BASEL II DISCLOSURES

1.1 General

The BASEL II disclosures contained herein relate to Citibank N.A., India Branches (herein also referred to as the 'Bank') and the Non Banking Financial Companies which are subsidiaries of Citigroup Inc. as defined and covered below under the definition of 'Consolidated Bank' for the year ended March 31, 2013. These are complied in accordance with Reserve Bank of India (the 'RBI') regulations on 'Implementation of New Capital Adequacy Framework' vide DBOD.No.BP.BC.11/ 21.06.001 / 2012-13 dated July 1, 2012 as amended from time to time.

The Bank does not have any subsidiaries nor does it hold any significant stake in any company. The RBI guidelines on Financial Regulation of Systemically Important NBFCs and Banks' Relationship vide circular ref. DBOD. No. FSD. BC.46 / 24.01.028/ 2006-07 December 12, 2006 read with 'Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision' vide circular ref. DBOD.No.BP.BC.72/ 21.04.018/2001-02 dated February 25, 2003 mandate coverage of the 'Consolidated Bank' (herein also referred to as 'Citi'). This includes, in addition to the India branch of Citibank N.A (which is the banking subsidiary of Citigroup Inc. operating in India), the following wholly/majority owned non banking finance companies, which are subsidiaries of Citigroup Inc. held through intermediary holding companies:

Citicorp Finance (India) Limited (CFIL)
CitiFinancial Consumer Finance India Limited (CCFIL)

Investments in below mentioned companies have been deducted from the capital of respective parent companies:

Citicorp Capital Markets Limited (CCML)
Citicorp Clearing Services India Limited (CCSIL)

Investment in Citicorp Maruti Finance Limited (CMFL) which formed part of the 'Consolidated Bank' is no longer considered as CMFL has merged with CFIL during the year.

As prescribed in the above guidelines, the Bank is not required to prepare consolidated financial statements. However, certain prudential guidelines apply on a Consolidated Bank basis, including that of capital adequacy computation under Basel II guidelines.

No quantitative disclosures shall apply since there are no subsidiaries of the Bank. Further, the Bank does not have any interests in insurance entities.

1.2 Capital Structure

The capital funds of the Consolidated Bank include the following:

Tier 1 Capital:

1. Interest-free funds from Head Office specifically for the purpose of meeting capital adequacy norms.
2. Statutory reserves calculated at 25 % of each year's profit.
3. Capital reserve not eligible for repatriation so long as the Bank functions in India.
4. Other free reserves
5. Remittable surplus retained for meeting capital adequacy requirements

Tier 2 Capital:

1. Revaluation reserves arising from revaluation of the premises owned after a discount of 55%.
2. General Provisions on Standard Assets.
3. Investment reserve account.
4. Investment in Subsidiaries.

Quantitative disclosures:

	March 31, 2013	Rs. in Lakhs March 31, 2012
Tier I Capital		
Interest-free funds from Head Office	677,557	677,556
Other reserves eligible for Tier I	32,381	23,009
Statutory reserve	441,452	373,493
Remittable Surplus retained for CRAR	658,311	658,311
	1,809,701	1,732,370
Deductions:		
Intangible assets	21,575	18,755
Deferred Tax asset	49,327	35,944
Credit Enhancement on securitisation (50%)	756	847
Investment in Subsidiaries	8,465	8,465
Other deductions	1,840	17,435
Total deductions	81,964	81,448
Tier I Capital	1,727,738	1,650,923
Tier II Capital		
Preference Share capital	-	-
Property Revaluation Reserves	19,159	15,891
Investment Reserve	35,683	11,928
General Loss provision on Standard assets and other eligible reserves	51,794	52,568
	106,636	80,386
Deductions:		
Investment in Subsidiaries	8,465	8,465
Credit Enhancement on securitisation (50%)	756	847
Total deductions	9,221	9,312
Tier II Capital	97,415	71,074
Total Capital Funds	1,825,153	1,721,997

1.3 Capital Adequacy

The Bank has in place processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. The capital plan is put up to the Local Operations Management Committee (LOMC) for review and approval from time to time. The Bank India Branch is primarily engaged in providing wholesale, retail and private banking services.

The Bank has an Internal Capital Adequacy Assessment Process (ICAAP) which establishes a framework for the Bank to perform a comprehensive assessment of the risks they face and to relate capital adequacy to these risks. Further more, the capital analysis performed by the Bank is expected to encompass all significant risks, not only those risks captured by the Pillar I minimum regulatory capital calculation. The capital plan covers future projections to determine capital requirements. Capital position is also presented to and reviewed by ALCO. As per applicable guidelines, the ICAAP is subjected to external review.

Citi uses a Risk Based Capital framework to capture and quantify risks across the business. The returns of the products or lines of activity are assessed in relation to the risk capital and are tested against the benchmark.

As required under the Basel II guidelines issued by the Reserve Bank of India, the Bank has adopted Standardised Approach (SA) for credit risk, Standardized Duration approach (SDA) for computing capital requirement for market risks and Basic Indicator Approach (BIA) for operational risk.

Capital requirements for credit risk:

Rs. in Lakhs

Category	Nature	As at March 31, 2013		As at March 31, 2012	
		Risk weighted assets	Capital charge	Risk weighted assets	Capital charge
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	5,675,241	510,722	5,513,728	496,236
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	2,510,357	225,122	2,186,695	196,803
Securitization exposures	Includes credit enhancement which is reduced from Capital funds (refer capital funds details at 1.2 above)	1512	1512	1695	1695

Capital requirements for market risk:

Rs in Lakhs

Category	Nature	As at March 31, 2013		As at March 31, 2012	
		Risk weighted assets	Capital charge	Risk weighted assets	Capital charge
Interest rate risk	Includes specific and general risk on interest rate instruments in the trading book	759,342	68,341	434,834	39,135
Foreign exchange risk	Includes specific and general risk on currencies (including gold)	180,071	16,206	82,219	7,400
Equity risk	Includes specific and general risk on equity instruments	58,696	5,283	17,989	1,619
Total		**998,109**	**89,830**	**535,042**	**48,154**

Capital requirements for operational risk:

Per the Basic Indicator approach for Operational risk the Bank is required to maintain capital at the rate of 15 % of average gross income (as defined by NCAF circular) of previous three years. The risk weighted assets (RWA) for operational risk are calculated by dividing the operational risk capital charge by 9%. The capital requirement for Operational risk is Rs.105,190 lakhs (Previous year: 123,154 lakhs).

Capital adequacy ratio

Entity	As at March 31, 2013			As at March 31, 2012		
	Total Capital ratio	Tier I Capital ratio	Tier II Capital ratio	Total Capital ratio	Tier I Capital ratio	Tier II Capital ratio
Citibank N.A.	15.90%	14.81%	1.09%	16.03%	15.15%	0.88%
Consolidated Bank	17.64%	16.70%	0.94%	17.79%	17.08%	0.71%

1.4 Credit risk: General Disclosures

The three principal businesses of the Bank viz Corporate Banking, Commercial Banking and Consumer Banking approve and implement policies and procedures appropriate to their respective risk, business and portfolio. These policies address risk

measurement, reporting, monitoring, mitigation and remediation. Senior Management in the credit and business chain are involved in all policy recommendations and review the portfolio on a regular basis.

For the Corporate Bank, the Global Credit Policy along with the Local Credit Policy lays down the parameters/norms for credit exposure. Based on the industry assessment and detailed company analysis and after considering the Target Market Norms & Risk Acceptance Criteria, a credit exposure is approved. Business and Risk Management jointly review And approve facilities for the clients on a periodic basis , periodicity depends on the client. Further Industry specialist and product specialists review and approve sizeable credits. Credit approval limits are granted to individuals based on experience and seniority. The Bank has a global internal policy of internal rating on a global scale to assign Obligor Risk Ratings (ORRs). ORRs define one-year probability of default and are continuously monitored and updated, if required. The Bank also assigns an Obligor Limit Rating (OLR), which provides a medium to long-term view of credit quality. Approval authority is defined as per Total Credit Facilities Approval Grid, which requires higher level of authority to approve large exposures and/or low rated exposures.

The Commercial Markets Business Credit Policies and Procedures define the guidelines and policies under which portfolio is managed supplemented by Credit Programs and MME framework. The sales team prospects customers within approved industry segments. The due diligence is performed by Credit Analyst unit and or Independent Risk who assesses the borrowing requirements and recommends facilities within the parameters set out by the credit programs / framework. The due diligence process includes, but is not restricted to, detailed financial analysis obtaining adequate market information and reference checks from buyers, suppliers, bankers and competitors. All proposals are approved by two officers, at least one of whom has credit initials to cover the facilities proposed.

Consumer banking is guided by both Global Credit Policy along with a well defined Local Credit Policy which incorporates all local regulatory requirements. Credit Risk Management Unit recommends/approves lending policy, reviews portfolio and takes credit actions. This is supported by a credit operations unit, which reviews proposals for adherence to laid down policies as well as does all verifications prior to disbursal of credit. Credit appraisal is independent of the business stream to ensure unbiased credit judgment. Additionally, there is a collections unit for recovery of past due payments.

NORMS FOR DETERMINING WHEN TO CLASSIFY VARIOUS TYPES OF ASSETS AS NON-PERFORMING

The Bank follows the RBI guidelines for asset classification, which are briefly described herein below.

Term Loans and Consumer loans are treated as a non-performing if the interest and/ or installments of principal remain overdue for a period of more than 90 days.

Cash credits & Overdrafts are treated as non- performing if it remains ‘out of order’ for a period of more than 90 days.

An account will be treated "out of order" if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In case where the outstanding balance is less than the sanctioned limit/drawing power, but there are no credits continuously for three months as on balance-sheet date or credits are not enough to cover the interest debited during the same period, these accounts will be treated as out of order.

Bills purchased /discounted are treated as non-performing if the bill remains overdue and unpaid for a period of more than 90 days during the financial year.

Any other facility (including dues on forward exchange and derivative contracts) will be treated as non- performing if any amount to be received remains overdue for a period of more than 90 days.

Quantitative disclosures:

i) **Total Gross Credit Exposure by Industry:**

Rs. in Lakhs

Particulars	As of March 2013		As of March 2012	
	Fund Based	Non Fund Based	Fund Based	Non Fund Based
Agriculture & Allied Activities	2,713	2,799	1,110	2,803
Aviation	0	12,928	0	289
Banks	1,675,874	1,244,562	2,602,367	1,597,992
Beverage & Tobacco	52,955	41,224	96,345	36,417
Cement and Cement Products	20	5,554	19,547	9,912
Coal	0	201	0	200
Computer Software	51,915	246,994	107,385	196,000
CONSTRUCTION	44,499	3,609	18,944	3,027
Drugs & Pharmaceuticals	102,408	40,249	251,415	63,751
Edible Oils & Vanaspati	28,420	1,437	10,850	1,400
Electricity	2,819	31,888	51,707	34,464
Electronics	317,333	98,792	121,521	137,143
Fertilizers	396	33,440	21,573	14,339
Gems and Jewellery	57	177	2,911	1,737
Glass and Glass Ware	1,707	3,225	19,604	6,649
Iron & Steel	4,659	60,663	75,733	82,208
Leather And Leather Products	286	3,496	11,453	1,742
Mining & Quarrying	60,669	57,979	22,740	28,252
Other Food Processing	45,984	5,679	37,393	27,125
Other Industries	2,312,215	425,312	1,199,039	67,205
Other Infrastructure	314	6,194	14,787	5,612
Other Textile	480,394	27,435	65,693	10,798
Others	1,769,512	69,002	1,663,453	19,295
Others Metal and Metal Products	207,638	52,802	123,781	50,819
Others-Chemicals	67,047	32,457	133,896	19,234
Others-Engineering	18,626	135,798	202,485	111,154
Paper and Paper Products	101,952	13,541	80,282	15,541
Petro Chemicals	1,541	21,038	83,009	21,315
Petroleum, Coal Products and Nuclear Fuels	27,320	89,599	69,329	258,685
Ports	0	10	0	6
Power	8	0	654	1,207
Professional and other services	4,220,432	100,727	4,741,791	194,364
Railways (Other than Indian Railway)	0	23	0	0
Retail Advances	531,319	41,892	524,453	54,291
Retail trade	387	6,382	0	0

Roads and Ports	31	27	0	2,993
Rubber, Plastic & their Products	272,333	19,766	48,411	27,864
Shipping	14,732	8,898	25,554	9,815
Sugar	186,301	4,811	4,858	2,085
Telecommunications	142,981	25,475	387,382	86,186
Tourism and Hotels and Restaurants	9	1,107	5,013	327
Transport Operator	42,982	5,205	29,985	17,050
Vehicles, Vehicle parts and Transport Equipments	543,445	135,830	277,104	113,280
Water Sanitation	0	5	0	5
Wholesale trade	1,625	43,530	176,057	56,101
Wood and Wood Products	3,404	2,889	3,898	13,543
Leasing	4,000	5,740	0	0
Biotech	33	0	0	0

ii) Residual contractual maturity breakdown of assets as at March 31, 2013 and as at March 31, 2012.

Rs. in Lakhs

Maturity Bucket	**As at March 31, 2013**		**As at March 31, 2012**	
	Loans and Advances	**Investments**	**Loans and Advances**	**Investments**
Day 1	37,175	2,177,434	25,075	2,590,855
2 to 7 days	283,151	-	108,222	525,221
8 to 14 days	117,466	-	135,367	37,943
15 to 28 days	365,290	309,588	191,587	60,529
29 days to 3 months	712,682	326,442	646,299	128,975
Over 3 months to 6 months	546,540	115,899	773,758	46,556
Over 6 months to 12 months	550,322	194,109	572,781	130,427
Over 1 year to 3 years	1,444,978	809,350	1,185,236	697,305
Over 3 years to 5 years	458,170	133,600	363,824	14,746
Over 5 years	1,090,051	378,718	1,380,677	120,860
Total	**5,605,825**	**4,445,141**	5,382,825	4,353,417

iii) Amount of NPAs (Gross)

Rs. in Lakhs

Particulars	**As at March 31, 2013**	**As at March 31, 2012**
Substandard	22,833	73,821
Doubtful 1	24,452	7,890
Doubtful 2	5,782	3,489
Doubtful 3	5,552	1,407
Loss	14,059	7,002

iv) Net NPAs: Rs.88,672 Lakhs (Previous year Rs.80,874 Lakhs)

v) **NPA ratios:**

- Gross NPAs to gross advances: 2.64% (Previous year: 6.59%)
- Net NPAs to net advances: 1.58% (Previous year: 5.49%)

vi) Movement of NPAs

Rs. in Lakhs

Particulars	As at March 31, 2013			As at March 31, 2012		
	Gross NPA	Provision	Net NPA	Gross NPA	Provision	Net NPA
Opening Balance as on April 1	188,762	47,887	80,874	148,118	42,128	105,991
Additions during the year	128,933	41,188	87,745	93,678	44,227	49,450
Recoveries/write offs during the year	108,352	28,404	79,948	113,035	38,468	74,567
Closing Balance as on March 31	149,343	60,671	88,672	128,761	47,886	80,874

vii) Non-performing Investments (NPIs): Rs. 30,000 Lakhs (Previous year: 30,000 Lakhs)

viii) Provision for NPIs: Rs. 20,400 Lakhs (Rs.19,200 Lakhs)

ix) Movement of provisions held towards depreciation on investments

Rs. in Lakhs

Particulars	As at March 31, 2013	As at March 31, 2012
Opening Balance as on April 1	84,431	110,623
Additions during the year	1,200	1,200
Recoveries/write offs during the year	55,822	27,432
Closing Balance as on March 31	29,769	84,391

1.5 Credit Risk: Disclosures for portfolios subject to the standardized approach

The Bank has approved use of ratings issued by CRISIL Limited, Fitch India and ICRA Limited for local exposures as permitted by Reserve Bank of India. For the foreign exposures, the ratings assigned by Standard & Poor's, Moody's and Fitch are used by the Bank.

Where the obligors have obtained rating of the facility from any of the above credit rating agencies, the Bank has applied the risk weights relevant to the ratings so assigned. Where the obligors have not yet obtained such a rating, the exposure has been taken as unrated and appropriate risk weights applied.

The breakdown of the exposure is as under:

Rs. in Lakhs

Particulars	As at March 31, 2013	As at March 31, 2012
Below 100% risk weight	10,644,069	11,409,164
100% risk weight	3,794,143	3,644,876
More than 100% risk weight	2,070,766	1,653,238
Deducted	1,512	1,695

1.6 Credit risk mitigation

The Bank has a three-stage approach to credit risk mitigation i.e. pre-disbursement due diligence, credit approval and post disbursement monitoring. The policies are individually varied for the corporate, consumer/retail and Small and Medium Enterprises (SMEs) segments. Risk mitigation and defeasance techniques are utilized as appropriate in the various lines of business. While security and support are used by the corporate bank as risk mitigants, various risk mitigation tools such as

rewrite and settlement programs are used in the consumer bank based on well-defined policies and processes. Ongoing calculation and monitoring ensures that the management is comfortable with the residual risk, which is adequately supported by the capital employed.

Credit review in Consumer/Retail segment is based on an analysis of portfolio behavior. Pre-disbursement due diligence involves appraisal and legal verification of collateral documents. The legal documentation is vetted and pre-approved.

For SME segment, as per RBI guidelines, the Bank has adopted the comprehensive approach that allows fuller offset of collateral against exposures, by effectively reducing the exposure amount by the value ascribed to the collateral. Under this approach, eligible financial collateral is reduced from the credit exposure to counterparty when calculating their capital requirements subject to hair cuts as prescribed under the guidelines. Credit collateral information is maintained by the Credit Administration. This data is available at facility level and is being used for reporting purposes.

The eligible collaterals used by the Bank as risk mitigants are in the form of cash margin deposits, term deposits and eligible guarantees for arriving at the benefit for capital adequacy purposes. Corporate/parent guarantee etc. do act as a risk mitigant but not taken benefit of when computing the prudential ratios. Given the nature of collateral, the Bank does not have any concentration risk within the mitigants accepted by the Bank.

Citibank India has in place a Standby Letter of Credit (SBLC) extended by Citibank Head Office (NY) to the extent of the rupee equivalent of USD 2.3 billion, as an additional support to cover Citibank India's facilities provided to locally incorporated subsidiaries of multinational companies which have a global banking relationship with Citibank. The Bank undertakes a credit appraisal of such exposures based on the available financials of the local subsidiaries. In addition, the Bank also receives inputs on credit assessment from the Citibank franchise in respective countries which manages the global relationship for that entity and further relies on credit support from the SBLC extended by Citibank Head Office. In turn the relevant Citibank entity derives comfort from the support of the parent of the local subsidiary. In certain cases, specific SBLCs are obtained from the Citibank branch which manages the global relationship basis periodic review. It may be noted that such credit support are not considered as eligible collateral.

Exposure covered by eligible financial collateral after application of hair cut:

Category	**Nature**	**As at March 31, 2013**	**As at March 31, 2012**
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	1,998	4,667
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	Nil	Nil
Securitisation exposures	Includes credit enhancement which is reduced from Capital funds (refer capital funds details at 1.2 above)	Nil	Nil

Exposure covered by guarantees:

Rs in Lakhs

Category	**Nature**	**As at March 31, 2013**	**As at March 31, 2012**
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	2,714	3,783
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	Nil	Nil
Securitisation exposures	Includes credit enhancement which is reduced from Capital funds (refer capital funds details at 1.2 above)	Nil	Nil

1.7 Securitisation

Securitisation risk includes the risk that the capital resources held by the firm in respect of assets which it has securitised or participated in any third party securitisation transactions are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved. Typically, in securitisation transactions bank acts as an originator, servicing agent, investor in pass through certificates and provider of credit enhancement or as guarantor.

As an Originator, assets in the form of loan receivables held on the books of the bank are assigned to an independent Special Purpose Vehicle (SPV) which is created as a specific trust by an independent third party acting as the Trustee. The Bank does not have any role in the formation or management of SPVs. The Bank has not sponsored any off-balance sheet vehicles for the purpose of securitisation. The Bank does not provide any direct or indirect support to the SPV. The Bank is not responsible for the solvency or otherwise of the SPV nor is it concerned with any gains or losses that the SPV may make. The Bank obtains True sale opinion and loans so securitised are recorded as sales once the management is satisfied that control over the underlying assets has been transferred. Pursuant to RBI guidelines, the gain arising on securitisation of portfolio, which is the difference between sale consideration and book value of loans, is deferred and recognised in profit and loss account over the life of securities issued by the SPV. Loss, if any, is recognised on upfront basis in the profit and loss account. Expenses relating to securitisation namely rating fees, trusteeship fees and legal expenses are charged to the profit and loss account. Where the Bank is acting as a servicing agent it earns servicing income from the transaction. In certain securitisation structures, the Bank would have retained interest in the form of excess interest strips (also called Interest only strips receivable - IOSR). The Bank provides credit enhancement to support the transaction in the form of guarantee, cash collateral and subordination of IOSR. The Bank has not held any Pass Through Certificates (PTCs) for securitisation transactions where it has acted as originator. The PTCs held by the Bank, as an investor, are risk weighted based on the external rating assigned to the transaction and are valued as per RBI/FIMMDA guidelines. The capital charge on the Market Risk on these PTCs is computed per the RBI guidelines. The credit enhancements provided by the Bank, if any, are deducted from capital funds. The Bank does not have any continuing obligation/ exposure from the securitisation except IOSR and cash collateral. The Bank does not hold any securitisation exposures in its trading books as an investor or otherwise. Bank is not running any pipeline and warehousing risks with regard to its asset book.

Following the decline in transactions in securitisation market over last several years except for a direct assignment of NPA mortgage receivable to an ARC company the Bank has not carried out any retail loan securitizations in the current period. The wholesale loan securitisation has been largely restricted to single or more corporate loans securitisation not involving any 'packaging' or 'repackaging' of receivables. In these transactions the Bank has not retained any interest in the transactions nor has the Bank provided any credit enhancement. Bank has been able to achieve full risk defeasance by doing these securitisations. None of these wholesale loan assets are of a 'subprime' nature.

As regards the securitisation transactions carried out in the past years, the outstanding position is not significant and the Bank has already built up adequate provision for losses on them. The Bank does not carry any securitisation exposures as an investor. As regards, exposures as an originator of the transactions, the Bank monitors the performance of the portfolios and credit risk thereon and appropriately treats from a capital adequacy perspective. The Bank has not used any credit risk mitigants with regard to securitisation transactions except for credit enhancements receivable against investments in PTC's.

Quantitative Disclosures (Banking Book):

Rs. in Lakhs

Particulars:	**2012-13**	**2011-12**
Total amount of exposures securitised during the year		
Corporate Loans	Nil	Nil
Commercial Vehicles	Nil	Nil
Mortgage	987,435	66,520
For exposures securitised losses recognised by Citi during the current period broken by the exposure type	Nil	Nil
Corporate Loans	Nil	Nil
Amount of assets intended to be securitised within a year	Nil	Nil
Of above, amount of assets originated within a year before securitisation	Nil	Nil
Unrecognised gain on securitisation of deals	NIL	709
Unrecognised loss on securitisation of deals	Nil	Nil
Aggregate amount of On-Balance Sheet securitisation exposures/wholeloan sale		

retained or purchased		
IOSR (subordinated)	20	1,158
IOSR (non-subordinated)	15	0
Cash Collaterals	4,336	4,659
Investment in Pass Through Certificates (PTCs)	118,246	Nil
Aggregate amount of off-balance sheet securitisation exposures		
Guarantees	0	0
Exposures that have been deducted entirely from Tier 1 and Tier 2 capital		
IOSR (subordinated)	20	1,158
IOSR (non-subordinated)	15	Nil
Cash Collaterals	4,336	4,659
Guarantees	0	0

Aggregate amount of securitisation exposures retained and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach:

Exposure Type	Capital Approach	2012-13			2011-12		
		Amount	Rating	Capital Charge	Amount	Rating	Capital Charge
IOSR (subordinated)	Deducted from capital	20	Unrated	20	1,158	Unrated	1,158
IOSR (non-subordinated) 1	Deducted from capital	15	Unrated	15	Nil	Unrated	Nil
Cash Collaterals	Deducted from capital	4,336	Unrated	4,336	4,659	Unrated	4,659
PTC Tranche 1	Forms part of RWA	Nil	Nil	Nil	Nil	Nil	Nil
PTCs Tranche 2	Forms part of RWA	Nil	Nil	Nil	Nil	Nil	Nil
Guarantees	Deducted from capital	Nil	Nil	Nil	Nil	Nil	Nil

The Bank has from time to time used ratings of CRISIL Limited, ICRA Limited and Fitch India for rating its securitisation transactions.

There are no quantitative disclosures required to be made for trading book as Citi is not holding any position.

1.8 Market risk in trading book

Market Risk is the risk of loss due to changes in the market values of the Bank's assets and liabilities caused by changes in interest rates, currency exchange rates and security prices.

The capital charge for interest rate related instruments and equities would apply to current market value of these items in Banks trading book. Since the Bank is required to maintain capital for market risks on an ongoing basis, the trading positions are marked to market on a daily basis. The current market value is determined as per extant RBI guidelines on valuation of investments.

The minimum capital requirement is expressed in terms of two separately calculated charges: Specific risk charge for each security, which is designed to protect against an adverse movement in the price of an individual security owing to factors related to the individual issuer. General market risk charge, which is towards interest, exchange and price risk in the portfolio in different securities or instruments.

Specific charge is computed in line with the rates for capital charge provided under the RBI guidelines on Prudential Norms on Capital Adequacy. The capital requirements for general market risk are designed to capture the risk of loss arising from changes in market interest rates. The Bank follows the duration method for measurement of the general market risk charge on investments portfolio. Measurement of market risk charge for interest rates include all interest rate derivatives and off-balance sheet instruments in the trading book, which react to changes in interest rates. The Bank has adopted intermediate approach for measuring the price risk for options. Options are reported as a position equal to the market value of the underlying multiplied by the delta. In addition, capital charge is also provided for the gamma and vega risk.

Capital charge for market risks in foreign exchange is 9% on the open position limit of the Bank. This capital charge is in addition to the capital charge for credit risk on the on-balance sheet and off-balance sheet items pertaining to foreign exchange.

On the equity position in the investment portfolio capital charge has been maintained at 11.25% for specific risk and 9% for general risk.

The Bank is integrated into the overall Citigroup risk and control framework, balancing senior management oversight with well-defined independent risk management functions. It is the responsibility of the senior management of the Bank to implement Citigroup policies and practices, to oversee risk management, and to respond to the needs and issues in the Bank. The Bank's policy is to control material market risks through a framework of limits & triggers which are approved by LOMC and to manage any residual exposure through a series of sensitivity analyses, scenario tests and robust controls over calculating, monitoring and reporting results.

The risk appetite is largely determined and controlled due to regulatory limits on foreign exchange and interest rate exposure. The spot foreign exchange exposure is limited through Net Open Position which is approved by RBI and the interest rate exposure on derivatives is controlled through the gross PV01 limit which is restricted to 0.25% of the networth of the Bank as required by RBI. Further, the aggregate interest rate exposures on trading account is limited by limits on PV01 which is much below the stipulated Gross PV01 limits established by RBI.
Risk is measured in terms of:-

(a) Factor sensitivities (DV01 – impact of change of rates by one basis point) for interest rate products, FX Delta for Spot position, Vega and Gamma limits for FX Options. These measures & limits are further sub-divided for each yield curves and currencies.

(b) Value-at-risk Trigger, which measures maximum potential loss at 99% confidence level over 1-day holding period based on the day's outstanding risk positions across the entire mark-to-market exposures.

(c) Loss Triggers: The Trading book and available for sale book profit and loss monitored against month-to-date and inception-to-date (for available for sale) Loss Triggers.

(d) Aggregate Contract Trigger Limits: The notional positions for swaps (INR, FCY and cross-currency) and options are monitored against these limits.

All market risk taking activity in the Bank is centralised with Treasury and undertaken by authorised dealers. The Treasury is subject to limits and triggers across all products and risk factor. The Bank's Risk Management Policy approved by LOMC defines the process and procedures of limit approvals, changes, delegation, reporting and escalation in case of limit excesses and trigger breaches. The independent Market Risk Management reports and monitors the trading risk exposures against approved limits and triggers on a daily basis. An excess or a breach is reported and dealt with appropriately for corrective action with reporting to ALCO, LOMC and Senior Market Risk Management and Corporate Treasury.

Capital requirements for market risk:

Rs. in Lakhs

Category	As at March 31, 2013		As at March 31, 2012	
	Risk weighted assets	**Capital charge**	**Risk weighted assets**	**Capital charge**
Interest rate risk	759,342	68,341	434,834	39,135
Foreign exchange risk (including gold)	180,071	16,206	82,219	7,400
Equity position risk	58,696	5,283	17,989	1,619
Total	**998,109**	**89,830**	522,582	47,032

1.9 Operational risk.

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from external events. It includes reputation and franchise risks associated with Citi's business practices or market conduct. It also includes the risk of failing to comply with applicable laws, regulations, ethical standards, regulatory administrative actions or Citi policies.

Citi maintains an Operational Risk Management Framework with a Governance Structure to support its core operational risk management activities of anticipation, mitigation and recovery. To ensure effective management of operational risk across Citi, the Governance Structure presents three lines of defense:

- First Line of Defense: The business owns its risks, including its operational risk, and is responsible for its management. For example, the operational risks of new product strategies must be understood and addressed. The business heads, in partnership with the Risk Heads, determine each Segment's Key Operational Risks
- Second Line of Defense: Independent Risk Management and Citi's Control Functions establish the second line of defense to enhance the effectiveness of controls and manage operational risks across products, business lines and regions
- Third Line of Defense: Internal Audit recommends enhancements on an ongoing basis and provides independent assessment and evaluation

Citi has detailed out the Operational Risk Management requirement and objectives through its Operational Risk Policy which requires deployment of various operational risk tools for proactive identification of key risks. (MCA, Loss Data Key Risk and Control Indicators, Scenario Analysis etc.). MCA is a diagnostic tool used in the management of financial, operational and regulatory risks. MCA also supports the evaluation of internal controls over financial reporting and compliance with regulations by ensuring appropriate review and assessment of the design and execution of internal controls and risk and control assessment processes
Significant control issues, emerging risks and MCA results are consolidated and aggregated for review by Citi's Business Risk Compliance and Control Committees (BRCCs) and Local Operations Management Committee (LOMC). Furthermore the business/function heads review the key operational risks and identify any control breakdowns semi annually through the Permanent Control Readiness exercise

1.10 Interest rate risk in banking book (IRRBB)

Interest rate risk represents the Bank's exposure to adverse movements in interest rates with regard to its non-trading exposures. Interest rate risk is measured by doing a gap analysis as well as factor sensitivity analysis. Business-specific assumptions underlying these measurements, e.g., tenor bucket used for demand deposits, are documented and models used to measure interest rate risk are independently reviewed. Interest rate gap analysis utilizes the maturity or repricing schedules of balance sheet items to determine the differences between maturing or repricing items within given tenor buckets. Interest rate exposure (IRE) measures the potential pre-tax earnings impact, over a specified reporting period, for the accrual positions, from a defined change in the yield curve. Residual market risk is also monitored using a series of measures, including factor sensitivities (PV01) and stress testing. Factor sensitivities (PV01) are expressed as the change in the value of a position for a defined change in a market risk factor, such as a change in the value of a position for a one basis point change in interest rates. Independent Market Risk Management monitors factors for all relevant market risk.

The Bank undertakes Stress Testing for its banking book to assess the likely absolute loss and its impact on the net worth of the bank. Interest Rate stress parameters are based on sophisticated statistical analysis which provides tenor based stress parameter for different interest rate scenarios. The stress impact is estimated by multiplying factor sensitivity (dv01) for each tenor by the relevant tenor stress parameter which is further aggregated for each interest rate scenario. The stress impact as provided below is based on the worst loss interest scenario thereby capturing the direction of the interest rate risk positioning across the yield curve. The size of the stress parameter differs for each tenor and for each interest scenario reflecting the underlying economic condition.

Impact on earnings/ economic value/ capital for interest rate shocks by currency:

Rs. in Lakhs

	As at March 31, 2013		**As at March 31, 2012**	
Currency	**Earnings**	**Capital**	**Earnings**	**Capital**
INR	8,416	105,645	14,518	53,015
FCY	107	25	546	878
Total	8,523	105,670	15,064	53,918

Notes:

- Impact on Earnings reflects stress loss on interest rate risk up to 1yr.
- Impact on Capital reflects stress loss on interest rate risk for all tenors.