

CITIBANK N.A.

(Incorporated with limited liability in U.S.A.)

Balance Sheet of the Indian branches

as at March 31, 2008

(Currency : Indian Rupees)

| | <i>Schedules</i> | As at 31.03.2008 (Rs. '000) | As at 31.03.2007 (Rs. '000) |
|---|------------------|--------------------------------|--------------------------------|
| CAPITAL & LIABILITIES | | | |
| Capital | 1 | 26,017,125 | 16,059,625 |
| Reserves & Surplus | 2 | 67,496,824 | 49,968,357 |
| Deposits | 3 | 461,250,200 | 378,750,031 |
| Borrowings | 4 | 112,275,753 | 126,763,351 |
| Other liabilities and provisions (includes sub-ordinated debt of the face value of Rs. 950 million) | 5 | 171,470,694 | 92,042,043 |
| TOTAL | | 838,510,596 | 663,583,407 |
| ASSETS | | | |
| Cash and balance with Reserve Bank of India | 6 | 46,841,199 | 30,077,830 |
| Balances with banks and money at call and short notice | 7 | 69,680,564 | 59,928,773 |
| Investments | 8 | 184,500,756 | 160,211,492 |
| Advances | 9 | 383,765,173 | 328,611,067 |
| Fixed Assets | 10 | 7,113,279 | 7,979,675 |
| Other Assets | 11 | 146,609,625 | 76,774,570 |
| TOTAL | | 838,510,596 | 663,583,407 |
| Contingent Liabilities | 12 | 16,447,287,780 | 6,836,919,262 |
| Bills for Collection | | 36,567,193 | 27,206,886 |
| NOTES TO ACCOUNTS | 18 | | |

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

As per our report of even date.

For B S R & Co.
Chartered Accountants

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

Akeel Master
Partner
Membership No: 046768

Sanjay Nayar
Chief Executive Officer - India

Abhijit Sen
Chief Financial Officer

Place : Mumbai
Date : 27 June 2008

CITIBANK N.A.

(Incorporated with limited liability in U.S.A.)

Profit and Loss Account of the Indian branches

for the year ended March 31, 2008

(Currency : Indian Rupees)

| | <i>Schedules</i> | Year ended 31.03.2008 (Rs. '000) | Year ended 31.03.2007 (Rs. '000) |
|---|------------------|---|---|
| I. INCOME | | | |
| Interest earned | 13 | 59,639,865 | 43,836,487 |
| Other income | 14 | 24,461,222 | 13,458,310 |
| TOTAL | | <u>84,101,087</u> | <u>57,294,797</u> |
| II. EXPENDITURE | | | |
| Interest expended | 15 | 23,114,281 | 16,963,690 |
| Operating expenses | 16 | 21,793,658 | 18,526,561 |
| Provisions and contingencies | 17 | 21,150,548 | 12,804,536 |
| TOTAL | | <u>66,058,487</u> | <u>48,294,787</u> |
| III. PROFIT | | | |
| Net profit for the year | | <u>18,042,600</u> | 9,000,010 |
| TOTAL | | <u>18,042,600</u> | <u>9,000,010</u> |
| IV. APPROPRIATIONS | | | |
| Transfer to statutory reserve | | 4,510,650 | 2,250,002 |
| Transfer to foreign exchange reserve | | 90,000 | 10,000 |
| Transfer to capital reserve on sale of immovable property | | 281,518 | 6,732 |
| Transfer to investment reserve | | 114,230 | - |
| Transfer to remittable surplus retained for CRAR requirements | | 13,046,202 | 6,733,276 |
| TOTAL | | <u>18,042,600</u> | <u>9,000,010</u> |

NOTES TO ACCOUNTS

18

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

As per our report of even date.

For B S R & Co.

Chartered Accountants

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

Akeel Master

Partner

Membership No: 046768

Sanjay Nayar

Chief Executive Officer - India

Abhijit Sen

Chief Financial Officer

Place : Mumbai

Date : 27 June 2008

CITIBANK N.A.

(Incorporated with Limited Liability in U.S.A)

Cash Flow Statement

for the year ended March 31, 2008

(Currency : Indian Rupees)

| | 31.03.2008 (Rs million) | 31.03.2007 (Rs million) |
|--|----------------------------|----------------------------|
| <u>Cash flow from operating activities</u> | | |
| Net profit for the year before tax | 32,550 | 15,599 |
| <u>Adjustments for:</u> | | |
| Depreciation charge for the year | 1,035 | 1,123 |
| Profit on sale of fixed assets | (665) | (48) |
| Net provision for (appreciation) / depreciation on investments | (264) | 1,020 |
| Provisions for non-performing assets / write offs (net) | 6,907 | 5,185 |
| <u>Adjustments for:</u> | | |
| Increase in investments | (24,026) | (55,674) |
| Increase in advances | (61,321) | (86,832) |
| Increase / (decrease) in borrowings | (14,488) | 44,933 |
| Increase in deposits | 82,500 | 99,633 |
| Increase in other assets | (70,233) | (40,570) |
| Increase in other liabilities and provisions | 77,949 | 39,246 |
| Direct taxes paid | (13,370) | (6,970) |
| <u>Net cash flow from operating activities</u> | <u>16,576</u> | <u>16,645</u> |
| <u>Cash flow from investing activities</u> | | |
| Purchase of fixed assets | (959) | (1,269) |
| Proceeds from sale of fixed assets | 940 | 268 |
| <u>Net cash used in investing activities</u> | <u>(19)</u> | <u>(1,001)</u> |
| <u>Cash flow from financing activities</u> | | |
| Infusion of capital | 9,958 | 11,046 |
| <u>Net cash generated from financing activities</u> | <u>9,958</u> | <u>11,046</u> |
| <u>Net increase/(decrease) in cash and cash equivalents</u> | <u>26,515</u> | <u>26,690</u> |
| <u>Cash and cash equivalents* at April 1, 2007</u> | <u>90,007</u> | <u>63,317</u> |
| <u>Cash and cash equivalents* at March 31, 2008</u> | <u>116,522</u> | <u>90,007</u> |

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

For B S R & Co.

Chartered Accountants

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

Akeel Master

Partner

Membership No: 046768

Sanjay Nayyar

Chief Executive Officer - India

Abhijit Sen

Chief Financial Officer

Place : Mumbai

Date : 27 June 2008

CITIBANK N.A.

(Incorporated with limited liability in U.S.A.)

Schedules forming part of the accounts of the Indian branches

as at March 31, 2008

(Currency : Indian Rupees)

| | (Rs. '000) | As at 31.03.2008 (Rs. '000) | As at 31.03.2007 (Rs. '000) |
|---|------------|--------------------------------|--------------------------------|
| SCHEDULE 1 - CAPITAL | | | |
| CAPITAL | | 16,905,000 | 12,394,000 |
| Amount of deposit kept with RBI under Section 11 (2) (b) of the Banking Regulation Act, 1949 (see Schedule 18 - Note V (2)) | | | |
| CAPITAL | | | |
| Initial Capital | | 2,000 | 2,000 |
| Interest free funds from H.O. for CRAR requirements | | | |
| Opening Balance | 16,057,625 | | 5,011,625 |
| Additions during the year | 9,957,500 | | 11,046,000 |
| | | 26,015,125 | 16,057,625 |
| TOTAL | | 26,017,125 | 16,059,625 |

SCHEDULE 2 - RESERVES & SURPLUS

| | | | |
|--|------------|-------------------|-------------------|
| I. Statutory Reserve | | | |
| Opening Balance | 11,944,946 | | 9,694,944 |
| Additions during the year | 4,510,650 | | 2,250,002 |
| | | 16,455,596 | 11,944,946 |
| II. Furniture & Equipment Reserve | | 28,086 | 28,086 |
| III. Properties Investment Reserve | | 619,431 | 619,431 |
| IV. Properties Revaluation Reserve | | | |
| Opening Balance | 4,026,481 | | 1,515,503 |
| Additions during the year | - | | 2,593,151 |
| Deductions during the year | (442,452) | | - |
| Depreciation during the year | (71,681) | | (82,173) |
| | | 3,512,348 | 4,026,481 |
| V. Investment Reserve | | | |
| Opening Balance | - | | - |
| Additions during the year | 114,230 | | - |
| Transfer to Profit and loss account | - | | - |
| | | 114,230 | - |
| VI. Capital Reserve on sale of immovable properties | | | |
| Opening Balance | 117,110 | | 110,378 |
| Additions during the year | 281,518 | | 6,732 |
| | | 398,628 | 117,110 |
| VII. Foreign Exchange Reserve | | | |
| Opening Balance | 360,000 | | 350,000 |
| Additions during the year | 90,000 | | 10,000 |
| | | 450,000 | 360,000 |
| VIII. Remittable Surplus retained for CRAR requirements | | | |
| Opening Balance | 32,872,303 | | 26,139,027 |
| Additions during the year | 13,046,202 | | 6,733,276 |
| | | 45,918,505 | 32,872,303 |
| TOTAL | | 57,406,824 | 40,068,257 |

CITIBANK N.A.

(Incorporated with limited liability in U.S.A.)

Schedules forming part of the accounts of the Indian branches (Continued)

as at March 31, 2008

(Currency : Indian Rupees)

| | As at 31.03.2008 (Rs. '000) | As at 31.03.2007 (Rs. '000) |
|--|--------------------------------|--------------------------------|
| SCHEDULE 3 - DEPOSITS | | |
| A. I. Demand Deposits | | |
| i) From banks | 1,570,237 | 729,075 |
| ii) From others | 135,458,810 | 136,530,310 |
| | <u>137,029,047</u> | <u>137,259,385</u> |
| II Savings Bank Deposits | 90,712,816 | 74,221,683 |
| III. Term Deposits | | |
| i) From banks | 5,227 | - |
| ii) From others | 233,503,110 | 167,268,963 |
| | <u>233,508,337</u> | <u>167,268,963</u> |
| TOTAL | <u><u>461,250,200</u></u> | <u><u>378,750,031</u></u> |
| B Deposits of branches in India | 461,250,200 | 378,750,031 |

SCHEDULE 4 - BORROWINGS

| | | |
|--|---------------------------|---------------------------|
| I. Borrowings in India | | |
| i) Reserve Bank of India | 19,000,000 | 31,250,000 |
| ii) Other banks | 22,646,393 | 29,911,632 |
| iii) Other institutions and agencies | 8,647,757 | 11,970,644 |
| | <u>50,294,150</u> | <u>73,132,276</u> |
| II. Borrowings outside India | 61,981,603 | 53,631,075 |
| TOTAL | <u><u>112,275,753</u></u> | <u><u>126,763,351</u></u> |
| Secured borrowings included in I & II above | 19,317,341 | 31,534,137 |

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

| | | |
|---|---------------------------|--------------------------|
| I. Bills payable | 15,359,586 | 13,874,960 |
| II. Inter - office adjustments (net) | 8,098 | 7,535 |
| III. Interest accrued | 3,458,750 | 2,712,293 |
| IV. Subordinated debt (see Schedule 18 - Note V (5)) | 950,000 | 950,000 |
| V. Contingent provisions against standard assets (see Schedule 18 - Note V (6.6)) | 4,120,229 | 3,379,793 |
| VI. Others (including provisions) | 147,574,031 | 71,117,462 |
| TOTAL | <u><u>171,470,694</u></u> | <u><u>92,042,043</u></u> |

CITIBANK N.A.

(Incorporated with limited liability in U.S.A.)

Schedules forming part of the accounts of the Indian branches (Continued)

as at March 31, 2008

(Currency : Indian Rupees)

| | (Rs. '000) | As at 31.03.2008 (Rs. '000) | As at 31.03.2007 (Rs. '000) |
|--|------------|--------------------------------|--------------------------------|
| SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA | | | |
| I. Cash in hand (including foreign currency notes) | | 1,691,882 | 1,113,003 |
| II. Balances with Reserve Bank of India | | | |
| i) in Current account | 45,149,317 | | 28,964,827 |
| ii) in Other accounts | - | | - |
| | | 45,149,317 | 28,964,827 |
| TOTAL | | 46,841,199 | 30,077,830 |

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

| | | | |
|-------------------------------------|------------|-------------------|------------|
| I. In India | | | |
| i) Balances with banks | | | |
| a) In Current accounts | 4,153,293 | | 2,628,748 |
| b) In Other Deposit accounts | 20,913,766 | | 36,772,288 |
| | | 25,067,059 | 39,401,036 |
| ii) Money at call and short notice | | | |
| a) With banks | 55,000 | | 3,955,005 |
| b) With other institutions | - | | - |
| | | 55,000 | 3,955,005 |
| TOTAL (i & ii) | | 25,122,059 | 43,356,041 |
| II. Outside India | | | |
| i) In Current account | 560,388 | | 3,088,253 |
| ii) In Other Deposit accounts | 43,998,117 | | 13,484,479 |
| iii) Money at call and short notice | - | | - |
| | | 44,558,505 | 16,572,732 |
| GRAND TOTAL (I & II) | | 69,680,564 | 59,928,773 |

SCHEDULE 8 - INVESTMENTS

| | | | |
|--|--|--------------------|-------------|
| I. Investments in India in | | | |
| i) Government securities | | 175,868,463 | 148,082,608 |
| ii) Other approved securities | | - | - |
| iii) Debentures and Bonds | | 2,500,000 | 8,175,160 |
| iv) Shares | | 47,544 | 47,544 |
| v) Others [see Schedule 18 Note V (3)] | | 10,699,466 | 8,784,541 |
| TOTAL | | 189,115,473 | 165,089,853 |
| Gross Investments | | 189,115,473 | 165,089,853 |
| Less : Provisions for depreciation | | (4,614,717) | (4,878,361) |
| Net Investments | | 184,500,756 | 160,211,492 |

Investments include securities of Rs 120,544 million (Previous year Rs. 69,364 million) pledged for availment of fund transfer facility, clearing facility and under section 11(2)(b) of the Banking Regulation Act, 1949

CITIBANK N.A.

(Incorporated with limited liability in U.S.A.)

Schedules forming part of the accounts of the Indian branches (Continued)

as at March 31, 2008

(Currency : Indian Rupees)

| | As at 31.03.2008 (Rs. '000) | As at 31.03.2007 (Rs. '000) |
|---|--------------------------------|--------------------------------|
| SCHEDULE 9 - ADVANCES | | |
| A. | | |
| i) Bills purchased and discounted | 40,294,830 | 22,529,344 |
| ii) Cash credits, overdrafts and loans repayable on demand | 67,094,992 | 58,923,683 |
| iii) Term loans | 276,375,351 | 247,158,040 |
| TOTAL | 383,765,173 | 328,611,067 |
| B. | | |
| i) Secured by tangible assets (Including advances against book debts) | 164,633,703 | 133,896,363 |
| ii) Supported by overseas branches of the Bank in OECD countries | 31,387,928 | 31,821,857 |
| iii) Covered by Bank / Government guarantees | 398,436 | 198,816 |
| iv) Unsecured | 187,345,106 | 162,694,031 |
| TOTAL | 383,765,173 | 328,611,067 |
| C. I. Advances in India | | |
| i) Priority sectors | 116,345,800 | 87,921,349 |
| ii) Public sector | 1,574,873 | 9,218,686 |
| iii) Banks | 6,005,949 | 2,042,369 |
| iv) Others | 259,838,551 | 229,428,663 |
| TOTAL | 383,765,173 | 328,611,067 |
| II. Advances outside India | - | - |
| GRAND TOTAL (C. I & II) | 383,765,173 | 328,611,067 |

CITIBANK N.A.*(Incorporated with limited liability in U.S.A.)***Schedules forming part of the accounts of the Indian branches (Continued)***as at March 31, 2008*

(Currency : Indian Rupees)

| SCHEDULE 10 - FIXED ASSETS | As at 31.03.2008 (Rs. '000) | As at 31.03.2007 (Rs. '000) |
|---|--|--|
| I. Leasehold land | | |
| At cost as on 1 April | 740,627 | 740,627 |
| Additions during the year | - | - |
| Deductions during the year | - | - |
| | <u>740,627</u> | <u>740,627</u> |
| Depreciation to date | (136,291) | (121,491) |
| TOTAL | <u>604,336</u> | <u>619,136</u> |
| II. Premises | | |
| At cost as on 1 April | 945,761 | 1,000,306 |
| Additions during the year | - | - |
| Deductions during the year | (96,189) | (54,545) |
| | <u>849,572</u> | <u>945,761</u> |
| Depreciation to date | (122,972) | (129,154) |
| | <u>726,600</u> | <u>816,607</u> |
| Add: Premises revaluation | 3,512,349 | 4,026,481 |
| TOTAL | <u>4,238,949</u> | <u>4,843,088</u> |
| III. A Other Fixed assets (including furniture and fixtures) | | |
| At cost as on 1 April | 6,179,306 | 5,699,373 |
| Additions during the year | 537,740 | 955,126 |
| Deductions during the year | (265,398) | (475,194) |
| | <u>6,451,648</u> | <u>6,179,305</u> |
| Depreciation to date | (4,753,330) | (3,992,556) |
| | <u>1,698,318</u> | <u>2,186,749</u> |
| III. B Other Fixed assets (taken on lease) | | |
| At cost as on 1 April | 413,139 | 313,932 |
| Additions during the year | 230,693 | 215,288 |
| Deductions during the year | (152,478) | (116,081) |
| | <u>491,354</u> | <u>413,139</u> |
| Depreciation to date | (208,823) | (181,139) |
| | <u>282,531</u> | <u>232,000</u> |
| TOTAL | <u>1,980,849</u> | <u>2,418,749</u> |
| Capital Work-in-progress | 289,145 | 98,702 |
| GRAND TOTAL | <u>7,113,279</u> | <u>7,979,675</u> |

CITIBANK N.A.

(Incorporated with limited liability in U.S.A.)

Schedules forming part of the accounts of the Indian branches (Continued)

as at March 31, 2008

(Currency : Indian Rupees)

| | As at 31.03.2008 (Rs. '000) | As at 31.03.2007 (Rs. '000) |
|---|--------------------------------|--------------------------------|
| SCHEDULE 11 - OTHER ASSETS | | |
| I. Due from Head office | 143 | 3,504 |
| II. Interest accrued | 6,242,528 | 6,292,193 |
| III. Tax paid in advance/tax deducted at source (net) | 522,909 | 839,175 |
| IV. Non-banking assets acquired in satisfaction of claims | 741 | 3,320 |
| V. Deferred Tax Asset [see Schedule 18 - Note V (12)] | 2,082,026 | 2,480,019 |
| VI. Others | 137,761,278 | 67,156,359 |
| TOTAL | 146,609,625 | 76,774,570 |

SCHEDULE 12 - CONTINGENT LIABILITIES

| | | |
|--|-----------------------|----------------------|
| I. Claims against the bank not acknowledged as debts | 1,283,967 | 431,940 |
| II. Liability on account of outstanding forward exchange contracts | 6,913,846,107 | 3,093,398,648 |
| III. Liability on account of outstanding Rupee Interest Rate Swaps | 9,403,535,869 | 3,632,684,882 |
| IV. Guarantees given on behalf of constituents | | |
| a) In India | 54,889,697 | 39,263,428 |
| b) Outside India | 19,116,374 | 11,271,430 |
| V. Acceptances, endorsements and other obligations | 38,076,017 | 39,999,435 |
| VI. Other items | 16,539,749 | 19,869,499 |
| TOTAL | 16,447,287,780 | 6,836,919,262 |

CITIBANK N.A.

(Incorporated with limited liability in U.S.A.)

Schedules forming part of the accounts of the Indian branches (Continued)

for the year ended March 31, 2008

(Currency : Indian Rupees)

| | Year ended 31.03.2008 (Rs. '000) | Year ended 31.03.2007 (Rs. '000) |
|---|--|--|
| SCHEDULE 13 - INTEREST EARNED | | |
| I Interest/discount on advances/bills | 41,209,183 | 29,127,830 |
| II Income on investments | 13,924,672 | 10,315,947 |
| III Interest on balances with Reserve Bank of India and other inter-bank funds | 4,503,286 | 4,293,910 |
| IV Others | 2,724 | 98,800 |
| TOTAL | 59,639,865 | 43,836,487 |

SCHEDULE 14 - OTHER INCOME

| | | |
|---|-------------------|-------------------|
| I Commission, exchange and brokerage | 9,615,681 | 6,140,028 |
| II Profit/(loss) on sale of investments | 665,627 | (1,321,541) |
| III Profit on sale of fixed assets | 665,227 | 47,603 |
| IV Profit on exchange transactions | 13,251,294 | 8,506,800 |
| V Miscellaneous income | 263,393 | 85,420 |
| TOTAL | 24,461,222 | 13,458,310 |

SCHEDULE 15 - INTEREST EXPENDED

| | | |
|---|-------------------|-------------------|
| I Interest on deposits | 19,147,614 | 13,097,135 |
| II Interest on Reserve Bank of India/ inter-bank borrowings | 3,822,335 | 3,656,184 |
| III Others | 144,332 | 210,371 |
| TOTAL | 23,114,281 | 16,963,690 |

SCHEDULE 16 - OPERATING EXPENSES

| | | |
|--|-------------------|-------------------|
| I Payments to and provisions for employees | 6,516,714 | 5,617,792 |
| II Rent, taxes and lighting | 1,201,578 | 863,956 |
| III Printing and stationery | 433,675 | 326,519 |
| IV Advertisement and publicity | 2,583,980 | 2,519,429 |
| V Depreciation on bank's property | 1,035,395 | 1,123,313 |
| VI Auditors' fees and expenses | 6,360 | 5,295 |
| VII Law charges | 80,953 | 102,137 |
| VIII Postage, telegrams, telephones, etc. | 1,192,280 | 1,107,902 |
| IX Repairs and maintenance | 661,430 | 743,133 |
| X Insurance | 428,565 | 312,893 |
| XI Other expenditure | 7,652,728 | 5,804,192 |
| TOTAL | 21,793,658 | 18,526,561 |

SCHEDULE 17 - PROVISIONS AND CONTINGENCIES

| | | |
|---|-------------------|-------------------|
| I Provision for non-performing assets / write offs (net) | 6,166,653 | 2,774,182 |
| II Provision for standard assets | 740,436 | 2,410,921 |
| III Provision for current taxation | 14,001,560 | 7,307,231 |
| IV Deferred tax charge / (benefit) | 397,993 | (800,770) |
| V Fringe benefit tax | 107,550 | 92,642 |
| VI Net Provision for (appreciation) / depreciation on Investments | (263,644) | 1,020,330 |
| TOTAL | 21,150,548 | 12,804,536 |

Citibank N.A.

(Incorporated with Limited Liability in U.S.A)

Schedules forming part of the financial statements of the Indian branches for the year ended March 31, 2008

Schedule 18

I. Background

The accompanying financial statements for the year ended March 31, 2008 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, 2008 are at:

Ahmedabad; Aurangabad; Bengaluru (M.G Road and South End Road); Baroda; Bhopal; Bhubaneswar; 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 generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the RBI from time to time, the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by the Companies Accounting Standards (Rules), 2006 to the extent applicable and current practices within the banking industry in India.

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.

Citibank N.A.

(Incorporated with Limited Liability in U.S.A)

Schedules forming part of the financial statements of the Indian branches *(Continued)*

for the year ended March 31, 2008

IV. Significant accounting policies

1) Investments

Classification and valuation of the Bank's investments is carried out in accordance with RBI Circular DBOD.No.BP.BC.15/21.04.141/2007-08 dated July 2, 2007.

Classification

Investments are classified as 'Held to maturity' ('HTM'), 'Available for sale' ('AFS') or 'Held for trading' ('HFT') 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. The Bank follows settlement date method for accounting for its investments. For disclosure in the financial statements, the investments are classified under five categories – Government securities, Other approved securities, Shares, Debentures and Bonds and Other investments, and disclosed in Schedule 8- Investments.

Valuation

Investments classified as HTM are carried at acquisition cost. Any premium on acquisition is amortised over the remaining period to maturity on a constant yield to maturity.

Investments classified as AFS 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 being discounted instrument, is valued at carrying cost including the pro rata discount accreted for the holding period.

Investments classified as HFT 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.

Transfer between categories

Transfer of investments between categories, if any, is accounted for at the acquisition cost / book value / market value, whichever is lower, as at the date of transfer. Depreciation, if any, on such transfer is fully provided for.

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.

Broken period interest

Broken period interest paid at the time of acquisition of the security is charged to the Profit and Loss account.

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Schedules forming part of the financial statements of the Indian branches *(Continued)*

for the year ended March 31, 2008

IV. Significant accounting policies *(Continued)*

2) Advances

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

Classification and provisioning of advances of the Bank are carried out in accordance with the RBI Circular DBOD. No. BP.BC.12/21.04.048/2007-08 dated July 2, 2007.

The Bank adopts a '90 day overdue norm' for identification of Non Performing Assets ('NPAs'), unless the events warrant an earlier recognition of NPA. 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 rates and norms prescribed by RBI in terms of the RBI circular no. DBOD.No.BP.BC.12/21.04.048/2007-08 dated July 2, 2007 and discloses the same in Schedule 5 -Other liabilities and provisions.

Provisioning for restructured assets is made in accordance with the minimum requirements prescribed by the RBI.

3) Foreign currency transactions

Transactions in foreign currency are recorded at exchange rates prevailing on the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Profit and Loss account.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date at rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant exchange differences are recognized in the Profit and Loss account.

In accordance with the RBI Circular No. DBOD No. BP.BC.76/21.04.018/2005-06 dated April 5, 2006 and Accounting Standard 11- The Effect of Changes in Foreign Exchange Rates, 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 are recorded as contingent liability.

Foreign currency swaps and forward rate agreements are marked to market at 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 Contingent liability.

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Schedules forming part of the financial statements of the Indian branches *(Continued)*

for the year ended March 31, 2008

IV. Significant accounting policies *(Continued)*

3) Foreign currency transactions *(Continued)*

In compliance with RBI circular no. DBOD No. BP.BC. 76/21.04.018/2005-06 dated April 5, 2006 and as required under Accounting Standard 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 unrealised 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 after considering 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 in the Profit and Loss account upon expiry or exercise of the options. The notional value of these options is recorded as Contingent liability.

Forward contracts, which are designated as hedges of underlying foreign currency liabilities are accounted for as Cash Flow Hedges in accordance with International Accounting Standards.

Contingent liabilities on account of foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at the closing rates of exchange notified by FEDAI.

4) Securitisation and assignment transactions

The Bank securitises its commercial and consumer loans through Special Purpose Vehicles ('SPV'). The Bank also assigns portfolio on outright sale basis. Advances securitised and portfolios assigned are recorded as sales once management is satisfied that control over the underlying assets has been transferred.

In most cases, post securitisation, 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.

In compliance with the 'Guidelines on Securitisation of Standard Assets' vide circular no. DBOD.No. B.P.BC.60/21.04.048/2005-06 dated February 1, 2006 issued by the RBI, gain arising on securitisation is amortized over the life of security issued/to be issued by the SPV. Loss, if any, is recognized immediately in the Profit and Loss account. Gains and losses arising out of assignment deals are recorded upfront after providing for retained service costs and provision for credit losses, where warranted.

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.

Rupee Interest Rate Swaps, which are designated as hedges where the underlying is not marked to market, are accounted on accrual basis.

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

IV. Significant accounting policies (Continued)

6) Fixed assets and depreciation

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

Premises are revalued biennially by the management and are stated at revalued cost. Depreciation on premises revalued is charged to 'Premises Revaluation Reserve'. On disposal of revalued premises, the amount standing to the credit of the Premises Revaluation Reserve is transferred to Capital Reserve.

Depreciation is provided on the straight-line method from the date of addition over the estimated useful life of the asset. 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 the 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 |
| Telecom equipment, telephone systems, racks, structured cables, Other computer hardware and related equipments | 20.00 |
| Personal computers along with operating systems (Desktop/Laptop/Monitor/Desktop printer) | 33.33 |
| Software (Purchased/Internally developed) | 20.00/33.33 |
| LAN printers, servers, scanners, fax machines | 25.00 |
| Vehicles | 25.00 |

Installations in leased premises are depreciated to coincide with the lease term including one renewal.

The Bank has retained "Properties Investment Reserve" as at March 31, 2008 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 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.

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Schedules forming part of the financial statements of the Indian branches *(Continued)*

for the year ended March 31, 2008

IV. Significant accounting policies *(Continued)*

7) Retirement benefits

The Bank has adopted Accounting Standard 15 (Revised 2005) - Employee Benefits (AS 15) from the period commencing April 1, 2007. As per the requirements of revised AS 15, the Bank has determined the actuarial liability for employee benefits as per the projected unit credit method using an independent actuary. There is no charge on account of opening balances as per the transitional provisions of the Revised AS 15.

(a) Provident fund

The Bank contributes to a recognised provident fund which is a defined contribution scheme, for all its employees. The contributions are accounted for on an accrual basis and recognized in the Profit and Loss account.

(b) Superannuation

The Bank contributes to a superannuation fund which is a defined contribution scheme for employees in the management cadre above a certain grade. The contributions are accounted for on an accrual basis and recognized in the Profit and Loss account.

(c) Gratuity

The Bank provides for its gratuity liability which is a defined benefit scheme based on actuarial valuation of the gratuity liability at the balance sheet date carried out by an independent actuary. The contributions to the gratuity fund are managed by a trust, which invests the funds in annuity policies of the Life Insurance Corporation of India, deposits and other eligible securities.

(d) Pension

The Bank provides for its pension liability which is a defined benefit scheme based on actuarial valuation of the pension liability at the balance sheet date carried out by an independent actuary. The contributions to the pension fund are managed by a trust, which invests the funds in annuity policies of the Life Insurance Corporation of India, deposits and other eligible securities.

(e) Leave encashment

The Bank provides for its leave encashment liability for its eligible employees, based on actuarial valuation of the leave encashment liability at the balance sheet date, carried out by an independent actuary.

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Schedules forming part of the financial statements of the Indian branches *(Continued)*

for the year ended March 31, 2008

IV. Significant accounting policies *(Continued)*

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.

Gains arising on securitisation is amortized over the life of security issued/to be issued by the SPV with upfront recognition of retained service costs and provision for credit losses. Loss, if any, is recognized immediately in the Profit and Loss account.

Gains and losses arising out of outright assignment deals are recorded upfront after providing for retained service costs and provision for credit losses, where warranted.

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 behavioral analysis of utilisation 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 of 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.

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Schedules forming part of the financial statements of the Indian branches *(Continued)*

for the year ended March 31, 2008

IV. Significant accounting policies *(Continued)*

11) Accounting for leases

Lease transactions are accounted in accordance with Accounting Standard 19 - Leases ('AS 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. Lease payments under operating lease are recognized as expense on a straight line basis over the lease term.

Financial leases

Assets taken on finance lease are recognised as a fixed asset as prescribed under AS-19. 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 fully depreciated over the lease term.

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.

13) Goodwill

Excess of consideration paid over net assets purchased in a business acquisition is recorded as Goodwill. Goodwill is amortized over its useful life of five years as determined by the management. The unamortized portion of the Goodwill is treated as an Intangible asset and reduced for the purposes of capital adequacy computation.

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008

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 (6.1), the above amount has however been reduced from Tier I capital.
2. The Bank has to lodge additional securities with the RBI under section 11(2)(b) of the Banking Regulation Act, 1949 amounting to Rs. 4,511 million for the year ended March 31, 2008 (Previous year Rs 2,250 million).
3. Other Investments comprises pass through certificates Rs. 2,985 million (Previous year Rs. 4,605 million) and SIDBI deposit of Rs. 7,714 million (Previous year Rs. 4,179 million)
4. 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.
5. "Other Liabilities and Provisions" includes an amount of Rs 950 million (Previous year Rs 950 million) representing sub-ordinated debt, details of which are as below:

| Date of allotment | Amount (Rs million) | Coupon rate | Coupon frequency | Final maturity |
|-------------------|------------------------|----------------|---------------------|---------------------------------------|
| January 31, 2000 | 950 | 11.75% | Semi Annual | 120 months from the date of allotment |

6. The following disclosure are made in accordance with the RBI circular DBOD.BP.BC.No.14/21.04.018/2007-08 dated July 2, 2007.
 - 6.1 As per the guidelines for implementation of the new capital adequacy framework issued on April 27, 2007, the RBI has directed foreign banks to migrate to the revised framework for capital computation under Basel II with effect from March 31, 2008. The migration is required to be carried out in phased manner where under, banks are required to compute their capital requirement under Basel I and Basel II. The capital adequacy ratio as per Basel II is 12.00% and under Basel I is 12.13%. (Previous year 11.06%).

The capital adequacy ratio of the Bank calculated under the Basel II is set out below:

| Ratio | Amount in Rs million |
|---|----------------------|
| | As at March 31, 2008 |
| CRAR – Tier I Capital | 11.24% |
| CRAR – Tier II Capital | 0.76% |
| Amount of subordinated debt raised as Tier II capital | 950 |

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, 2008. However, the amount of credit enhancement continues to be reflected under Schedule 12 - Contingent Liabilities.

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.2 Business ratios

| Ratio | 2007-2008 | 2006-2007 |
|---|-----------|-----------|
| Percentage of Net NPAs to Net advances | 1.23% | 1.02% |
| Interest income as a percentage to working funds | 7.40% | 8.00% |
| Non interest income as a percentage to working funds | 3.04% | 2.45% |
| Operating profit as a percentage to working funds | 4.86% | 3.98% |
| Return on assets | 4.33% | 2.79% |
| Business (deposits plus advances) per employee (Rs Thousands) | 176,378 | 136,048 |
| Profit per employee (Rs Thousands) | 3,773 | 1,733 |

Note

- Working funds are the average of total assets.
- Interbank deposits have been excluded for the computation of business per employee ratio.

6.3 Maturity Pattern

| Maturity Bucket | Loans and Advances | Investments | Deposits | Borrowings | Amount in Rs million | |
|----------------------------|--------------------|----------------|----------------|----------------|-------------------------|------------------------------|
| | | | | | Foreign Currency Assets | Foreign Currency Liabilities |
| 1-14 days | 40,149 | 33,818 | 78,127 | 35,448 | 178,535 | 149,328 |
| 15-28 days | 28,484 | 7,204 | 28,732 | 960 | 11,149 | 2,096 |
| 29 days – 3 months | 34,851 | 13,054 | 59,407 | 4,739 | 16,501 | 11,032 |
| Over 3 months to 6 months | 38,650 | 7,342 | 33,694 | 15,710 | 27,379 | 7,440 |
| Over 6 months to 12 months | 24,512 | 7,978 | 32,472 | 17,414 | 5,047 | 14,957 |
| Over 1 year to 3 years | 161,494 | 63,427 | 197,333 | 37,958 | 5,750 | 2,483 |
| Over 3 years to 5 years | 16,911 | 3,654 | 1,327 | 28 | 1,491 | 919 |
| Over 5 years | 38,714 | 48,023 | 30,158 | 19 | 460 | 0 |
| Total | 383,765 | 184,500 | 461,250 | 112,276 | 246,312 | 188,255 |

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

Note:

6.3 Maturity Pattern (Continued)

- 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.

6.4 Lending to sensitive sectors

A) Exposure to real estate sector

| Category | Amount in Rs million | |
|---|----------------------|----------------------|
| | As at March 31, 2008 | As at March 31, 2007 |
| 1. Direct exposure | | |
| (i) Residential mortgages | | |
| Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented: | | |
| | 71,972 | 43,327 |
| Of which individual housing loans upto Rs 15 lakhs | 11,952 | 12,255 |
| (ii) Commercial real estate | | |
| Lending secured by mortgages on commercial real estates | 17,988 | 22,354 |
| 2. Indirect exposure | | |
| Fund based and non- fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | 4,067 | 1500 |
| Total | 94,027 | 67,181 |

B) Exposure to capital market

| Category | Amount in Rs million | |
|--|----------------------|----------------------|
| | As at March 31, 2008 | As at March 31, 2007 |
| 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) | 4,813 | 4,200 |
| 5. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security | - | - |

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.4 Lending to sensitive sectors (Continued)

| Category | As at March 31, 2008 | As at March 31, 2007 |
|---|-------------------------|-------------------------|
| 6. Advances for any other purposes to the extent secured by the collateral of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/ convertible debentures or units of equity oriented mutual funds does not fully cover the advances | - | - |
| 7. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers | 6,294 | 4,312 |
| Total exposure to capital market | 11,142 | 8,547 |
| 8. Of (7) above, the total finance extended to stock brokers for margin trading | - | - |

6.5 Movement in Non performing assets

| Particulars | Amount in Rs million | | | | | |
|---------------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
| | 2007-08 | | | 2006-07 | | |
| | Gross NPA | Provision | Net NPA | Gross NPA | Provision | Net NPA |
| Opening balance as on April 1 | 5,300 | 1,939 | 3,361 | 3,918 | 1,583 | 2,335 |
| Additions during the year | 4,151 | 2,134 | 2,018 | 2,466 | 922 | 1,543 |
| Recoveries/write offs during the year | 1,535 | 874 | 661 | 1,084 | 567 | 517 |
| Closing balance as on March 31 | 7,916 | 3,199 | 4,718 | 5,300 | 1,938 | 3,361 |

6.6 Provision on standard assets

| Description | Amount in Rs million | |
|-----------------------------------|-------------------------|-------------------------|
| | As at March 31, 2008 | As at March 31, 2007 |
| Provision towards standard assets | 4,120 | 3,380 |

6.7 Floating Provision

The Bank does not have a policy of making floating provisions.

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.8 Restructured loans

| | <i>Amount in Rs million</i> | |
|--|--------------------------------------|--------------------------------------|
| | For the year ended March 31, 2008 | For the year ended March 31, 2007 |
| (j) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation; | 30 | 89 |
| - of which under Corporate Debt Restructuring ('CDR') | - | - |
| (ii) The amount of standard assets subjected to restructuring, rescheduling, renegotiation; | - | - |
| - of which under CDR | - | - |
| (iii) The amount of sub-standard assets subjected to restructuring, rescheduling, renegotiation; | 8 | 89 |
| - of which under CDR | - | - |
| (iv) The amount of doubtful assets subjected to restructuring, rescheduling, renegotiation; | - | - |
| - of which under CDR | - | - |
| (v) The amount of loss assets subjected to restructuring, rescheduling, renegotiation; | 22 | - |
| - of which under CDR | - | - |
| Note: [(i) = (ii)+(iii)+(iv)+(v)] | | |

6.9 During the year, there were no transactions relating to sale of financial assets to any securitisation/reconstruction company for assets reconstruction (Previous year: Nil).

6.10 There were no non-performing financial assets that were purchased or sold during the year (Previous year: Nil).

6.11 Investments

A) Value of investments

| | <i>Amount in Rs million</i> | |
|---------------------------------|-----------------------------|-------------------------|
| Particulars | As at March 31, 2008 | As at March 31, 2007 |
| (1) Gross value of investments | | |
| (a) In India | 189,115 | 165,089 |
| (b) Outside India | - | - |
| (2) Provisions for depreciation | | |
| (a) In India | 4,615 | 4,878 |
| (b) Outside India | - | - |
| (3) Net value of investments | | |
| (a) In India | 184,500 | 160,211 |
| (b) Outside India | - | - |

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V. Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.11 Investments (Continued)

B) Provision for depreciation on investments

| Particulars | Amount in Rs million | |
|--|----------------------|--------------|
| | 2007-08 | 2006-07 |
| Opening balance as on April 1 | 4,878 | 3,858 |
| Add: Provision made during the year | - | 1,020 |
| Less: Write back of provisions during the year | 263 | - |
| Closing balance as on March 31 | 4,615 | 4,878 |

6.12 Non SLR investment portfolio

A) Issuer composition of non-SLR investments as on March 31, 2008

| Issuer | Amount | Extent of private placement | Amount in Rs million | | |
|--------------------------------------|---------------|-----------------------------|---|--------------------------------|---------------------------------|
| | | | Extent of 'below investment grade' securities | Extent of 'unrated' securities | Extent of 'unlisted' securities |
| Public sector undertakings | - | - | - | - | - |
| Financial institutions | 7,714 | 7,714 | - | 7,714 | 7,714 |
| Banks | - | - | - | - | - |
| Private corporates | 5,533 | 5,533 | - | 48 | 3033 |
| Subsidiaries/Joint Ventures | - | - | - | - | - |
| Others | - | - | - | - | - |
| Provisions held towards depreciation | (39) | (39) | - | (12) | (27) |
| Total | 13,208 | 13,208 | - | 7,750 | 10,720 |

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.12 Non SLR investment portfolio (Continued)

B) Issuer composition of non-SLR investments as on March 31, 2007

Amount in Rs million

| Issuer | Amount | Extent of private placement | Extent of 'below investment grade' securities | Extent of 'unrated' securities | Extent of 'unlisted' securities |
|--------------------------------------|---------------|-----------------------------|---|--------------------------------|---------------------------------|
| Public sector undertakings | 419 | - | - | - | - |
| Financial institutions | 11,629 | 11,429 | - | 4,179 | 4,179 |
| Banks | - | - | - | - | - |
| Private corporates | 4,959 | 200 | - | 48 | 48 |
| Subsidiaries/Joint Ventures | - | - | - | - | - |
| Others | - | - | - | - | - |
| Provisions held towards depreciation | (140) | (27) | - | (12) | (12) |
| Total | 16,867 | 11,602 | - | 4,215 | 4,215 |

C) Non-performing non SLR investments

Amount in Rs million

| Description | 2007-08 | 2006-07 |
|---------------------------------------|-----------|-----------|
| Opening Balance as on April 1 | 12 | 12 |
| Additions made during the year | - | - |
| Reductions during the year | - | - |
| Closing balance as on March 31 | 12 | 12 |
| Total provision held | 12 | 12 |

6.13 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, 2008 |
|--|--------------------------------------|-------------------------------------|---|----------------------|
| Securities sold under repos | 53 | 30,648 | 2,555 | - |
| Securities purchased under reverse repos | 504 | 39,766 | 3,535 | - |

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Schedules forming part of the financial statements of the Indian branches (Continued)

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V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.13 Repo and reverse repo transactions (Continued)

Amount in Rs million

| | Minimum outstanding during the year* | Maximum outstanding during the year | Daily average outstanding during the year | As on March 31, 2007 |
|--|--|---|---|----------------------------|
| Securities sold under repos | 15 | 56,739 | 5,577 | - |
| Securities purchased under reverse repos | 1,251 | 10,998 | 1,467 | - |

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

6.14 Derivatives

Position as on March 31, 2008

Rupee Interest Rate Swaps

Amount in Rs million

| Nature | Nos. | Notional Principal | Benchmark | Terms |
|---------------|-------|-----------------------|----------------------|---------------------------------|
| Trading Swaps | 1 | 1,000 | 1 Year MIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 7 | 3,500 | 1 Year MIBOR | Pay Floating - Receive Floating |
| Trading Swaps | 4 | 1,750 | 12 month USD LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 65 | 43,750 | 3 month MIFOR | Pay Fixed - Receive Floating |
| Trading Swaps | 44 | 34,500 | 3 month MIFOR | Pay Floating - Receive Fixed |
| Trading Swaps | 3 | 1,250 | 3 month USD LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 1,478 | 558,905 | 6 month MIFOR | Pay Fixed - Receive Floating |
| Trading Swaps | 1,488 | 583,650 | 6 month MIFOR | Pay Floating - Receive Fixed |
| Trading Swaps | 35 | 14,161 | GOI Securities Yield | Pay Fixed - Receive Floating |
| Trading Swaps | 42 | 13,285 | GOI Securities Yield | Pay Floating - Receive Fixed |
| Trading Swaps | 5,488 | 3,758,705 | MIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 5,410 | 3,786,075 | MIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 1 | 437 | MIBOR | Pay Floating - Receive Floating |
| Hedging Swaps | 16 | 23,300 | MIBOR | Pay Fixed - Receive Floating |

U.S. Dollar Interest Rate Swaps

Amount in USD million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-----|-----------------------|--------------------|---------------------------------|
| Trading Swaps | 4 | 12 | 1 month USD LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 4 | 22 | 1 month USD LIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 7 | 53 | 12 month USD LIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 228 | 5,536 | 3 month USD LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 195 | 5,875 | 3 month USD LIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 2 | 12 | 3 month USD LIBOR | Pay Floating - Receive Floating |
| Trading Swaps | 2 | 40 | 6 month USD LIBOR | Pay Fixed - Receive Fixed |
| Trading Swaps | 65 | 994 | 6 month USD LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 57 | 1,177 | 6 month USD LIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 5 | 120 | 6 month USD LIBOR | Pay Floating - Receive Floating |
| Trading Swaps | 1 | 25 | Fixed | Pay Fixed - Receive Fixed |

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.14 Derivatives (Continued)

JPY Interest Rate Swaps

Amount in JPY million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-----|-----------------------|--------------------|---------------------------------|
| Trading Swaps | 1 | 180 | 1 month JPY LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 1 | 180 | 1 month JPY LIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 1 | 64 | 12 month JPY LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 1 | 64 | 12 month JPY LIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 10 | 1,887 | 3 month JPY LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 10 | 1,887 | 3 month JPY LIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 24 | 8,726 | 3 month JPY LIBOR | Pay Floating - Receive Floating |
| Trading Swaps | 1 | 4,000 | 6 month JPY LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 1 | 4,000 | 6 month JPY LIBOR | Pay Floating - Receive Fixed |

CHF Interest Rate Swaps

Amount in CHF million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-----|-----------------------|-------------------|------------------------------|
| Trading Swaps | 1 | 5 | 1 month CHF LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 1 | 5 | 1 month CHF LIBOR | Pay Floating - Receive Fixed |

EUR Interest Rate Swaps

Amount in EUR million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-----|-----------------------|-------------------|---------------------------------|
| Trading Swaps | 2 | 80 | 1 month EUR LIBOR | Pay Floating - Receive Floating |
| Trading Swaps | 1 | 6 | 3 month EUR LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 1 | 6 | 3 month EUR LIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 1 | 9 | Fixed | Pay Fixed - Receive Fixed |

Cross Currency Interest Rate Swaps

Amount in Rs. million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-----|-----------------------|-----------|---------------------------------|
| Trading Swaps | 99 | 41,421 | Fixed | Pay Fixed - Receive Fixed |
| Trading Swaps | 73 | 32,599 | LIBOR | Pay Fixed - Receive Floating |
| Trading Swaps | 71 | 38,285 | LIBOR | Pay Floating - Receive Fixed |
| Trading Swaps | 90 | 75,315 | LIBOR | Pay Floating - Receive Floating |

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V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.14 Derivatives (Continued)

Position as on March 31, 2007

Rupee Interest Rate Swaps

Amount in Rs million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-------|--------------------|-------------------------|-------------------------------|
| Trading Swaps | 2,089 | 1,121,486 | MIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 2,076 | 1,193,430 | MIBOR | Pay Fixed Receive Floating |
| Trading Swaps | 1 | 1,500 | 1 Year MIBOR | Pay Fixed Receive Floating |
| Trading Swaps | 1 | 1,500 | 2 Year MIBOR | Pay Fixed Receive Floating |
| Trading Swaps | 9 | 5,000 | 5 Year MIBOR | Pay Floating Receive Floating |
| Trading Swaps | 1 | 250 | 1 Year MIFOR arrears | Pay Floating Receive Floating |
| Trading Swaps | 32 | 25,750 | 3 Month MIFOR | Pay Floating Receive Fixed |
| Trading Swaps | 57 | 45,750 | 3 Month MIFOR | Pay Fixed Receive Floating |
| Trading Swaps | 1,135 | 353,780 | 6 Month MIFOR | Pay Floating Receive Fixed |
| Trading Swaps | 1,076 | 339,595 | 6 Month MIFOR | Pay Fixed Receive Floating |
| Trading Swaps | 52 | 12,584 | GOI Securities Yield | Pay Floating Receive Fixed |
| Trading Swaps | 37 | 14,113 | GOI Securities Yield | Pay Fixed Receive Floating |
| Trading Swaps | 8 | 1,799 | 3 month USD LIBOR Swap | Pay Floating Receive Fixed |
| Trading Swaps | 9 | 2,263 | 3 month USD LIBOR Swap | Pay Fixed Receive Floating |
| Trading Swaps | 1 | 437 | 6 month USD LIBOR Swap | Pay Floating Receive Fixed |
| Trading Swaps | 1 | 402 | 6 month USD LIBOR Swap | Pay Fixed Receive Floating |
| Trading Swaps | 2 | 1,000 | 12 month USD LIBOR Swap | Pay Floating Receive Floating |
| Trading Swaps | 15 | 7,812 | 12 month USD LIBOR Swap | Pay Floating Receive Fixed |
| Trading Swaps | 16 | 8,875 | 12 month USD LIBOR Swap | Pay Fixed Receive Floating |
| Hedging Swaps | 20 | 37,750 | MIBOR | Pay Fixed Receive Floating |

U.S. Dollar Interest Rate Swaps

Amount in USD million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-----|--------------------|--------------------|-------------------------------|
| Trading Swaps | 2 | 152 | 1 month USD LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 1 | 2 | 1 month USD LIBOR | Pay Fixed Receive Floating |
| Trading Swaps | 430 | 4,161 | 3 month USD LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 447 | 4,218 | 3 month USD LIBOR | Pay Fixed Receive Floating |
| Trading Swaps | 1 | 5 | 3 month USD LIBOR | Pay Floating Receive Floating |
| Trading Swaps | 36 | 470 | 6 month USD LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 29 | 279 | 6 month USD LIBOR | Pay Fixed Receive Floating |
| Trading Swaps | 3 | 28 | 6 month USD LIBOR | Pay Floating Receive Floating |
| Trading Swaps | 1 | 3 | 12 month USD LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 1 | 9 | 12 month USD LIBOR | Pay Floating Receive Floating |
| Trading Swaps | 3 | 53 | 12 month USD LIBOR | Pay Fixed Receive Floating |

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Schedules forming part of the financial statements of the Indian branches (Continued)

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V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.14 Derivatives (Continued)

JPY Interest Rate Swaps

Amount in JPY million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-----|--------------------|--------------------|-------------------------------|
| Trading Swaps | 1 | 64 | 12 month JPY LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 1 | 64 | 12 month JPY LIBOR | Pay Fixed Receive Floating |
| Trading Swaps | 2 | 9,000 | 6 month JPY LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 2 | 9,000 | 6 month JPY LIBOR | Pay Fixed Receive Floating |
| Trading Swaps | 3 | 678 | 3 month JPY LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 3 | 678 | 3 month JPY LIBOR | Pay Fixed Receive Floating |
| Trading Swaps | 14 | 5,194 | 3 month JPY LIBOR | Pay Floating Receive Floating |
| Trading Swaps | 1 | 180 | 1 month JPY LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 1 | 180 | 1 month JPY LIBOR | Pay Fixed Receive Floating |

CHF Interest Rate Swaps

Amount in CHF million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-----|--------------------|-------------------|----------------------------|
| Trading Swaps | 1 | 6 | 1 month CHF LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 1 | 6 | 1 month CHF LIBOR | Pay Fixed Receive Floating |

EUR Interest Rate Swaps

Amount in EUR million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------------|-----|--------------------|-------------------|----------------------------|
| Trading Swaps | 1 | 7 | 3 month EUR LIBOR | Pay Floating Receive Fixed |
| Trading Swaps | 1 | 7 | 3 month EUR LIBOR | Pay Fixed Receive Floating |

Cross Currency Interest Rate Swaps

Amount in Rs. million

| Nature | Nos | Notional Principal | Benchmark | Terms |
|---------|-----|--------------------|-----------|-------------------------------|
| Trading | 54 | 26,330 | LIBOR | Pay Floating Receive Fixed |
| Trading | 106 | 33,634 | LIBOR | Pay Fixed Receive Floating |
| Trading | 69 | 37,055 | LIBOR | Pay Floating Receive Floating |
| Trading | 102 | 35,491 | - | Pay Fixed Receive Fixed |

- There are 4 (Previous year: 4) Forward Rate Agreements outstanding as at March 31, 2008 for notional value of Rs. 8,024 million (Previous year Rs.432 million).
- Losses which would be incurred if the counter-parties failed to fulfill their obligations in respect of Interest Rate Swaps, amounts to Rs 69,379 million (Previous year Rs 41,739 million).

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Schedules forming part of the financial statements of the Indian branches *(Continued)*

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 *(Continued)*

6.14 Derivatives *(Continued)*

- Losses which would be incurred if the counter-parties failed to fulfill their obligations in respect of Cross Currency Interest Rate Swaps, amounts to Rs 12,951 million (Previous year Rs 3,722 million).
- Losses which would be incurred if the counter-parties failed to fulfill their obligations in respect of forward rate agreements, amounts to Rs 8 million. (Previous year Rs 0.28 million)
- Interest rate swaps to the extent of 91% (Previous Year 91%), 58 % (Previous year 60%) of Cross Currency Interest Rate Swaps and 50% (Previous Year 100%) of forward rate agreements have been contracted with banks.
- The fair value of Interest Rate Swaps amounts to Rs 4,307 million (Previous year: Rs 490 million).
- The fair value of Cross Currency Interest Rate Swaps amounts to Rs 3,570 million. (Previous year: Rs 293 million).
- The fair value of forward rate agreements is Nil (Previous year Nil).
- 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.

6.15 Exchange traded derivatives

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

6.16 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.

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for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.16 Disclosure on risk exposure on derivatives (Continued)

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, products 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 further action.

In any derivative transaction undertaken with the 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.

Quantitative disclosure

| Sr. No. | Particular | Amount in Rs million | |
|---------|--|----------------------|---------------------------|
| | | Currency derivatives | Interest rate derivatives |
| 1. | Derivatives (Notional principal amount) | | |
| | a) For hedging | 10,469 | 23,300 |
| | b) For trading | 6,898,377 | 9,380,236 |
| 2. | Marked to market positions | | |
| | a) Asset (+) | 73,194 | 69,476 |
| | b) Liability (-) | (65,792) | (65,059) |
| 3. | Credit exposure | 253,063 | 196,533 |
| 4. | Likely impact of one percentage change in interest rate (100*PV01) | | |
| | a) on hedging derivatives | 19 | 70 |
| | b) on trading derivatives | 246 | 587 |
| 5. | Maximum of 100*PV01 observed during the year | | |
| | a) on hedging | 147 | 280 |
| | b) on trading | 1,214 | 627 |
| 6. | Minimum of 100*PV01 observed during the year | | |
| | a) on hedging | 19 | 70 |
| | b) on trading | 58 | 27 |

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

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

6.17 Risk category wise country exposure.

No provision is made by the Bank for country risk exposure since the Bank's country wise net funded exposure does not exceed 1% of the total assets as on March 31, 2008 (Previous Year: Nil) and accordingly no disclosures has been made.

6.18 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. Reliance Industries Limited
- b. Merrill Lynch Capital Markets Espana SA SV
- c. Wipro Limited

The Bank has obtained appropriate letters from the obligors and the excesses have been ratified by the Local Operations Management Committee of the Bank.

7. The following disclosures are made in accordance with the RBI circular 2005-06/294 DBOD.NO.BP.BC.60 / 21.04.048/2005-06 dated February 1, 2006.

Amount in Rs million

| Particulars | For the year ended March | For the year ended March |
|--|--------------------------|--------------------------|
| | 31, 2008 | 31, 2007 |
| 1. Total number of loans securitised | 15 | 3 |
| 2. Book value of loans securitised | 7,250 | 2,354 |
| 3. Sale consideration | 7,217 | 2,356 |
| 4. Gain / (loss) on securitisation recognized in the Profit & Loss account | (37) | 1 |
| 5. Form of credit enhancement | - | - |
| 6. Quantum of credit enhancement | - | - |

8. The current year's financial statement includes a prior period adjustment of Rs 361 million pertaining to reversal of accretion of discount on Treasury bills for the year ended March 31, 2007. This amount has been adjusted in 'Interest on investments' in the Profit and Loss account.

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Schedules forming part of the financial statements of the Indian branches (Continued)

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V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

9. Retirement benefits

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity and pension benefits is given below:

Amount in Rs million

| Particulars | March 31, 2008 |
|---|----------------|
| Change in obligations | |
| Present value of defined benefits obligations as at April 1, 2007 | 1,351 |
| Employer service cost | 231 |
| Interest cost | 107 |
| Actuarial (gains) / losses | (474) |
| Actual benefits payments | (178) |
| | 1,037 |
| Present value of defined benefits obligations as at March 31, 2008 | |
| Change in assets | |
| Plan assets as at April 1, 2007 | 1,204 |
| Actual return on plan assets | 103 |
| Contributions made by the Bank | 258 |
| Benefits paid during the year | (178) |
| Actuarial gains / (losses) | 203 |
| | 1,590 |
| Plan assets as at March 31, 2008 | |
| Net asset recognised | |
| Present value of defined benefits obligations as at March 31, 2008 | 1,037 |
| Fair value of plan assets as at March 31, 2008 | 1,590 |
| Funded status [surplus] | 553 |
| | 553 |
| Net asset recognised in Balance Sheet | |
| Components of employer expense | |
| Current services cost | 231 |
| Interest cost | 107 |
| Expected return on assets | (103) |
| Actuarial (gains) / losses | (678) |
| | (443) |
| Net credit to Profit and Loss account | |
| Assumptions | |
| Discount rate | 8.70% |
| Expected return on assets | 8.25% |
| Salary escalation rate | 8.00% |

The gratuity and pension fund assets are invested in annuity policies of the Life Insurance Corporation of India, deposits and other eligible securities.

The estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion and other relevant factors.

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Schedules forming part of the financial statements of the Indian branches *(Continued)*

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 *(Continued)*

10. In terms of the Accounting Standard 17 Segment Reporting issued by ICAI and RBI circular Ref. DBOD.No. BP.BC. 81 / 21.04.018/ 2006-07 dated April 18, 2007, the following additional information is disclosed:

Segment Information – Basis of Preparation

Business segment

In line with the RBI guidelines on Segment Reporting, the Bank has identified the following segments as primary reportable segments: Corporate banking, Retail banking, Treasury and Other banking business.

Corporate banking segment provides loans and caters to foreign exchange requirements of corporate and institutional clients. Revenues of this segment consist of interest and fees earned on loans made to corporate customers and income from dealing in foreign exchange. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, personnel costs, other direct overheads and allocated expenses.

Retail banking segment serves retail customers through a branch network and other approved delivery channels. Exposures are classified under Retail banking taking into account the Orientation, Product, Granularity and individual exposure criterion. This segment raises deposits from customers and makes loans and provides advisory services to such customers. Revenues of the Retail banking 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 for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

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

Others banking business segment includes all other banking operations, which are not included under Corporate banking, Retail banking and Treasury segment. Revenue from this segment consists of insurance referral fees and underwriting commission from Primary dealership business. The principal expenses of this segment consist of personnel costs, other direct overheads and allocated expenses.

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V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

Segment Information – Basis of Preparation (Continued)

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

Unallocated segment income, expense, assets and liabilities include items which are not allocable to other segments. These include gain/ loss on sale of fixed assets, depreciation on fixed assets, fixed assets, tax expense and advance taxes.

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

| Particulars | Treasury | Corporate Banking | Retail Banking | Other Banking | Total |
|--|----------|-------------------|----------------|---------------|----------|
| For the year ended March 31, 2008 | | | | | |
| Revenue | 28,446 | 20,699 | 33,472 | 819 | 83,436 |
| Less: Inter-segment revenue | (7,978) | 5,599 | 2,379 | - | - |
| Unallocated revenue | | | | | 665 |
| Total Revenue | 20,468 | 26,298 | 35,851 | 819 | 84,101 |
| Result | 14,537 | 9,873 | 8,186 | 324 | 33,585 |
| Unallocated expenses | | | | | (1,035) |
| Profit before taxes | | | | | 32,550 |
| Income taxes | | | | | (14,507) |
| Net profit | | | | | 18,043 |
| As at March 31, 2008 | | | | | |
| Segment assets | 398,103 | 213,505 | 217,185 | - | 828,793 |
| Unallocated assets | | | | | 9,718 |
| Total assets | | | | | 838,511 |
| Segment liabilities | 240,445 | 320,067 | 184,484 | - | 744,996 |
| Unallocated liabilities | | | | | 93,515 |
| Total liabilities | | | | | 838,511 |

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

Segment Information – Basis of Preparation (Continued)

Amounts in Rs million

| | For the year ended March 31, 2007 | | | Total |
|---|-----------------------------------|----------------|-----------------|----------------|
| | Corporate Bank | Treasury | Consumer Bank | |
| A Segment Revenue | | | | |
| Gross Interest Income | 9,538 | 14,610 | 19,689 | 43,837 |
| Other Income | 2,378 | 7,175 | 3,905 | 13,458 |
| Total Income | 11,916 | 21,785 | 23,594 | 57,295 |
| Add / (less) Inter Segment Income | - | (2,438) | 2,438 | - |
| Total Income as per Profit and Loss account | 11,916 | 19,347 | 26,032 | 57,295 |
| Less: Interest Expense | (2,612) | (7,154) | (7,197) | (16,963) |
| Less: Operating Expense | (5,237) | (1,581) | (11,709) | (18,527) |
| Less: Provisions for NPAs / write-offs | (146) | (1,020) | (5,039) | (6,205) |
| B Segment Result | 3,921 | 9,592 | 2,087 | 15,600 |
| Total Assets as per Balance sheet | 207,768 | 280,194 | 175,621 | 663,583 |
| Add / (Less) Inter Segment Assets | - | - | - | - |
| C Segment Assets | 207,768 | 280,194 | 175,621 | 663,583 |
| Total Liabilities as per Balance sheet | 265,288 | 162,454 | 235,841 | 663,583 |
| Add / (Less) Inter Segment Liabilities | - | 13,648 | (13,648) | - |
| D Segment Liabilities | 265,288 | 176,102 | 222,193 | 663,583 |
| E Net Assets (C – D) | (57,520) | 104,092 | (46,572) | - |
| F Fixed Assets additions during the Year | 347 | - | 554 | 901 |
| G Depreciation and Amortisation | 318 | - | 805 | 1,123 |

The classification of exposures to the respective segments conform to the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007 based on the information available for classification. Due to the said change, figures for the year ended March 31, 2007 are not reclassified and hence not comparable

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V Notes forming part of the financial statements for the year ended March 31, 2008 *(Continued)*

11. The disclosures relating to related parties as required by Accounting Standard-18 Related Party Disclosures issued by the ICAI read with guidelines issued by Reserve Bank of India vide Circular No. DBOD.No. BP.BC.14/21.04.018/2007-08 dated July 2, 2007 is as under:

a) Parent

Citibank N.A. and its branches

b) Holding Company of Parent

Citigroup Inc.

c) Subsidiaries of Parent

Associates International Holding Corporation

Citibank Anonim Sirketi, Turkey

Citibank Berhad, Malaysia

Citibank International Plc and its branches

Citibank Japan Limited

Citibank Korea Inc

Citibank Limited Australia

Citibank Privatkunden AG & Co. KgaA

Citicorp Capital Markets Limited

Citicorp Clearing Services India Limited

Citicorp Finance (India) Limited

Citicorp Investment Bank (Singapore) Limited

Citicorp Leasing Thailand Limited

Citicorp Maruti Finance Limited

Citicorp Overseas Investment Corporation

CitiFinancial Consumer Finance India Limited

CitiFinancial Insurance Services India Limited

CitiFinancial Retail Services India Limited

Koram Bank Co. Limited.

Zao Citibank Russia

Citibank N.A.

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Schedules forming part of the financial statements of the Indian branches (Continued)

for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

d) Fellow Subsidiaries of Parent

Citibank Global Markets Inc
Citicorp Banking Corporation, Bahrain
Citicorp Brokerage (India) Limited
Citicorp Data Systems Inc.
Citicorp International Finance Corporation
Citicorp North America
Citicorp Securities Asia Pacific Limited
Citicorp Technology Holdings Inc.
Citigroup Financial Products Inc
Citigroup Global Markets India Private Limited
Citigroup Global Markets Limited, UK
Citigroup Global Markets Mauritius Private Limited
Citigroup Global Services Limited
Citigroup Global Technology Infrastructure Inc.
Citigroup Information Technology Operations and Solutions Limited
Citigroup Strategic Holdings Mauritius Limited
Citigroup Wealth Advisors India Private Limited
CitiMortgage Inc.
Diners Club International Limited
Orbitech Limited

e) Key Management Personnel

Mr. Sanjay Nayar-CEO

The transactions with related parties during the year and the balances as at March 31, 2008 are summarized as under:

| Nature of Transaction | Amount in Rs million | | | | | |
|-------------------------------|----------------------|---------|--------------|---------|---------------------|---------|
| | Parent and Branches | | Subsidiaries | | Fellow Subsidiaries | |
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| Fees paid | 305 | 125 | 116 | 2,276 | 2,249 | 76 |
| Interest paid – borrowings | 1,781 | 1,809 | - | 1 | - | - |
| Lease expenses | - | - | 44 | 43 | - | - |
| Software support charges paid | 802 | 787 | - | - | 24 | 176 |
| Royalty paid | - | - | 12 | - | - | 14 |
| Fees received | 271 | 206 | 204 | 147 | 324 | 250 |
| Interest earned | 757 | 1,357 | 75 | 100 | 0 | - |
| Recovery of expenses | 3 | - | 63 | 70 | 17 | 10 |
| Secondment charges received | - | - | 49 | 189 | 50 | (15) |

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Amount in Rs million

| Nature of Transaction | Parent and Branches | | Subsidiaries | | Fellow Subsidiaries | |
|-----------------------------------|---------------------|-----------|--------------|---------|---------------------|---------|
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| Software support charges received | 3 | 40 | 50 | 54 | 87 | 51 |
| Interest paid on deposits | - | - | 527 | 305 | 2,009 | 1,160 |
| Gain / (loss) on IRS contracts | (1,068) | (2,469) | 161 | 599 | - | - |
| Goodwill purchased | - | - | - | 310 | - | - |
| Loans disbursed | - | 3,513 | 7,641 | 22,820 | 121 | - |
| Deposits placed | 5,943,326 | 1,682,962 | - | - | 27 | - |
| Time deposits received | - | - | 138,107 | 85,822 | 162,198 | 188,318 |
| Borrowings | 589,920 | 770,810 | 201 | 220 | - | - |
| Acceptances executed by the | | | | | | |
| Bank | 33 | 101 | 35 | 110 | - | - |
| Debentures | - | - | 2,500 | 200 | - | - |
| Call borrowing | - | - | - | 2,794 | - | - |
| Call lending | - | - | - | 15,891 | - | - |
| Purchase of G-sec / T- Bill | - | - | - | 145 | - | - |
| Fixed asset sold | - | - | - | (2) | - | - |
| Fixed assets purchased | - | - | - | 50 | - | - |

Outstanding balances as on March 31, 2008 & maximum balance during the year:

Amount in Rs million

| | Parent and Branches | | Subsidiaries | | Fellow Subsidiaries | |
|---|---------------------|-----------------|----------------|----------------|---------------------|-----------------|
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| Payable against | | | | | | |
| Acceptances | 551 | 29 | 4,305 | 52 | - | - |
| | <i>1,085</i> | <i>63</i> | <i>4,378</i> | <i>95</i> | - | - |
| Accounts payable | 6,658 | 3,236 | 207 | 627 | 1,253 | 588 |
| | <i>6,658</i> | <i>3,236</i> | <i>528</i> | <i>1,515</i> | <i>1,253</i> | <i>588</i> |
| Accounts receivable | 8 | 390 | 175 | 1,244 | 306 | 124 |
| | <i>20,905</i> | <i>4,148</i> | <i>1,036</i> | <i>1,244</i> | <i>329</i> | <i>248</i> |
| Borrowings / Deposits | 59,177 | 53,631 | 19,558 | 8,292 | 54,608 | 13,234 |
| | <i>59,177</i> | <i>98,280</i> | <i>19,558</i> | <i>13,294</i> | <i>63,835</i> | <i>28,431</i> |
| 'Balance in current account/ (Cash credit)/(Overdraft) | (1,937) | (2,613) | (735) | (112) | (4,733) | (1,510) |
| | <i>(38,934)</i> | <i>(36,066)</i> | <i>(9,395)</i> | <i>(5,201)</i> | <i>(28,282)</i> | <i>(32,583)</i> |
| Investment in debentures | - | - | 2,500 | 200 | - | - |
| | - | - | <i>2,500</i> | <i>2,150</i> | - | - |
| Loans / Placements | 42,462 | 13,491 | 6,912 | 741 | 70 | - |
| | <i>51,584</i> | <i>148,433</i> | <i>7,261</i> | <i>6,871</i> | <i>247</i> | - |

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

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

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Amounts written off or written back in respect of debts due from related parties: Nil (Previous year: Nil).

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 Accounting Standard - 18 is made other than reporting the relationship with the related party.

12. Deferred taxes are accounted for on the basis of Accounting Standard 22 Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India. The net impact of timing differences amounting to Rs.398 million (Previous year credit of Rs 801 million) arising during the year ended March 31, 2008 is charged to the current year's Profit and Loss account. The cumulative amount of deferred tax benefit of Rs 2,082 million (Previous year Rs 2,480 million) is included in Schedule 11 - "Other Assets."

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

| Description | Amount in Rs million | |
|---------------------------------|----------------------|----------------------|
| | As at March 31, 2008 | As at March 31, 2007 |
| Deferred tax assets | | |
| Provision for doubtful advances | 2,263 | 1,789 |
| Investments | - | 768 |
| Others | 141 | 117 |
| Deferred tax liabilities | | |
| Depreciation | 322 | 194 |
| Net deferred tax asset | 2,082 | 2,480 |

13. 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:

| Gross investment as at the date of Balance Sheet | Amount in Rs million | |
|---|----------------------|----------------------|
| | As at March 31, 2008 | As at March 31, 2007 |
| Not later than one year | 137 | 123 |
| Later than one year but not later than five years | 236 | 211 |
| Later than 5 years | - | - |
| Total | 373 | 334 |
| Present value of minimum lease payment as at the date of Balance Sheet | | |
| Not later than one year | 108 | 97 |
| Later than one year but not later than five years | 209 | 187 |
| Later than 5 years | - | - |
| Total | 317 | 284 |

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for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

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

| | <i>Amount in Rs million</i> | |
|---|-----------------------------|----------------------|
| | As at March 31, 2008 | As at March 31, 2007 |
| The amount of minimum lease payments recognized in the Profit and Loss account in respect of operating leases amount to | 137 | 100 |
| The total of future minimum lease payments recognized under non-cancellable operating leases | | |
| Not later than one year | 41 | 76 |
| Later than one year but not later than five years | 68 | 1 |
| Later than 5 years | - | - |
| Total | <u>109</u> | <u>77</u> |

- The Bank 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.
15. Provisions and contingencies

As per Accounting Standard - 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, 2008.

| | <i>2007-08</i> | | | <i>2006-07</i> | | |
|--|----------------|----------------|----------|----------------|----------------|----------|
| | Reward points | Securitisation | Frauds | Reward points | Securitisation | Frauds |
| Opening provisions | 311 | 25 | 3 | 152 | 40 | 2 |
| Provision made during the year | 217 | 9 | 4 | 273 | 27 | 6 |
| Utilisation /Write back of provision during the year | 155 | 13 | 4 | 115 | 42 | 5 |
| Closing provisions | <u>373</u> | <u>21</u> | <u>3</u> | <u>310</u> | <u>25</u> | <u>3</u> |

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for the year ended March 31, 2008

V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

16. Additional disclosure in respect of the primary dealership activities carried out by the Bank:

Call borrowings and placements for the year ended March 31, 2008 *Amount in Rs million*

| | Average | Peak |
|------------|---------|--------|
| Borrowings | 1,533 | 7,250 |
| Placements | 2,041 | 10,000 |

17. 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 fulfill its financial or performance obligations.

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

This includes:

- a. Credit enhancement in respect of securitized loans to which the assignee or the special purpose vehicle has recourse;
- b. Manager's Cheques;
- 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.

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V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

18. 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, 2007 and 2008. 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. 356 million (Previous year Rs. 226 million) under the head "Payments to and provisions for employees", as compensation cost on account of share-based payments.

19. The following disclosure is made under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED') which came into force from October 2, 2006:

| | <i>Amount in Rs million</i> |
|---|-----------------------------|
| | March 31, 2008 |
| Number of supplier registered with competent authorities | 21.00 |
| Principal amount remaining unpaid to any supplier as at the year end | 8.00 |
| Interest due thereon | 0.06 |
| Amount of interest paid and payments made to the supplier beyond the appointed day during each accounting year | - |
| Amount of interest due and payable for delay in payment (which have been paid but beyond the appointed day during the year) but without adding the interest under this Act | - |
| Amount of interest accrued and remaining unpaid at the end of the accounting year | 0.06 |
| Amount of further interest remaining due and payable even in the succeeding years, till actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Income Tax Act, 1961 | - |

The disclosure is based on the information and records available with the management in respect of the Micro, Small and Medium Enterprises who have registered with the competent authorities. This being the first year of registration of suppliers under MSMED, previous year comparatives are not available.

20. There were no penalties imposed by RBI on the Bank during the year ended March 31, 2008. (Previous Year: Nil).

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V Notes forming part of the financial statements for the year ended March 31, 2008 (Continued)

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:

| | <i>Amount in Rs million</i> | |
|--|-----------------------------|---------------|
| Break up of 'Provisions and Contingencies' shown under the head expenditure in Profit and Loss account | 2007-08 | 2006-07 |
| Provision for non-performing assets / write offs (net) | 6,167 | 2,774 |
| Provision for standard asset | 740 | 2,411 |
| Provision for current taxation | 14,001 | 7,307 |
| Deferred tax charge / (benefit) | 398 | (801) |
| Fringe benefit tax | 108 | 93 |
| Net provisions for (appreciation) / depreciation on investments | (264) | 1,020 |
| Total | 21,150 | 12,804 |

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:

| | <i>Amounts in Rs. million</i> | |
|-------------------------|-------------------------------|---------|
| Nature of expense | 2007-08 | 2006-07 |
| Service bureau expenses | 4,721 | 4,048 |

23. In terms of the guidelines issued by the RBI in its Circular Ref No. DBOD.No.Leg BC.60/09.07.005/2006-07 dated February 22, 2007, the following information is disclosed:

A Customer Complaints

| Particulars | 2007-08 | 2006-07 |
|--|---------|---------|
| (a) No. of complaints pending at the beginning of the year | 221 | 64 |
| (b) No. of complaints received during the year | 19,895 | 19,694 |
| (c) No. of complaints redressed during the year | 20,023 | 19,537 |
| (d) No. of complaints pending at the end of the year | 93 | 221 |

B. Awards passed by the Banking Ombudsman

| Particulars | 2007-08 | 2006-07 |
|---|---------|---------|
| (a) No. of unimplemented Awards at the beginning of the year | 1 | 1 |
| (b) No. of Awards passed by the Banking Ombudsmen during the year | 2 | 6 |
| (c) No. of Awards implemented during the year | 2 | 6 |
| (d) No. of unimplemented Awards at the end of the year | 1 | 1 |

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24. Previous year figures have been regrouped and reclassified, wherever necessary, to conform to the current year's presentation.

Signatures to schedules 1 to 18

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

Sanjay Nayar
Chief Executive Officer – India

Abhijit Sen
Chief Financial Officer