BASEL II DISCLOSURES

1.1 General

The BASEL II disclosures contained herein relate to Citibank N.A., India Branches (herein also referred to as the 'Bank') for the year ended March 31, 2010. These are complied in accordance with Reserve Bank of India (the 'RBI') regulations on 'Implementation of New Capital Adequacy Framework' vide DBOD. No. BP.BC. 90/20.06.001/2006-07 dated April 27, 2007 as amended from time to time.

The Bank does not have any subsidiaries nor does it hold any significant stake in any company. 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 (which is the banking subsidiary of Citigroup Inc. operating in India), the following wholly/majority owned non banking finance companies, which are subsidiaries of Citigroup Inc. held through intermediary holding companies:

Citicorp Finance (India) Limited
CitiFinancial Consumer Finance India Limited
Citicorp Maruti Finance Limited
CitiFinancial Retail Services India Limited

Investments in below mentioned companies have been deducted from the capital of respective parent companies:

Citicorp Capital Markets Limited
Citicorp Clearing Services India Limited
CitiFinancial Home Finance India Limited

As prescribed in the above guidelines, the Bank is not required to prepare consolidated financial statements. However, certain prudential guidelines apply on a Consolidated Bank basis, including that of capital adequacy computation under Basel II 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.

1.2 Capital Structure

The capital funds of the Consolidated Bank include the following:

Tier 1 Capital:

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

Tier 2 Capital:

1. Revaluation reserves arising from revaluation of the premises owned after a discount of 55%
2. General Provisions on Standard Assets

Quantitative disclosures:

	March 31, 2010	Rs. in Million March 31, 2009
Tier I Capital		
Interest-free funds from Head Office	68,806	57,511
Capital Reserves	2,084	1,795
Statutory reserve	26,525	24,234
Remittable Surplus	66,324	61,522
	163,739	145,062
Deductions:		
Intangible assets	1,768	211
Deferred Tax asset	4,299	2,271
Credit Enhancement on securitisation (50%)	109	97
Investment in Subsidiaries	1,292	3,486
Other deductions	201	182
Total deductions	7,669	6,247
Tier I Capital	156,070	138,815
Tier II Capital		
Preference Share capital	630	630
Property Revaluation Reserves	1,520	1,551
Investment Reserve	-	584
General Loss provision on Standard assets	5,017	5,017
	7,168	7,782
Deductions:		
Investment in Subsidiaries	1,922	2,176
Credit Enhancement on securitisation (50%)	109	97
Total deductions	2,031	2,273
Tier II Capital	5,137	5,509
Total Capital Funds	161,207	144,324
Sub-ordinated term debt		
Amount outstanding	-	950
Amount raised during the year	-	-
Amout eligible to be reckoned as capital funds	-	-

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:

Rs. in Million

Category	Nature	As at March 31,2010		As at March 31, 2009	
		Risk weighted assets	Capital charge	Risk weighted assets	Capital charge
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	427,856	38,507	505,352	45,482
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	291,624	26,246	370,400	33,336
Securitisation exposures	Includes credit enhancement which is reduced from Capital funds (refer capital funds details at 1.2 above)	176	176	195	195

Capital requirements for market risk:

Rs. in Million

Category	Nature	As at March 31,2010		As at March 31, 2009	
		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	29,559	2,660	38,619	3,476
Foreign exchange risk	Includes specific and general risk on currencies (including gold)	11,191	1,007	20,930	1,884
Equity risk	Includes specific and general risk on equity instruments	3,945	355	1,374	124
Total		44,695	4,022	60,923	5,484

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 (RWA) for operational risk are calculated by dividing the operational risk capital charge by 9%. The capital requirement for Operational risk is Rs.12,466 million (Previous year: 12,461million).

Capital adequacy ratio

Entity	As at March 31,2010			As at March 31, 2009		
	Total capital ratio	Tier I Capital ratio	Tier II Capital ratio	Total capital ratio	Tier I Capital ratio	Tier II Capital ratio
Citibank N.A.	18.14%	17.27%	0.87%	13.23%	12.42%	0.81%
Consolidated Bank	17.86%	17.29%	0.57%	13.42%	12.91%	0.51%

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. Seniors in the credit and business chain are involved in all policy recommendations and review the portfolio on a regular basis.

For the 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, a credit exposure 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 Credit 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 or three months as on balance-sheet date or credits are not enough to cover the interest debited during the same period, these accounts will be treated as out of order.

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

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

Quantitative disclosures:

i) **Total Gross Credit Exposure by Industry and geography:**

Rs. in Million

Particulars	As of March 31, 2010		As of March 31, 2009	
	Fund Based	**Non Fund Based**	**Fund Based**	**Non Fund Based**
Domestic Industry				
Basic Metal & Metal Products	4,190	2,163	5,792	2,470
Beverage & Tobacco	9,651	634	8,413	973
Cement and Cement Produts	867	1,543	1,849	1,146
Chemical and Chemical Products	588	57	1,030	34
Computer Software	19,082	8,625	27,250	9,456
Construction	5,105	4,111	4,924	1,403
Drugs & Pharmaceuticals	11,708	3,819	17,357	4,497
Electronics	7,973	11,787	11,884	7,058
Engineering	7,048	8,467	12,744	12,113
Food Processing	379	221	605	239
Glass and Glass Ware	391	63	328	85
Infrastructure	4,033	2,769	9,486	3,872
Leather And Leather Products	836	83	1,091	82
Paper and Paper Products	2,630	455	2,174	426
Petroleum, Coal Products and Nuclear Fuels	16,900	7,585	6,503	12,129
Professional and other services	241,493	123,819	204,409	97,500
Shipping	1,223	2	3,414	3,875
Textiles & Other Textiles	14,065	2,462	9,425	1,474
Transport Operator	2,554	2,418	1,092	951
Vehicles, Vehicles part and Transport Equipment	19,695	8,202	38,765	10,170
Food Processing	3,114	3,595	4,089	1,491
Other Industries	8,399	3,484	11,038	3,659
Others Metal and Metal Products	10,560	11,175	7,683	2,741
Others-Chemicals	12,058	3,916	10,207	3,530
Others	658,962	36,229	795,279	84,981
Overseas	Nil	Nil	Nil	Nil

ii) Residual contractual maturity breakdown of assets as at March 31, 2010

Rs. in Million

Maturity Bucket	**As at March 31,2010**	
	Loans and Advances	**Investments**
Day 1	3,280	121,070
2 to 7 days	19,121	-
8 to 14 days	13,949	-
15 to 28 days	26,000	36,342
29 days to 3 months	55,654	21,078
Over 3 months to 6 months	34,331	13,673
Over 6 months to 12 months	35,279	17,023
Over 1 year to 3 years	134,554	74,545
Over 3 years to 5 years	28,672	919
Over 5 years	112,761	9,132
Total	463,601	293,782

Residual contractual maturity breakdown of assets as at March 31, 2009

Rs. in Million

Maturity Bucket	As at March 31,2009	
	Loans and Advances	Investments
1-14 days	39,400	73,998
15 to 28 days	21,037	36,631
29 days to 3 months	45,924	30,495
Over 3 months to 6 months	48,763	5,115
Over 6 months to 12 months	44,251	6,223
Over 1 year to 3 years	216,400	61,026
Over 3 years to 5 years	33,152	5,153
Over 5 years	85,432	46,779
Total	534,359	265,420

iii) Amount of NPAs (Gross)

Rs. In Million

Particulars	As at March 31,2010	As at March 31,2009
Substandard	22,735	26,730
Doubtful 1	1,243	2,291
Doubtful 2	943	328
Doubtful 3	458	181
Loss	456	404

iv) Net NPAs: Rs.19,554 Million (Previous year Rs.20,756 Million)

v) NPA ratios:

- Gross NPAs to gross advances: 5.50% (Previous year: 5.51%)
- Net NPAs to net advances: 4.22% (Previous year: 3.67%)

vi) Movement of NPAs

Rs. in Million

Particulars	As at March 31,2010			As at March 31, 2009		
	Gross NPA	Provision	Net NPA	Gross NPA	Provision	Net NPA
Opening Balance as on April 1	29,935	9,180	20,755	15,532	4,316	11,217
Additions during the year	33,287	5,413	19,958	40,910	8,761	20,688
Recoveries/write offs during the year	37,385	8,310	21,158	26,507	3,897	11,149
Closing Balance as on March 31	25,836	6,283	19,554	29,935	9,180	20,756

vii) Non-performing Investments (NPIs): Rs. 1,762.00 Million (Previous year: 1,208 Million)

viii) Provision for NPIs: Rs. 403 Million (Rs.507 Million)

ix) Movement of provisions held towards depreciation on investments

Rs. in Million

Particulars	As at March 31,2010	As at March 31, 2009
Opening Balance as on April 1	4,037	5,084
Additions during the year	2,542	38
Recoveries/write offs during the year	104	1,085
Closing Balance as on March 31	6,475	4,037

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

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

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

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

Rs. in Million

Particulars	As at March 31,2010	As at March 31, 2009
Below 100% risk weight	730,316	795,308
100% risk weight	449,588	462,854
More than 100% risk weight	126,063	204,312
Deducted	419	195

1.6 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.

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 hair cuts as prescribed under the guidelines. Credit collateral information is maintained by the Credit Administration. This data is available at facility level and is being used for reporting purposes.

The eligible collaterals used by the Bank as risk mitigants are in the form of cash margin deposits, term deposits and eligible guarantees for arriving at the benefit for capital adequacy purposes. Corporate/parent guarantee etc. do act as a risk mitigant 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	As at March 31,2010	As at March 31, 2009
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	2,676	280
Retail exposures	Generally includes exposures to individuals and households, small businesses of a retail nature	0	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	As at March 31,2010	As at March 31, 2009
Wholesale exposures	Generally includes exposures to Banks, Financial Institutions and Corporates	310	468
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

1.7 Securitisation

Securitisation risk includes the risk that the capital resources held by the firm in respect of assets which it has securitised or participated in any third party securitisation transactions are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved. Typically, in securitisation transactions bank acts as an originator, servicing agent, investor in pass through certificates and provider of credit enhancement or as guarantor.

As an Originator, assets in the form of loan receivables held on the books of the bank are assigned to an independent Special Purpose Vehicle (SPV) which is created as a specific trust by an independent third party acting as the Trustee. The Bank does not have any role in the formation or management of SPVs. The Bank has not sponsored any off-balance sheet vehicles for the purpose of securitisation. The Bank does not provide any direct or indirect support to the SPV. The Bank is not responsible for the solvency or otherwise of the SPV nor is it concerned with any gains or losses that the SPV may make. The Bank obtains True sale opinion and loans so securitised are recorded as sales once the management is satisfied that control over the underlying assets has been transferred. Pursuant to RBI guidelines, the gain arising on securitisation of portfolio, which is the difference between sale consideration and book value of loans, is deferred and recognised in profit and loss account over the life of securities issued by the SPV. Loss, if any, is recognised on upfront basis in the profit and loss account. Expenses relating to securitisation namely rating fees, trusteeship fees and legal expenses are charged to the profit and loss account. Where the Bank is acting as a servicing agent it earns servicing income from the transaction. In certain securitisation structures, the Bank would have retained interest in the form of excess interest strips (also called Interest only strips receivable - IOSR). The Bank provides credit enhancement to support the transaction in the form of guarantee, cash collateral and subordination of IOSR. The Bank has not held any Pass Through Certificates (PTCs) for securitisation transactions where it has acted as originator. The PTCs purchased by the Bank, as an investor, are risk weighted

based on the external rating assigned to the transaction and are valued as per RBI/FIMMDA guidelines. The credit enhancements provided by the Bank is deducted from capital funds. Apart from the credit enhancements the Bank does not have any continuing obligation/ exposure from the securitisation except IOSR which is not offered as credit enhancement. The Bank does not hold any securitisation exposures in its trading books as an investor or otherwise. Bank is not running any pipeline and warehousing risks with regard to its asset book.

Following the decline in transactions in securitisation market over last several years, the Bank has not carried out any retail loan securitisations. The wholesale loan securitisation has been largely restricted to single or more corporate loans securitisation not involving any 'packaging' or 'repackaging' of receivables. In these transactions the Bank has not retained any interest in the transactions nor has the Bank provided any credit enhancement. With these transactions bank has been able to provide required finance to the corporate based on their credit strength despite the general degrowth in the asset book of the Bank. Bank has been able to achieve full risk defeasance by doing these securitisations. None of these wholesale loan assets are of a 'subprime' nature.

As regards the securitisation transactions carried out in the past years, the outstanding position is not significant and the Bank has already built up adequate provision for losses on them. The Bank does not carry any securitisation exposures as an investor. As regards, exposures as an originator of the transactions, the Bank monitors the performance of the portfolios and credit risk thereon and appropriately treats from a capital adequacy perspective. The Bank has not used any credit risk mitigants with regard to securitisation transactions.

Quantitative Disclosures (Banking Book):

Rs. in Million

Particulars:	**2009-10**	**2008-09**
Total amount of exposures securitised by Citi		
Corporate Loans	1,407	3,008
For exposures securitised losses recognised by Citi during the current period broken by the exposure type	Nil	Nil
Corporate Loans	Nil	Nil
Amount of assets intended to be securitised within a year	Nil	Nil
Of above, amount of assets originated within a year before securitisation	Nil	Nil
Unrecognised gain on securitisation of deals	6	5
Unrecognised loss on securitisation of deals	Nil	Nil
Aggregate amount of On-Balance Sheet securitisation exposures retained or purchased		
IOSR (subordinated)	12	11
IOSR (non-subordinated)	9	13
Cash Collaterals	137	139
Investment in Pass Through Certificates (PTCs)	Nil	860
Aggregate amount of off-balance sheet securitisation exposures		
Guarantees	18	Nil
Exposures that have been deducted entirely from Tier 1 and Tier 2 capital		
IOSR (subordinated)	12	11
IOSR (non-subordinated)	9	Nil
Cash Collaterals	137	139
Guarantees	18	Nil

Aggregate amount of securitisation exposures retained and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach:

Exposure Type	Capital Approach	2009-10			2008-09		
		Amount	Rating	Capital Charge	Amount	Rating	Capital Charge
IOSR (subordinated)	Deducted from capital	12	Unrated	12	11	Unrated	11
IOSR (non-subordinated) l	Deducted from capital	9	Unrated	9	13	Unrated	1
Cash Collaterals	Deducted from capital	137	Unrated	137	139	Unrated	139
PTC Tranche 1	Forms part of RWA	Nil	Nil	Nil	707	AAA(SO)	18
PTCs Tranche 2	Forms part of RWA	Nil	Nil	Nil	153	AA+(SO)	5
Guarantees	Deducted from capital	18	Unrated	18	Nil	Nil	Nil

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

There are no quantitative disclosures required to be made for trading book as Citi is not holding any position.

1.8 Market risk in trading book

Market Risk is the risk of loss due to changes in the market values of the Bank's assets and liabilities caused by changing interest rates, currency exchange rates and security prices.

The capital charge for interest rate related instruments and equities would apply to current market value of these items in Banks trading book. Since the Bank is required to maintain capital for market risks on an ongoing basis, the trading positions are marked to market on a daily basis. The current market value is determined as per extant RBI guidelines on valuation of investments.

The minimum capital requirement is expressed in terms of two separately calculated charges: Specific risk charge for each security, which is designed to protect against an adverse movement in the price of an individual security owing to factors related to the individual issuer. General market risk charge, which is towards interest, exchange and price risk in the portfolio in different securities or instruments.

Specific charge is computed in line with the rates for capital charge provided under the RBI guidelines on Prudential Norms on Capital Adequacy. The capital requirements for general market risk are designed to capture the risk of loss arising from changes in market interest rates. The Bank follows the duration method for measurement of the general market risk charge on investments portfolio. Measurement of market risk charge for interest rates include all interest rate derivatives and off-balance sheet instruments in the trading book, which react to changes in interest rates. The Bank has adopted intermediate approach for measuring the price risk for options. Options are reported as a position equal to the market value of the underlying multiplied by the delta. In addition, capital charge is also provided for the gamma and vega risk.

Capital charge for market risks in foreign exchange is 9 % on the open position limit of the Bank. This capital charge is in addition to the capital charge for credit risk on the on-balance sheet and off-balance sheet items pertaining to foreign exchange.

On the equity position in the investment portfolio capital charge has been maintained at 11.25% for specific risk and 9% for general risk.

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.

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.

All market risk taking activity in the Bank is centralised with Treasury and undertaken by authorised dealers. The Treasury is subject to limits and triggers across all products and risk factor. The Bank's Risk Management Policy approved by LOMC defines the process and procedures of limit approvals, changes, delegation, reporting and escalation in case of limit excesses and trigger breaches. The independent Market Risk Management reports and monitors the trading risk exposures against approved limits and triggers on a daily basis. An excess or a breach is reported and dealt with appropriately for corrective action with reporting to ALCO, Senior Market Risk Management and Corporate Treasury.

Capital requirements for market risk:

Rs. in Million

Category	**As at March 31,2010**		**As at March 31, 2009**	
	Risk weighted assets	**Capital charge**	**Risk weighted assets**	**Capital charge**
Interest rate risk	29,559	2,660	38,619	3,476
Foreign exchange risk (including gold)	11,191	1,007	20,930	1,884
Equity position risk	3,945	355	1,374	124
Total	44,695	4,022	60,923	5,484

1.9 Operational risk

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

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

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

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

1.10 Interest rate risk in banking book (IRRBB)

Interest rate risk represents the Bank's exposure to adverse movements in interest rates with regard to its non-trading exposures. Interest rate risk is measured by doing a gap analysis as well as factor sensitivity analysis. Business-specific assumptions underlying these measurements, e.g., tenor bucket used for demand deposits, are documented and models used to measure interest rate risk are independently reviewed. Interest rate gap analysis utilizes the maturity or repricing schedules of balance sheet items to determine the differences between maturing or repricing items within given tenor buckets. Interest rate exposure (IRE) measures the potential pre-tax earnings impact, over a specified reporting period, for the accrual positions, from a defined change in the yield curve. Residual market risk is also monitored using a series of measures, including factor sensitivities (PV01) and stress testing. Factor sensitivities (PV01) are expressed as the change in the value of a position for a defined change in a market risk factor, such as a change in the value of a position for a one basis point change in interest rates. Independent Market Risk Management monitors factors for all relevant market risk.

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

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

Rs. in Million

	As at March 31,2010		As at March 31, 2009	
Currency	**Earnings**	**Capital**	**Earnings**	**Capital**
INR	463	2,959	2,687	8,885
FCY	83	78	190	178
Total	546	3,037	2,877	9,063