

BASEL II DISCLOSURES

1.1 General

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

1.2 Capital Structure

The capital funds of the bank include the following:

Tier 1 Capital:

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

Tier 2 Capital:

1. Revaluation reserves arising from revaluation of the premises owned after a discount of 55%
2. General Provisions on Standard Assets
3. Subordinated debt
4. Investment Reserve
5. Provision retained on assets sold to ARC.

Quantitative disclosures:

	Rs. in Million
	Dec 31, 2013
Tier 1 Capital	
Interest free funds from H.O (for foreign bank)	37,438
Statutory Reserves kept in Indian book for foreign bank	39,202
Remittable Surplus retained in Indian books	68,819
Capital Reserves (non-patriable surplus from sale of assets in India)	649
Interest free funds remitted from abroad for acquisition of property and held in separate account	648
Common Equity Tier I	<u>148,697</u>
 Regulatory Adjustments	
Intangibles	2,914
Deferred Tax Asset	4,301
Defined benefit Pension fund asset	312
Total Regulatory Adjustments	<u>7,527</u>
Total Tier I Capital (A)	<u>141,170</u>
 Tier II Capital	
General Provision and loss reserves	5,017
Investment Reserve	3,568
Revaluation Reserves at discount of 55%	1,916
	<u>10,502</u>
 Regulatory Adjustments	
Regulatory adjustment applied in respect of amount related to pre-Basel III treatment	<u>0</u>
Total Regulatory Adjustments	<u>0</u>
Total Tier II Capital (B)	<u>10,502</u>
 Total of Tier I + Tier II (A) + (B) = (C)	<u>151,672</u>

1.3 Capital Adequacy

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

The Bank has an Internal Capital Adequacy Assessment Process (ICAAP) which establishes a framework for the Bank to perform a comprehensive assessment of the risks they face and to relate capital adequacy to these risks. Further more, the capital analysis performed by the Bank is expected to encompass all significant risks, not only those risks captured by the Pillar 1 minimum regulatory capital calculation. A long tenor capital forecast is prepared for the Bank and reviewed by the senior management team.

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

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

Capital requirements for credit risk:

Category	Nature	Rs. in Million	
		As at Dec 31, 2013	
		Risk weighted assets	Capital charge
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	536,595	48,292
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	243,588	21,923
Securitization exposures	Includes credit enhancement which is reduced from Capital funds (refer capital funds details at 1.2 above)	0	0

Capital requirements for market risk:

Category	Nature	Rs in Million	
		As at Dec 31, 2013	
		Risk weighted assets	Capital charge
Interest rate risk	Includes specific and general risk on interest rate instruments in the trading book	56,539	5,089
Foreign exchange risk	Includes specific and general risk on currencies (including gold)	19,164	1725
Equity risk	Includes specific and general risk on equity instruments	280	25
Total		75,983	6,838

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.105,190 million.

Capital adequacy ratio

Entity	As at Dec 31, 2013		
	Total capital ratio	Tier I Capital ratio	Tier II Capital ratio
Citibank N.A.	15.16%	14.11%	1.05%

1.4 Credit risk: General Disclosures

The three principal businesses of Citibank viz Corporate Banking, Commercial Banking and Consumer Banking approve and implement policies and procedures appropriate to their respective risk, business and portfolio. These policies address risk measurement, reporting, monitoring, mitigation and remediation. Seniors in the credit and business chain are involved in all policy recommendations and review the portfolio on a regular basis.

For Corporate Bank, the Global Credit Policy along with the Local Credit Policy lays down the parameters/norms for credit exposure. Based on the industry studies and detailed company analysis and after considering the Target Market Norms & Risk Acceptance Criteria, credit is approved. Business as well as Independent Risk Management unit needs to approve annual reviews. Wherever required, Industry specialist and product specialists review and approve sizeable credits. Credit approval limits are granted based on experience and seniority. The Bank has a policy of internal rating on a

global scale to assign Obligor Risk Ratings (ORRs). ORRs define one-year probability of default and are continuously monitored. The bank also assigns an Obligor Limit Rating (OLR), which provides a medium to long-term view of credit quality. Approval authority is defined as per Credit Facilities Approval Grid, which requires higher level of authority to approve exposures with on the OLR scale ranging from high to low.

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

Consumer banking has an independent Policy Unit, which recommends lending policy, review portfolio and take credit actions. This is supported by a credit operations unit, which reviews proposals for adherence to laid down policies as well as does all verifications prior to disbursal of credit. Credit appraisal is independent of the business stream to ensure unbiased credit judgment.

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

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

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

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

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

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

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

Quantitative disclosures:

i) Total Gross Credit Exposure by Industry and geography:

Rs. in Million

Particulars	Fund Based	Non Fund Based
Agriculture & Allied Activities	572.74	10.17
Aviation	33.07	1,668.31
Banks	53,972.55	35,389.50
Beverage & Tobacco	9,416.06	3,638.49
Cement and Cement Products	1,044.15	812.15
coal	0.67	4.11
Computer Software	15,894.30	20,999.19

CONSTRUCTION	1,730.67	173.69
Drugs & Pharmaceuticals	18,717.23	4,405.60
Edible Oils & Vanaspati	345.45	189.92
Electricity	3,137.54	2,788.68
Electronics	9,861.55	6,268.88
Fertilizers	795.03	1,088.95
Gas/LNG	0.03	0.00
Gems and Jewellery	31.21	267.26
Glass and Glass Ware	2,102.28	190.69
Iron & Steel	4,000.70	3,685.90
Leather And Leather Products	2,590.37	142.74
Mining & Quarrying	2,006.13	4,342.25
Mutual Fund	66.06	4.70
NBFC	18,362.01	970.22
NBFC/HFC	15,232.53	859.81
Other Food Processing	5,108.72	1,428.77
Other Industries	54,413.10	10,448.60
Other Infrastructure	723.99	696.00
Other Textile	3,885.69	817.77
Others	226,728.06	16,640.11
Others Metal and Metal Products	5,838.45	2,293.63
Others-Chemicals	11,540.30	2,663.82
Others-Engineering	23,207.42	9,012.19
Paper and Paper Products	7,348.46	2,448.00
Petro Chemicals	7,892.58	2,208.98
Petroleum	22.66	1,556.20
Petroleum, Coal Products and Nuclear Fuels	3,588.10	1,069.40
Power	0.00	0.00
Professional and other services	13,299.42	9,619.07
Railways (Other than Indian Railway)	0.00	136.94
Retail Advances	54,457.21	3,231.88
Retail trade	4,513.13	314.94
Roads and Ports	394.99	7.60
Rubber, Plastic & their Products	5,633.80	1,884.20
Shipping	2,053.86	576.17
Sugar	226.33	877.41
Telecommunications	8,892.60	3,302.93
Tourism and Hotels and Restaurants	1,399.12	94.48
Transport Operator	3,400.04	506.92
Vehicles, Vehicles part and Transport Equipment's	21,216.03	7,348.65
Water Sanitation	0.01	0.54
Wholesale trade	25,407.23	5,500.51
Wood and Wood Products	752.77	432.41

ii) Residual contractual maturity breakdown of assets as at September 30, 2013.

Maturity Bucket	Rs. in Million	
	As at Dec 31, 2013	
	Loans and Advances	Investments
Day 1	7,219	336,365
2 to 7 days	31,211	30,485
8 to 14 days	25,219	30,485
15 to 28 days	44,527	6,436
29 days to 3 months	93,923	28,652
Over 3 months to 6 months	52,987	7,918
Over 6 months to 12 months	38,918	9,898
Over 1 year to 3 years	156,800	83,793
Over 3 years to 5 years	26,142	1,715
Over 5 years	26,142	45,984
Total	559,361	566,895

iii) Amount of NPAs (Gross)

Particulars	Rs. in Million
	As at Sep 30, 2013
Substandard	3,889
Doubtful 1	8,349
Doubtful 2	1,042
Doubtful 3	573
Loss	873

iv) Net NPAs: Rs.8,452 Millions

v) NPA ratios:

- Gross NPAs to gross advances: 2.60%
- Net NPAs to net advances: 1.51%

vi) Movement of NPAs

Particulars	Rs. in Million		
	As at Sep 30, 2013		
	Gross NPA	Provision	Net NPA
Opening Balance as on April 1	13,587	5,921	7,666
Additions net off recoveries & write offs	1,139	354	786
Closing Balance as on Dec 31	14,726	6,275	8,452

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

viii) Provision for NPIs: NIL.

ix) Movement of provisions held towards depreciation on investments

Particulars	Rs. in Million
	As at Dec 31, 2013
Opening Balance as on April 1	937
Additions /Recoveries during the year	429
Closing Balance as on Dec31	1,366

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

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

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

The breakdown of the exposure (after mitigation) is as under:

Particulars	Rs. in Million
	As at Dec 31, 2013
Below 100% risk weight	207,278
100% risk weight	329,373
More than 100% risk weight	243,532