

Citibank, N.A.
Bangladesh Branches
Disclosure on Market Discipline as required under Pillar III of Basel III
for the year ended 31 December 2019

The following detailed qualitative and quantitative disclosures are provided in accordance with Bangladesh Bank rules and regulations on capital adequacy under Basel III issued through BRPD Circular 18 (21 December 2014). The purpose of these requirements is to complement the minimum capital requirements and the Supervisory review process. These disclosures are intended for market participants to assess key information about the Bank's exposure to various risks and to provide a consistent and understandable disclosure framework for easy comparison among banks operating in the market.

The Bank follows the disclosure policy to observe the disclosure requirements as set out by the Bangladesh Bank and International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) into Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) where relevant to the Bank.

Guidelines on Risk Based Capital Adequacy are structured around the following three aspects or pillars of Basel III:

Minimum capital requirements maintained by a bank against credit, market and operational risk;

Supervisory Review i.e. Process for assessing overall capital adequacy in relation to a bank's risk profile and a strategy for maintaining its capital at an adequate level;

Market Discipline i.e. public disclosure of information on the bank's risk profiles, capital adequacy and risk management.

1. Scope of Application

Qualitative Disclosures:

Bank has no subsidiaries or significant investments and Basel III is applied at the Bank level. Pursuant to Bangladesh Bank circular BRPD Circular No: 02, dated 25 February 2019, Basel III as of 31 December 2019 comprise the operations of both the Domestic Banking Unit (DBU) and the Offshore Banking Unit (OBU). In previous years, Basel III was prepared for DBU only.

Quantitative Disclosures:

Not Applicable

2. Capital Structure

(a) Qualitative Disclosures:

Citibank, N.A. Bangladesh capital structure consists of Tier I Capital and Tier II Capital. For the purpose of calculating capital under capital adequacy framework, the capital of banks shall be classified into two tiers. The total regulatory capital will consist of a) Tier I Capital (going-concern capital; Common Equity Tier I & Additional Tier I) and b) Tier II Capital (gone-concern capital). All banks will be required to maintain the following ratios on an ongoing basis:

- i. Common Equity Tier I of at least 4.5% of the total RWA.
- ii. Tier-I capital of 6.0% of RWA
- iii. Minimum CRAR of 10% of the total RWA.
- iv. Additional Tier I capital can be admitted maximum up to 1.5% of the total RWA or 33.33% of CET I, whichever is higher.
- v. Tier II capital can be admitted maximum up to 4.0% of the total RWA or 88.89% of CET I, whichever is higher.
- vi. In addition to minimum CRAR, Capital Conservation Buffer (CCB) of 2.5% of the total RWA is being introduced (@0.625% per year from 2016 to 2019) which will be maintained in the form of CET I.

Tier I capital of the bank includes fund deposited with Bangladesh Bank, retained earnings and actuarial gain/(loss). Tier I capital, also called "Common Equity Tier I Capital" of the bank.

Tier II capital consists of the general provision and revaluation reserve for Held for trading (HFT) securities subject to the provisions mentioned in the guidelines & relevant circulars.

The bank does not have any Additional Tier I capital.

Quantitative Disclosures:**(b) The details of capital structure are provided as under:**

	2019	2018
	<u>BDT</u>	<u>BDT</u>
Tier-1 (going-concern capital)		
Common Equity Tier 1 (CET 1 Capital)		
Fund Deposited with BB	4,898,563,931	4,840,865,887
Retained Earnings	7,719,239,144	6,220,539,341
Actuarial gain/(loss)	(69,455,065)	(135,528,345)
Total CET 1 Capital	12,548,348,010	10,925,876,883
Additional Tier 1	-	-
Total Tier 1 Capital	12,548,348,010	10,925,876,883
Tier 2 Capital (gone-concern capital)		
General Provision	478,276,228	450,326,617
Revaluation Reserve for HFT Securities up to 50% of the 2014 balance	12,354,072	12,354,072
Total Tier 2 capital	490,630,300	462,680,689
Total capital	13,038,978,310	11,388,557,573
(c) Regulatory Adjustments/Deductions from capital		
Deferred tax assets on specific provision (from CET 1 Capital)	61,663,996	61,637,206
Revaluation Reserve for HFT Securities (100% for 2019 & 80% for 2018)	12,354,072	9,883,258
Total	74,018,068	71,520,464
(d) Total eligible capital (b-c)	12,964,960,242	11,317,037,109

3. Capital Adequacy**(a) Qualitative Disclosures:**

Citibank, N.A. Bangladesh Office is operating as Branch Office of the Head Quarter in New York, USA and is represented by appointed/nominated Citi Country Officer (CCO). Since Citibank, N.A. is not an incorporated banking company in Bangladesh and since there aren't any shareholder directors, CCO is the chief custodian for all franchise issues in Bangladesh. CCO along with other members of Senior Management representing the Country Coordination Committee (CCC) provide the governance oversight for Citibank, N.A. Bangladesh, which in case of a locally incorporated entity would have been expected from the Board of Directors.

Citi's Risk Capital framework relies on and is complementary to its Corporate Governance and Risk Management framework, which balances corporate oversight with independent risk management functions within each business.

A sound risk management process, strong internal controls and well documented policies and procedures are the foundation for ensuring the safety and soundness of the Bank. The Country Coordination Committee (CCC) and Senior Management ensure that capital levels are adequate for the Bank's risk profile. They also ensure that the risk management and control processes are appropriate in the light of the Bank's risk profile and business plans.

Senior Management including CCC deal with the following:

- Oversight of Basel III implementation and new requirements
- Annual review of risk limits and concentrations
- Capital planning
- Quarterly risk assessment and capital adequacy review against target
- Annual Review of ICAAP

Under the supervision of the senior management of the bank, the Country Risk Management Committee (CRMC) discusses, reviews and manages the material risks faced by the bank. The committee is headed by Chief Risk Officer and attended by Citi Country Officer and is also represented by all risk monitoring units within the bank. The committee meets at least once a month to review the current material risks faced by the bank.

Internal Capital Adequacy Assessment Process (ICAAP) represents the Bank's own assessment of its internal capital requirements. The Bank's approach for calculating its own internal capital requirement has been to take the minimum capital required for credit risk, market risk and operational risk under Pillar-I as the starting point and assess whether this is sufficient to cover those risks and then identify other risks (Pillar-II) and assess prudent level of capital to ensure capital adequacy.

The Bank's Asset Liability Committee (ALCO) is responsible for the review of overall asset and liability position, liquidity position, capital adequacy, balance sheet risk, interest risk and as and when required necessary changes are made to ensure various risks are adequately managed. The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and regularly monitored. As per the Bangladesh Bank guideline, the Bank has implemented all of the core risk management guideline for banks.

Quantitative Disclosures:

Details of Risk Weighted Assets are as below:

Risk Weighted Assets as Risk Category:	2019 <u>BDT</u>	2018 <u>BDT</u>
Credit Risk		
On Balance Sheet Exposures	23,384,990,223	17,928,341,080
Off Balance Sheet Exposures	7,338,901,548	6,115,518,079
Total Credit Risk	30,723,891,771	24,043,859,159
Market Risk	1,394,059,723	836,065,175
Operational Risk	3,711,930,261	3,299,590,194
Total Risk Weighted Assets	<u>35,829,881,755</u>	<u>28,179,514,528</u>
Capital Requirement		
(b) Capital requirement for Credit Risk	3,072,389,177	2,404,385,916
(c) Capital requirement for Market Risk	139,405,972	83,606,517
(d) Capital requirement for Operational Risk	371,193,026	329,959,019
Total	<u>3,582,988,176</u>	<u>2,817,951,453</u>
(e) Ratios (stand alone basis)		
Capital to Risk Weighted Assets Ratio (CRAR)	36.18%	40.16%
Common Equity Tier-1 to RWA	34.85%	38.55%
Tier-1 Capital to RWA	34.85%	38.74%
Tier-2 Capital to RWA	1.33%	1.61%
Capital Conservation Buffer to RWA	23.86%	24.58%
(f) Capital Conservation Buffer	8,548,348,010	6,925,876,883
(g) Available Capital under Pillar 2 Requirement	<u>8,964,960,242</u>	<u>7,317,037,109</u>

4. Credit Risk

(a) Qualitative Disclosures:

Definitions of past due and impaired (for accounting purposes)

Past dues and impaired exposures are defined in accordance with the relevant Bangladesh Bank regulations. Specific and general provisions are computed periodically in accordance with the Bangladesh Bank regulations.

Special Mention Account (SMA)

These assets have potential weaknesses thus deserve management's close attention. If left uncollected, these weaknesses may result in direction of the repayment prospect of the borrower.

Sub-Standard

These are the loans where bank has reason to doubt about the payment of the loan although recovery prospect is encouraging.

Doubtful.

A Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months, the entire loan will be put into the "Doubtful (DF)".

Bad/ loss.

These are the loans that have a bleak recovery possibility.

Unclassified

These are the loans where bank is fully satisfied about its repayment.

Description of approaches followed for specific and general allowances and statistical methods;

As per relevant Bangladesh bank guidelines, 0.25% to 5% provision is maintained against unclassified loans, 5% to 20% provision is maintained against sub-standard loans, 5% to 50% provision is maintained against doubtful loans and 100% provision is maintained against bad/ loss after deducting value of eligible security, if any, as per Bangladesh Bank guidelines. All interest is suspended/ discontinued if the loan is identified as sub-standard, doubtful or bad/ loss.

Discussion of the bank's credit risk management policy

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract. It arises principally from direct lending, trade finance and leasing business, but also from off-balance sheet products such as guarantees and credit derivatives, and from the holdings of debt securities. The failure may result from unwillingness of the counter party or decline in his / her financial condition. Among the risks the Citibank N.A. Bangladesh engages in, credit risk generates the largest regulatory capital requirement. Citibank N.A. Bangladesh has standards, policies and procedures dedicated to controlling and monitoring risk from all such activities.

The aims of credit risk management, underpinning sustainably profitable business, are principally:

- ** to maintain a strong culture of responsible lending, supported by a robust risk policy and control framework;
- ** to both partner and challenge business originators effectively in defining and implementing risk appetite, and its re-evaluation under actual and scenario conditions; and
- ** to ensure independent, expert scrutiny and approval of credit risks, their costs and their mitigation.

The standardized approach is applied for risk weighting of exposure as per directive of Bangladesh Bank. It requires banks to use risk assessments prepared by External Credit Assessment Institutions (ECAIs) to determine the risk weightings applied to rated counterparties. The bank has used all customer ratings wherever available for use based on their entity rating as assigned by the approved ECAIs of Bangladesh Bank.

Credit risk is one of the major risks faced by the Bank. To assess and to mitigate the credit risk, the Bank has implemented risk management manual, which is considered an important tool for retaining the quality and performance of the assets. Accordingly, the Bank's credit risk management functions have been designed to address all these issues including risks that arise from global changes in banking, finance and related issues.

The Bank has defined segregation of duties for all credit risk related activities like credit approval, administration, monitoring and recovery functions.

The Bank has set policies and procedures for the controlling and monitoring of credit risks from these activities. A thorough risk assessment is done before sanction of any credit facility at risk management units. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the credit facility etc.

Bank also has established separate Credit Risk Management Services which helps in ensuring credit compliance with the post-sanction processes/ procedures laid down by the Bank from time to time. Bank has in place a risk grading system for analyzing the risk associated with credit. The parameters, while risk grading the customers, include financial condition and performance, quality of disclosures and management, facility structure, collateral and country risk assessment where necessary. Maximum counterparty/group exposures are limited to 15% (funded) of the bank's capital base as stipulated by Bangladesh Bank. Exposure beyond the said limit may be allowed only upon prior approval from Bangladesh Bank.

Quantitative Disclosures:**(b) Gross Credit Risk Exposure**

	2019	2018
	<u>BDT</u>	<u>BDT</u>
Claims on Bangladesh Government and Bangladesh Bank	10,266,402,316	9,520,219,814
Claims on Banks and NBFIs	17,235,058,404	10,072,840,719
Claims on corporate	17,175,930,350	16,009,144,235
Fixed assets	120,953,357	149,287,620
All other assets	1,937,960,490	1,656,421,064
Off-balance sheet items	6,562,486,426	8,446,141,749
Total	<u>53,298,791,344</u>	<u>45,854,055,201</u>

Major types of Loans & advances:

Continuous loan	981,843,528	1,826,091,835
Demand Loan	15,116,242,112	19,758,975,010
Fixed term loan	2,059,924,842	777,982,958
Staff loan	-	-
Short Term Agri-credit and Microcredit	314,132,000	253,246,111
Total	<u>18,472,142,482</u>	<u>22,616,295,914</u>

(c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure:

Urban		
	Dhaka Division	17,738,357,688
	Chittagong Division	733,784,794
Rural		
	Dhaka Division	-
	Chittagong Division	-
	Total	<u>18,472,142,482</u>
		<u>22,616,295,914</u>

(d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure:

	2019	2018
	<u>BDT</u>	<u>BDT</u>
Agriculture (Dairy, Poultry, Nursery, Hatchery etc.)	314,132,000	253,246,111
Readymade Garments	1,809,031,230	3,530,535,703
Pharmaceutical Industries	965,471,773	1,210,460,309
Chemical Industries	181,917,963	568,794,400
Fuel & Electricity	2,045,319,022	1,170,724,028
Agro based Industries	1,905,347,207	2,602,470,645
IT Sector	157,177,927	43,987,665
Telecommunication	1,894,819,893	2,186,951,204
Financial Corporation	1,133,929,843	2,520,562,116
Others	8,064,995,624	8,528,563,733
	<u>18,472,142,482</u>	<u>22,616,295,914</u>

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure:

Payable		
On demand	214,195,937	1,758,086,985
Within one month	3,504,820,945	3,858,949,797
Within one to three months	8,427,615,396	10,057,139,721
Within three to twelve months	4,560,678,411	5,957,986,439
Within one to five years	1,758,575,039	763,704,281
More than five years	6,256,754	220,428,691
Total	18,472,142,482	22,616,295,914

(f) Amount of impaired loans, Specific and general provisions & Charges for specific allowances and charge-offs during the period:

Amount of impaired loans:

Special Mention Account	-	-
Substandard	-	-
Doubtful	-	-
Bad/Loss	220,452,691	220,428,691
	220,452,691	220,428,691

Specific and general provisions :

General Provision	250,856,253	259,812,785
Special Provision	162,273,674	162,203,174
	413,129,926	422,015,959

Charges for specific allowances and charge-offs during the period

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(g) Gross Non Performing Assets (NPAs)

220,452,691 220,428,691

Non Performing Assets (NPAs) to Outstanding Loans & advances

1.19% 0.97%

Movement of Non Performing Assets (NPAs)

Opening balance	220,428,691	220,340,191
Additions (net)	24,000	88,500
Reductions	-	-
Closing balance	220,452,691	220,428,691

Movement of specific provisions for NPAs

Opening balance	162,203,174	162,113,674
Provision made during the period	70,500	89,500
Write-off	-	-
Write -back of excess provisions	-	-
Closing balance	162,273,674	162,203,174

(5) Equities: Disclosures for Banking Book Positions

Qualitative Disclosures:

Citibank N.A. has equity holdings of unquoted shares of Central Depository Bangladesh Limited.

Valuation of Unquoted Shares:

Unquoted shares are valued at cost price as per latest audited accounts

Quantitative Disclosures:	2019	2018
	<u>BDT</u>	<u>BDT</u>
Unquoted shares in Central Depository Bangladesh Limited	6,000,000	6,000,000
The cumulative realized gains (losses) arising from sales and	-	-
Total unrealized gains (losses)	-	-
Total latent revaluation gains (losses)	-	-
Any amounts of the above included in Tier 2 capital	-	-
Capital Charge on Equities	-	-

(6) Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures:

Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. The immediate impact of changes in interest rates is on the Net Interest Income (NII). A long term impact of changing interest rates is on the Bank's net worth since the economic value of a Bank's assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates. The responsibility of interest rate risk management rests with the Bank's Asset and Liability Management Committee (ALCO) and Risk Treasury (RT) department. Bank periodically computes the interest rate risk on the banking book that arises due to re-pricing mismatches in interest rate sensitive assets and liabilities. For the purpose of monitoring such interest rate risk, the Bank has in place a system that tracks the re-pricing mismatches in interest bearing assets and liabilities. For computation of the interest rate mismatches, Citi Policies are followed.

Bank adopts maturity method in measuring interest rate risk in respect of securities in trading book. The capital charge for entire market risk exposure is computed under the standardized approach using the maturity method and in accordance with the guideline issued by Bangladesh Bank.

Interest rate exposures as per Citi Policies are placed to ALCO.

Other Tools for measuring & analyzing interest rate risk

Interest Rate Gap Analysis utilizes the maturity or re-pricing schedules of balance sheet items and hedges accounted derivatives to determine the differences between maturing or re-pricing items within given tenor buckets.

Interest Rate Exposure ('IRE') measures the potential pre-tax accounting earnings impact, over specified reporting periods, from a defined parallel shift in the yield curve. It is a forward-looking measure, analogous to Factor Sensitivity on the trading portfolios.

Value-at-close is a point-in-time estimate of the 'fair value' of an accrual portfolio – not a liquidation value. It must be calculated for all Treasury Units and for those business units where the residual positions can be reliably marked-to-market.

Quantitative Disclosures:

	2019 <u>BDT</u>	2018 <u>BDT</u>
Market Value of Assets	57,770,151,920	45,874,800,000
Market Value of Liabilities	45,411,085,397	34,919,300,000
Weighted Average of Duration of Assets (DA)	0.21	0.19
Weighted Average of Duration of Liabilities (DL)	0.01	0.01
Duration GAP (DA-DL)	0.20	0.18
Yield to Maturity (YTM -Assets)	4.13%	3.52%
Yield to Maturity (YTM -Liability)	0.33%	0.39%
Fall in MV of Equity	21,080,000	23,700,000
Change in market value of equity due to an increase in interest rate @3%	(335,471,509)	(237,156,943)
Stress Testing (Interest Rate Shock):		
Regulatory capital (after shock)	12,975,400,000	11,217,300,000
CAR (after shock)	36.35%	39.81%

(7) Market Risk**Qualitative Disclosures:**

Market Risk is the risk to the bank's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities of those changes.

Methods used to measure Market risk

As per the instructions from the Bangladesh Bank, the Bank uses the standardized (market risk) approach to calculate market risk for trading book exposures. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk".

Market Risk Management system

The Treasury Division manages market risk covering liquidity, interest rate and foreign exchange risk with oversight from Asset-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO meets at least once in a month.

Policies and processes for mitigating market risk:

The bank's policy is to control material risks through a framework of limits & triggers approved by ALCO and manage the same through robust controls over calculating, monitoring and reporting results. The risk appetite is largely determined and controlled due to regulatory limits on foreign exchange. The spot foreign exposure is limited through the Net Open Position which is approved by BB. Aggregate interest rate exposures on trading account is controlled by limits on DV01. Further, trading exposures are controlled through additional risk management tools such as Value-at-Risk (VaR) and Loss Trigger Limits for Trading and AFS book. All market risk taking activities in the Bank are centralized with Treasury and undertaken by authorized dealers. The independent Market Risk Management monitors the trading and banking book exposures against approved limits and triggers on a daily basis.

Trading book consists of positions in financial instruments held with trading intent or in order to hedge other elements of the Trading Book. A capital charge will be applicable for financial instruments which are free from any restrictive covenants on tradability, or able to be hedged completely. Generally, investments in 'Held for Trading' portfolios are focal parts of the Trading Book.

Capital charge means an amount of regulatory capital which the bank is required to hold for an exposure to a relevant risk which, if multiplied by 10.00, becomes the risk-weighted amount of that exposure for that risk.

Citibank Bangladesh follows its global policies for managing market risk.

DV01 and NOP limits are followed to ensure that the activity is run in a controlled manner.

A daily report on DV01 is circulated to the traders and the Head of Global Markets. The Traders are required to operate within approved limits which are reviewed at least once annually. Traders are encouraged to seek pre-approvals where they feel a proposed transaction can exceed the limits.

(8) Foreign exchange risk

Foreign exchange risk is defined as the potential change in earnings due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements. Treasury Department independently conducts the transactions and the back office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate at the balance sheet date.

Quantitative Disclosures:	2019	2018
	<u>BDT</u>	<u>BDT</u>
The capital requirement for:		
Interest rate risk	54,064,932	45,470,833
Equity position risk	-	-
Foreign exchange risk	85,341,040	38,135,685
Commodity risk	-	-
	<u>139,405,972</u>	<u>83,606,517</u>

(9) Operational Risk

Qualitative Disclosures:

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 the bank’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 internal policies. There are five Event Types for categorizing operational risk as shown below:

- Clients, Products and Business Practices
- Execution, Delivery and Process Management
- Fraud, Theft and Unauthorized Activity
- Employment Practices and Workplace Environment and
- Physical Asset and Infrastructure.

Operational risk is inherent in every business organization and covers a wide spectrum of issues. The Bank manages such risk through a robust internal control framework supported by regular monitoring of risk events and periodic reviews by internal audit.

The bank 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 the bank, the Governance Structure presents three lines of defense, as below.

i) 1st Line of Defense:- Business, In Business Risk Management and Functional Specialties – The business owns its risk including operational risk and is responsible for its management. They are responsible for identifying and reporting operational risks to Independent Risk Management and Control Functions. The functional specialists are responsible for advising on, contributing to, executing, and/or overseeing key controls in support of efficient and effective management of operational risk.

ii) 2nd 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. The Second Line of Defense Control Functions include Risk Management and its Operational Risk Management (ORM) , Compliance, Finance, Human Resources, and Legal.

iii) 3rd Line of Defense:- Independent Assessment of Internal Audit - Recommends enhancement on an ongoing basis and provides independent assessment and evaluation.

An independent Operational Risk function within the Group Risk function works alongside business and functional management, to ensure operational risk exposures are managed within acceptable risk tolerance limits. Group Operational Risk is responsible for setting the operational risk policy and defining standards for measurement.

Governance over operational risks is ensured through a defined structure of risk committees at group, business function and country levels. Business Risk Compliance & Control (“BRCC”) & Country Account Review Committee (ARC) have the responsibility for oversight of operational risks and significant issues at a country level. Country Risk Management Committee (CRMC) has the responsibility for oversight of all risks and significant issues at the country level.

The bank has robust mechanism to identify and monitor operational risks. It follows Manager’s Control Assessment program that helps managers to identify significant operational risks, assess effectiveness of controls, detect and address weakness in control design/ execution, determine issue severity and detect and address emerging operational risks to business activities.

At a global level the effectiveness of senior management is tracked through various risk metrics.

In line with the instructions from the Bangladesh Bank, the Bank uses the basic indicator approach to calculate its operational risk Capital Charge.

Quantitative Disclosures:	2018 <u>BDT</u>	2017 <u>BDT</u>
Capital Charge for operational risk	371,193,026	354,116,822

Capital charge means an amount of regulatory capital which the bank is required to hold for an exposure to a relevant risk which, if multiplied by 10.00 it becomes the risk-weighted amount of that exposure for that risk.

(10) Liquidity Risk

Qualitative Disclosures:

ALCO supervises the liquidity condition through ALCO meetings and takes appropriate measure to address liquidity related issues. As per the policy Treasury prepares the Funding and Liquidity Plan, which is endorsed by the Country ALCO. Citibank, N.A., Bangladesh Branch is also integrated into the overall Citi liquidity and funding process and liquidity-monitoring framework. The bank adheres to Group Liquidity policies as set out in the Liquidity Risk Management Policy for Citi including structural liquidity metrics like core regression for liability balances and S2 ratio for the overall balance sheet. Citigroup Liquidity Risk Management Policy defines the Liquidity Risk Appetite as necessitating that each Liquidity Management Unit (Citibank Bangladesh branch, in this case). Citibank must maintain sufficient liquidity to meet all maturing obligations for the next 12 months under the most conservative of their designated stress scenarios. MAR (Market Access Limit) Limits are established based on an evaluation of the contingent liquidity capacity of the LMUs under the most conservative stress scenario. This is evaluated for limits out to 12 months and incorporates stressed outflows of deposits. Additional metrics used to assess Structural liquidity on the balance sheet include Liquidity ratios specified for LCY & FCY like:

- Deposits/ loans
- Concentration ratios like top 5 Significant funding sources (SFS) as a % of total customer liabilities

Quantitative Disclosures:

	2019	2018
Liquidity Coverage Ratio (LCR)	239.68%	125.90%
Net Stable Funding Ratio (NSFR)	155.58%	132.22%
Stock of High quality liquid assets	16,753,036,724	13,302,173,743
Total net cash outflows over the next 30 calendar days	6,989,677,006	10,565,481,814
Available amount of stable funding	45,631,108,987	38,021,668,227
Required amount of stable funding	29,329,565,584	28,755,330,124

(11) Leverage Ratio

Qualitative Disclosures:

Leverage Ratio is calculated in accordance to Bangladesh Bank’s Guidelines on Risk Based Capital Adequacy on a quarterly basis. The Country Coordination Committee (CCC) and senior management ensure that capital levels are adequate and is a good fit with the bank’s risk profile and exposure level.

Leverage ratio is calculated by dividing Tier 1 capital with Total exposure. Total exposure comprises of :

- i) On balance sheet, non-derivative exposures net of specific provisions and valuation adjustments
- ii) Off-balance sheet exposure including commitments (applicable credit conversion factor (CCF) is used for the conversion)

The leverage ratio is intended to achieve the following objectives:

- a) constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- b) reinforce the risk based requirements with an easy to understand and a non-risk based measure.

Quantitative Disclosures:

	2019	2018
	<u>BDT</u>	<u>BDT</u>
Leverage Ratio	19.37%	18.47%
On balance sheet exposure	57,950,650,888	45,689,475,238
Off balance sheet exposure	6,562,486,426	13,195,147,575
Total exposure	58,822,985,607	58,822,985,607

(12) Remuneration**Qualitative Disclosures:**

The following remuneration disclosures have been prepared in accordance with 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' provided by Bangladesh Bank. The prudential disclosures require that all banks meet the minimum requirements for public disclosure of qualitative and quantitative information of the remuneration practices. The qualitative remuneration disclosures are broader in scope and cover all the individuals included where as the quantitative information relates to senior managers and material risk takers of the Citibank N.A. Bangladesh, for the financial year ended December 31, 2019.

a) The information relating to the bodies that oversee remuneration disclosure:

Citi has a presence in 98 countries & jurisdictions but does business in more than 100 countries & jurisdictions; the Bank often tries to leverage individual employee development and exposure to multifaceted challenges by utilizing its global footprint. Moreover, the Bank maintains matrix reporting structure where all in-country functions report to respective functions in the region in addition to country management Remuneration is looked after by Country HR, Country Senior Personnel Team (CSPC), Regional Compensation and Benefit Team and respective Regional Business Heads.

The Country Senior Personnel Committee (CSPC) of Citi Bangladesh is a committee that makes decision on major Human Resources related issue including but not limited to cross franchise compensation and benefits planning in Bangladesh.

CSPC Consists of the following members.

Citi Country Officer (CCO) & Managing Director

Head of Markets

Head of Operations & Technology

Head of Compliance

Country Finance Officer (CFO)

Head of Legal

Head of HR

At a regular interval Citibank; N.A. Bangladesh participates in Compensation & Benefit Surveys. In 2019, Citibank; N.A. participated in Compensation in Benefit Survey conducted by external consultant firm as per regional Compensation and Benefit Team approval.

The remuneration policy of the bank covers all employees employed by the bank and reviewed regularly based on individual performance. The Citibank; N.A. Bangladesh Management Team comprising of Citi Country Officer & Managing Director, Country Finance Officer, Citi Country Compliance Officer, Head of O&T, Country Legal Counsel, Head of Treasury & Trade Solutions, Head of Corporate & Investment Banking, Country HR Officer, Head of Internal Audit are the material risk takers.

b) Design and structure of remuneration process**Annual Salary Review**

The annual salary review process is carried out through a common review date in 4th Quarter every year. All eligible employees come up for consideration for merit increase review on this date. The performance rating of an employee and current pay in the grade are important in determining the quantum of the increase. One important factor that determines that amount of merit increase is the organization's ability to pay. Accordingly, in 4th Quarter 2019 an annual completion review for all eligible employees was being completed.

Annual Salary Increase Rate is expressed as a percentage of the current total cash salary and would indicate the merit increase budget for a year.

Annual Salary Increase percentage are determined both grade wise and function wise (for specialized functions) based on market data and the Citibank Senior Policy Committee decision on the targeted positioning for the two categories and regional compensation team guidance. Remuneration consists of Fixed Pay and Variable Pay and non cash Benefits.

Annual Bonus

If business conditions permit, and depending on an employee's performance, the Bank may pay a bonus to selected employees. The following is the bonus guideline: The decision of whether to pay a bonus and, if so, how much, is at the sole discretion of management. Anyone who is not an active employee of the Bank for at least minimum months (as stated by the regional team during year end process) of the period for which the bonus applies will not be entitled to receive, and therefore, will not be paid a bonus. The Bank reserves the right to pay all or part of bonuses in a form other than cash including, for example, a contingent, deferred stock award or stock options subject to rules and regulations of the country and management philosophy. The amount of the bonus will be determined by management based in part upon employee's individual performance, the performance of the business group, the performance of the Bank and the performance of Citigroup Inc. In 4th Quarter 2019, an annual bonus exercise was done for all eligible employees.

All eligible employees are entitled to Festival Bonus in line with HR policy and local regulation.

The Bank also have Provident Fund and Gratuity Fund for all eligible employees in line with local regulations.

Salary survey market report contains different percentiles of different job grades. During year end process, country HR and regional business heads review market data and employee performance ratings to come to decision in connection to individual pay grades within the approved the salary budget.

As mentioned previously, Citibank follows matrix structure of reporting. All employees belonging to Risk and Compliance are appraised by their respective regional chain. All bonus and annual salary increases (as admissible) are monitored and controlled by their respective business chain and concerned regional HR team independently.

c) Current and Future risks of remuneration process

The following risks are considered while evaluating current and future risks:

1. Internal Control and Compliance : Compensation Process is reviewed for compliance with local and regional guidelines.
2. Operational Risk : Compensation Process is reviewed to mitigate operational losses
3. Regulatory Risk : Compensation Process is reviewed to check compliance with local regulations
4. Reputational Risk Compensation Process is reviewed to mitigate any reputational risk.

d & e) Performance management

Performance Management Philosophy at Citi

Citi employs a consistent Performance Management process that drives meaningful & specific feedback used to clarify expectations, facilitate growth, and create a foundation for pay and promotion decisions. The resulting process is driven by the following guiding principles:

- Drive a culture of meritocracy, differentiating based on performance
- Manage performance against challenging goals
- Evaluate employees on how goals were achieved, not just end results
- Provide balanced feedback and direction regarding strengths and areas for development

Citi Performance Management Process Components

The Performance Management process is an ongoing, year-round process, and consists of 4 primary components:

- Goal Setting
- Development Planning
- Mid-Year Conversation
- Year-End Review

In addition, Performance Management is a dynamic process which includes ongoing review of goals, coaching, development, feedback and recognition throughout the year. These ongoing discussions are critical for a successful process. The bank has structured Performance Improvement Plan in the event when performance metrics are not in expected level.

f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.

The purpose of the plan is to reward and retain eligible employees through discretionary incentive and/ or retention awards under specific terms and conditions contingent upon company's performance , an eligible employees sector or business unit performance , an eligible employees individual performance, or any combination of the foregoing. Cash Bonus : Usually paid during Year End Process (annually), which is payable to an employee in currency and not in shares of company common stock or derivatives thereof, and is not subject to deferral.

Quantitative Disclosures:

	2019 <u>BDT</u>	2018 <u>BDT</u>
Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	4	4
Remuneration paid to the member of body overseeing remuneration during the financial year.	-	-
Number of employees having received a variable remuneration award during the financial year.	98	107
Number of guaranteed bonuses awarded during the financial year.	142	141
Amount of guaranteed bonuses awarded during the financial year.	22,329,509	21,327,264
Number of sign-on awards made during the financial year.	-	-
Total amount of sign-on awards made during the financial year.	-	-
Number and total amount of severance payments made during the financial year	-	-
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	-	-
Total amount of deferred remuneration paid out in the financial year.	8,573,942	645,445
Fixed Amount of remuneration awards for the financial year	404,670,760	365,570,045
Variable Amount of remuneration awards for the financial year	50,889,609	39,884,377
Different forms used (cash, shares and share linked instruments, other forms).	Cash, Shares	Cash, Shares
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	N/A	N/A
Total amount of reductions during the financial year due to ex post explicit adjustments.	N/A	N/A
Total amount of reductions during the financial year due to ex post implicit adjustments.	N/A	N/A