8))		**4,149,886**	–
TOTAL		**11,205,352**	6,000,258
IV. APPROPRIATIONS			
Transfers to statutory reserves		**1,763,867**	1,500,065
Transfer to Capital Reserve on sale of Immovable Property		**53,077**	–
Transfer to Investments Fluctuation Reserve		–	1,524,854
Transfer to Remittable Surplus retained for CRAR requirements		**9,388,408**	2,975,339
TOTAL		**11,205,352**	6,000,258

Schedules referred to herein form an integral part of the Profit and Loss Account.

As per our report of even date.

For BSR & Co.
Chartered Accountants

For and on behalf of Citibank N.A. – India Branches

Sd/-
Akeel Master
Partner
Membership No: 46768

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Vice President &
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Place: Mumbai
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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES AS AT MARCH 31, 2006

	(Rs. 000s)	As at 31.3.2006 (Rs. 000s)	As at 31.3.2005 (Rs. 000s)
SCHEDULE 1 – CAPITAL			
CAPITAL			
Amount of deposit kept with RBI under Section 11(2) (b) of the Banking Regulation Act, 1949 (see Schedule 18 – note V(4))		**10,144,000**	8,380,000
CAPITAL			
Initial Capital		**2,000**	2,000
Interest free funds from H.O. for CRAR requirements			
Opening Balance	1,672,625		1,672,625
Additions during the year	3,339,000		–
		5,011,625	1,672,625
TOTAL		**5,013,625**	1,674,625
SCHEDULE 2 – RESERVES & SURPLUS			
I. Statutory Reserves			
Opening Balance	7,931,077		6,431,012
Additions during the year	1,763,867		1,500,065
		9,694,944	7,931,077
II. Furniture & Equipment Reserve		**28,086**	28,086
III. Properties Investment Reserve (see Schedule 18 - Note IV (6))		**619,431**	619,431
IV. Properties Revaluation Reserve			
Opening Balance	1,546,432		1,398,091
Add : Additions during the year	–		179,901
Less: (Depreciation)/Appreciation during the year	(30,929)		(31,560)
		1,515,503	1,546,432
V. Investments Fluctuation Reserve			
Opening Balance	4,149,886		2,625,032
Additions during the year	–		–
Transfer to profit and loss account	(4,149,886)		1,524,854
		–	4,149,886
VI. Capital Reserve on sale of immovable properties			
Opening Balance	57,301		57,301
Additions during the year	53,077		–
		110,378	57,301
VII. FX Reserve		**350,000**	350,000
VIII. Remittable Surplus retained for CRAR requirements			
Opening Balance	16,750,619		13,775,280
Additions during the year	9,388,408		2,975,339
		26,139,027	16,750,619
TOTAL		**38,457,369**	31,432,832

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES AS AT MARCH 31, 2006

	As at 31.3.2006 (Rs. 000s)	As at 31.3.2005 (Rs. 000s)
SCHEDULE 3 – DEPOSITS		
A. I. Demand Deposits		
i) From banks	**1,095,041**	504,698
ii) From others	**100,070,277**	72,514,878
	101,165,318	73,019,576
II. Savings Bank Deposits	**62,679,735**	47,325,715
III. Term Deposits		
i) From banks	–	20,361,225
ii) From others	**115,272,383**	74,137,713
	115,272,383	94,498,938
TOTAL	**279,117,436**	214,844,229
B. Deposits of branches in India	**279,117,436**	214,844,229
SCHEDULE 4 – BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	–	–
ii) Other banks	**28,876,614**	14,070,623
iii) Other institutions and agencies	**10,289,451**	9,975,050
	39,166,065	24,045,673
II. Borrowings outside India	**42,664,690**	33,986,315
TOTAL	**81,830,755**	58,031,988
Secured borrowings included in I & II above	–	–
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS (see Schedule 18 – note V (6))		
I. Bills payable	**13,943,991**	11,511,248
II. Inter-office adjustments (net)	–	–
III. Interest accrued	**1,606,261**	1,468,712
IV. Subordinated debt (see Schedule 18 – note V (9))	**3,200,000**	3,200,000
V. Contingent provisions against standard assets	**968,872**	448,251
VI. Others (including provisions)	**30,236,264**	15,450,606
TOTAL	**49,955,388**	32,078,817

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES AS AT MARCH 31, 2006

	(Rs. 000s)	As at 31.3.2006 (Rs. 000s)	As at 31.3.2005 (Rs. 000s)
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I. Cash in hand (including foreign currency notes)		**898,052**	886,996
II. Balances with Reserve Bank of India			
i) in Current Account	22,383,698		16,450,838
ii) in Other Accounts	2,000,000		6,500,000
		24,383,698	22,950,838
TOTAL		**25,281,750**	23,837,834
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
i) Balances with banks			
a) in Current Accounts	2,043,274		2,405,142
b) in Other Deposit Accounts	7,391,896		3,389,211
		9,435,170	5,794,353
ii) Money at call and short notice			
a) With banks	2,050,000		6,250,000
b) With other institutions	–		–
		2,050,000	6,250,000
TOTAL (i & ii)		**11,485,170**	12,044,353
II. Outside India			
i) in Current Account	1,009,256		34,818
ii) in Other Deposit Accounts	25,540,510		11,828,002
iii) Money at call and short notice	–		–
		26,549,766	11,862,820
GRAND TOTAL (I & II)		**38,034,936**	23,907,173

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES AS AT MARCH 31, 2006

	As at 31.3.2006 (Rs. 000s)	As at 31.3.2005 (Rs. 000s)
SCHEDULE 8 – INVESTMENTS		
(see Schedule 18 – note IV (4))		
I. Investments in India in		
i) Government securities	**95,086,846**	66,413,569
ii) Other approved securities	**–**	–
iii) Debentures and Bonds	**14,281,179**	15,945,649
iv) Shares	**47,544**	35,200
v) Others[see Schedule 18 note V (5)]	**–**	603,318
TOTAL	**109,415,569**	82,997,736
Gross Investments	**109,415,569**	82,997,736
Less: Provisions for depreciation	**(3,858,030)**	(1,799,225)
Net Investments	**105,557,539**	81,198,511
Investments include securities of Rs. 37,080 million (Previous year Rs. 17,230 million) pledged for availment of fund transfer facility, clearing facility and under section 11(2)(b) of the Banking Regulation Act, 1949		
SCHEDULE 9 – ADVANCES		
(see Schedule 18 – note IV (2))		
A. i) Bills purchased and discounted	**20,656,965**	10,586,665
ii) Cash credits, overdrafts and loans repayable on demand	**58,663,250**	42,960,712
iii) Term loans	**165,232,619**	127,561,760
TOTAL	**244,552,834**	181,109,137
B. i) Secured by tangible assets (including advances against Book Debts)	**114,525,467**	84,658,527
ii) Supported by overseas branches of the Bank in OECD Countries	**25,679,823**	20,058,383
iii) Covered by Bank/Government Guarantees	**331,729**	75,185
iv) Unsecured	**104,015,815**	76,317,042
TOTAL	**244,552,834**	181,109,137

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES AS AT MARCH 31, 2006

	As at 31.3.2006 (Rs. 000s)	As at 31.3.2005 (Rs. 000s)
SCHEDULE 9 – ADVANCES *(Contd)*		
C. I. Advances in India		
i) Priority Sectors	**58,033,380**	42,252,556
ii) Public Sector	**3,013,994**	–
iii) Banks	**2,910,586**	988,823
iv) Others	**180,594,874**	137,867,758
TOTAL	**244,552,834**	181,109,137
II. Advances Outside India	**–**	–
GRAND TOTAL (C. I & II)	**244,552,834**	181,109,137
SCHEDULE 10 – FIXED ASSETS		
(see Schedule 18 – note IV (6))		
I. Leasehold land		
At cost as on 1 April	**740,627**	740,627
Additions during the year	**–**	–
Deductions during the year	**–**	–
	740,627	740,627
Depreciation to date	**(106,691)**	(91,797)
TOTAL	**633,936**	648,830
II. Premises		
At cost as on 1 April	**974,807**	972,225
Additions during the year	**68,009**	2,582
Deductions during the year	**(42,510)**	–
	1,000,306	974,807
Depreciation to date	**(133,221)**	(121,449)
	867,085	853,358
Add: Premises Revaluation	**1,515,503**	1,546,431
TOTAL	**2,382,588**	2,399,789
III.A Other Fixed Assets (including furniture and fixtures)		
At cost as on 1 April	**5,314,988**	4,846,900
Additions during the year	**1,050,424**	962,151
Deductions during the year	**(666,039)**	(494,063)
	5,699,373	5,314,988
Depreciation to date	**(3,327,271)**	(3,057,372)
TOTAL	**2,372,102**	2,257,616

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES AS AT MARCH 31, 2006

	As at 31.3.2006 (Rs. 000s)	As at 31.3.2005 (Rs. 000s)
SCHEDULE 10 – *(Contd)*		
III.B Other Fixed Assets (Taken on Lease) - (See Schedule 18 - Note IV (11) & V (16))		
At cost as on 1 April	**277,837**	175,736
Additions during the year	**115,738**	134,835
Deductions during the year	**(79,643)**	(32,734)
	313,932	277,837
Depreciation to date	**(158,966)**	(123,090)
	154,966	154,747
TOTAL	**2,527,068**	2,412,363
Capital Work-in-progress	–	35,492
GRAND TOTAL	**5,543,592**	5,496,474
SCHEDULE 11 – OTHER ASSETS (see Schedule 18 – note V (6))		
I. Due from Head office	**4,258**	8,701
II. Inter Office adjustments (Net)	**5,581**	53,800
III. Interest accrued	**4,539,115**	3,319,772
IV. Stationery and stamps	–	–
V. Non-banking assets acquired in satisfaction of claims	**9,487**	13,165
VI. Deferred Tax Asset [see Schedule 18 - Note V (15)]	**1,679,249**	1,065,206
VII. Others	**29,166,232**	18,052,718
TOTAL	**35,403,922**	22,513,362
SCHEDULE 12 – CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	–	–
II. Liability for partly paid investments	–	–
III. Liability on account of outstanding forward exchange contracts	**2,434,721,633**	1,304,563,985
IV. Liability on account of outstanding Rupee Interest Rate Swaps	**1,208,883,760**	547,199,263
V. Guarantees given on behalf of constituents		
a) In India	**33,230,846**	24,233,534
b) Outside India	**8,868,010**	2,441,143
VI. Acceptances, endorsements and other obligations	**11,954,419**	12,236,598
VII. Other items	**18,195,334**	5,223,340
TOTAL	**3,715,854,002**	1,895,897,863

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 2006

	Year ended 31.3.2006 (Rs. 000s)	Year ended 31.3.2005 (Rs. 000s)
SCHEDULE 13 – INTEREST EARNED		
I. Interest/discount on advances/bills	**20,360,690**	15,118,684
II. Income on investments	**8,837,893**	5,524,210
III. Interest on balances with Reserve Bank of India and other inter-bank funds	**1,430,228**	1,272,767
IV. Others	**15,075**	111,348
TOTAL	**30,643,886**	22,027,009
SCHEDULE 14 – OTHER INCOME		
I. Commission, exchange and brokerage	**5,743,169**	6,071,901
II. Profit/(Loss) on sale of investments	**(1,354,152)**	(1,105,158)
III. Profit/(Loss) on sale of fixed assets	**107,411**	7,840
IV. Profit/(Loss) on exchange transactions	**5,498,585**	3,931,178
V. Miscellaneous Income	**435,653**	532,214
TOTAL	**10,430,666**	9,437,975
SCHEDULE 15 – INTEREST EXPENDED		
I. Interest on deposits	**7,055,194**	5,983,632
II. Interest on Reserve Bank of India/inter-bank borrowings	**2,572,530**	1,109,054
III. Others	**429,367**	428,268
TOTAL	**10,057,091**	7,520,954
SCHEDULE 16 – OPERATING EXPENSES		
I. Payments to and provisions for employees	**3,442,234**	2,439,089
II. Rent, taxes and lighting	**844,294**	771,146
III. Printing and stationery	**220,220**	284,740
IV. Advertisement and publicity	**1,788,193**	1,637,701
V. Depreciation on bank's property	**926,755**	825,985
VI. Local advisory board members fees, allowances and expenses	**–**	19
VII. Auditors' fees and expenses	**4,490**	2,804
VIII. Law charges	**61,141**	15,072
IX. Postage, Telegrams, Telephones, etc.	**980,557**	833,928
X. Repairs and maintenance	**844,550**	784,287
XI. Insurance	**237,774**	146,075
XII. Other expenditure	**5,896,215**	4,488,003
TOTAL	**15,246,423**	12,228,849
SCHEDULE 17 – PROVISIONS AND CONTINGENCIES		
I. Provisions for non-performing assets/write offs (Net)	**1,036,551**	1,951,378
II. Provision for other assets	**520,622**	(823)
III. Provisions for Taxation [Includes provision relating to earlier year Rs 28 million (Previous Year credit of Rs 567 million)]	**5,713,636**	3,172,531
IV. Deferred Tax Charge/(Benefit)	**(614,043)**	(178,082)
V. Net provision for depreciation/(appreciation) on Investments	**2,058,806**	769,919
TOTAL	**8,715,572**	5,714,923

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006

SCHEDULE 18

I. Background

The accompanying financial statements for the year ended March 31, 2006 comprise the accounts of the Indian branches of Citibank N.A. ('the Bank'), which is incorporated with limited liability in the United States.

The Indian Branches of the Bank as at March 31, 2006 are at:

Ahmedabad; Aurangabad; Bangalore (M.G Road and South End Road); Baroda; Bhopal; Bhubaneshwar; Chandigarh; Chennai (Anna Salai and Alwarpet); Cochin; Coimbatore; Faridabad; Gurgaon; Hyderabad; Indore; Jaipur; Jalandhar; Kolkata (Brabourne Road and Chowringee Road); Lucknow; Ludhiana; Mumbai (Andheri, Fort, Juhu, Nariman Point and Santacruz); Nasik, New Delhi (Parliament Street, Punjabi Baug; Nehru Place; South Extension and Vasant Vihar); Noida; Pondicherry; Pune; Surat; Vapi and Vashi.

II. Basis of preparation

The financial statements have been prepared and presented under the historical cost convention and on the accrual basis of accounting, unless otherwise stated, and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') to the extent applicable and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, circulars issued by the Reserve Bank of India ('RBI') from time to time and current practices within the banking industry in the country.

The financial statements are presented in Indian Rupees rounded off to the nearest thousand.

III. Use of estimates

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any revisions to the accounting estimates are recognised prospectively.

IV. Significant accounting policies

1) Foreign currency transactions

Foreign currency assets, including foreign currency notes and liabilities are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers Association of India ('FEDAI').

Revenues and expenses are translated at rates prevailing on transaction date.

In accordance with the RBI Circular No. DBOD No. BP.BC.76/21.04.018/2004-05 dated March 15, 2005 and Accounting Standard 11, foreign exchange trading positions including spot and forward contracts are revalued daily at the rates published by newswires and monthly at the prevailing market rates (notified by FEDAI). The resulting gains and losses are included in the Profit and Loss account at the present value equivalent using appropriate discount rates. The notional values of these contracts continue to be recorded as contingencies.

Foreign currency swaps and forward rate agreements are marked to market using respective discount rates for rupee and foreign currency cash flows. All transactions are then recorded at spot rates notified by FEDAI. The profit or loss on revaluation is recorded in the Profit and Loss account and is included in "other assets" or "other liabilities" respectively. The notional value of these swaps is recorded as contingencies.

In compliance with RBI circular DBOD No. BP.BC. 76/21.04.018/2004-05 dated March 15, 2005 and as required under AS 11, the Bank has marked-to-market the swap contracts hedging the foreign exchange risk implicit in certain foreign currency deposits, which are swapped into rupees. The unrealized profit or loss on these contracts is recorded in the Balance Sheet under "other assets" or "other liabilities".

Foreign currency options are marked to market using market values ignoring the premium received or paid. The profit or loss on revaluation is recorded in the profit and loss account and is included in "other assets" or "other liabilities". Accordingly, premium received and premium paid is recognized upfront in the profit and loss account. The notional value of these options is recorded as contingencies.

2) Advances

Advances include portfolio purchases and are stated net of specific provisions and interest in suspense. The Bank has a consistent internal policy of classifying its advances as commercial and consumer loans and advances.

In compliance with the prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances issued by the Reserve Bank of India vide circular DBOD.No. BP.BC.11/21.04.048/2005-06 dated July 1, 2005, the Bank adopts a '90 day overdue norm' for identification of NPAs.

Write-offs and provisions made for Non-Performing Assets ('NPAs') satisfy the prudential norms prescribed by the RBI for income recognition, asset classification and provisioning.

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of the advances subject to the minimum provisioning levels prescribed in RBI guidelines.

The Bank also maintains a general provision to cover potential credit losses, which are inherent in any loan portfolio but not yet identified, at or above rates and norms prescribed by RBI from time to time and discloses the same in Schedule 5 ("Other liabilities and provisions").

3) **Securitization transactions**

The Bank securitizes out its commercial and consumer loans through direct assignment and Special Purpose Vehicles ("SPV"). Advances securitized and portfolios assigned are recorded as sales once management is satisfied that control over the underlying assets has been transferred.

In most cases, post securitization, the Bank continues to service the loans transferred to the assignee or SPV. The Bank also provides credit enhancement in the form of cash collaterals and/or by subordination of excess interest spreads to Pass Through Certificates ("PTC") holders.

With effect from February 1, 2006, consequent to the issue of the 'Guidelines on Securitization of Standard Assets' vide circular no. DBOD.No. B.P.BC.60/21.04.048/2005-06 dated February 1, 2006 ('the guidelines') by the RBI, the Bank has changed its accounting policy relating to recognition of gain on securitization transactions to comply with the provisions of the guidelines. Accordingly, gain arising on securitization is amortized over the life of security issued/to be issued by the SPV, as against being recognized upfront earlier. Loss, if any, is recognized immediately in the profit and loss account. This change in the accounting policy has not resulted in any change in the financial statements as no such securitization transactions were undertaken by the Bank after February 1, 2006.

Further, the guidelines stated that the RBI would take a view on the accounting for gains on securitization undertaken for the periods prior to February 1, 2006 on a case-by case basis. Accordingly, the Bank as approached RBI as prescribed in the circular with the request to exempt the Bank from requirement of writing back the gains booked in the prior years and amortize them over the remaining life to the underlying securities. The Bank will follow the RBI instructions in this regard.

4) **Investments**

Classification

In accordance with the RBI circular DBOD.No.BP.BC.15/21.04.141/2005-06 dated July 12, 2005, investments are to be classified as "Held for trading" (HFT) or "Available for sale" (AFS) or "Held to maturity" (HTM) at the time of its purchase. Investments which the Bank intends to hold till maturity are classified as HTM investments. Investments that are held principally for resale within a short period are classified as HFT investments. All other investments are classified as AFS investments. For disclosure in the Balance Sheet, the investments are classified under five categories – Government securities, Other approved securities, Shares, Debentures and Bonds and Other investments.

Valuation

Investments classified under "Held to Maturity" category are carried at acquisition cost and are not marked to market. Any premium on acquisition is amortized over the remaining period to maturity on a constant yield to maturity.

Investments classified under "Available for sale" category are marked to market monthly and annually based on yields declared by the Fixed Income and Money Market Dealers Association ('FIMMDA') in consultation with Primary Dealers Association of India ('PDAI'). Treasury Bills are valued at carrying cost in conformity with RBI circular DBOD.No.BP.BC.15/21.04.141/2005-06 dated July 12, 2005. Discount to face value is accreted over the remaining period to maturity. Investments classified as "Held for trading" are marked to market daily and annually based on yields declared by FIMMDA in consultation with PDAI.

Net depreciation, if any, in the classifications mentioned in Schedule 8 ("Investments") is charged to the Profit and Loss account. Appreciation is only recognised to the extent of depreciation previously provided. The book value of the investments held by the Bank is carried at the cost of acquisition without amortizing the premium paid on acquisition.

Repurchase transactions

Repurchase and reverse repurchase transactions are accounted for on outright sale and outright purchase basis respectively. The difference between the clean price of the first leg and clean price of the second leg is recognized as interest income/expense over the period of the transaction in the Profit and Loss account. However, depreciation in their value, if any, compared to their original cost, is provided for. The accounting is in accordance with the RBI master circular DBOD.No.BP.BC.15/21.04.141/2005-06 dated July 12, 2005.

Broken period interest

Broken period interest paid at the time of acquisition of the security is not capitalised as part of the cost. The accounting for broken period interest complies with RBI Master Circular No.DBOD.No.BP.BC.15/21.04.141/2005-06 dated July 12, 2005.

5) **Rupee derivative transactions**

Rupee derivative transactions primarily comprise interest rate swaps. These swaps are marked to market using appropriate interest rates. The profit or loss on revaluation is recorded in the Profit and Loss account and is included in "other assets" or "other liabilities". The notional value of these swaps is recorded as contingencies.

6) **Fixed assets and depreciation**

Fixed assets, other than premises, which are revalued, are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Depreciation on premises revalued is charged to 'Premises Revaluation Reserve'. Premises are revalued by the management biennially, based on an independent valuation report.

Depreciation is provided on the straight-line method from the date of addition based on the estimated useful life at the date of the addition. Depreciation on assets sold during the year is charged on a pro-rata basis to the Profit and Loss account till the date of sale. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then depreciation is provided at a higher rate based on management's estimate of the useful life/ remaining useful life. Pursuant to this policy, depreciation has been provided at the following rates:

Asset Description	Depreciation Rate (% p.a.)
Buildings	2.00
Installations, Furniture and Work of Art	10.00
Equipment	15.00
Computer Mainframe/Hardware/Structured cables	20.00
Software (including operating systems)	20.00/33.33/50.00
LAN Printers, servers, scanners, VSAT equipment	25.00
Personal Computers	33.33
Vehicles	33.33

Assets below Rs 5,000 are expensed in the year of purchase.

The Bank has retained a "Properties Investment Reserve" as at March 31, 2006 of Rs. 619 million (Previous year Rs 619 million) as per the RBI guidelines.

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

7) **Retirement benefits**

Contributions to the pension and gratuity funds (defined benefit plans) in respect of its employees are managed by a trust, which invests the funds in annuity policies of the Life Insurance Corporation of India, deposits and other eligible securities. The Bank's contribution is based on an actuarial valuation in accordance with Accounting Standard 15 issued by Institute of Chartered Accountants of India ('ICAI').

The Bank contributes to an approved provident fund scheme for all its employees and to a superannuation fund for employees in the management cadre above a certain grade. These schemes are managed by a trust, which invests the funds in deposits and other eligible securities. Provident fund and superannuation fund contributions are charged to the Profit and Loss account in the period in which they accrue.

The Bank has ascertained the liability arising on leave encashment benefit to eligible employees on an actuarial basis and accounted for the same in the accounts on accrual basis.

8) **Income recognition**

Interest income is recognised in the Profit and Loss account on an accrual basis, except in the case of interest on non-performing assets, which is recognised as income on receipt.

Fees and commission income is recognised when due except when it is in the nature of yield enhancement. Yield enhancement fees and commission are deferred, along with related expenses and amortized over the life of the underlying asset.

Inception gains on derivative contracts are recognized upfront.

Upto January 31, 2006, profit or loss on assets securitized is recognized at the time of sale after making appropriate provision for retained service cost and credit losses in accordance with the Guidance Note on accounting for securitization issued by the ICAI.

With effect from February 1, 2006, profits on assets securitized are recognized in accordance with the guidelines issued by RBI vide circular No. DBOD.No.BP.BC.60/21.04.048/2005-06 dated February 1, 2006, with gains on assets securitized being spread over the life of PTC and upfront recognition of retained service costs and provision for credit losses.

Further, the guidelines stated that the RBI would take a view on the accounting for gains on securitization undertaken for the periods prior to February 1, 2006 on a case-by case basis. Accordingly, the Bank has approached RBI as prescribed in the circular with the request to exempt the Bank from requirement of writing back the gains booked in the prior years and amortize them over the remaining life to the underlying securities. The Bank will follow the RBI instructions in this regard.

9) Provision for reward points on credit cards

The Bank has a policy of awarding reward points for credit card spends by customers. Provision for these points is made consistently on the basis of behavioural analysis of utilization trends and conforms to the opinion given by the Expert Advisory Committee of the ICAI.

10) Taxation

Income tax comprises the current tax (i.e. amount of tax for the period, determined in accordance with the Income Tax Act, 1961 and the rules framed thereunder), deferred tax charge or credit reflecting the tax effects of timing differences between accounting income and taxable income for the year and fringe benefit tax.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty or realization of such assets.

Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably/ virtually certain to be realized.

Provision for fringe benefit tax is made on the basis of applicable FBT on the taxable value of eligible expenses of the Bank as prescribed under the Income Tax Act 1961.

11) Accounting for leases

Lease transactions are accounted in accordance with Accounting Standard 19 issued by ICAI.

Operating leases

Lease payments are recognized as an expense in the statement of Profit and Loss account over the lease term.

Financial leases

Assets taken on finance lease are recognised as a fixed asset at the fair market value of the asset or present value of present lease payments as prescribed under Accounting Standard 19 – Leases issued by the ICAI. An equivalent liability is created at the inception of the lease. Rentals paid are apportioned between finance charge and principal based on the implicit rate of return in the contract. The finance charge is shown as interest expense and the principal amount is reduced from the liability. These assets acquired under the leases are depreciated at the same rates as applicable for similar fixed assets acquired on an outright basis as disclosed in Schedule 18 IV (6).

12) Provisions and contingencies

The Bank creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financials. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

V Notes forming part of the financial statements for the year ended March 31, 2006

1. No provision has been made for claims paid amounting to Rs 103 million (Previous year Rs 103 million) in respect of which the arbitration award passed against the Bank was set aside by the Mumbai High Court and the Bank has initiated recovery proceeding to recover the amounts so deposited. The Bank has been legally advised that there are good and reasonable chances of success. This amount is included in other assets. For the purpose of calculating the capital adequacy ratio, as disclosed in Schedule 18 V (10.1), the above amount has however been reduced from Tier I Capital.
2. No provision has been made for claims paid amounting to Rs. 619 milion (Previous year Rs. 619 million) decreed against the Bank against which appeals filed have been admitted by the Supreme Court of India. The Bank has been legally advised that it has a strong chance of succeeding in the appeal. This balance is included in other assets. For the purpose of calculating the Capital Adequacy ratio, as disclosed in Schedule 18 V (10.1), the above amount has however been reduced from Tier I Capital.
3. The Bank has, in line with RBI approval vide DBOD.No.IBS/99/23.20.003/2004-05, dated July 20, 2005 remitted to its head office consideration paid for acquisition of certain customers of ABN Amro Bank NV custody and fund accounting business and recognised the same in the Profit & Loss account during the current year.

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

4. The Bank has to lodge additional securities with the RBI under section 11(2)(b) of the Banking Regulation Act, 1949 amounting to Rs. 1,764 million for the year ended March 31, 2006. (Previous year Rs. 1,500 million).

5. Other Investments comprise of Pass Through Certificates Rs. Nil (Previous year – Rs. 29 million) and Commercial Paper Rs. Nil (Previous year Rs. 574 million).

6. Other Accounts under the head "Other Liabilities" and "Other Assets" include amounts pending transfer to appropriate accounts.

7. Bills received from constituents for collections on their behalf are controlled through memorandum registers and are recorded in financial ledgers only when collected. These bills for collection outstanding as at the year-end have been stated in the Balance Sheet.

8. In accordance with RBI circular no. DBOD.No.BP.BC.38/21.04.141/2005-06 dated October 10, 2005, the Bank has maintained capital of more than 9% of risk weighted assets for credit risk and market risk for both AFS and HFT category at March 31, 2006. Accordingly, the Bank is permitted to transfer the balance in Investment Fluctuation Reserve (IFR) to the balance of the Profit & Loss Account below the line. At March 31, 2006, the Bank has, therefore, transferred the entire balance of Rs. 4,150 million in IFR to the balance in Profit & Loss Account below the line.

9. "Other Liabilities and Provisions" includes an amount of Rs. 3,200 million (Previous year Rs. 3,200 million) representing sub-ordinated debt, details of which are as below:

Date of Allotment	Amount (Rs. million)	Coupon Rate	Coupon Frequency	Final Maturity
March 26, 1999	2,250	13.00%	Semi Annual	87 months from the date of allotment
January 31, 2000	950	11.75%	Semi Annual	120 months from the date of allotment

This disclosure is in accordance with RBI circular DBOD No.BP.BC.59/21.04.048/97 dated May 21, 1997.

10. The following disclosures are made in accordance with the RBI master circular number DBOD.BP.BC.No.59/21.04.018/2005-06 dated January 30, 2006.

10.1 The Capital Adequacy Ratio of the Bank as at March 31, 2006 as computed under the guidelines issued by the RBI is 11.33% (Previous year 10.78%).

Amount in Rs million

Ratio	As at March 31, 2006	As at March 31, 2005
CRAR – Tier I Capital	**10.77%**	8.60%
CRAR – Tier II Capital	**0.56%**	2.18%
Amount of subordinated debt raised as Tier II Capital	**3,200**	3,200

As per DBOD.No.B.P.BC.60/21.04.048/2005-06 dated February 1, 2006, credit enhancement in respect of securitized loans has been deducted equally from Tier I and Tier II Capital for computing capital adequacy at March 31, 2006. However, the amount of credit enhancement continues to be reflected under 'contingent liabilities' (Schedule 12).

10.2 ***Business ratios***

Ratio	2005-2006	2004-2005
Percentage of Net NPAs to Net Advances	**0.95%**	1.00%
Interest income as a percentage to working funds	**7.82%**	7.17%
Non-interest income as a percentage to working funds	**2.66%**	3.07%
Operating profit as a percentage to working funds	**4.02%**	3.81%
Return on assets	**3.07%**	2.84%
Business (deposits plus advances) per employee (Rs. Thousands)	**160,792**	135,951
Profit per employee (Rs. Thousands)	**2,171**	2,175

Note

a) Working funds are the average of total assets.

b) Interbank deposits have been excluded for the computation of business per employee ratio.

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

10.3 Maturity Pattern

Amount in Rs million

Maturity Bucket	Loans and Advances	Investments	Deposits	Borrowings	FCY Assets	FCY Liabilities
1-14 days	49,173	7,889	42,358	22,961	23,163	13,317
15-28 days	11,370	13,185	11,442	–	6,126	636
29 days – 3 months	24,817	12,724	19,410	5,597	11,093	8,634
Over 3 months to 6 months	28,050	1,396	9,598	58	16,210	5,542
Over 6 months to 12 months	16,351	4,072	26,150	23,706	3,234	35,423
Over 1 year to 3 years	90,380	44,657	146,857	28,117	1,674	18,731
Over 3 years to 5 years	12,493	414	1,422	1,385	1,372	1,338
Over 5 years	11,919	21,220	21,880	7	–	–
Total	**244,553**	**105,557**	**279,117**	**81,831**	**62,872**	**83,621**

Note:

- The information on maturity pattern above has been compiled by the management based on the same estimates and assumptions as that for compiling the returns submitted to the RBI.
- Assets and liabilities exclude off-balance sheet assets and liabilities.

10.4 Lending to sensitive sectors

A) Exposure to Real Estate Sector

Amount in Rs million

Category	As at March 31, 2006	As at March 31, 2005
Exposure to Real Estate Sector		
1. Direct Exposure		
(i) Residential Mortgages	**30,151**	22,247
Of which housing loans upto Rs. 15 Lakhs	**11,537**	10,724
(ii) Commercial Real Estate	**19,679**	12,653
(iii) Investments in mortgage backed securities (MBS) and other securitized exposure	–	–
a. Residential Mortgage	**Nil**	Nil
b. Commercial Exposure	**Nil**	Nil
2. Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	**4,983**	1,684
Total Expsoure to Real Estate Sector	**54,813**	36,584

B) Exposure to Capital Market

Amount in Rs million

Category	As at March 31, 2006	As at March 31, 2005
1. Investment made in equity shares	**35**	35
2. Investment in bonds/convertible debentures	**–**	–
3. Investment in units of equity-oriented mutual funds	**–**	–
4. Advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity-oriented mutual funds (also includes financing for promoter's contribution for acquiring shares)	**4,301**	3,169
5. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	**3,005**	1,534
Total Exposure to Capital Market	**7,341**	4,738
6. Of (5) above, the total finance extended to stockbrokers for margin trading	**–**	–

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

10.5 Movements in NPAs

Amount in Rs million

Particulars	2005-06 Gross NPA	2005-06 Provision	2005-06 Net NPA	2004-05 Gross NPA	2004-05 Provision	2004-05 Net NPA
Opening Balance as on April 1	**3,697**	**1,887**	**1,810**	3,926	1,786	2,140
Additions during the year	1,110	214	896	1,369	619	750
Recoveries/write offs during the year	889	518	371	1,598	518	1,080
Closing Balance as on March 31	**3,918**	**1,583**	**2,335**	**3,697**	**1,887**	**1,810**

10.6 Provision on standard assets

Amount in Rs million

Description	As at March 31, 2006	As at March 31, 2005
Provision towards standard assets	**969**	448

10.7 Restructured Loan assets

Amount in Rs million

Description	For the year ended March 31, 2006	For the year ended March 31, 2005
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation;	**218**	24
– of which under Corporate Debt Restructuring ('CDR')	**–**	–
(ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation;	**136**	5
– of which under CDR	**–**	–
(iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation;	**22**	7
– of which under CDR	**–**	–
(iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation;	**12**	–
– of which under CDR	**12**	–
(v) The amount of Loss assets subjected to restructuring, rescheduling, renegotiation;	**48**	12
– of which under CDR	**–**	–
Note: [(i) = (ii) + (iii) + (iv) + (v)]		

10.8 There has been no debt restructuring for SME accounts during the year (Previous year Rs Nil)

10.9 During the year, there were no transactions relating to sale of financial assets to any securitization/reconstruction company for assets reconstruction.

10.10 Investments

A) Value of Investments

Amount in Rs million

Particulars	2005-06	2004-05
(1) Gross value of investments		
(a) In India	**109,416**	82,998
(b) Outside India	**–**	–
(2) Provisions for depreciation		
(a) In India	**3,858**	1,799
(b) Outside India	**–**	–
(3) Net value of investments		
(a) In India	**105,558**	81,199
(b) Outside India	**–**	–

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

B) Provision for depreciation on investments

Amount in Rs million

Particulars	2005-06	2004-05
Opening Balance as on April 1	**1,799**	1,029
Add: Provision made during the year	**2,059**	770
Less: Write-off/write back of provisions during the year	**–**	–
Closing Balance as on March 31	**3,858**	**1,799**

10.11 Non SLR Investment Portfolio

A) Issuer composition of non-SLR investments as on March 31, 2006

Amount in Rs million

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
(1)	(2)	(3)	(4)	(5)	(6)
Public Sector Undertakings	718	–	–	–	–
Financial Institutions	11,455	11,350	–	–	–
Banks	–	–	–	–	–
Private Corporates	2,155	1,998	–	–	–
Subsidiaries/Joint Ventures	–	–	–	–	–
Others	–	–	–	–	–
Provisions held towards depreciation	(249)	(249)	–	–	–
Total	**14,079**	**13,099**	**–**	**–**	**–**

B) Issuer composition of non-SLR investments as on March 31, 2005

Amount in Rs million

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
(1)	(2)	(3)	(4)	(5)	(6)
Public Sector Undertakings	682	–	–	–	–
Financial Institutions	12,155	11,948	–	–	300
Banks	–	–	–	–	–
Private Corporates	3,682	3,524	–	–	–
Subsidiaries/Joint Ventures	–	–	–	–	–
Others	64	29	–	35	64
Provisions held towards depreciation	(152)	(135)	–	–	(4)
Total	**16,431**	**15,366**	**–**	**35**	**360**

C) Non-performing Non SLR investments

Amount in Rs million

Description	As at March 31, 2006	As at March 31, 2005
Opening Balance as on April 1	–	–
Additions made during the year	12	–
Reductions during the year	–	–
Closing Balance as on March 31	**12**	**–**

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

10.12 Repo and Reverse Repo transactions

Amount in Rs million

	Minimum outstanding during the year*	Maximum outstanding during the year	Daily average outstanding during the year	As on March 31, 2006
Securities sold under repos	5	10,046	1,260	1,623
Securities purchased under reverse repos	504	24,998	2,993	–

Amount in Rs million

	Minimum outstanding during the year*	Maximum outstanding during the year	Daily average outstanding during the year	As on March 31, 2005
Securities sold under repos	103	11,758	1,518	497
Securities purchased under reverse repos	69	10,997	1,194	–

* Minimum outstanding during the year is taken to mean outstanding on a day when balance was outstanding.

10.13 Derivatives

Rupee Interest Rate Swaps

Amount in Rs million

Nature	Nos	Notional Principal	Benchmark	Terms
Trading Swaps	1,153	362,443	MIBOR	Pay Floating Receive Fixed
Trading Swaps	1,048	367,130	MIBOR	Pay Fixed Receive Floating
Trading Swaps	3	3,000	1 Year MIBOR	Pay Fixed Receive Floating
Trading Swaps	1	1,500	2 Year MIBOR	Pay Fixed Receive Floating
Trading Swaps	1	1,500	3 Year MIBOR	Pay Fixed Receive Floating
Trading Swaps	7	3,500	5 Year MIBOR	Pay Floating Receive Fixed
Trading Swaps	4	1,000	3 Month MIFOR	Pay Floating Receive Fixed
Trading Swaps	3	750	3 Month MIFOR	Pay Fixed Receive Floating
Trading Swaps	833	220,175	6 Month MIFOR	Pay Floating Receive Fixed
Trading Swaps	822	212,110	6 Month MIFOR	Pay Fixed Receive Floating
Trading Swaps	1	250	1 Year MIFOR	Pay Floating Receive Fixed
Trading Swaps	1	250	1 Month MIFOR	Pay Fixed Receive Floating
Trading Swaps	39	8,998	GOI Securities Yield	Pay Floating Receive Fixed
Trading Swaps	28	12,450	GOI Securities Yield	Pay Fixed Receive Floating
Trading Swaps	4	456	Quanto – 3 month S LIBOR Swap	Pay Floating Receive Fixed
Trading Swaps	4	1,364	Quanto – 3 month S LIBOR Swap	Pay Fixed Receive Floating
Trading Swaps	2	507	Quanto – 6 month S LIBOR Swap	Pay Floating Receive Fixed
Trading Swaps	1	400	Quanto – 6 month S LIBOR Swap	Pay Fixed Receive Floating
Trading Swaps	5	2,779	Quanto – 12 month S LIBOR Swap	Pay Floating Receive Fixed
Trading Swaps	16	8,321	Quanto – 12 month S LIBOR Swap	Pay Fixed Receive Floating

U.S. Dollar Interest Rate Swaps

Amount in USD million

Nature	Nos	Notional Principal	Benchmark	Terms
Trading Swaps	2	22	1 month LIBOR	Pay Floating Receive Fixed
Trading Swaps	1	10	1 month LIBOR	Pay Floating Receive Fixed
Trading Swaps	285	2,287	3 month LIBOR	Pay Floating Receive Fixed
Trading Swaps	303	2,424	3 month LIBOR	Pay Fixed Receive Floating
Trading Swaps	80	764	6 month LIBOR	Pay Floating Receive Fixed
Trading Swaps	50	462	6 month LIBOR	Pay Fixed Receive Floating
Trading Swaps	27	306	12 month LIBOR	Pay Floating Receive Fixed
Trading Swaps	11	140	12 month LIBOR	Pay Fixed Receive Floating

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

JPY Interest Rate Swaps

Amount in JPY million

Nature	Nos	Notional Principal	Benchmark	Terms
Trading Swaps	4	1,013	3 month JPY LIBOR	Pay Floating Receive Fixed
Trading Swaps	2	932	6 month JPY LIBOR	Pay Floating Receive Fixed

Cross Currency Interest Rate Swaps

Amount in INR million

Nature	Nos	Notional Principal	Benchmark	Terms
Trading	45	21,422	LIBOR	Pay Floating Receive Fixed
Trading	90	33,737	LIBOR	Pay Fixed Receive Floating
Trading	54	33,215	LIBOR	Pay Floating Receive Floating
Trading	92	38,781	PRINCIPAL ONLY	Fixed Receivable/Payable

- Losses which would be incurred if the counter-parties failed to fulfil their obligations in respect of Interest Rate Swaps, amounts to Rs 11,588 million (Previous year Rs 5,187 million).
- Losses which would be incurred if the counter-parties failed to fulfil their obligations in respect of Cross Currency Interest Rate Swaps, amounts to Rs 4,968 million (Previous year Rs 2,433 million).
- Rupee interest rate swaps to the extent of 86%, USD interest rate swaps to the extent of 95%, JPY interest rate swaps to the extent of 74% and 51% of Cross Currency interest rate swaps have been contracted with banks.
- The fair value of Interest Rate Swaps amounts to Rs 392 million (Previous year Rs 391 million).
- The fair value of Cross Currency Interest Rate Swaps amounts to Rs 4,000 million (Previous year Rs 1,849 million).
- Trading swaps are marked to market on a daily basis.
- Agreements are entered into with Banks, Corporates and overseas branches of Citibank N.A. under approved credit lines. The Bank does not seek specific collateral for entering into swaps.

10.14 Exchange traded derivatives

No transactions were undertaken during the year in exchange traded interest rate derivatives (previous year Rs Nil). There is no amount outstanding as notional principal on account of exchange traded interest rate derivatives (Previous year Rs Nil).

10.15 Disclosure on risk exposure on derivatives

Qualitative disclosure

The Derivatives business in the Bank is managed by Treasury Unit, which is divided into an independent Front Office (comprising of salespersons and traders), Middle Office (charged with the task of monitoring and reporting Risk numbers daily to management), Market Risk Management (assigned with the responsibility for setting up market risk limits and monitoring utilizations) and Back Office (responsible for the settlements of all Front Office Deals and reporting of Credit Risks). These independent units ensure that market and credit risks are independently measured, monitored, and reported to ensure transparency in risk-taking activities.

The Bank makes market in all permitted OTC derivative transactions for its customers and in the Interbank Market. The Bank also uses some of these derivatives for hedging its assets and liabilities.

The Market Risk Management department plays a key role in sanctioning of the limits, and laying down the risk assessment and monitoring methods. The policies of the Bank include setting limits upon the currency position, product specific gaps, maximum tenor, overall outstanding and also the setting-up of counterparty wise pre-settlement risk limits.

All limits are monitored on a daily basis by the Bank's Treasury unit. Exposure reports are submitted to both the Treasurer as well as the Head – Market Risk Management, and any limits excesses are brought to the notice of the Management immediately for futher action.

In any derivative transaction undertaken with a counterparty, the Bank is exposed to the risk of the replacing the contract at a loss if the counterparty were to default. The Bank has processes to monitor such exposure on each of the counterparties on a daily basis. Appropriate credit mitigants are used, where required as trigger events, to call for collaterals or terminate a transaction and contain the risk.

With respect to accounting policies for derivative transaction, refer schedule 18 note IV (1) and (5).

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

Quantitative disclosure *Amount in Rs million*

Sr No	Particular	Currency derivatives	Interest rate derivatives
1.	Derivatives (Notional Principal Amount)		
	a) For hedging	–	–
	b) For trading	463,135	1,496,400
2.	Marked to Market Positions		
	a) Asset (+)	9,567	11,588
	b) Liability (–)	(5,267)	(11,196)
3.	Credit Exposure	27,478	18,978
4.	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	–	–
	b) on trading derivatives	22.46	43.70
5.	Maximum of 100*PV01 observed during the year		
	a) on hedging	–	–
	b) on trading	82	404
6.	Minimum of 100*PV01 observed during the year		
	a) on hedging	–	–
	b) on trading	(173)	(38)

The Bank has computed maximum and minimum of PV01 for the year based on balances at the end of every month.

10.16 ***Risk Category wise Country Exposure*** *Amount in Rs million*

Risk Category	Nos	Exposure (net) as of March 31, 2006	Provision held as of March 31, 2006	Nos	Exposure (net) as of March 31, 2005	Provision held as of March 31, 2005
Insignificant	8	8,096	–	2	609	–
Low	4	1,003	–	–	–	–
Moderate	2	320	–	–	–	–
High	1	2	–	–	–	–

No provision is made by the Bank in terms of the guidelines issued by the RBI in its circular no.DBOD.BP.BC.96/21.04.103/2003-04 dated June 17, 2004, as the net funded exposure is less than 1% of its total assets.

10.17 ***Details of Single Borrower Limit, Group Borrower Limit exceeded by the Bank***

RBI guidelines on exposure norms specify credit exposure limits for single and group borrowers of the Bank. The Bank's credit exposure to single borrowers and group borrowers are within the specified limits except in following cases, where the single borrower limit was exceeded.

a. Hindalco Industries Limited
b. Hindustan Coca-Cola Beverages Private Limited
c. Reliance Industries Limited
d. HDFC Limited
e. National Bank for Agriculture and Rural Development (NABARD)

The Bank has obtained appropriate letters from the obligors and the excesses have been ratified by the Local Operations Management Committee of the Bank. The exposure to NABARD relates to investments made to comply with Priority Sector Lending guidelines.

10.18 ***Penalties imposed by the RBI***

During the year, a penalty of Rs. 0.50 million (Previous year Rs 0.50 million) was imposed on the Bank for non-adherence to KYC norms and violation of RBI guidelines/directives relating to monitoring of suspicious transactions.

11. The following disclosure is made in accordance with the RBI circular No.DBOD.NO.BP.BC.60/21.04.048/2005-06 dated February 1, 2006.

Amount in Rs million

Particulars	For the year ending March 31, 2006	For the year ending March 31, 2005
1. Total number of loans securitised	533	23,283
2. Book value of loans securitised	194	6,651
3. Sale consideration	196	6,699
4. Gain/(loss) on securitisation	(1)	187
5. Form of credit enhancement	Corporate undertaking	Corporate undertaking & cash collateral
6. Quantum of credit enhancement	10	596

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

12. There were no non performing financial assets that were purchased or sold during the year (Previous year Rs Nil)

13. In terms of the Accounting Standard 17 issued by ICAI, the following additional information is disclosed:

Segment Information – Basis of Preparation

In accordance with the RBI guidelines, the Bank has identified the following three primary segments: Corporate Banking, Consumer Banking and Treasury. Segments have been identified and reported taking into account the target customer profile, the nature of products and services, the differing risks and returns, organization structure and the internal business reporting systems.

Corporate Bank segment provides loans and transaction services to corporate and institutional customers. Revenues of this segment consist of interest earned on loans made to corporate customers, interest earned on the cash float arising from transaction services, and fees from transaction services. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

Consumer Bank segment serves retail customers through a branch network and other approved delivery channels. This segment raises deposits from customers and makes loans and provides advisory services to such customers. Revenues of the Consumer Bank segment are derived from interest earned on retail loans, fees for banking and advisory services and interest earned from other segments for surplus funds placed with those segments. Expenses of this segment primarily comprise interest expense on deposits, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

The Treasury segment undertakes trading operations on proprietary account, investments in corporate debt, government securities, funding & gapping products, foreign exchange operations and derivative trading. Revenues of this segment consist of interest earned on funding & gapping activities, investment income and gains on government securities and debentures/bonds and profits on exchange & derivative transactions. The principal expenses of this segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

Segment revenue includes earnings from external customers plus earnings from funds transferred to the other segment. Funds are transferred between segments at negotiated rates, which are broadly market rates.

Geographic segments

Since the Bank does not have material earnings emanating outside India, the Bank is considered to operate only in the domestic segment.

Amounts in Rs million

		For the year ended March 31, 2006				For the year ended March 31, 2005			
		Corporate Bank	Treasury	Consumer Bank	Total	Corporate Bank	Treasury	Consumer Bank	Total
A	**Segment Revenue**								
	Gross Interest Income	6,113	10,268	14,263	30,644	4,381	6,797	10,849	22,027
	Other Income	1,884	4,262	4,285	10,431	2,004	2,826	4,608	9,438
	Total Income	**7,997**	**14,530**	**18,548**	**41,075**	**6,385**	**9,623**	**15,457**	**31,465**
	Add/(less) Inter Segment Income	–	(2,276)	2,276	–	–	(2,793)	2,793	–
	Total Income as per Profit and Loss Account	7,997	12,254	20,824	41,075	6,385	6,830	18,250	31,465
	Less: Interest Expense	(2,364)	(2,977)	(4,716)	(10,057)	(1,396)	(1,318)	(4,807)	(7,521)
	Less: Operating Expense	(4,600)	(1,172)	(9,475)	(15,247)	(3,154)	(1,103)	(7,972)	(12,229)
	Less: Provisions for NPAs/write-offs	228	(2,059)	(1,785)	(3,616)	(580)	(770)	(1,370)	(2,720)
B	**Segment Result**	**1,261**	**6,046**	**4,848**	**12,155**	**1,255**	**3,639**	**4,101**	**8,995**
	Total Assets as per Balance sheet	**130,368**	**192,298**	**131,709**	**454,375**	**106,506**	**128,110**	**103,446**	**338,062**
	Add/(Less) Inter Segment Assets	–	(45,368)	45,368	–	–	(47,831)	47,831	–
C	**Segment Assets**	**130,368**	**146,930**	**177,077**	**454,375**	**106,506**	**80,279**	**151,277**	**338,062**
	Total Liabilities as per Balance sheet	**166,066**	**108,674**	**179,635**	**454,375**	**128,508**	**61,232**	**148,322**	**338,062**
	Add/(Less) Inter Segment Liabilities	–	–	–	–	–	–	–	–
D	**Segment Liabilities**	**166,066**	**108,674**	**179,635**	**454,375**	**128,508**	**61,232**	**148,322**	**338,062**
E	**Net Assets (C – D)**	**(35,698)**	**38,256**	**(2,558)**	**–**	**(22,002)**	**19,047**	**2,955**	**–**
F	Fixed Assets Additions during the Year	401	–	833	1,234	306	–	794	1,100
G	Depreciation and Amortization	304	–	623	927	325	–	501	826

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

14. The disclosures relating to related parties as required by AS-18 Related Party Disclosures issued by the ICAI read with guidelines issued by Reserve Bank of India vide Circular No. DBOD.No. BP.BC.89/21.04.018/2002-03 dated March 29, 2003 is as under:

a) Parent

Citibank N.A. and its branches

b) Holding Companies of Parent

Citigroup Inc.

c) Subsidiaries of Parent

Citicorp Overseas Investment Corporation
Citicorp Finance (India) Limited
Citicorp Capital Markets Limited
Citicorp Maruti Finance Limited
CitiFinancial Retail Services India Limited
CitiFinancial Insurance Services India Limited
Associates International Holding Corporation
CitiFinancial Consumer Finance India Limited
E-Serve International Limited
Citicorp Clearing Services India Limited
Citicorp Leasing Thailand Limited

d) Fellow Subsidiaries of Parent

Citicorp Technology Holdings Inc.
Citicorp Brokerage (India) Limited
Citigroup Global Markets India Private Limited
Citigroup Global Markets Mauritius Private Limited
Citicorp Investment Bank (Singapore) Limited
Citicorp International Finance Corporation
Citicorp Information Technology Operations and Solutions Limited
Diners Club International Limited
Orbitech Limited
CitiMortgage Inc.
Citicorp Data Systems Inc.
Citigroup Global Technology Infrastructure Inc.
Citigroup Wealth Advisors India Private Limited
Citicorp Banking Corporation, Bahrain
Citicorp North America

e) Key Management Personnel-CEO

Mr. Sanjay Nayar

The transactions with related parties during the year and the balances as at March 31, 2006 are summarized as under:

Amount in Rs million

Nature of Tansaction	Parent and Branches		Subsidiaries		Fellow Subsidiaries	
	2005-06	**2004-05**	**2005-06**	**2004-05**	**2005-06**	**2004-05**
Fees paid	**228**	11	**2,206**	1,500	**17**	–
Interest paid - borrowings	**564**	472	–	–	–	–
Lease expenses	–	–	**29**	35	–	–
Software support charges paid	**794**	426	–	–	**17**	32
Royalty paid	–	–	–	–	**14**	15
Fees received	**248**	237	**95**	110	**204**	61
Interest earned	**325**	204	**104**	231	–	–
Recovery of expenses	**16**	86	**108**	95	**27**	51
Secondment charges received	–	–	**166**	141	**6**	11
Software support charges received	**116**	199	**94**	–	–	–
Interest paid on deposits	–	–	**127**	40	**4**	75
Gain/(Loss) on IRS contracts	**178**	(569)	**159**	26	–	–
Loans disbursed	–	–	**10,403**	8,476	–	10
Deposits placed	**1,603,303**	1,919,090	–	–	–	–
Time deposits received	–	–	**72,614**	4,445	**41,021**	17,568
Borrowings	**217,951**	48,770	**309**	135	–	–
Acceptances executed by the Bank	**1,437**	5,625	**56**	180	–	–
Debentures	–	–	**300**	2,974	–	–
Call Borrowing	–	–	**3,357**	8,614		
Call Lending	–	–	**99,181**	9,606	–	–
Purchase of G-sec/T-Bill	–	–	**8,567**	6,357	–	–
Sale of G-sec/T-Bill	–	–	**236**	1,254	–	–
Repo Borrowing	–	–	**1,479**	861	–	–
Repo Lending	–	–	–	1,188	–	–
Head office allocated expenses	–	400	–	–	–	–

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

Outstanding Balances as on March 31, 2006 & Maximum Balance during the year

Amount in Rs million

	Parent and Branches		Subsidiaries		Fellow Subsidiaries	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Payable against Acceptances	**6**	200	**22**	11	–	–
	1,395	*424*	*22*	*478*	–	–
Accounts Payable	**625**	310	**352**	185	**102**	9
	945	*435*	*810*	*586*	*109*	*63*
Accounts Receivable	**124**	115	**382**	164	**29**	82
	349	*203*	*447*	*328*	*99*	*86*
Borrowings/Deposits	**34,577**	27,320	**7,380**	440	**2,616**	1,147
	38,523	*27,320*	*7,380*	*3,954*	*2,736*	*1,147*
Balance in Current Account/	**5,369**	1,267	**(254)**	(393)	**4,487**	1,552
(Cash Credit/(Overdraft)	*97,735*	*14,118*	*(971)*	*(4,341)*	*10,238*	*4,454*
Debenture Placements	–	–	**1,950**	3,524	–	–
	–	–	*2,250*	*3,524*	–	–
Loans/Placements	**23,404**	6,111	**1,781**	2,448	–	–
	47,876	*20,363*	*3,551*	*3,265*	–	–

* Figures in *Italics* indicate maximum balance outstanding during the year.

Provisions in respect of outstanding amounts - Rs. Nil (Previous year Rs. Nil)

Amounts written off or written back in respect of debts due from related parties - Rs. 17.17 million (Previous year Rs. 1.92 million)

There is only one related party entity in the category of 'Key Management Personnel' and keeping in view the secrecy clauses and in terms of para 8.3.1 of the above RBI guidelines, no disclosure under AS - 18 is made other than reporting the relationship with the related party.

15. Deferred taxes are accounted for on the basis of Accounting Standard 22 issued by the Institute of Chartered Accountants of India. The net impact of timing differences amounting to Rs.614 million (Previous year Rs 178 million) arising during the year ended March 31, 2006 is credited to the current year's profit and loss account. The cumulative amount of deferred tax benefit of Rs. 1,679 million (Previous year Rs 1,065 million) is included in Schedule 11 - "Other Assets".

The major components giving rise to the deferred tax assets and liabilities are as under:

Amount in Rs million

Description	As at March 31, 2006	As at March 31, 2005
Deferred Tax Assets		
Provision for doubtful advances	991	630
Investments	761	761
Others	145	63
Deferred Tax Liabilities		
Depreciation	218	389
Net Deferred Tax Asset	**1,679**	**1,065**

16. Assets taken on financial lease comprise vehicles and are disclosed in the Fixed Assets schedule. The total of minimum lease payments to be made in respect of assets acquired under financial lease and the present value of such minimum lease payments as at the Balance Sheet date are as follows:

Amount in Rs million

Gross Investment as at the date of Balance Sheet	
Not later than one year	101
Later than one year but not later than five years	139
Later than 5 years	–
Present Value of Minimum Lease Payment as at the date of Balance Sheet	
Not later than one year	80
Later than one year but not later than five years	125
Later than 5 years	–

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

17. Commercial and residential premises are taken on operating leases, which are cancelable in nature. Information provided herein pertains to commercial and residential premises taken on operating leases:

Amount in Rs million

The amount of minimum lease payments recognized in the Profit and Loss account in respect of operating leases amount to	111
The total of future minimum lease payments recognized under non-cancellable operating leases	
Not later than one year	104
Later than one year but not later than five years	55
Later than 5 years	–

- The Company has not sub-leased any of the above assets.
- There are no provisions relating to contingent rent.
- The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements.
- There are no undue restrictions or onerous clauses in the agreements.

18. Provisions and contingencies
As per AS 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountant of India, given below are movements in provision for credit card reward points, securitisation transaction and fraud cases during the year.

Movement in provisions for the year ended March 31, 2006.

Amount in Rs million

	2005-06			2004-05		
	Reward Points	Securitization	Frauds	Reward Points	Securitization	Frauds
Opening Provisions	**102**	**51**	**2**	96	22	2
Provision made during the year	**146**	**56**	–	131	63	–
Utilisation/Write back of provision during the year	**96**	**67**	–	125	34	–
Closing Provisions	**152**	**40**	**2**	**102**	**51**	**2**

19. A description of nature of contingent liabilities is set out below:

i) Liability on account of forward exchange and derivative contracts
The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps with inter-bank participants on its own account and for the customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by the way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded, as contingent liabilities are typically amounts used as a benchmark for the calculation of interest component of the contract

ii) Guarantees given on behalf of Constituents, Acceptances, Endorsement and other obligation
As a part of its corporate banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customer of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make the payment in the event of the customer failing to fulfil its financial or performance obligations.

Schedules Forming Part of the Financial Statements of the Indian Branches for the Year Ended March 31, 2006 *(Continued)*

iii) *Other items for which the Bank is contingently liable*
The includes:

a. Credit enhancement in respect of securitized loans to which the assignee or the special purpose vehicle has recourse;
b. Bill rediscounted by the Bank;
c. Capital commitment:
d. Commitments for settlement date accounting;
e. Commitments by the Bank to effect payments on behalf of its constituents to stock exchanges; and
f. Credit cards spends by customers where the Bank has provided authorization to the merchant establishment for the spends but for which the merchant establishment has not presented the charge slips to the Bank for payment.

20. Employee Share-based Payments
The eligible employees of the Bank have been granted stock awards of equity shares of the ultimate holding company, Citigroup Inc. under Citigroup Capital Accumulation Plan 2006. As per this plan, the stock awards vest in a graded manner over a period of four years.

During the year, the Bank has recognized an amount of Rs. 11 million (Previous year Rs Nil) under the head "Payments to and provisions for employees", as compensation cost.

21. In terms of the guidelines issued by the RBI in its Circular Ref No. DBOD.BP.BC No.86/21.04.018/2005-06 dated May 29, 2006, the following additional information is disclosed:

Amount in Rs million.

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	2005-06	2004-05
Provisions for depreciation on Investments	**2,059**	770
Provision towards NPA	**1,037**	1,951
Provision towards Standards Asset	**521**	(1)
Provision made towards Income Tax	**5,713**	3,173
Other Provision and Contingencies (Deferred tax benefit)	**(614)**	(178)
Total	**8,716**	**5,715**

22. In accordance with RBI instructions for compilation of financial statements, details of expenses included in 'other expenditure', exceeding 1% of the total income are set out below:

Amount in Rs million

Nature of expense	2005-06	2004-05
Head office expenses	–	400
Service bureau expenses	**3,538**	2,512

23. Previous year figures have been regrouped and reclassified, where necessary, to conform to the current years presentation.

Signatures to Schedules 1 to 18

For and on behalf of Citibank N.A. – India Branches

Sd/-
Sanjay Nayar
Chief Executive Officer – India

Sd/-
Abhijit Sen
Vice President & Chief Financial Officer

citibank

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A member of citigroup

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

Currency: Indian Rupees

		Rs. millions
	31.03.2006	31.03.2005
Cash Flow from Operating Activities		
Net profit for the year before Tax	**12,155**	8,995
Adjustments for:		
Depreciation charge for the year	**927**	826
(Profit)/Loss on sale of fixed assets	**(107)**	(8)
Net Provision for depreciation/(appreciation) on Investments	**2,059**	770
Provisions for non-performing assets/write offs (Net)	**1,557**	1,951
Adjustments for:		
(Increase)/Decrease in Investments	**(26,405)**	(15,073)
(Increase)/Decrease in Advances	**(65,001)**	(30,469)
Increase in Borrowings	**23,799**	23,000
Increase in Deposits	**64,273**	10,193
Increase in Other assets	**(12,277)**	(3,063)
Increase in other liabilities and provisions	**17,433**	3,615
Direct Taxes paid	**(5,270)**	(4,040)
Net cash flow from Operating Activities	**13,143**	(3,303)
Cash Flow from Investing Activities		
Purchase of fixed Assets	**(1,199)**	(1,100)
Purchase of long term investments	**(12)**	–
Proceeds from sale of fixed assets	**301**	69
Net cash used in Investing Activities	**(910)**	(1,031)
Cash Flow from Financing Activities		
Infusion of capital	**3,339**	–
Net Cash generated from financing activities	**3,339**	–
Net increase/(decrease) in cash and cash equivalents	**15,572**	(4,334)
Cash and cash equivalents* at April 1, 2005	**47,745**	52,079
Cash and cash equivalents* at March 31, 2006	**63,317**	47,745

* Cash and cash equivalents include Cash, Balances with RBI & other banks and money at call and short notice (Refer to Schedule 6 & 7)

For BSR & Co.
Chartered Accountants

For and on behalf of Citibank N.A. – India Branches

Sd/-
Akeel Master
Partner
Membership No: 046768

Sd/-
Sanjay Nayar
Chief Executive Officer – India

Sd/-
Abhijit Sen
Vice President &
Chief Financial Officer

Place: Mumbai
Date: 30 June 2006.

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Auditors' Report on the financial statements of Citibank N.A. – India branches under Section 30 of the Banking Regulation Act, 1949.

We have audited the attached Balance Sheet of **Citibank N.A. – India branches ('the Bank') (incorporated with Limited Liability in the USA)** as at March 31, 2006 and the Profit and Loss Account and the Cash Flow Statement of the Bank for the year ended on that date, annexed thereto.

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provision of Section 29 of the Banking Regulation Act, 1949 read with the provisions of sub sections (1), (2) and (5) of section 211 and sub-section (5) of section 227 of the Companies Act, 1956.

In respect of matters mentioned in note 18 V (1), we are unable to form an opinion on their outcome and consequently their effect, if any, on the results of the Bank for the year.

In our opinion, subject to the effect of such adjustments in respect of note 18 V (1), if any, that might have become necessary had the outcome of the matter referred to above been known, and to the best of our information and according to the explanations given to us, the said accounts give the information required under the Companies Act, 1956 in the manner so required for banking companies and give a true and fair view:

i) in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2006;

ii) in the case of the Profit and Loss Account of the profit of the Bank for the year ended on that date; and

iii) in case of the Cash Flow Statement of the cash flows for the year ended on that date.

Further, in our opinion, financial statements comply with the Accounting Standards, referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

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Auditors' Report ***(Continued)***

We further report that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit and have found them to be satisfactory;
- The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches;
- The transactions of the Bank which have come to our notice have been within the powers of the Bank;
- In our opinion, the Bank has maintained proper books of account as required by law insofar as it appears from our examination of those books;
- The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- In our opinion, and to the best of our information and according to explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and guidelines issued by the Reserve Bank of India from time to time; and
- The requirements of section 274 (1) (g) of the Companies Act, 1956 are not applicable, considering the Bank is a branch of Citibank N.A., which is incorporated with limited liability in the U.S.A.

For BSR & Co.
Chartered Accountants

Sd/-
Akeel Master
Partner
Membership No: 46768

Place: Mumbai
Date: 30 June 2006