

Pillar III Basel 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 June 30, 2016. These are compiled in accordance with Reserve Bank of India (the 'RBI') regulations on Master Circular – Basel III Capital Regulations vide RBI Circular DBR. No. BP. BC. 1/21.06.201/2015-16 dated July 1, 2015 as amended from time to time.

The Bank being a branch does not have any direct 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 Bank as a branch of Citibank N.A , the following wholly/majority owned non-banking finance company, which is a subsidiary of Citigroup Inc. held through intermediary holding companies:

Citicorp Finance (India) Limited (formerly known as 'CitiFinancial Consumer Finance India Limited) incorporated in India on 1 May 1997, is registered with the Reserve Bank of India ('RBI') as a Non-Banking Financial Company ('NBFC') vide Certificate No. N.14.00002 dated 21 April 2004. It is a non-deposit taking systemically important Non-Banking Financial Company ('NBFC-ND-SI').

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 III guidelines. Accordingly, Citicorp Finance (India) Limited has been considered under regulatory scope of consolidation for the quantitative disclosures. The Bank does not have any interests in insurance entities.

In accordance with BASEL requirements, the Bank also has an Internal Capital Adequacy Assessment Process (ICAAP) for Citibank India. The ICAAP depicts the various categories of risks to which the Bank is exposed, details the ongoing assessment of such risks, how risks are to be mitigated, and quantifies the amount of capital required currently and in the future to cope with these risks. The ICAAP process also includes an assessment of capital adequacy in an extreme stress scenario. The ICAAP is subjected to an independent review as required by RBI guidelines.

1.2 Capital Structure

The capital funds of Citi include the following:

Tier 1 Capital:

1. Paid up Equity Capital/Initial Capital.
2. Interest-free funds from Head Office.
3. Statutory Reserves.
4. Capital Reserves.
5. Other Eligible Reserves.
6. Remittable surplus retained in Indian Books.
7. Revaluation reserves arising from revaluation of the premises owned, after a discount of 55% subject to meeting certain conditions as laid down in RBI circular ref. DBR.No.BP.BC.83/21.06.201/2015-16 dated March 1, 2016

8. Properties Investment Reserve
9. Deductions: Deferred Tax Assets (however, DTA which relate to timing difference, up to 10% of CET1 Capital has been recognized as CET 1 Capital as per RBI notification DBR.No.BP.BC.83/21.06.201/2015-16 dated March 1, 2016), Defined pension benefit asset, Intangibles and Prudential valuation adjustment for illiquid positions.

Tier 2 Capital:

1. Revaluation reserves arising from revaluation of the premises owned after a discount of 55% to the extent not recognized in CET 1 Capital.
2. Provision on Standard Assets (including provision on account of Unhedged Foreign Currency Exposure-UFCE)
3. Floating Provision
4. Country Risk Provision
5. Investment Reserve

Quantitative disclosures:

Amount in Rs. lakhs

Particulars	Standalone Jun 30, 2016	Consolidated Jun 30, 2016
Tier 1 Capital		
Common Shares (Paid-up equity Capital)	-	289,330
Statutory Reserves	-	53,990
Other disclosed free reserves	-	3,673
Balance in Profit & Loss account at the end of previous financial year	-	1,815
Current financial profit, to the extent admissible	-	3,029
Interest free funds from H.O (for foreign bank)	374,384	374,384
Statutory Reserves kept in Indian Books	630,724	630,724
Remittable Surplus retained in Indian books	702,354	702,354
Capital Reserves	11,544	11,544
Interest free funds remitted from abroad for acquisition of property and held in separate account	6,194	6,194
Revaluation Reserves at a discount of 55 per cent (CET -1)	15,100	15,100
Other Eligible Reserves	13,980	13,980
Common Equity Tier I (CET1) (A)	1,754,280	2,106,117
Regulatory Adjustments		
Intangibles	28,129	30,289
Deferred Tax Asset (DTA) associated with Accumulated Losses	-	3,251
Defined Benefit Pension Fund Asset	1,733	1,733
Deferred Tax Asset associated with Timing Differences (other than those related to accumulated losses)	27,464	42,044
Other eligible deduction from CET1 (Prudential valuation adjustment)	2,243	2,243
Total Regulatory Adjustments (B)	59,569	79,560
CET 1 Capital after above adjustments (A-B)	1,694,711	2,026,557
Recognition of DTA associated with Timing Differences in CET 1	27,464	42,044
Final Common Equity Tier I Capital (C)	1,722,175	2,068,601
Additional Tier I Capital (D)	-	-
Tier II Capital		
Provision on Standard Asset (including UFCE)	58,541	61,244
Floating Rate Provision	9,100	9,100

Particulars	Standalone	Consolidated
Tier II Capital	Jun 30, 2016	Jun 30, 2016
Country Risk Provision	-	-
Investment Reserve	38,928	38,928
Revaluation Reserves at discount of 55% not recognised in CET1	108	108
Regulatory Adjustments		
Regulatory adjustment applied in respect of amount related to pre-Basel III treatment	-	-
Total Regulatory Adjustments	-	-
Total Tier II Capital (E)	106,677	109,380
Total of Tier I + Tier II (C) + (D) + (E) = (F)	1,828,852	2,177,981

1.3 Capital Adequacy

The Bank is required to maintain a minimum Capital to Risk-weighted Assets Ratio (CRAR) of 10.5% on an on-going basis which includes capital required to be maintained on account of Capital Conservation Buffer (CCB) of 0.625% and Global Systematically Important Bank (G-SIB) buffer as prescribed by the Home Regulator of Citibank N.A. Currently, there is no requirement to maintain Counter-cyclical Capital Buffer (CCCB) as per RBI guidelines.

The Bank has processes in place 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 on an annual basis. The Bank is 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.

As allowed under the BASEL III 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:

Amount in Rs. lakhs

Category	Nature	Standalone		Consolidated	
		As at Jun 30, 2016		As at Jun 30, 2016	
		Risk weighted assets	Capital charge	Risk weighted assets	Capital charge
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	6,192,937	650,258	6,873,006	721,666
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	2,731,066	286,762	3,095,709	325,049
Securitization exposures	Includes credit enhancement	10,748	1,129	10,748	1,129
Total		8,934,751	938,149	9,979,463	1,047,844

Capital requirements for market risk:
Amount in Rs. lakhs

Category	Nature	Standalone		Consolidated	
		As at Jun 30, 2016		As at Jun 30, 2016	
		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	756,335	60,507	758,860	60,709
Foreign exchange risk	Includes specific and general risk on currencies (including gold)	253,750	20,300	253,750	20,300
Equity risk	Includes specific and general risk on equity instruments	11,978	958	132,128	10,570
Total		1,022,063	81,765	1,144,739	91,579

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 financial years. The notional risk weighted assets for operational risk is calculated by multiplying the operational risk capital charge by 12.5. The Capital required for operational risk is Rs. 177,565 lakhs for Standalone and Rs. 185,763 lakhs for consolidated.

Capital Adequacy Ratio

Entity	Standalone		
	As at Jun 30, 2016		
	Total Capital ratio	Tier I Capital ratio	Tier II Capital ratio
Citibank N.A. India Branch	15.70%	14.79%	0.92%
Consolidated Bank	16.89%	16.04%	0.85%

1.4 Credit Risk: General Disclosures

The three principal businesses of the Bank organized by client segmentation 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.

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 authority is delegated to credit officers in Business and Independent Risk units based on their experience, proven ability and the nature of their duties and responsibilities. The Bank has a policy of internal rating on a global scale and assigns Obligor Risk Ratings (ORRs) and Facility Risk Ratings (FRR). 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 higher exposures and depending on the OLR scale ranging from high to low.

The Commercial Banking Business Credit Policies define the guidelines and policies under which portfolio is managed supplemented by Credit Programs. The Business team prospects customers within approved industry segments. The due diligence is performed by Business Unit (Coverage Bankers and Credit Lending unit) which 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, management evaluation, business and financial statements analysis. All proposals are approved by at least two credit approvers (one at least from Credit Lending Unit or Independent Risk) at least one of whom has credit initials to cover the facilities proposed. Independent Risk provides oversight to implementation of the Credit Policies and Programs and Procedures.

Consumer banking has an independent Policy Unit, which recommends 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 disbursement of credit. Underwriting authority is delegated to Credit Officers only who are independent from business and report into the Credit Initiation Unit. Credit appraisal is independent of the business stream to ensure unbiased credit judgment.

The Global Consumer Credit and Fraud Risk Policy (GCCFRP) establishes the credit policies and procedures that govern all types of consumer lending in Global Consumer. These represent defined criteria for all forms of credit extension with which consumer business must comply. Any exception or deviation from these policies or established criteria requires prior approval from Global Consumer Risk Management. Any changes must be approved by the Global Consumer Chief Risk Officer (CRO).

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.

For retail loans, including credit cards, the system buckets the overdue installments. There are delinquency managed portfolios and bucketing logic is pre-defined in the banks product processors. All accounts greater than 90 dpd (Bucket 4+) are identified as NPA and classified into Substandard/doubtful/loss assets in line with RBI guidelines. The classification requirements are performed borrower wise and not facility wise. There is a system for identification and classification of all facilities of a borrower as NPA if any one of such facilities is non performing. Further, the NPA system also identifies cross linkages and flags such facilities and reports them as Cross NPA. The provision held is in line with the RBI provisioning norms as defined in the RBI circular. Additionally, all restructured accounts are identified / classified and provided for in line with RBI guidelines. Consumer Bank is guided by GCCFRP on Loss Mitigation and Loss Recognition / Non-Accrual.

This policy on technical write-off norms is more conservative than the Local RBI policy of Prudential Norms. Following is the write-off policy grid across all consumer/retail asset portfolios.

Product	Charge Offs
Personal/Unsecured Installment Loans	120 days past due
Unsecured revolving loans	180 days past due
Credit Cards	180 days past due
Mortgage	Foreclosure in progress charge-off at the end of 5 years

Provision held is compared with the Provision required as per RBI norms and financials entries are taken for incremental provision only if the provision required is higher as per Local GAAP than the provision held. The NPA classification activities are performed by the system at the end of each month. All borrowers with balances in Bucket 4 and above are considered as non-performing assets. For Cards, an account has to be classified as NPA if no payments are received from customer within 90 days from last payment due date (PDD) and for ready Credit – (Retail loans) accounts in Bucket 7 are written off and other unsecured retail loans are written off in Bucket 5.

1.4.1. Credit Risk Quantitative disclosure

i) Credit Exposure by Industry and Geography

Amount in Rs. lakhs

Particulars	Standalone		Consolidated	
	As at Jun 30, 2016		As at Jun 30, 2016	
	Funded	Non Funded	Funded	Non Funded
A. Agriculture and Allied Activities	10,984	375	11,279	6,375
B. Mining and Quarrying	13,183	2,475	58,183	2,475
C. Food Processing	125,368	39,156	125,368	39,256
D. Beverages (excluding Tea & Coffee) and Tobacco	73,927	63,635	128,827	84,235
E. Textiles	100,516	14,789	100,566	17,839
F. Leather and Leather products	21,198	205	21,198	205
G. Wood and Wood Products	5,816	5,422	5,816	5,422
H. Paper and Paper Products	85,988	3,509	103,988	14,509
I. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	283,429	32,558	283,429	32,558
J. Chemicals and Chemical Products (Dyes, Paints, etc.)	558,313	363,341	577,085	384,129
K. Rubber, Plastic and their Products	51,588	16,893	51,588	20,893
L. Glass & Glassware	8,543	2,972	8,543	10,472
M. Cement and Cement Products	14,257	4,294	14,257	4,294
N. Basic Metal and Metal Products	147,344	126,156	157,344	126,156
O. All Engineering	451,592	348,915	451,592	368,915
P. Vehicles, Vehicle Parts and Transport Equipment	370,269	109,469	430,612	110,626
Q. Gems and Jewellery	4,883	97	4,883	97
R. Construction	10,138	886	68,529	13,516
S. Infrastructure	492,582	27,484	538,082	27,484
T. Other Industries	49,092	168,958	133,745	260,206
U. Transport Operators	21,374	2,829	37,750	2,969
V. Computer Software	239,789	261,852	239,789	261,852
W. Tourism, Hotel and Restaurants	14,435	3,362	17,987	4,830

Particulars	Standalone		Consolidated	
	As at Jun 30, 2016		As at Jun 30, 2016	
	Funded	Non Funded	Funded	Non Funded
X. Shipping	58,239	7,575	58,239	7,575
Y. Professional Services	1,559,684	2,279,616	1,747,798	2,364,014
Z. Trade	268,875	78,023	274,876	83,233
AA. Aviation	317	14,685	317	14,685
AB. Retail Advances	2,763,315	0	2,927,922	78,135
AC. Other Retail Exposure	0	246,257	0	246,257
AD. Services	0	0	5,000	50
Total	7,805,038	4,225,788	8,584,589	4,593,263

Note:

1. As a branch of a foreign bank, the operations of the Bank do not extend outside of India. Hence the Bank is considered to operate only in the domestic segment.
2. Exposure is comprised of Loans & Advances, Balance with Banks, On-balance sheet securitisation exposures, Revaluation gains on foreign exchange and derivative contracts, Deposits with NABARD, SIDBI & NHB under the priority/weaker section lending schemes, credit equivalent of guarantees, acceptances, letters of credit, other Non-Market Related off balance sheet obligations and credit equivalent of foreign exchange and derivative exposures. Previous year's numbers have been regrouped accordingly.

ii) Residual contractual maturity breakdown of assets

Amount in Rs. lakhs

Maturity Bucket	Standalone		Consolidated	
	As at Jun 30, 2016		As at Jun 30, 2016	
	Loans and Advances	Investments	Loans and Advances	Investments
Day 1	292,482	3,913,738	292,778	3,913,738
2 to 7 days	179,162	-	184,111	-
8 to 14 days	196,080	-	214,190	-
15 to 28 days	704,319	422,244	817,587	422,244
29 days to 3 months	740,071	288,725	871,040	305,382
Over 3 months to 6 months	576,854	16,988	667,484	16,988
Over 6 months to 12 months	881,987	38,055	1,169,857	38,055
Over 1 year to 3 years	1,399,684	898,923	1,512,089	898,923
Over 3 years to 5 years	407,617	529	414,526	529
Over 5 years	1,342,412	481,022	1,342,412	491,479
Total	6,720,668	6,060,224	7,486,074	6,087,338

iii) Amount of NPAs (Gross)

Amount in Rs. lakhs

Particulars	Standalone	Consolidated
	As at Jun 30, 2016	As at Jun 30, 2016
Substandard	40,009	40,438
Doubtful 1	7,007	7,007
Doubtful 2	6,739	6,739
Doubtful 3	6,929	6,929
Loss	26,494	26,494
Total	87,178	87,607

iv) **Net NPAs:** Consolidated Rs. 30,632 lakhs and Standalone: Rs. 30,395 lakhs

v) **NPA ratios:**

Particulars	Standalone	Consolidated
	As at Jun 30, 2016	As at Jun 30, 2016
Gross NPAs to Gross Advances	1.29%	1.16%
Net NPAs to Net Advances	0.45%	0.41%

vi) **Movement of Gross NPAs**

Amount in Rs. lakhs

Particulars	Standalone	Consolidated
	As at Jun 30, 2016	As at Jun 30, 2015
Opening Balance	86,051	86,522
Additions during the year	19,089	19,252
Recoveries/write offs during the year	17,963	18,167
Closing Balance	87,178	87,607

vii) **Movement of Specific Provision**

Amount in Rs. lakhs

Particulars	Standalone	Consolidated
	As at Jun 30, 2016	As at Jun 30, 2016
Opening Balance	55,831	56,027
Provisions made during the year	7,666	7,710
Write-Off	2,708	2,739
Write back off excess Provisions	4,006	4,024
Any other adjustment, including transfer between provisions	-	-
Closing Balance	56,783	56,974

viii) **Movement of Provision on Standard Assets***

Amount in Rs. lakhs

Particulars	Standalone	Consolidated
	As at Jun 30, 2016	As at Jun 30, 2016
Opening Balance	57,579	59,787
Provisions made during the year	962	1,489
Write-Off	-	0
Write back off excess Provisions	-	2
Any other adjustment, including transfer between provisions	-	7
Closing Balance	58,541	61,266

* The above includes provision on account of Unhedged Foreign Currency Exposure (UFCE)

ix) **Non-performing Investments (NPIs):** Consolidated - Rs. 3,000 lakhs and Standalone - NIL

viii) **Provision for NPIs:** Consolidated - Rs. 3,000 lakhs and Standalone - NIL

ix) **Movement of provision held towards depreciation on investments**

Amount in Rs. Lakhs

Particulars	Standalone	Consolidated
	As at Jun 30, 2016	As at Jun 30, 2016
Opening Balance	1,743	3,849
Additions during the year	1,741	1,741
Recoveries/write offs during the year	-	-
Closing Balance	3,484	5,590

Note: The above does not include provision on Non-Performing Investments, which has been reported under point viii.

x) Industry wise classification of NPA, specific and General Provision

Standalone

Amount in Rs. Lakhs

Industry	As of June 2016			For the quarter ended June 2016	
	Gross NPA	Provisions for NPA	Provision for Standard Assets	Write off	Provisions for NPA
A. Agriculture and Allied Activities	3,120	1,429	1,437	-	-
B. Mining and Quarrying	-	-	62	-	-
C. Food Processing	-	-	713	-	-
D. Beverages (excluding Tea & Coffee) and Tobacco	-	-	315	-	-
E. Textiles	1,057	1,057	612	-	-
F. Leather and Leather products	-	-	155	-	-
G. Wood and Wood Products	-	-	40	-	-
H. Paper and Paper Products	-	-	497	-	-
I. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	1,120	-	-
J. Chemicals and Chemical Products (Dyes, Paints, etc.)	4,109	4,109	3,656	8	(8)
K. Rubber, Plastic and their Products	1,368	1,368	356	-	-
L. Glass & Glassware	-	-	67	-	-
M. Cement and Cement Products	-	-	103	-	-
N. Basic Metal and Metal Products	-	-	1,023	-	-
O. All Engineering	8,534	6,088	3,296	-	(81)
P. Vehicles, Vehicle Parts and Transport Equipment	5,987	5,847	2,217	-	-
Q. Gems and Jewellery	-	-	15	-	-
R. Construction	-	-	57	-	-
S. Infrastructure	1,343	1,343	3,074	-	(75)
T. Other Industries	136	84	341	135	208
U. Transport Operators	7,059	6,423	255	-	(4)
V. Computer Software	-	-	1,172	-	-
W. Tourism, Hotel and Restaurants	51	51	70	-	-
X. Shipping	-	-	213	-	-
Y. Professional Services	269	269	2,493	-	-
Z. Trade	1,915	1,915	1,479	-	(11)
AA. Aviation	-	-	4	-	-
AB. Retail Advances	48,472	23,533	33,433	9,133	923
AC. Other Retail Exposure	-	-	-	-	-
AD. Services	3,758	3,267	266	-	-
Total	87,178	56,783	58,541	9,276	952

Industry wise classification of NPA, specific and General Provision
Consolidated

Amount in Rs. Lakhs

Industry	As at Jun 30, 2016			For the quarter ended	
	Gross NPA	Provisions for NPA	Provision for Standard Assets	Write off	Provision for NPA
A. Agriculture and Allied Activities	3,120	1,429	1,437	-	-
B. Mining and Quarrying	-	-	221	-	-
C. Food Processing	-	-	713	-	-
D. Beverages (excluding Tea & Coffee) and Tobacco	-	-	509	-	-
E. Textiles	1,057	1,057	613	-	-
F. Leather and Leather products	-	-	155	-	-
G. Wood and Wood Products	-	-	40	-	-
H. Paper and Paper Products	-	-	560	-	-
I. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	1,120	-	-
J. Chemicals and Chemical Products (Dyes, Paints, etc.)	4,109	4,109	3,722	8	(8)
K. Rubber, Plastic and their Products	1,368	1,368	356	-	-
L. Glass & Glassware	-	-	67	-	-
M. Cement and Cement Products	-	-	103	-	-
N. Basic Metal and Metal Products	-	-	1,058	-	-
O. All Engineering	8,534	6,088	3,296	-	(81)
P. Vehicles, Vehicle Parts and Transport Equipment	5,987	5,847	2,430	-	-
Q. Gems and Jewellery	-	-	15	-	-
R. Construction	226	100	265	2	(21)
S. Infrastructure	1,343	1,343	3,234	-	(75)
T. Other Industries	136	84	609	135	208
U. Transport Operators	7,181	6,489	325	34	(13)
V. Computer Software	-	-	1,172	-	-
W. Tourism, Hotel and Restaurants	51	51	82	-	-
X. Shipping	-	-	213	-	-
Y. Professional Services	269	269	3,138	-	-
Z. Trade	1,915	1,915	1,501	-	(11)
AA. Aviation	81	-	585	-	25
AB. Retail Advances	48,472	23,558	33,433	9,133	923
AC. Other Retail Exposure	-	-	-	-	-
AD. Services	3,758	3,267	292	-	-
Total	87,607	56,794	61,266	9,312	947

1.4.2 Credit Risk: disclosures for portfolios subject to the standardized approach

The Bank has approved use of ratings issued by renowned external rating agencies- 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, Fitch and Moody's are used by the Bank, these being the parents of the local entities in question.

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 considered as unrated and appropriate risk weights applied.

The breakdown of the exposure (after mitigation):

Particulars	Amount in Rs. Lakhs	
	Standalone As at Jun 30, 2016	Consolidated As at Jun 30, 2016
Below 100% risk weight	3,152,909	3,578,427
100% risk weight	6,656,447	6,675,858
More than 100% risk weight	2,165,326	2,514,149

Note: Exposure is comprised of Loans & Advances, Balance with Banks, On-balance sheet securitisation exposures, Revaluation gains on foreign exchange and derivative contracts, Deposits with NABARD, SIDBI & NHB under the priority/weaker section lending schemes, credit equivalent of guarantees, acceptances, letters of credit, other Non-Market Related off balance sheet obligations and credit equivalent of foreign exchange and derivative exposures. Previous year's numbers have been regrouped accordingly.

1.4.3 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, 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 Retail segment 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. The Retail risk unit on a monthly basis tracks and monitors Portfolio performance and behavior against the approved benchmarks. There is a formal review process involving senior country risk and business managers with any early warning signs actioned upon on priority. In line with the RBI policy, the retail bank credit risk also formulates targeted Risk Mitigation Programs (RMP) where programs are developed to manage event-related contingencies (i.e. unemployment, reductions in income, sickness, death, unforeseen mishap such as landslide, flood and etc.). These programs are generally developed to cater for long term (more than 12 months and up to 5 years) and short term predicaments (3 months and up to 12 months).

Separately also, the performance and losses of these programs are tracked to ensure the programs offered are for the purpose of rehabilitating borrowers who are in financial distress whether temporary or for a longer frame of time. There are documented policies on use of treatments offered to delinquent and pre-delinquent customer resulting in temporary or permanent changes in the T&C of repayment. All accounts which are restructured are categorized as sub-standard assets. Post restructuring the account treatment continues as per defined RBI policy guidelines and incase the accounts slips back into delinquency relevant collection treatment is applied.

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 haircuts 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 collaterals pledged with the Bank and eligible guarantees for arriving at the benefit for capital adequacy purposes. Corporate/parent guarantee etc.do act as a risk mitigants 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.

Exposure covered by eligible financial collateral after application of hair cut: Amount in Rs. Lakhs

Category	Nature	Standalone	Consolidated
		As at Jun 30, 2016	As at Jun 30, 2016
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	10,759	10,759
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	24	24
Securitisation exposures	Includes credit enhancement which is reduced from Capital funds	-	-

Exposure covered by guarantees:

Amount in Rs. Lakhs

Category	Nature	Standalone	Consolidated
		As at Jun 30, 2016	As at Jun 30, 2016
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	3,117	3,117
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	-	-
Securitisation exposures	Includes credit enhancement which is reduced from Capital funds	-	-

1.5 Market Risk

1.5.1 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 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

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.

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 modified 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 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 rupee 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.

Capital requirements for market risk:
Amount in Rs. Lakhs

Category	Nature	Standalone		Consolidated	
		As at Jun 30, 2016		As at Jun 30, 2016	
		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	756,335	60,507	758,860	60,709
Foreign exchange risk	Includes specific and general risk on currencies (including gold)	253,750	20,300	253,750	20,300
Equity risk	Includes specific and general risk on equity instruments	11,978	958	132,128	10,570
Total		1,022,063	81,765	1,144,739	91,579

1.6 General Disclosure for exposure related to counterparty credit risk

The Bank offers derivative products to customers by applying prudential criteria of suitability and appropriateness vis-à-vis customers based on applicable regulations as prescribed by RBI and existence of underlying exposures. The product offering is managed by the Treasury Front Office which comprises of sales and trading teams. Settlement and reporting of credit risks of all deals is undertaken by the Back office. An independent Middle office is responsible for monitoring and reporting risk numbers daily to management. Further, Market Risk Management unit, assigned with the responsibility for setting up market risk limits and monitoring utilizations operates independent of business. These separate units with different reporting lines ensure that market and credit risks are independently measured, monitored, and reported to ensure objectivity and transparency in risk-taking activities.

The Bank makes market in all permitted Over the Counter (OTC) derivative transactions for its customers and in the Interbank Market. The Bank also uses some of these derivatives for hedging its assets and liabilities. The Bank is also a trading member on the exchange for exchange traded foreign currency and interest rate futures.

The Bank is integrated into the overall group-wide 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 group's policies and practices, to oversee risk management, and to respond to the needs and issues in the Bank. The Bank's current policy is to control material market risks through a framework of limits and triggers which are approved by Local Operations Management Committee 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 management unit 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 setting-up of counterparty wise pre-settlement risk limits.

Limits are monitored on a daily basis by the Treasury and Risk management unit. Exposure reports are submitted to the Treasurer as well as the Head-Risk management unit, and any limit excesses are brought to the notice of management immediately for further action.

In any derivative transaction undertaken with the counterparty, the Bank is exposed to the risk of replacing the contract at a loss if the counterparty were to default. Such credit exposure on derivatives is measured and monitored using the Current Exposure Method by adding the positive mark-to-market and an estimate of the potential future exposure due to change in the market value of the contract. The Bank has processes to monitor such exposure on each of the counterparties. Appropriate credit mitigants are used, where required as trigger

events, to call for collaterals or terminate a transaction and contain the risk.

The International Swaps and Derivatives Association ('ISDA') Master Agreement is our preferred agreement for documenting derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter ('OTC') products is conducted, and contractually binds both parties covered by an agreement if either party defaults or another pre-agreed termination event occurs.

The Bank seeks to negotiate Credit Support Annexes (CSA) to International Swaps and Derivatives Association master agreements with counterparties on a case-by-case basis, where collateral is deemed a necessary or desirable Mitigant to the exposure. The credit terms of the CSA are specific to each legal document and approved by the credit risk approval unit responsible for the counterparty. The nature of the collateral will be specified in the legal document and will typically be cash or highly liquid securities. However, despite the CSA being a standard credit mitigant for OTC derivatives globally, market practice in this respect is still evolving in India.

A daily operational process takes place to calculate the MTM on all trades captured under the CSA. Additional collateral is called from the counterparty if total uncollateralized MTM exposure exceeds the threshold and minimum transfer amount and other terms specified in the CSA. The Bank further reduces its credit exposures to counterparties by entering into contractual netting agreements which result in a single amount owed by or to the counterparty through netting the sum of the positive (amounts owed by the counterparty) and negative (amounts owed by the Bank) MTM values of these transactions.

The Bank follows its global policy on identification, approvals, reporting and mitigation of Wrong way trades. It includes all products including derivatives, structured transactions or collateral intensive products. Specific wrong way risk trades are identified and approved prior to inception and may require escalated approvals. The wrong way trades are also reviewed on monthly/quarterly basis depending upon whether they are specific / general. Risk mitigation of such trades is discussed on a minimum quarterly basis.

Quantitative Disclosure

Amount in Rs. Lakhs

Particulars	Standalone		Consolidated	
	As at Jun 30, 2016		As at Jun 30, 2016	
	Notional	Current Credit Exposure	Notional	Current Credit Exposure
Cross Currency Interest rate Swap	1,100,691	133,315	1,100,691	133,315
Forward Forex Contract	11,642,147	425,546	11,642,147	425,546
Currency Options	1,218,322	49,765	1,218,322	49,765
Single Currency Interest rate Swap	40,403,070	412,172	40,403,070	412,172

Note: The above does not include Exposure to QCCP.

1.7 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 and legal risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

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. They are responsible for identifying and reporting operational risks to Independent Risk Management and Control Functions.
- Second Line of Defense: Oversight by Independent Risk Management and Control Functions. Risk and Control function partner manage operational risk by designing, implementing and assessing the effectiveness of controls.
- Third Line of Defense: Internal Audit recommends enhancements on an ongoing basis and provides independent assessment and evaluation.

The Operational Risk Management Framework is intended to ensure management across Citi of the operational risks and ongoing exposures in the development and delivery of products and services to our clients. The Framework:

- Promotes the advancement of operational risk management across Citi with effective anticipation, mitigation and recovery activities intended to ensure the proactive reduction of the frequency and severity of Citi's Operational Risk Events;
- Establishes a foundation on which the activities of the businesses, the resulting operational risks, and the associated controls are identified, periodically assessed, subject to corrective action, appropriately documented, and communicated;
- Is a supplement to good management practices and judgment; managers remain accountable for ensuring that all activities and their associated operational risks are appropriately managed; and
- Facilitates adherence by Citi to regulatory requirements, including "Basel III" capital standards.

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 and management of key risks. Manager's Control Assessment(MCA) is a diagnostic tool used in the management of operational 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). Quarterly Managers assign a MCA Entity Rating along with significant residual operational risks (SRORs – These risks reflect the residual risk impacting the control environment considering management's assessment of the effectiveness of key controls designed to mitigate the entity's significant inherent operational risks)

Citi India has adopted the Basic Indicator Approach to operational risk for capital adequacy computation. Given the low experience of actual operational loss events, this approach is assessed to be conservative and builds in buffer for unanticipated losses.

1.8 Other Risks

The bank also assesses other qualitative risks such as Reputational/Franchise Risk, Business, Strategic risks and additional capital requirements, if any, to cover for such risks. The assessment is covered in the ICAAP process. As part of the assessment process of all products and lines of business, the bank makes a specific assessment of franchise risk impacting the reputational position of the company. While Business and strategic risk is considered a material risk for Citibank India, strong controls exist to mitigate such risks such as the approval of new products and new activities and complex transactions. A robust process of mitigation of the individual risks also results in a collective mitigation of reputational / franchise risk.

1.9 Leverage Ratio

As per RBI guidelines, disclosures required for leverage ratio for the Bank at the consolidated level at Jun 30, 2016 is as follows:

Summary comparison of accounting assets vs. leverage ratio exposure measure		
Sl. No	Item	Rs. in Lakhs
1	Total consolidated assets as per published financial statements	15,002,325
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
4	Adjustments for derivative financial instruments	1,849,650
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	87,894
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	3,879,077
7	Other adjustments	(35,274)
8	Leverage ratio exposure	20,783,672

Leverage ratio common disclosure template		
	Item	Rs. in Lakhs
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	15,002,325
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(35,274)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	14,967,051
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	461,293
5	Add-on amounts for PFE associated with all derivatives transactions	1,388,356
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	1,849,650
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	87,894
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-

	Item	Rs. in Lakhs
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	87,894
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	7,998,402
18	(Adjustments for conversion to credit equivalent amounts)	(4,119,325)
19	Off-balance sheet items (sum of lines 17 and 18)	3,879,077
Capital and total exposures		
20	Tier 1 capital	2,068,601
21	Total exposures (sum of lines 3, 11, 16 and 19)	20,783,672
Leverage ratio		
22	Basel III leverage ratio	9.95%