citibank

BASEL III DISCLOSURES

1.1 General

The BASEL III disclosures contained herein relate to Citibank N.A., India Branches (herein also referred to as the 'Bank') as of December 31, 2014. These are compiled in accordance with Reserve Bank of India (the 'RBI') regulations on 'Guidelines on Composition of Capital Disclosure Requirements' dated May 28, 2013.

1.2 Capital Structure

The capital funds of the bank include the following:

Tier 1 Capital:

1. Interest-free funds from Head Office specifically for the purpose of meeting the 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

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. Floating provision
4. Investment Reserve

Quantitative disclosures:

	Rs. in Million	
	Standalone	Consolidated
Tier 1 Capital	**Dec 31, 2014**	**Dec 31, 2014**
Common Shares (Paid-up equity Capital)	-	28,933
Statutory Reserves	-	4,437
Other disclosed free reserves	-	517
Balance in profit & Loss account at the end of previous financial year	-	78
Interest free funds from H.O (for foreign bank)	37,438	37,438
Statutory Reserves kept in Indian book for foreign bank	46,433	46,433
Remittable Surplus retained in Indian books	68,819	68,819
Capital Reserves (non-patriable surplus from sale of assets in India)	1,098	1,098
Interest free funds remitted from abroad for acquisition of property and held in separate account	619	619
Any other instrument permitted by RBI	2,118	2,118
Common Equity Tier I	**156,527**	**191,489.40**
Regulatory Adjustments		
Intangibles	3,249	3,264
Deferred Tax Asset	4,830	7,828
Defined benefit Pension fund asset	482	482
Total Regulatory Adjustments	**8,561**	**11,574**
Total Tier I Capital (A)	**147,966**	**179,915**
Tier II Capital		
General Provision and loss reserves	5,017	5,161
Revaluation Reserves at discount of 55%	1,463	1,463
Any other instrument permitted by RBI for inclusion in Tier 2 capital	4,576	4,576
	11,056	11,200
Total Tier II Capital (B)	**11,056**	**11,200**
Total of Tier I + Tier II (A) + (B) = (C)	**159,022**	**191,115**

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. Furthermore, the capital analysis performed by the Bank is expected to encompass all significant risks, not only those risks captured by the Pillar 1 minimum regulatory capital calculation. A long tenor capital forecast is prepared for the Bank and reviewed by the senior management team.

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

As required under the Basel II guidelines issued by the Reserve Bank of India, the Bank has adopted Standardized 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 Million

		Standalone		Consolidated	
Category	**Nature**	**As at Dec 31, 2014**		**As at Dec 31, 2014**	
		Risk weighted assets	**Capital charge**	**Risk weighted assets**	**Capital charge**
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	642,204	57,798	694,433	62,499
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	272,239	24,501	274,323	24,689
Securitization exposures	Includes credit enhancement which is reduced from Capital funds (refer capital funds details at 1.2 above)	0	0	0	0

Capital requirements for market risk:

Rs in Million

		Standalone		Consolidated	
Category	**Nature**	**As at December 31, 2014**		**As at December 31, 2014**	
		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	93,437	8,409	93,437	8,409
Foreign exchange risk	Includes specific and general risk on currencies (including gold)	18,507	1,666	18,512	1,666
Equity risk	Includes specific and general risk on equity instruments	280	25	4,127	371
Total		**112,224**	**10,100**	**116,076**	**10,447**

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 of previous three years. The risk weighted assets for operational risk are calculated by dividing the operational risk capital charge by 9%. The capital requirement for Operational risk is Rs.10,955 million for standalone and Rs.11,486 million for consolidated.

Capital adequacy ratio

Entity	**As at December 31, 2014**		
	Total capital ratio	Tier I Capital ratio	Tier II Capital ratio
Citibank N.A. (Standalone)	13.85%	12.88%	0.96%
Citibank N.A. (Consolidated)	15.76%	14.84%	0.92%

1.4 Credit risk: General Disclosures

The three principal businesses of Citibank 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. Seniors in the credit and business chain are involved in all policy recommendations and review the portfolio on a regular basis.

For Corporate Bank, the Global Credit Policy along with the Local Credit Policy lays down the parameters/norms for credit exposure. Based on the industry studies and detailed company analysis and after considering the Target Market Norms & Risk Acceptance Criteria, credit is approved. Business as well as Independent Risk Management unit needs to approve annual reviews. Wherever required, Industry specialist and product specialists review and approve sizeable credits. Credit approval limits are granted based on experience and seniority. The Bank has a 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. 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 Credit Facilities Approval Grid, which requires higher level of authority to approve exposures with on the OLR scale ranging from high to low.

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 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, obtaining adequate market information and reference checks from buyers, suppliers, bankers and competitors. All proposals are approved by two officers in Independent Risk at least one of whom has credit initials to cover the facilities proposed.

Consumer banking has an independent Policy Unit, which recommends lending policy, review portfolio and take 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.

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 and geography:**

Rs. in Million

	Standalone		**Consolidated**	
Particulars	**Funded**	**Non-Funded**	**Funded**	**Non-Funded**
Banks	15,266	68,616	19,140	68,616
Beverage & Tobacco	17,252	5,140	19,752	5,140
Others-Engineering	44,680	11,250	44,680	11,255
Petro Chemicals	10,534	6,597	10,534	6,597
Other Industries	140,866	63,764	140,866	63,764
Drugs & Pharmaceuticals	21,733	11,718	21,748	11,718
Mining & Quarrying	6,307	1,437	8,807	1,437
Professional and other services	601,101	91,378	610,674	91,974
Aviation	35	1,522	35	1,522
Vehicles and Transport Equipment	41,889	10,669	47,521	10,669
Computer Software	24,937	29,685	24,937	29,685
Wholesale trade	26,339	6,578	26,339	6,578
Electricity	4,180	3,845	4,180	3,845
Telecommunications	20,162	9,988	20,162	9,988
Construction	1,430	165	8,488	369
Electronics	11,266	12,424	11,266	12,424
Others-Chemicals	16,611	4,820	16,611	4,823
Tourism and Hotels and Restaurants	1,644	428	1,644	529
Other Textile	4,782	876	4,908	1,106
Transport Operator	3,050	435	4,992	435
Leather And Leather Products	4,340	316	4,340	316
Paper and Paper Products	9,450	905	9,450	930
Others Metal and Metal Products	11,340	5,844	12,040	5,850
Other Food Processing	7,242	1,416	7,247	1,419
Iron & Steel	4,080	9,173	4,080	9,173
Rubber, Plastic & their Products	7,771	1,628	7,771	1,628
Other Infrastructure	520	144	520	144
Shipping	1,807	435	1,807	435

Retail trade	1,027	239	1,027	239
Wood and Wood Products	993	880	993	880
Glass and Glass Ware	1,994	250	1,994	250
Cement and Cement Products	986	334	986	334
Agriculture & Allied Activities	1,123	108	2,329	108
Petroleum	22,704	7,275	22,704	7,275
coal	197	20	197	20
Fertilizers	2,308	2,250	2,308	2,250
Gems and Jewellery	406	202	451	223
Sugar	828	1,710	828	1,710
Edible Oils & Vanaspati	593	708	593	708
Railways (Other than Indian Railway)	-	234	-	234
Roads and Ports	362	7	362	7
Water Sanitation	50	-	50	-
Energy Gas/LNG	0	-	0	-
Others	133,139	19,789	138,379	19,833
Retail Advances	123,095	-	132,111	1,626
Leasing	-	-	500	-

ii) Residual contractual maturity breakdown of assets as at December 31, 2014.

Rs. in Million

	Standalone		**Consolidated**	
Maturity Bucket	**As at December 31, 2014**		**As at December 31, 2014**	
	Loans and Advances	**Investments**	**Loans and Advances**	**Investments**
Day 1	22,174	173,346	22,230	173,346
2 to 7 days	34,103	132,374	34,118	132,374
8 to 14 days	31,176	9,952	31,320	9,952
15 to 28 days	63,976	41,259	65,890	41,259
29 days to 3 months	92,190	35,362	104,643	35,362
Over 3 months to 6 months	64,730	6,408	72,018	6,408
Over 6 months to 12 months	49,933	10,498	60,998	10,498
Over 1 year to 3 years	173,186	87,892	180,831	87,892
Over 3 years to 5 years	45,943	512	46,134	512
Over 5 years	79,533	38,496	79,533	39,544
Total	656,944	536,099	697,715	537,147

iii) Amount of NPAs (Gross)

Rs. in Million

	Standalone	**Consolidated**
Particulars	**As at December 31, 2014**	**As at December 31, 2014**
Substandard	2,851	2,851
Doubtful 1	1,765	1,765
Doubtful 2	8,845	8,845
Doubtful 3	650	650
Loss	967	967

iv)Net NPAs:

Standalone: Rs.6, 935 Millions

Consolidate: Rs. 6,935 Millions

v) NPA ratios:

	Standalone	Consolidated
Gross NPAs to gross advances	2.27%	2.14%
Net NPAs to net advances	1.06%	0.99%

vi) Movement of NPAs

Rs. in Million

Particulars	**As at December 30, 2014-Standalone**			**As at December 30, 2014-Consolidated**		
	Gross NPA	**Provision**	**Net NPA**	**Gross NPA**	**Provision**	**Net NPA**
Opening Balance as on April 1	14,842	7,829	7,013	14,856	7,836	7,020
Additions net of recoveries & write offs	236	314	-78	222	307	-85
Closing Balance as on June 30	15,078	8,143	6,935	15,078	8,143	6,935

vii) Non-performing Investments (NPIs): NIL.

viii) Provision for NPIs:

Standalone: Nil

Consolidated: Nil

ix) Movement of provisions held towards depreciation on investments

Rs. in Million

	Standalone	**Consolidated**
Particulars	**As at December 31, 2014**	**As at December 31, 2014**
Opening Balance as on April 1	708	1,248
Additions /Recoveries during the year	-705	-945
Closing Balance as on December 31,	3	303

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 (after mitigation) is as under:

Rs. in Million

	Standalone	**Consolidated**
Particulars	**As at December 31, 2014**	**As at December 31, 2014**
Below 100% risk weight	282,095	283,414
100% risk weight	341,685	364,240
More than 100% risk weight	290,663	321,102