

BASEL II DISCLOSURES

1.1 General

The BASEL II disclosures contained herein relate to Citibank N.A., India Branches (herein referred to as the 'Bank' or 'Citi') for the year ended March 31, 2009. 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. 90/20.06.001/2006-07 dated April 27, 2007 as amended from time to time.

The Bank does not have any subsidiaries nor does it hold any significant stake in any company. However, in terms of 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, the 'Consolidated Bank' disclosures herein includes the following majority owned non banking finance companies of Citigroup Inc, in addition to Citibank N.A. India Branch (the banking entity of the Citigroup Inc.) operating in India:

Citicorp Finance (India) Limited
CitiFinancial Consumer Finance India Limited
Citicorp Maruti Finance Limited
CitiFinancial Retail Services India Limited
Associates India Holding Company Private Limited

As prescribed in the above guidelines, the Bank is not required to prepare consolidated financial statements, however certain prudential guidelines apply on a consolidated basis, including that of capital adequacy computation under Basel II guidelines. The Basel II computation for the group entities is based on unaudited financials as the audited financials are not available for some of the entities.

No quantitative disclosures shall apply since there are no subsidiaries. Further, the Bank also 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 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 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. Subordinated debt

Quantitative disclosures:

	March 31, 2009	Rs. in Million March 31, 2008
Tier I Capital		
Interest-free funds from Head Office	57,511	52,080
Capital Reserves	1,795	1,508
Statutory reserve	24,234	19,039
Remittable Surplus	61,522	49,397
	<u>145,062</u>	<u>122,024</u>
<u>Deductions:</u>		
Debit balance in Head office account	0	0
Intangible assets	211	264
Deferred Tax asset	2,271	2,339
Credit Enhancement on securitisation (50%)	97	164
Other deductions	3,668	-
Total deductions	<u>6,247</u>	<u>2,767</u>
Tier I Capital	<u>138,815</u>	<u>119,257</u>
Tier II Capital		
Preference Share capital	630	630
Property Revaluation Reserves	1,551	1,581
Investment Reserve	584	114
General Loss provision on Standard assets	5,017	4,120
Sub-ordinated term debt	-	190
	<u>7,782</u>	<u>6,635</u>
<u>Deductions:</u>		
Investment in Subsidiaries (50%)	2,176	2,526
Credit Enhancement on securitisation (50%)	97	164
Total deductions	<u>2,273</u>	<u>2,690</u>
Tier II Capital	<u>5,509</u>	<u>3,945</u>
Total Capital Funds	<u>144,324</u>	<u>123,202</u>
<u>Sub-ordinated term debt</u>		
Amount outstanding	950	950
Amount raised during the year	-	-
Amount eligible to be reckoned as capital funds	-	190

1.3 Capital Adequacy

Citibank N.A. India Branch 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. Citibank N.A. 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 1 minimum regulatory capital calculation.

The Bank 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.

A long tenor capital forecast is prepared by Citibank N.A. India Branch and reviewed by the senior management team. While significant initiatives are in the planning stage, this forecast is used to ensure capital levels remain sufficient.

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

Capital requirements for credit risk:

Category	Nature	Rs. in Million			
		FY 2008-09		FY 2007-08	
		Risk weighted assets	Capital charge	Risk weighted assets	Capital charge
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	505,352	45,482	483,668	43,530
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	370,400	33,336	413,460	37,211
Securitisation exposures	Includes credit enhancement which is reduced from Capital funds (refer capital funds details at 1.2 above)	195	195	327	327

Capital requirements for market risk:

Category	Nature	Rs. in Million			
		FY 2008-09		FY 2007-08	
		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	38,619	3,476	41,073	3,697
Foreign exchange risk	Includes specific and general risk on currencies (including gold)	20,930	1,884	30,238	2,721
Equity risk	Includes specific and general risk on equity instruments	1,374	124	188	17
Total		60,923	5,484	71,499	6,435

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.12,461 million (Previous year: 7,591 million).

Capital adequacy ratio

Entity	As at March 31, 2009			As at March 31, 2008		
	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.	13.23%	12.42%	0.81%	12.00%	11.24%	0.76%
Consolidated Bank	13.42%	12.91%	0.51%	11.70%	11.39%	0.31%

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 disbursement 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 or 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:**

Particulars	Rs. in Million			
	As at March 31,2009		As at March 31,2008	
	Fund Based	Non Fund Based	Fund Based	Non Fund Based
Domestic Industry				
All Engineering	12,744	12,113	19,488	6,423
Basic metal & Metal Products	5,792	2,470	10,776	1,513
Beverage & Tobacco	8,413	973	10,626	1,246
Cement and Cement Products	1,849	1,146	2,601	170
Chemical and Chemical Products	1,030	34	28,685	2,243
Computer Software	27,250	9,456	10,317	2,727
Construction	4,924	1,403	3,767	370
Drugs & Pharmaceuticals	17,357	4,497	4,442	392
Electronics	11,884	7,058	4,909	425
Food Processing	605	239	4,680	256
Glass and Glass Ware	328	85	493	34
Infrastructure	9,486	3,872	6,230	4,502
Leather And Leather Products	1,091	82	1,527	35
Other Food Processing	4,089	1,491	1,213	56
Other Industries	11,038	3,659	17,707	5,049
Other Textile	9,250	1,474	5,937	259
Others Metal and Metal Products	7,683	2,741	5,605	1,062
Others-Chemicals	10,207	3,530	6,209	920
Paper and Paper Products	2,174	426	2,086	158
Petroleum, Coal Products and Nuclear Fuels	6,503	12,129	5,820	213
Professional and other services	204,409	97,500	313,096	91,630
Shipping	3,414	3,875	2,354	2,225
Textiles	175	-	5,571	385
Tourism and Hotel and Restaurants	-	-	304	-
Transport Operator	1,092	951	510	346
Vehicles, Vehicles part and Transport Equipment	38,765	10,170	26,087	4,074
Others	795,279	84,981	545,844	131,780
Wood and Wood Products	-	-	68	6
Overseas	Nil	Nil	Nil	Nil

ii) Residual contractual maturity breakdown of assets

Maturity Bucket	Rs. in Million			
	As at March 31,2009		As at March 31,2008	
	Loans and Advances	Investments	Loans and Advances	Investments
1-14 days	39,400	73,998	47,468	33,818
15-28 days	21,037	36,631	32,195	7,204
29 days – 3 months	45,924	30,495	45,923	13,054
Over 3 months to 6 months	48,763	5,115	48,765	11,901
Over 6 months to 12 months	44,251	6,223	52,928	8,028
Over 1 year to 3 years	216,400	61,026	229,748	63,427
Over 3 years to 5 years	33,152	5,153	36,982	7,221
Over 5 years	85,432	46,779	76,566	54,745
Total	534,359	265,420	570,574	199,398

iii) Amount of NPAs (Gross)

Particulars	Rs. In Million	
	As at March 31,2009	As at March 31,2008
Substandard	26,730	12,136
Doubtful 1	2,291	517
Doubtful 2	328	1,308
Doubtful 3	181	225
Loss	404	463

iv) Net NPAs: Rs.19,594 Million (Previous year: Rs.10,431 Million)

v) NPA ratios:

- Gross NPAs to gross advances: 5.51% (Previous year: 2.57%)
- Net NPAs to net advances: 3.67% (Previous year: 1.83%)

vi) Movement of NPAs

Particulars	Rs. in Million					
	2008-09			2007-08		
	Gross NPA	Provision	Net NPA	Gross NPA	Provision	Net NPA
Opening Balance as on April 1	15,532	4,316	11,217	9,142	2,614	6,528
Additions during the year	40,910	8,761	20,688	7,966	2,580	5,387
Recoveries/write offs during the year	26,507	3,897	11,149	1,576	878	698
Closing Balance as on March 31	29,935	9,180	20,756	15,532	4,316	11,217

vii) Non-performing Investments: Rs.1,208 Million (Previous year: 1,177 Million)

viii) Provision for NPIs: Rs.507 Million (Rs.481 Million)

ix) Movement of provisions held towards depreciation on investments

Particulars	Rs. in Million	
	2008-09	2007-08
Opening Balance as on April 1	4,615	5,095
Additions during the year	Nil	356
Recoveries/write offs during the year	1,085	367
Closing Balance as on March 31	3,530	5,084

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:

Particulars	Rs. in Million	
	As at March 31, 2009	As at March 31, 2008
Below 100% risk weight	795,308	602,795
100% risk weight	462,854	448,981
More than 100% risk weight	204,312	246,089
Deducted	195	327

1.6 Credit risk mitigation

Citibank NA India branch 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 segment, retail customers and Small and Medium Enterprises (SMEs). 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 Retail is based on an analysis of portfolio behaviour as opposed to any judgmental review at an obligor level. Pre-disbursement due diligence involves appraisal and legal verification of collateral documents. The legal documentation is vetted and pre-approved.

For SME, 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, eligible guarantees. Given the nature of collateral, the Bank does not have any concentration risk within the mitigation taken.

Exposure covered by eligible collateral, after application of hair cut is Rs. 712 million.

1.7 Securitisation

Securitisation risk includes the risk that the capital resources held by the firm in respect of assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved.

Loans are sold off 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 obtains True sale opinion before the assets are removed from the balance sheet. The SPV issues rated Pass through Certificates to third party investors.

The Bank makes gain on securitisation which is the between the sale proceeds and the book value of the loans. The expenses relating to securitisation namely rating fees, trusteeship fees and legal expenses are charged to the profit and loss account. The Bank would also earn servicing income from the transaction. In certain securitisation structures, the Bank would have retained interest in the form of interest strips. The Bank provides credit enhancement to support the transaction in the form of guarantee, cash collateral and subordination of interest strips receivable. The Bank does not hold any PTCs where it has acted as originator. The PTCs purchased by the Bank, as an investor, are risk weighted based on the external rating assigned to the transaction.

The credit enhancements provided by the Bank is deducted from capital funds. Apart from the credit enhancements the Bank does not have any continuing obligation/ exposure from the securitisation. The Bank recognises gain on securitisation over the term of the PTCs.

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

Quantitative Disclosures:

Particulars:	Rs. in Million	
	2008-09	2007-08
Total outstanding exposures securitised by the bank	885	1,550
Commercial vehicles	185	414
Corporate Loans	Nil	Nil
Mortgage	883	1,136
Impaired assets securitised	Nil	Nil
Losses booked during the year:		
Commercial vehicles	Nil	40
Corporate Loans	Nil	40
Mortgage	Nil	Nil
Aggregate amount of securitisation exposures purchased – securities	Nil	Nil

Aggregate amount of securitisation exposures retained:	Treatment for CRAR	Product	2008-09	2007-08
Cash collateral	Deducted from Tier 1 & Tier 2 capital	Commercial vehicles	Nil	115
Cash collateral	Deducted from Tier 1 & Tier 2 capital	Mortgage	184	192
Guarantee	Deducted from Tier 1 & Tier 2 capital	Commercial vehicles	Nil	4
I/O strip	Deducted from Tier 1 & Tier 2 capital	Mortgage	11	18

Summary of securitisation activity	For the Year ended March 31, 2009	For the Year ended March 31, 2008
Total number of loans assets securitised	4	15
Book value of loans assets securitised	3,008	7,250
Sale consideration	3,017	7,217
Gain/ (loss) on securitisation recognised in the Profit & Loss account	4	(37)
Outstanding amount of :		
Credit enhancement	Nil	Nil
Liquidity support	Nil	Nil
Servicing	Nil	Nil

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 changing 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.

Citibank N.A. India Branch is integrated into the overall Citi risk and control framework, balancing senior management oversight with well-defined independent risk management functions. It is the responsibility of the senior management of Citibank N.A. India Branch to implement Citi policies and practices, to oversee risk management, and to respond to the needs and issues in the Bank. Citibank N.A. India Branch 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 capital 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 Citibank N.A. India 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, Senior Market Risk Management and Corporate Treasury.

Capital requirements for market risk:

Category	Rs. in Million			
	As at March 31, 2009		As at March 31, 2008	
	Risk weighted assets	Capital charge	Risk weighted assets	Capital charge
Interest rate risk	38,619	3,476	41,073	3,697
Foreign exchange risk (including gold)	20,930	1,884	30,238	2,721
Equity position risk	1,374	124	188	17
Total	60,923	5,484	71,499	6,435

1.9 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Citibank N.A. India Branch is primarily engaged in commercial and consumer banking operations. Many of these activities carry a high degree of operational risk. Although the Bank's appetite for this type of business is clearly high, management places a very high value on maintaining an effective control environment to mitigate this. The appetite for residual operational risk is relatively low. There is satisfactory organizational set up for the management of Operational risk.

Citi's Risk and Control Self-Assessment (RCSA), in conjunction with the Operational Risk Standards process is the primary mechanism for identifying operational risks to which the organization is exposed. The Bank has an Operational risk governance structure defined by the Risk and Control Self-Assessment/Operational Risk Policy and Standards. The RCSA process and the operational risk process establish a foundation on which the activities of the sectors and functions, the resulting operational risks, and the associated controls are identified, periodically assessed, subjected to corrective action, appropriately documented, and communicated. The operational risk process is utilized to promote transparency, facilitate senior management and LOMC awareness and understanding of operational risk loss experience and exposures and to encourage the utilization of risk indicators to manage operational risks. The operational risk process is made up of components to identify and assess key operational risks, establish key risk indicators and perform comprehensive operational risk reporting. Senior management committee reviews results of RCSA testing and operational risk framework and identifies areas where the management of the operational risk can be strengthened. Operational Risk data is captured in a systematic manner to provide the details of the nature of the operational loss, key controls that failed and the preventive measures/corrective actions in respect of the same and the same reported to the committee.

The Bank has a separate function assigned with the responsibility for establishing and providing independent oversight of the operational risk management framework for Citibank, including data collection and risk measurement standards. This function is also responsible for ensuring the communication of aggregate Citi-wide operational risk exposures and loss experience to the senior management. Further, Audit Risk and Review function provides independent assessment and evaluation of Citibank's compliance with the policy, including assessing the adequacy and effectiveness of the risk management and control processes for operational risk measurement methodology and systems.

Citibank N.A. India Branch has adopted the basic indicator approach to operational risk for capital adequacy computation. Given the low experience of actual operational loss events, this is more than adequate to support this risk.

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. For the banking book stress parameters are simultaneously applied for interest rate risk, FX Spot and FX Volatilities to assess the likely absolute loss and its impact on the net worth of the Bank. Market Conditions are monitored continuously to ensure proactive risk management.

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

Currency	As at March 31, 2009		As at March 31, 2008	
	Earnings	Capital	Earnings	Capital
INR	2,687	8,885	2,650	7,715
USD	75	49	26	84
EUR	0	3	0	0
GBP	56	56	43	43
Other currencies	59	70	17	29
Total	2,877	9,063	2,736	7,871