

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 Dec 31, 2015. 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 companies, which are subsidiaries 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.

No quantitative disclosures shall apply since there are no subsidiaries of the Bank. Further, 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. 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
6. Deductions: Deferred Tax assets, Defined assets, 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%
2. General Provisions and Loss Reserves.
3. Floating provision
4. Investment Reserve

Quantitative disclosures:

Particulars	Rs. in Lakhs	
	Standalone Dec 31, 2015	Consolidated Dec 31, 2015
Tier 1 Capital		
Common Shares (Paid-up equity Capital)	0	289,330
Statutory Reserves	549,898	600,424
Other disclosed free reserves	0	3,674
Balance in profit & Loss account at the end of previous financial year	0	2,147
Current Financial profit, to the extent admissible	0	9,525
Interest free funds from H.O (for foreign bank)	374,384	374,384
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
Other Eligible Reserves	11,434	11,434
Common Equity Tier I	1,655,808	2,011,010
Regulatory Adjustments		
Intangibles	30,441	30,622
Deferred Tax Asset	36,745	60,707
Defined benefit Pension fund asset	5,182	5,182
Other eligible deduction from CET1 (Prudential valuation adjustment)	3,095	3,095
Investment in equity capital of unconsolidated non-financial subsidiaries	-	-
Regulatory adjustment applied to CET1 in respect of amount subject to pre-BASEL treatment	-	-
Regulatory adjustment applied to CET1 due to insufficient additional tier 1 and 2 to cover deductions	-	-
Total Regulatory Adjustments	75,463	99,606
Total Tier I Capital (A)	1,580,345	1,911,404
Additional Tier I Capital (B)	-	-
Tier II Capital		
General Provision and loss reserves	110,531	112,291
Revaluation Reserves at discount of 55%	15,518	15,518
	126,050	127,809
Regulatory Adjustments		
Regulatory adjustment applied in respect of amount related to pre-Basel III treatment	-	-
Total Regulatory Adjustments	-	-
Total Tier II Capital (C)	126,050	127,809
Total of Tier I + Tier II (A) + (B) + (C) = (D)	1,706,395	2,039,214

1.3 Capital Adequacy

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. In this regard, the bank is also guided by the practice adopted by Citibank across its branches in various countries on adoption of advanced approaches. At present Citibank has not rolled out implementation of advanced models at a country level.

Capital requirements for credit risk:

Rs. in Lakhs

Category	Nature	Standalone		Consolidated	
		As at Dec 31, 2015		As at Dec 31, 2015	
		Risk weighted assets	Capital charge	Risk weighted assets	Capital charge
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	5,837,542	525,379	6,560,075	590,407
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	3,181,695	286,353	3,202,949	288,265
Securitization exposures	Includes credit enhancement	12,043	1,084	12,043	1,084

Capital requirements for market risk:

Rs. in Lakhs

Category	Nature	Standalone		Consolidated	
		As at Dec 31, 2015		As at Dec 31, 2015	
		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	770,595	61,648	772,498	61,800
Foreign exchange risk	Includes specific and general risk on currencies (including gold)	265,461	21,237	265,470	21,238
Equity risk	Includes specific and general risk on equity instruments	3,145	252	75,564	6,045
Total		1,039,201	83,137	1,113,532	89,083

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.138,454 Lakhs for standalone and Rs.144,516 Lakhs for consolidated.

Capital adequacy ratio

Entity	As at Dec 31, 2015		
	Total capital ratio	Tier I Capital ratio	Tier II Capital ratio
Citibank N.A. (Standalone)	14.70%	13.61%	1.09%
Citibank N.A. (Consolidated)	16.32%	15.30%	1.02%

1.4 Credit risk: General Disclosures

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

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 atleast 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, 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. 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.

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 into Bucket 1 to Bucket 6 (each bucket is a 30 day period) based on day count from the overdue date determined as per the bank's policy. 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. Card overdue and Ready Credit - Retail 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) Total Gross Credit Exposure by Industry and Geography*

Particulars	Rs. in Lakhs			
	Standalone		Consolidated	
	As at Dec 31, 2015		As at Dec 31, 2015	
	Funded	Non-funded	Funded	Non-funded
Agriculture & Allied Activities	4,241	471	5,122	471
Automotive	0	0	51,250	0
Aviation	294	15,826	294	15,826
Banks	712,783	713,073	722,316	713,073
Beverage & Tobacco	110,945	59,250	135,945	59,250
Cement & Cement Products	9,788	2,035	9,788	2,035
Computer Software	328,658	277,513	328,658	277,513
Construction (other than Infrastructure)	10,444	1,014	74,029	5,265
Cotton Textiles	1,458	30	1,458	30
Drugs & Pharmaceuticals	293,505	143,337	298,005	143,337
Edible Oils & Vanaspati	1,987	7,810	1,987	7,810
Electronics	122,121	179,719	122,121	179,719
Fertilizers	52,728	31,488	52,730	31,987
Gems and Jewellery	5,018	1,545	5,018	1,545

Particulars	Standalone		Consolidated	
	As at Dec 31, 2015		As at Dec 31, 2015	
	Funded	Non-funded	Funded	Non-funded
Glass & Glassware	7,234	2,232	7,234	2,232
Iron & Steel	94,927	75,400	94,927	75,400
Leasing	0	0	5,000	0
Leather And Leather Products	18,297	530	18,297	530
Man-Made Textiles	4,926	100	4,926	100
Mining & Quarrying (incl. Coal)	8,748	6,939	37,748	6,939
Other Food Processing	82,015	35,376	82,015	35,376
Other Industries	604,188	208,381	603,604	208,396
Other Infrastructure	1,106	1,513	1,122	1,555
Other Metal & Metal Product	94,843	64,970	104,843	64,970
Other Textiles	86,769	13,458	88,569	13,698
Others	688,250	201,485	761,116	232,906
Paper and Paper Products	96,268	3,238	96,268	3,238
Petro Chemicals	112,191	70,483	112,191	70,483
Petroleum	254,008	51,964	254,008	51,964
Petroleum, Coal Products & Nuclear Fuels	370	3,685	370	3,685
Power	30,084	1,783	30,084	1,783
Professional and Other Services	7,399,177	605,357	7,590,186	613,437
Railways (Other than Indian Railway)	1	3,349	1	3,349
Retail Advances	2,842,129	246,453	2,959,486	266,832
Retail trade	11,912	5,524	12,963	5,529
Roads	3,854	66	3,854	66
Rubber, Plastic & their Products	42,799	15,961	42,799	15,961
Shipping	35,309	6,559	35,309	6,559
Sugar	1,145	0	1,145	0
Telecommunications	215,196	29,613	245,196	29,613
Tourism and Hotels and Restaurants	12,644	3,740	16,196	4,464
Transport Operators	37,867	3,927	48,913	3,927
Vehicles, Vehicles part and Transport Equipment	394,696	101,381	394,789	101,435
Wholesale trade	217,069	71,830	217,162	71,834
Wood & Wood Products	7,362	5,630	7,362	5,630

***Note:** 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.

ii) Residual contractual maturity breakdown of assets as at Dec 31, 2015.
Rs. In Lakhs

Maturity Bucket	Standalone		Consolidated	
	As at Dec 31, 2015		As at Dec 31, 2015	
	Loans and Advances	Investments	Loans and Advances	Investments
Day 1	250,393	4,437,423	257,584	4,437,423
2 to 7 days	336,240	-	336,586	-
8 to 14 days	250,772	-	252,235	-
15 to 28 days	572,192	464,192	621,812	464,192
29 days to 3 months	863,709	269,922	1,086,988	277,614
Over 3 months to 6 months	585,104	46,558	654,863	46,558
Over 6 months to 12 months	744,442	72,435	904,997	72,435
Over 1 year to 3 years	1,823,780	838,150	1,889,046	838,150
Over 3 years to 5 years	483,854	2,164	484,900	2,164
Over 5 years	783,318	664,456	783,326	674,913
Total	6,693,803	6,795,302	7,272,337	6,813,450

iii) Amount of NPAs (Gross)
Rs. in Lakhs

Particulars	Standalone	Consolidated
	As at Dec 31, 2015	As at Dec 31, 2015
Substandard	36,482	36,919
Doubtful 1	12,353	12,353
Doubtful 2	19,785	19,785
Doubtful 3	6,116	6,116
Loss	9,357	9,357

iv) Net NPAs:

Standalone : Rs.28,166 Lakhs

Consolidate: Rs.28,366 Lakhs

v) NPA ratios:

Particulars	Standalone	Consolidated
	As at Dec 31, 2015	As at Dec 31, 2015
Gross NPAs to Gross Advances	1.25%	1.15%
Net NPAs to Net Advances	0.42%	0.39%

vi) Movement of Gross NPAs
Rs. In Lakhs

Particulars	Standalone	Consolidated
	As at Dec 31, 2015	As at Dec 31, 2015
Opening Balance	78,057	78,381
Additions net off recoveries & write offs	6,036	6,149
Closing Balance as on Dec 31	84,093	84,530

vii) Movement of Specific Provision
Rs. In Lakhs

Particulars	Standalone	Consolidated
	As at Dec 31, 2015	As at Dec 31, 2015
Opening Balance	53,569	53,682
Provisions made during the year	19,512	19,658
Write-Off	-2,887	-2,909
Any other adjustment, including transfer between provisions	0	0
Write back off excess Provisions	-14,267	-14,267
Closing Balance	55,927	56,164

viii) Movement of General Provision on Standard Assets
Rs. In Lakhs

Particulars	Standalone	Consolidated
	As at Dec 31, 2015	As at Dec 31, 2015
Opening Balance	59,408	62,208
Provisions made during the year	3,487	4,280
Write-Off	0	-119
Any other adjustment, including transfer between provisions	0	-1,651
Write back off excess Provisions	-1,134	-1,134
Closing Balance	61,761	63,584

ix) Non-performing Investments (NPIs): Rs. 3,000 Lakhs.
viii) Provision for NPIs:

Standalone: NIL

Consolidated: Rs. 3,000 Lakhs

ix) Movement of provisions held towards depreciation on investments
Rs. In Lakhs

Particulars	Standalone	Consolidated
	As of Dec 31, 2015	As of Dec 31, 2015
Opening Balance	0	5,083
Additions /Recoveries during the year	97	120
Closing Balance as on Dec 31	97	5,203

x) Industry wise classification of NPA, specific and General Provisions
Standalone
Rs. In Lakhs

Industry	As at Dec 2015			For the half year ended Dec 31, 2015	
	Gross NPA	Provisions for NPA	Provision for Standard Assets	Write off	Provisions for NPA
A. Mining and Quarrying	0	0	48	0	0
B. Food Processing	0	0	561	0	-48

Industry	As at Dec 2015			For the half year ended Dec 31, 2015	
	Gross NPA	Provisions for NPA	Provision for Standard Assets	Write off	Provisions for NPA
C. Beverages (excluding Tea & Coffee) and Tobacco	0	0	1,089	0	0
D. Textiles	1,057	1,057	479	0	0
E. Leather and Leather products	0	0	85	0	0
F. Wood and Wood Products	0	0	53	0	0
G. Paper and Paper Products	0	0	839	0	0
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	0	0	1,100	0	0
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	4,117	4,117	4,559	0	0
J. Rubber, Plastic and their Products	1,368	1,368	309	0	0
K. Glass & Glassware	0	0	59	0	0
L. Cement and Cement Products	0	0	110	0	0
M. Basic Metal and Metal Products	0	0	1,421	0	0
N. All Engineering	5,346	5,346	4,113	0	39
O. Vehicles, Vehicle Parts and Transport Equipments	6,013	5,873	3,046	0	5,814
P. Gems and Jewellery	0	0	12	0	0
Q. Construction	0	0	112	0	0
R. Infrastructure	1,438	1,438	1,807	0	834
S. Other Retail	46,159	22,163	33,803	24,841	1,165
T. Other Industry	18,595	14,564	8,156	1,190	-5,448
Total	84,093	55,926	61,761	26,031	2,358

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

Consolidated

Rs. In Lakhs

Industry	As at Dec 2015			For the half year ended Dec 31, 2015	
	Gross NPA	Provision for NPA	Provision for Standard Assets	Write off	Provisions for NPA
A. Mining and Quarrying	0	0	137	0	0
B. Food Processing	0	0	561	0	-48
C. Beverages (excluding Tea & Coffee) and Tobacco	0	0	1,165	0	0
D. Textiles	1,057	1,057	485	0	0
E. Leather and Leather products	0	0	85	0	0
F. Wood and Wood Products	0	0	53	0	0
G. Paper and Paper Products	0	0	839	0	0

Industry	As at Dec 2015			For the half year ended Dec 31, 2015	
	Gross NPA	Provision for NPA	Provision for Standard Assets	Write off	Provisions for NPA
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	0	0	1,100	0	0
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	4,117	4,117	4,559	0	0
J. Rubber, Plastic and their Products	1,368	1,368	309	0	0
K. Glass & Glassware	0	0	59	0	0
L. Cement and Cement Products	0	0	110	0	0
M. Basic Metal and Metal Products	0	0	1,452	0	0
N. All Engineering	5,346	5,346	4,113	0	39
O. Vehicles, Vehicle Parts and Transport Equipments	6,013	5,873	3,046	0	5,814
P. Gems and Jewellery	0	0	12	0	0
Q. Construction	240	128	328	-107	128
R. Infrastructure	1,438	1,438	1,807	0	834
S. Other Retail	46,159	22,163	34,163	24,842	1,166
T. Other Industry	18,593	14,565	8,155	1,190	-5,448
U. Transport Operator	197	109	73	-45	109
V. Automotive	0	0	156	0	0
W. Drugs and Pharmaceuticals	0	0	14	0	0
X. Leasing	0	0	15	0	0
Y. Professional and other services	0	0	588	0	0
Z. Telecommunication	0	0	91	0	0
AA. Tourism, Hotels and Restaurants	0	0	11	0	0
AB. Fertilizers	0	0	0	0	0
AC. Agriculture & Allied Activities	0	0	3	0	0
AD. Others	0	0	95	0	0
Total	84,530	56,163	63,584	25,880	2,594

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) excluding CVA and QCCP exposure is as under:

	Rs. In Lakhs	
	Standalone	Consolidated
Particulars	As at Dec 31, 2015	As at Dec 31, 2015
Below 100% risk weight	12,918,214	12,912,421
100% risk weight	2,020,942	2,336,116
More than 100% risk weight	3,453,252	3,777,050

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. This is to mitigate the risk arising from such circumstances by providing easier repayment terms through restructuring of loans or rescheduling of the terms and conditions.

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 margin deposits, term deposits and eligible guarantees for arriving at the benefit for capital adequacy purposes. Corporate/parent guarantee etc.do act as a risk 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:

Category	Nature	Rs in Lakhs	
		Standalone	Consolidated
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	570	570
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	NIL	NIL
Securitisation exposures	Includes credit enhancement which is reduced from Capital funds (refer capital funds details at 1.2 above)	NIL	NIL

Exposure covered by guarantees:

Category	Nature	Rs in Lakhs	
		Standalone	Consolidated
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	Nil	Nil
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	Nil	Nil
Securitisation exposures	Includes credit enhancement which is reduced from Capital funds (refer capital funds details at 1.2 above)	Nil	Nil

1.5 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 derivatives is controlled through the gross PV01 limit which is restricted to 0.25% of the networth of the Bank as required by RBI. Further, the aggregate interest rate exposures on trading account is limited by limits on PV01 which is much below the stipulated Gross PV01 limits established by RBI.

Risk is measured in terms of:-

- (a) Factor sensitivities (DV01 – impact of change of rates by one basis point) for interest rate products, FX Delta for Spot position, Vega and Gamma limits for FX Options. These measures & limits are further sub-divided for each yield curves and currencies.
- (b) Value-at-risk Trigger, which measures maximum potential loss at 99% confidence level over 1-day holding period based on the day's outstanding risk positions across the entire mark-to-market exposures.
- (c) Loss Triggers: The Trading book and available for sale book profit and loss monitored against month-to-date and inception-to-date (for available for sale) Loss Triggers.
- (d) Aggregate Contract Trigger Limits: The notional positions for swaps (INR, FCY and cross-currency) and options are monitored against these limits.

Capital requirements for market risk:

		Rs. in Lakhs			
Category	Nature	Standalone		Consolidated	
		As at Dec 31, 2015		As at Dec 31, 2015	
		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	770,595	61,648	772,498	61,800
Foreign exchange risk	Includes specific and general risk on currencies (including gold)	265,461	21,237	265,470	21,238
Equity risk	Includes specific and general risk on equity instruments	3,145	252	75,564	6,045
Total		1,039,201	83,137	1,113,532	89,083

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.

Quantitative Disclosure

Particulars	Rs. in Lakhs			
	As at Dec 31, 2015		As at Dec 31, 2014	
	Notional	Current Credit Exposure	Notional	Current Credit Exposure
Cross Currency Interest rate Swap	1,145,631	140,402	1,290,559	149,552
Forward Forex Contract	9,994,613	375,531	51,662,725	1,402,745
Currency Options	1,212,902	48,819	1,192,797	44,676
Single Currency Interest rate Swap	54,098,300	465,829	38,114,857	432,315

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 II" 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 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 adequate

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

The bank is required to maintain a minimum leverage ratio of 4.5%. The bank's leverage ratio calculated as per the RBI guidelines under consolidated framework is 9.55%.

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	15,527,238
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	1,756,746
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	12,066
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	2,809,907
7	Other adjustments	96,511
8	Leverage ratio exposure	9.55%

Leverage ratio common disclosure template		
	Item	Leverage ratio framework (Rs. in Lakhs)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	15,527,238
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-96,510
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	15,430,727
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	325,285
5	Add-on amounts for PFE associated with all derivatives transactions	1,431,460
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)	1,756,746
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	12,066
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	12,066
14	CCR exposure for SFT assets	12,066
15	Agent transaction exposures	12,066
16	Total securities financing transaction exposures (sum of lines 12 to 15)	48,264
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	6,710,266
18	(Adjustments for conversion to credit equivalent amounts)	-3,900,360
19	Off-balance sheet items (sum of lines 17 and 18)	2,809,906
Capital and total exposures		
20	Tier 1 capital	1,911,405
21	Total exposures (sum of lines 3, 11, 16 and 19)	20,009,446
Leverage ratio		
22	Basel III leverage ratio	9.55%