
CITIBANK CANADA
Basel III Pillar 3
As at December 31, 2023
100
YEARS IN
CANADA

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1. Scope of Application

Qualitative disclosures

This document addresses the Basel III Pillar 3 disclosure requirements for Citibank Canada (the "Bank") and all its subsidiaries. There are no differences in the basis of consolidation for accounting and regulatory purposes. All intercompany transactions and balances have been eliminated. There are no specific internal restrictions on the transfer of funds or regulatory capital of the Bank's subsidiaries except that necessary approvals from the Board of Directors and/or officers of the relevant entities are required prior to making changes.

The Bank is a wholly owned indirect subsidiary of Citibank, N.A. and is licensed to operate as a bank in Canada with full banking powers under the Bank Act as a foreign bank subsidiary. The Bank's immediate parent is Citibank Overseas Investment Corporation, and the ultimate parent is Citigroup Inc. Citibank Canada has been categorized as Category II SMSB by OSFI.

The following disclosures have been prepared purely for explaining the basis on which the Bank has prepared and disclosed information about capital requirements, the management of certain risks, remuneration of senior management and for no other purpose. The disclosures do not constitute any form of financial statements and must not be relied upon in making any investment or judgment on the Bank or its parents, Citigroup Inc. and Citibank, N.A. Except as otherwise indicated, financial information presented in Canadian dollars is rounded to the nearest thousand.

Additional financial information published can be accessed at OSFI's Financial Data for Banks. Website: (https://www.osfi-bsif.gc.ca/en/data-forms/financial-data/financial-data-banks).

2. Capital Structure

Qualitative disclosures

The Bank's regulatory capital is principally comprised of Tier 1 capital that includes common shares, reserves, retained earnings (adjusted to eliminate certain gains/losses arising from changes in the Bank's own credit spread) and regulatory adjustments. The Bank's Tier 2 capital is comprised of an eligible portion of the Stage 1 and Stage 2 allowance for credit losses.

Quantitative disclosures

The following summarizes the Bank's regulatory capital as at December 31:

	2023	2022
Common shares (no par value; unlimited authorized; 17,003 shares issued (2022 – 17,003 shares issued))	428,833	853,833
Eligible reserves	10,080	10,080
Adjusted retained earnings	280,891	687,798
Accumulated other comprehensive income for capital purposes	(6,415)	(13,131)
Less:		
Accumulated net after-tax fair value gain/(loss) arising from changes in institution's own credit risk including DVA on derivatives	(468)	(1,454)
Gross Tier 1 capital	713,857	1,541,173
Tier 1 deductions		
Computer software intangibles (net of deferred tax liability)	-	-
Deferred tax assets excluding those arising from temporary differences (net of eligible deferred tax liability)	7,337	24,736
Adjusted net Tier 1 capital	**706,520**	**1,516,437**
Tier 2 capital: Eligible Stage 1 and Stage 2 allowance	6,319	10,065
Total eligible capital	**712,839**	**1,526,502**

In 2023, $457 Million (2022 – $43 Million) dividend was paid to shareholders.

3. Capital Adequacy

Qualitative disclosures

Effective January 1, 2013, the Bank has adopted OSFI's new guidelines which are based on *"Basel III: A global regulatory framework for more resilient banks and banking systems – December 2010 (revised June 2011)"* known as Basel III, issued by the Basel Committee on Banking Supervision ("BCBS"). Together with *"Basel III International Framework for liquidity risk measurement standards and monitoring"*, this presents the Basel Committee's reforms to strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector.

The BCBS introduced Basel III reforms through a series of regulatory changes in recent years, designed to address weaknesses in banks' resilience revealed during the financial crisis. The final Basel III reforms published in December of 2017 seek to enhance credibility in the calculation of Risk-Weighted Assets ("RWA") and improve the comparability and transparency of banks' capital ratios which included changes to the credit risk, operational risk, Leverage Ratio ("LR") and Credit Valuation Adjustment ("CVA") frameworks. The changes for CVA were implemented on January 1, 2014. The new LR framework was implemented on January 1, 2015.

The BCBS also issued a final guideline on the standardized approach for measuring counterparty credit risk exposures, which includes a comprehensive, non-modelled approach for measuring counterparty credit risk associated with OTC derivatives, exchange-traded derivatives, and long settlement transactions. The new Standardized Approach for Counterparty Credit Risk ("SA-CCR") replaces both the Current Exposure Method ("CEM") and the Standardized Method ("SM") in the capital adequacy framework. The SA-CCR methodology was finalized in April 2014 and implemented by OSFI January 1, 2019.

The Bank's capital ratios under Basel III have been calculated using the Full Standardized Approach.

Capital levels for Canadian banks are regulated pursuant to the above guidelines. Regulatory capital is allocated to the following tiers: Common Equity Tier 1 ("CET1"), Tier 1 and Total capital. Tier 1 capital is principally comprised of the more permanent components of capital and consists primarily of common shares, reserves and retained earnings. Tier 2 capital is comprised of an eligible portion of the total collective allowance for credit losses. Total capital is defined as the total of Tier 1 and Tier 2 capital less certain deductions as prescribed by OSFI.

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. The capital management process aims to achieve several objectives – exceed regulatory requirements and maintain a cost-effective capital structure that balances strong capital ratios with adequate returns to the Bank's shareholder.

Appropriate levels of the Bank's key capital ratios are maintained on a daily basis in compliance with OSFI's guidelines. The Bank exceeded these regulatory capital requirements throughout 2023 and 2022. The Board of Directors of the Bank (the "Board") reviews these ratios on a quarterly basis.

Regulatory ratios are calculated by dividing CET1, Tier 1 and Total capital by RWA. The calculation of RWA is determined by the OSFI-prescribed rules relating to on-balance sheet and off-balance sheet exposures and includes amounts for the market risk exposure associated with the Bank's trading portfolios and operational risk exposure associated with the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

In addition, OSFI formally establishes risk-based capital minimums for deposit-taking institutions. These minimums are currently a CET1 capital ratio of 7.0% (2022 – 7.0%), Tier 1 capital ratio of 8.5% (2022 – 8.5%) and a Total capital ratio of 10.5% (2022 – 10.5%). In addition to the Tier 1and Total capital ratios, Canadian banks are also required to ensure that their Leverage Ratio, which is calculated by dividing Tier 1 capital by Total Exposure, exceeds a minimum. The calculation of Total Exposure is determined by OSFI-prescribed rules and includes on-balance sheet exposures, derivatives exposures, securities financing transaction exposures and other off-balance sheet exposures. The minimum LR requirement for the Bank is 4% (2022 – 4%).

Within our capital management framework, the Bank has an Internal Capital Adequacy Assessment Process ("ICAAP") that sets internal capital targets consistent with its risk profile, business plans and operating environment.

The ICAAP is the primary process used by Citibank Canada for the assessment of capital levels in both normal and stressed operating conditions, taking into account internal and external factors and material risks that may impact Citibank Canada's capital levels, as well as management's determination as to capital adequacy.

The Bank's ICAAP framework is based on quantitative capital goals to ensure that it has sufficient capital to meet its strategic goals and all stakeholders are adequately protected from stress events. These goals include:

1. **Capital Strength: Quantitative Capital Goals**
   - *Base Case Capital:* Maintain actual and forecasted capital levels above fully phased-in Basel III internal targets.
   - *Stressed Case Capital:* Maintain projected capital ratios, under stress scenarios, above fully phased-in Basel III internal capital thresholds (as defined in the ICAAP process).
   - *Available Financial Resources ("AFR") vs. Risk Capital:* Maintain a level of AFR defined as equal to Citibank Canada's Basel III Tier 1 Capital, above its Risk Capital inclusive of the Risk Capital buffer. Risk Capital usage by type (Credit, Market, and Operational) must be tracked and monitored.
   - *Liquidity:* Maintain actual and forecasted base liquidity levels above internal thresholds, defined as

i) Resolution Liquidity Adequacy & Positioning (“RLAP”) Ratio / Severe Market Disruption Stress Scenario,
ii) Liquidity Coverage Ratio (“LCR”), and
iii) Liquidity Scenario 2 / Severe Market Disruption (“S2”).

2. Earnings Power: Citibank Canada Risk Appetite Ratio

- Citibank Canada calibrates risk-taking relative to the gross earnings power and expense base such that the potential losses arising from a moderate stress event can be covered by the expected pre-tax net earnings, without compromising its capital. The Risk Appetite Ratio (“RAR”) is the ratio of earnings before taxes (the numerator) and the stress losses under a 1-in-10 year stress scenario (the denominator).

Market Risk, Operational Risk, Liquidity Risk, Credit Risk and Pillar 2 risks are the risk elements included in the Bank’s ICAAP framework.

Quantitative disclosures

The following summarizes the Bank’s Pillar 1 RWA, Exposure, Capital ratios and Leverage ratio as at December 31:

	2023	2022
Credit risk (Standardized Approach)		
Corporate	680,025	1,710,253
Bank and Security Firms	311,382	234,140
Trading	80,452	108,107
Retail	-	18,563
Real Estate	702,591	-
Other	204,054	290,358
Sub-total Credit risk	1,978,504	2,361,421
Market risk (Internal Models Approach)	339,225	200,413
Operational risk (Simplified Standardized Approach)	474,238	372,688
Total RWA	**2,791,967**	**2,934,522**
Total Exposure	**6,679,007**	**6,524,487**
CET1 Capital ratio	**25.31%**	**51.68%**
Tier 1 Capital ratio	**25.31%**	**51.68%**
Total Capital ratio	**25.53%**	**52.02%**
Total Leverage ratio	**10.58%**	**23.24%**

4. Credit Risk – General Disclosures for all Banks

Qualitative disclosures

Credit risk is the risk of loss resulting from the decline in credit quality or failure of a borrower, counterparty, third party or issuer to honor its financial or contractual obligations.

Credit risk arises in many of the Bank's business activities, including:
- Corporate lending;
- Private Bank lending; and
- Securities financing transactions (repurchase and reverse repurchase agreements, securities loaned and borrowed).

Credit risk also arises from settlement and clearing activities, when the Bank transfers an asset in advance of receiving its counter-value or advances funds to settle a transaction on behalf of a client. Concentration risk, within credit risk, is the risk associated with having credit exposure concentrated within a specific client, industry, region, or other category.

Management of credit risk

Credit risk is one of the most significant risks Citibank Canada faces as an institution. As a result, the Bank has a well-established framework in place for managing credit risk across all businesses. This includes a defined risk appetite, credit limits and credit policies. The Bank's credit risk management also includes processes and policies with respect to problem recognition, including "watch lists", portfolio review, updated risk ratings and classification triggers. With respect to the Bank's settlement and clearing activities, to the extent a problem develops, Citibank Canada typically moves the client to a secured (collateralized) operating model. Generally, the Bank's intra-day settlement and clearing lines are uncommitted and cancellable at any time. To manage concentration of risk within credit risk, Citibank Canada has in place a concentration management framework consisting of industry limits.

The maintenance of accurate and consistent risk ratings across the credit portfolio facilitates the comparison of credit exposure across all lines of business and products. Counterparty risk ratings reflect an estimated probability of default for a counterparty and are derived primarily using validated statistical models, scorecard models and external agency ratings (under defined circumstances), in combination with consideration of factors specific to the obligor or market, such as management experience, competitive position, regulatory environment and commodity prices. Facility risk ratings are assigned that reflect the probability of default of the obligor and factors that affect the loss-given-default of the facility, such as support or collateral. Internal obligor ratings that generally correspond to BBB and above are considered investment grade, while those below are considered non-investment grade.

Origination, underwriting, due diligence, and credit approval ensures appropriate credit, legal, compliance, and financial due diligence commensurate with the size, complexity, and risk of the transaction. Extensions of credit to individual relationships are subject to approvals, limits, and monitoring procedures. All extensions of credit require approval by two eligible approvers, one from first line of defense and one from second line of defense. The approval authority and thresholds must be in line with risk appetite, concentration risk, and exposure metrics. In measuring the extension of credit to the client, the amount of risk on a derivative instrument is determined by the sum of the current replacement cost of the instrument and the potential increase in the replacement cost over the remaining life of the instrument.

Citi uses a three Lines of Defense model as a key component to manage its risks. The Lines of Defense model brings together risk taking, risk oversight, and risk assurance under one umbrella. It also provides an avenue for risk accountability of those units that create risk ("First Line of Defense"), a construct for effective challenge by Independent Risk Management ("IRM") / Independent Compliance Risk Management ("ICRM") ("Second Line of Defense") and empowers independent risk assurance by Internal Audit ("Third Line of Defense"). Additionally, Citi has Enterprise Support Functions. The first, second and third lines of defense, along with enterprise support functions, have distinct roles and responsibilities and are empowered to perform their relevant risk management processes and responsibilities as outlined in the Enterprise Risk Management Framework ("ERMF") and supporting suite of policy documents in order to manage Bank's risks in a consistent and effective manner.

The Board of Directors (the "Board") supervises the management of the business and affairs of Citibank Canada. It oversees the Bank's risk profile and processes to identify, measure, monitor and control the Bank's principal risks. The Citibank Canada portfolio is reviewed at least quarterly with the Board. The internal management committee such as Canada Risk Management Committee ("Canada RMC") governs and oversees management of the credit risk and makes decisions regarding actions necessary to manage risk profiles against the defined risk appetite.

Expected credit loss impairment model per IFRS 9 impairment standard

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The Bank considers evidence of impairment for loans at both an individual asset and collective level. All individually significant loans are assessed for specific impairment. All individually significant loans found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans that are not individually significant are collectively assessed for impairment by grouping together loans with similar risk characteristics.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Credit loss allowances are measured on each reporting date according to a 3-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.

- Stage 2 – Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognized equal to the full credit losses expected over the remaining life of the asset. Interest is calculated on the gross carrying amount of the asset.

The credit losses from financial assets in Stage 1 and Stage 2 are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive).

- Stage 3 – When a financial asset is considered credit impaired, a loss allowance equal to the full lifetime expected credit losses will be recognized. Credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Evidence that a financial asset is impaired includes observable data that comes to the attention of the Bank such as:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or

Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio, and national or local economic conditions that correlate with defaults on the assets in the portfolio.

Loans are written off when there is no realistic probability of recovery.

The estimation of an Expected Credit Loss ("ECL") is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

The measurement of an ECL is primarily determined by an assessment of the financial asset's Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure At Default ("EAD") where the cash shortfalls are discounted to the reporting date. For a financial asset in Stage 1, the Bank utilizes a 12-month PD, whereas a financial asset within Stage 2 utilizes a lifetime PD to estimate an impairment allowance. Stage 3 financial assets are impaired and so utilize 100% PD to estimate the impairment allowance.

Quantitative disclosures

The following table represents the Bank's total gross credit risk exposures on balance sheet measured as the amount outstanding as at December 31:

	2023		2022	
	Outstanding amount	**Year to date average**	**Outstanding amount**	**Year to date average**
Cash resources	78,636	157,221	272,610	228,686
Securities – FVTPL*	959,767	1,387,599	952,214	1,857,435
Securities – FVOCI**	462,848	541,981	557,533	945,303
Loans, net of allowance for credit losses	1,472,939	1,543,272	1,611,074	1,557,507
Securities purchased under resale agreements and securities borrowed	2,268,463	2,355,702	1,609,332	1,614,764
Derivative financial instruments	106,400	137,731	216,074	212,421
Other assets	314,075	316,897	422,977	412,909
Total	**5,663,128**	**6,440,403**	**5,641,814**	**6,829,025**

* *Fair Value through Profit or Loss ("FVTPL")*
** *Fair Value through Other Comprehensive Income ("FVOCI")*

The following table represents the distribution of the Bank's cash resources, securities, loans and customers' liability under acceptances which can be allocated for external counterparties by geographic segment on the basis of ultimate risk as at December 31:

	2023	2022
Canada	5,057,040	4,896,793
Other countries	187,613	105,970
Total	**5,244,653**	**5,002,763**

The following table represents the breakdown of the Bank's cash resources, securities, loans and other assets based on the remaining contractual maturity as at December 31:

	Within 1 Year	1 to 5 Years	Over 5 Years	2023 TOTAL	2022 TOTAL
ASSETS					
Cash resources	78,636	-	-	78,636	272,610
Securities - FVTPL	946,991	-	12,776	959,767	952,214
Securities - FVOCI	280,224	182,624	-	462,848	557,533
Loans	703,624	769,315	-	1,472,939	1,611,074
Securities purchased under resale agreements and securities borrowed	2,268,463	-	-	2,268,463	1,609,332
Other assets	306,384	7,337	354	314,075	422,977
	4,584,286	**959,276**	**13,121**	**5,556,728**	**5,425,740**

The following table represents the analysis of the Bank's current replacement cost of the Bank's derivative portfolio by geographic segment, before the impact of master netting agreements, on the basis of ultimate risk, as at December 31:

	2023	2022
Canada	44,557	71,176
United States	57,300	135,704
Other countries	4,543	9,194
Total	**106,400**	**216,074**

The following table represents the distribution of the Bank's current replacement cost by counterparty type as at December 31:

	2023	2022
Financial institutions	65,781	150,605
Governments	4,382	4,438
Other counterparties	36,237	61,031
Total	**106,400**	**216,074**

The following table represents the distribution of the Bank's securities portfolio by type as at December 31:

	2023	2022
FVTPL Securities		
Securities issued/ guaranteed by:		
- Canadian Federal Government	800,275	812,507
Equity securities	159,492	139,707
	959,767	**952,214**
FVOCI Securities		
Securities issued/guaranteed by:		
- Canadian Federal Government	462,848	557,533
	462,848	**557,533**
Total	**1,422,615**	**1,509,747**

The following table represents the distribution of the Bank's gross loan portfolio by category and location of ultimate risk as at December 31:

	2023	2022
Canada		
Business loans:		
Governments and Financial Institutions	193,191	232,493
Real Estate	158,337	266,477
Other	336,196	355,932
Mortgage loans:		
Residential	20,521	26,835
Non-Residential	759,121	723,771
Consumer	9,263	13,039
	1,476,629	**1,618,547**
Other countries		
United States	2,205	3,114
Other Countries	162	105
	2,367	**3,219**
Less: allowance for credit losses	6,057	10,692
Total	**1,472,939**	**1,611,074**

The Bank did not have any impaired loans or past due loans for 2023 and 2022.

The following table summarizes the Bank's changes in allowance for credit losses for 2023 and 2022:

	2023				2022
Credit Classification	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**TOTAL**
Loans					
Balance as at Jan 1, 2023	6,555	4,137	-	10,692	4,470
Transfer to Stage 1	2,769	(2,769)	-	-	-
Transfer to Stage 2	(656)	656	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net Re-measurement of loss allowance	(3,743)	(96)	-	(3,839)	5,004
Originations	859	-	-	859	1,268
De-recognitions and maturities	(1,374)	(281)	-	(1,655)	(50)
Total Provision for Credit Loss	4,410	1,647	-	6,057	10,692
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
	4,410	**1,647**	**-**	**6,057**	**10,692**
Debt Securities					
Balance as at Jan 1, 2023	72	-	-	72	112
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net Re-measurement of loss allowance	(10)	-	-	(10)	(40)
Originations	-	-	-	-	-
De-recognitions and maturities	-	-	-	-	-
Total Provision for Credit Loss	62	-	-	62	72
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
	62	**-**		**62**	**72**
Other Assets					
Balance as at Jan 1, 2023	364	-	-	364	172
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net Re-measurement of loss allowance	(163)	-	-	(163)	175
Originations	-	-	-	-	17
De-recognitions and maturities	-	-	-	-	-
Total Provision for Credit Loss	201	-	-	201	364
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
	201	**-**	**-**	**201**	**364**
Other Credit Instruments					
Balance as at Jan 1, 2021	75	1	-	76	246
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net Re-measurement of loss allowance	(26)	-	-	(26)	46
Originations	-	-	-	-	3
De-recognitions and maturities	(1)	(1)	-	(2)	(219)
Total Provision for Credit Loss	48	-	-	48	76
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
	48	**-**	**-**	**48**	**76**
TOTAL	**4,721**	**1,647**	**-**	**6,368**	**11,204**

The balance relating to allowance for credit losses at the end of each year is entirely comprised of collective allowance. The Stage 1 and Stage 2 allowance consists of amounts relating to Corporate Bank and Private Bank credit portfolios and an unallocated portion.

The following table summarizes the Stage 1 and Stage 2 exposure (in millions) for the Corporate Bank credit portfolio by industry:

	2023	2022
Food, Beverage and Tobacco	264	284
Chemicals	3	7
Consumer Durables, Retailing and Apparel	10	29
Building Products and Related	15	12
Capital Goods	13	8
Paper Forest Products & Packaging	13	13
Logistics	2	4
Other	2	2
Total	**322**	**359**

The following table summarizes the Stage 1 and Stage 2 exposure (in millions) for the Private Bank credit portfolio by program:

	2023	2022
Commercial Real Estate	904	887
Margin Lending	128	272
Unsecured	17	12
Aircraft Finance	63	45
Residential Real Estate	10	19
Other	34	28
Total	**1,157**	**1,263**

5. Credit Risk – Disclosures for Portfolios subject to the Standardized Approach and Supervisory Risk Weights in the IRB Approaches

The Bank is using the *Full Standardized Approach*. This approach incorporates information from External Credit Assessment Institutions ("ECAI") for claims on sovereign, Canadian provincial governments, eligible agents of the Canadian federal and provincial government, and corporate exposures. For exposures to banks (and eligible securities firms), the information from ECAI is used in applying the appropriate risk weightings. Such information relates to the credit assessment of the sovereign in the bank's country of incorporation. The Bank predominately uses Standard and Poor's ("S&P") for the information required for this approach.

The following table summarizes the Bank's net credit risk exposure (after risk mitigation) in each risk bucket as at December 31:

Risk bucket	2023	2022
250%	0	0
150%	1,787	0
100%	500,897	1,807,839
90%	301,288	0
85%	249,048	0
75%	41,505	0
70%	610,212	0
50%	13,940	17,495
30%	1,031,433	0
35%	12,237	15,783
20%	57,084	12,45,981
0%	2,671,919	2,337,185
Total	**5,491,350**	**5,424,283**

6. Credit Risk Mitigation

Qualitative disclosures

As part of its overall risk management activities, Citibank Canada utilizes collateral, guarantees and netting of derivative exposures to mitigate its credit risk.

Derivative transactions are customarily documented under industry standard master agreements, which provide that following an event of default, the non-defaulting party may promptly terminate all transactions between the parties and determine the net amount due to be paid to, or by, the defaulting party.

In the normal course of business, the Bank receives collateral on certain capital markets transactions to reduce its exposure to counterparty credit risk. The Bank is normally permitted to sell or re-pledge the collateral it receives subject to the obligation to return at the end of the agreements, under terms that are usual and customary to standard derivative, securities borrowing and reverse repurchase agreements.

For collateral used to offset capital markets transactions, the Bank follows the Global Collateral Management Policy in conjunction with the Institutional Clients Group ("ICG") Trading Book Collateral Standards. The policy describes the rules around margin pledged or transferred as a legally recognizable risk mitigant and requires that all margined derivatives must be covered by an International Swaps and Derivatives Association Master Agreement, Credit Support Annex ("CSA"), FIA Clearing or equivalent Master Agreements, if required by local laws.

The Bank holds collateral against loans in the form of mortgage interests over property, other registered securities over assets, and guarantees. Generally, the collateral is reviewed at least annually, and upon any downgrade in classification of a secured facility to Pass Watch-list or worse.

For collateral held against loans, the Bank follows the Global Collateral Policy in conjunction with the ICG Banking Book Standards for Global Collateral Management. This policy describes the qualifying collateral pledged to support Banking Book risk exposures, collateral valuation procedures, reporting processes and controls.

Valuation processes for cash and marketable securities differ than for physical assets. The monitoring of cash and marketable securities is typically more frequent than physical assets and may be based on product, geography and/or volatility of the security.

The Private Bank credit portfolio receives substantial guarantees against its exposures. These guarantees are primarily in the form of personal guarantees, guarantees from individuals controlling the obligor, and guarantees from entities affiliated with the obligor.

The Bank generally receives fewer guarantees against its Corporate Bank credit and OTC derivatives portfolios. The guarantors primarily consist of parent entities or affiliates of the obligor.

Quantitative disclosures

As at December 31, 2023 the potential reduction in current replacement cost under master netting agreements with third party customers and with related parties for the Bank's derivatives portfolio was $2 million (2022 -$Nil) and $57 million (2022 - $100 million), respectively. On a risk-weighted basis, the netting benefit with third party customers and with related parties $31 million (2022 - $48 million) and $17 million (2022 – $28 million) respectively. *

As at December 31, 2023, the Bank held $17.7 million (2022 - $Nil million) of collateral, consisting of cash and securities for its derivatives portfolio, out of which $Nil (2022 - $Nil) of securities have been repledged. Of the total collateral held, $Nil million (2022 - $Nil million) is from third party customers and $17.7 million (2022 - $Nil million) is from related parties.

As at December 31, 2023, the Bank held $2,268 million (2021 – $1,635 million) of collateral against its securities purchased under resale agreements.

Following table summarizes the Corporate Bank credit portfolio exposure as at December 31 for which guarantees have been received:

	2023	2022
Direct Exposure	78,223	98,487
Contingent Exposure	1,772	45,107
Pre-settlement Exposure	111,996	89,232
Unused Commitment Exposure	-	-
Total	**191,991**	**232,827**

Following table summarizes the Private Bank credit portfolio exposure as at December 31 for which third party guarantees have been received:

	2023	2022
Direct Exposure	738,556	796,371
Contingent Exposure	-	-
Pre-settlement Exposure	-	9
Unused Committed Exposure	41,412	3,928
Total	**779,969**	**800,308**

* In 2022, numbers were reported in billions, which are changed to millions 2023.

7. General Disclosures for Exposures Related to Counterparty Credit Risk

Qualitative disclosures

The Bank manages Counterparty Credit Risk in accordance with the credit risk policies described earlier in section on *Credit Risk – General Disclosures for all Banks*.

Counterparty Credit Risk exposure is calculated to the maturity of the transactions in a portfolio using a Monte-Carlo simulation framework. The simulation models the behaviour of the underlying market factors in a way that captures the desired joint distribution of potential movements. At each point as we walk forward through time, the simulation process re-values each remaining transaction under the simulated scenario. Repeated simulations build up these distributions of potential future value and from these distributions, two measures are selected – (1) Pre-settlement Loan Equivalent ("PSLE"), which is the expected positive exposure or average over the positive part of the distribution at each point in time; and (2) Pre-Settlement Exposure ("PSE") relating to derivatives, which is a high confidence level exposure. For the purposes of credit limits and monitoring of limit usage, the PSE measure is used. For purposes of monitoring outstanding exposure or usage against obligor limits, the exposure is measured on a PSLE basis.

Credit Reserves

The Bank, pursuant to accounting guidance, incorporates a bilateral credit value adjustment in its accounting of counterparty risk. Refer to Market Risk section below for further details on CVA.

Wrong-Way Risk

The Bank adheres to a Wrong-Way Risk Policy, which sets guidelines for the identification, approvals, reporting and mitigation of Wrong-Way Risk.

Collateral requirement due to Credit rating downgrade

As at December 31, 2023, the maximum potential collateral requirement if the Bank is downgraded to zero threshold, is $945,240 (2022 – $923,304).

Counterparty Credit Risk Capital

The Bank calculates risk capital for CVA on a unilateral basis, i.e. only the potential exposure to the Bank's counterparties is considered. The risk capital is based on the unexpected loss resulting from spread changes of counterparties as well as default considerations during a stress period.

Quantitative disclosures

The following table summarizes the Bank's Current Replacement Cost ("CRC") and Credit Equivalent Amounts ("CEA") of its derivatives portfolio as at December 31:

	2023		2022	
	CRC	CEA	CRC	CEA
Interest rate contracts	55,232	42,073	86,576	64,244
Foreign exchange contracts	40,306	81,005	125,241	97,350
Equity, credit and commodity contracts	10,862	11,642	4,257	24,318
Total	**106,400**	**134,720**	**216,074**	**185,912**

The table below presents the impact of master netting arrangement as at December 31:

	2023	2022
Gross positive fair value of derivative contracts	106,400	216,074
Netting benefit from master netting agreements	(58,303)	(115,367)
Total net current credit exposure	**48,097**	**100,707**

8. Securitization

The Bank neither securitizes its own assets nor sponsors any securitization programs.

However, as at December 31, 2023, the Bank held a trading portfolio of FVOCI securities issued by Canada Housing Trust (guaranteed by the Government of Canada) in its banking book with a fair value of $268 million (2022 - $272 million). The Canada Housing Trust securities were risk weighted at 0%.

9. Liquidity Risk

Qualitative disclosures

Liquidity Risk is the risk that the Bank will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without adversely affecting either daily operations or financial conditions of the Bank. The risk may be exacerbated by the inability of the Bank to access funding sources or monetize assets and the composition of liability funding and liquid assets.

Management of liquidity risk

Adequate and diverse sources of funding and liquidity are essential to the Bank's businesses. Funding and liquidity risks arise from several factors, many of which are mostly or entirely outside the Bank's control, such as disruptions in the financial markets, changes in key funding sources, credit spreads, changes in the Bank's credit ratings and geopolitical and macroeconomic conditions.

Citibank Canada's funding and liquidity objectives are aimed at

(i) funding its existing asset base;
(ii) growing its core businesses;
(iii) maintaining sufficient liquidity, structured appropriately, so that the Bank can operate under a variety of adverse circumstances, including potential Bank-specific and/or market liquidity events in varying durations and severity; and
(iv) satisfying regulatory requirements.

The Bank's goal is to maintain sufficient funding in amount and tenor to fully fund customer assets and to provide an appropriate amount of cash and high-quality liquid assets, even in times of stress to meet its payment obligations as they come due.

The Bank works to ensure that the tenor of its funding sources is of sufficient term in relation to the tenor of its asset base. The goal of the Bank's asset/liability management is to ensure that there is excess liquidity and tenor in the liability structure relative to the liquidity profile of the assets. This reduces the risk that liabilities will become due before assets mature or are monetized. This excess liquidity is held primarily in the form of High-Quality Liquid Assets ("HQLA").

The Bank's liquidity is managed by Citibank Canada Treasury ("Treasury department") with independent oversight provided by Independent Risk Management.

The CEO chairs Citibank Canada's Asset and Liability Committee ("ALCO"), which includes the Bank's Treasurer, CRO, CFO and other senior executives. ALCO sets the strategy of the liquidity portfolio and monitors its performance. Significant changes to portfolio asset allocations need to be approved by ALCO.

Stress testing and scenario analysis are intended to quantify the potential impact of a liquidity event on the balance sheet and liquidity position, and to identify viable funding alternatives that can be utilized. These scenarios include assumptions about significant changes in key funding sources, market triggers (such as credit ratings) and potential uses of funding. These conditions include expected and stressed market conditions.

Liquidity stress tests are conducted to ascertain potential mismatches between liquidity sources and uses over a variety of time horizons and over different stressed conditions. Liquidity limits are set accordingly. To monitor the liquidity of the Bank, these stress tests and potential mismatches are calculated with varying frequencies, with tests performed daily.

Given the range of potential stresses, the Bank maintains a contingency funding plan. This plan specifies a wide range of readily available actions for a variety of adverse market conditions or idiosyncratic stress.

Daily stressed cash flows are produced daily based on the internal liquidity stress scenario (ILST). Liquidity ratios and concentration exposures are used to measure and monitor the structural liquidity of the balance sheet and concentration of funding.

Liquidity market triggers are internal and external indicators that may imply a change to market liquidity or the Bank's access to markets. The liquidity market triggers are monitored by the Treasury and are presented to ALCO.

In addition to internal liquidity stress metrics that the Bank has developed for a 30day and 1 year stress scenario, the Bank also monitors its liquidity by reference to the Liquidity Coverage Ratio ("LCR"), as calculated pursuant to OSFI LCR rules. Generally, the LCR is designed to ensure the Bank maintains an adequate level of HQLA to meet liquidity needs under an acute 30-day stress scenario.

Quantitative disclosures

As of December 31, 2023 the Bank's LCR is 238% (2022 – 158%) which is well above the 100% requirement.

10. Market Risk – Disclosures for Banks using the Internal Models Approach (IMA) for Trading Portfolios

Qualitative disclosures

Market Risk is the earnings risk from changes in interest rates, foreign exchange rates, and equity and commodity prices, credit spread and in their implied volatilities.

Management of market risk

The Bank manages market risk through specific policies, which set out well-defined market risk responsibilities for business and corporate oversight groups, as well as limits and other processes to ensure that market risks remain well controlled. The Bank manages foreign exchange risk of non-trading assets and liabilities denominated in foreign currencies through hedging instruments such as FX swaps, FX spot and cross currency swaps.

Each business is required to establish, with approval from the Bank's market risk management, a market risk limit framework for identified risk factors that clearly defines approved risk profiles and is within the parameters of the Bank's overall risk appetite. These limits are monitored by the Risk organization, Citibank Canada's Management Risk Committee and the Risk Committee of the Board of Directors. In all cases, the businesses are ultimately responsible for the market risks taken and for remaining within their defined limits.

In addition to the controls above, the risk management process is reviewed by Internal Audit on a periodic basis to ensure that market risk policies are being adhered to.

Market Risk of Trading Portfolios

The market risk of the Bank's trading portfolios is monitored using a combination of quantitative and qualitative measures, including, but not limited to:

- factor sensitivities;
- value at risk (VaR); and
- stress testing.

Each trading portfolio across the Bank's businesses has its own market risk limit framework encompassing these measures and other controls, including trading mandates, permitted product lists and a new product approval process for complex products.

Market Risk Model and Reporting

Factor sensitivities 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 Treasury bill for a one-basis point change in interest rates. The Bank's market risk management, within the Risk organization, works to ensure that factor sensitivities are calculated, monitored and, in most cases, limited for all material risks taken in the trading portfolios.

VaR estimates at a 99% confidence level, the potential decline in the value of a position or a portfolio under normal market conditions assuming a one day holding period. The Stressed VaR is a VaR-based risk measure subject to the same confidence level as applicable to a VaR measure but with model inputs calibrated to historical data from a continuous twelve-month period that reflects a period of significant financial stress appropriate to current portfolios.

The Bank uses a single, independently approved Monte Carlo simulation VaR model, which has been designed to capture material risk sensitivities (such as first- and second-order sensitivities of positions to changes in market prices) of various asset classes/risk types (such as interest rate, credit spread, foreign exchange and equity risks). The Bank's VaR includes positions which are measured at fair value; it does not include investment securities classified as FVOCI. Citi believes its VaR model is conservatively calibrated to incorporate fat-tail scaling and the greater of short-term (approximately the most recent month) and long-term (three years) market volatility.

The Bank reports market risk exposures including factor sensitivities, VaR and Stressed VaR figures on a daily basis to senior management highlighting the risks the firm is exposed to and the usage against relevant market risk limits in place, as approved by the Board. Utilization of VaR limits and Stressed VaR limits are reviewed daily by the CRO and regular summaries are submitted to the Risk Committee and the Board.

While the majority of market risks are reflected in our VaR models, there is the potential for certain risks to be inadequately captured. This can occur due to infrastructure limitations, lack of historical market data or missing risk factors within our VaR models. These Risks Not in VaR ("RNIV") are identified through back testing and other model monitoring processes, and are incorporated into the VaR models, where possible. An assessment of residual RNIV materiality is reviewed and monitored against thresholds regularly. For material risks that are not being captured in the VaR model a separate RWA charge for RNIV is applied consistent with the OSFI BCAR requirements.

Back Testing

In accordance with Basel III, Citibank Canada is required to perform back-testing to evaluate the effectiveness of its Regulatory VaR model. Regulatory VaR back-testing is the process in which the daily one-day VaR, at a 99% confidence interval, is compared to the buy-and-hold profit and loss (i.e., the profit and loss impact if the portfolio is held constant at the end of the day and re-priced the following day). Buy-and-hold profit and loss represents the daily mark-to-market profit and loss attributable to price movements in covered positions from the close of the previous business day. Buy-and-hold profit and loss excludes realized trading revenue, net interest, fees and commissions, intra-day trading profit and loss and changes in reserves. The results are shared quarterly with the Canada Risk Management Committee ("RMC"), Board and OSFI.

Prudent Valuation Guidance

The Bank has established adequate systems and controls to ensure that its fair estimates are prudent and reliable. These also include independent price verification procedures which are distinct from daily mark-to-market to ensure market prices or model inputs are regularly verified for accuracy.

Further, these procedures also include consideration of valuation adjustments/reserves, as appropriate. For assets and liabilities carried at fair value, the Bank measures such value using the procedures set out below.

- When available, the Bank uses quoted market prices to determine fair value and classify such items as Level 1. In some cases where a market price is not available, the Bank uses quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets to calculate fair value, in which case the items are classified as Level 2.

- If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, option volatilities, etc. Items valued using such internally generated valuation techniques are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

- CVA is applied to OTC derivative instruments, in which the base valuation generally discounts expected cash flows using appropriate interest rate curves. Given that not all counterparties have the same credit risk as that implied by the relevant interest rate curve, a CVA is necessary to incorporate the market view of both counterparty credit risk and Citigroup's own credit risk in the valuation.

The following methods and assumptions are used to estimate the fair values of on-balance sheet financial instruments:

- ***Trading and FVOCI Securities***
  When available, the Bank uses quoted market prices to determine the fair value of trading and FVOCI securities; such items are classified as Level 1 of the fair value hierarchy. Examples include certain government securities and exchange-traded equity securities. For other securities, the Bank generally determines fair value utilizing internal valuation techniques. Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Securities priced using such methods are generally classified as Level 2.

- ***Derivative Assets and Liabilities***
  Exchange-traded derivatives are generally fair valued using quoted market (i.e. exchange) prices and so are classified as Level 1 of the fair value hierarchy.

  The majority of derivatives entered into by the Bank are executed OTC and so are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. The principal techniques used to value these instruments are discounted cash flows, Black-Scholes and Monte Carlo simulation.

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign exchange rates, the spot price of the underlying volatility and correlation.

A derivative contract is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Correlation and items with longer tenors are generally less observable. Where appropriate, a valuation adjustment is made to cover counterparty credit risk, market liquidity and maintenance costs.

- ***Deposits***
  The Bank determines the fair value of structured liabilities (where a call option is embedded) and hybrid financial instruments (performance linked to risks other than interest rates, inflation or currency risks) using the appropriate derivative valuation methodology (described above, including independent broker quotes) based on the nature of the embedded risk profile. Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

Stress Testing

Citibank Canada performs market risk stress testing on a regular basis to estimate the impact of extreme market movements. It is performed on trading portfolios, as well as in aggregate, inclusive of multiple trading portfolios. Citibank Canada's market risk management reviews the output of periodic stress testing exercises, and uses the information to assess the ongoing appropriateness of exposure levels and limits. Citibank Canada uses top-down systemic stress and bottom-up business-specific stresses. Systemic stresses are designed to quantify the potential impact of extreme market movements on an institution-wide basis, and are constructed using both historical periods of market stress and projections of adverse economic scenarios. Business-specific stresses are designed to probe the risks of particular portfolios and market segments, especially those risks that are not fully captured in VAR and systemic stresses.

The stress scenarios at Citibank Canada are used in several reports reviewed by senior management and also to calculate internal risk capital for trading market risk. In general, changes in market values are defined over a one-year horizon. For the most liquid positions and market factors, changes in market values are defined over a shorter three-month horizon. The limited set of market factors subject to the three-month time horizon are those that in management's judgment have historically remained very liquid during financial crises.

Market Risk Capital

The market risk capital methodology is based on an integrated VaR and stress scenario methodology, which is consistent with the Basel II.5 guidelines. Starting Q1 2024, as per OSFI's guidelines, Citibank Canada has implemented FRTB SA regime for Market Risk. This change will impact Market risk related qualitative and quantitative disclosures for FY2024.

Capital Adequacy

Market Risk is a key part in the internal assessment of capital adequacy. The methodology and process for internal capital adequacy have been described earlier in the section on *Capital Adequacy.*

Quantitative disclosures

A summary of the VaR position of the Bank's trading portfolios as at December 31 and during the year is as follows:

(Millions)	2023	2022
December 31	0.8	0.9
Maximum	1.1	2.0
Minimum	0.5	0.2
Average	0.7	0.4

The following summarizes the Stressed VaR position of the Bank's trading portfolios as at December 31 and during the year:

(Millions)	2023	2022
December 31	1.9	1.5
Maximum	2.4	2.5
Minimum	0.7	0.5
Average	1.4	1.0

The Bank's VaR review and model validation process entails reviewing the model framework, major assumptions, and implementation of the mathematical algorithm. In addition, as part of the model validation process, regulatory VaR back-testing is performed on a quarterly basis and the results are shared with OSFI.

Back-Testing Results

During 2023, there were three back-testing breaches for the Bank at the IR VaR level on Mar 14th, Mar 16th and Jun 7th. The breaches were on back of SVB/Financial Sector contagion fear and due to policy shock/Rate Announcements from BoC.

11. 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 risk of failing to comply with applicable laws and regulations but excludes strategic risk. Operational risk includes the reputation and franchise risk associated with business practices or market conduct in which Citibank Canada is involved, as well as compliance, conduct and legal risks.

Operational risk is inherent in Citibank Canada's global business activities, as well as related support functions, and can result in losses arising from events associated with the following, among others:

- fraud, theft and unauthorized activity;
- employment practices and workplace environment;
- clients, products and business practices;
- physical assets and infrastructure; and
- execution, delivery and process management.

Framework

Citibank Canada manages operational risk consistent with an overall framework. The Bank's goal is to keep operational risk at appropriate levels relative to the characteristics of Citibank Canada's businesses, the markets in which it operates, its capital and liquidity and the competitive, economic and regulatory environment.

To anticipate, mitigate and control operational risk, Citibank Canada has established policies and a framework for assessing, monitoring and communicating operational risks and the overall operating effectiveness of the internal control environment across the Bank. As part of this framework, Citibank Canada has defined its operational risk appetite and has established a Manager's Control Assessment (MCA) process (a process through which managers at Citibank Canada identify, monitor, measure, report on and manage risks and the related controls) to help managers self-assess significant operational risks and key controls and identify and address weaknesses in the design and/or operating effectiveness of internal controls that mitigate significant operational risks.

As new products and business activities are developed, processes are designed, modified, or sourced through alternative means and operational risks are considered.

In addition, Risk management, including Operational Risk Management, works proactively with the businesses and other independent control functions to embed a strong operational risk management culture and framework across Citibank Canada. Operational Risk Management engages with the businesses to ensure effective implementation of the Operational Risk Management framework by focusing on (i) identification, analysis and assessment of operational risks, (ii) effective challenge of key control issues and operational risks and (iii) anticipation and mitigation of operational risk events.

Information about the businesses' operational risk, historical operational risk losses and the control environment is reported by each major business segment and functional area. The information is summarized and reported to senior management, as well as to the Risk Committee of Citibank Canada's Board of Directors.

Operational risk is measured and assessed through Operational Risk Capital and Operational Risk Regulatory Capital for the Simplified Standardized Approach. Projected operational risk losses under stress scenarios are also included as part of the ICAAP process.

Cybersecurity Risk

Cybersecurity risk is the business risk associated with the threat posed by a cyber-attack, cyber breach or the failure to protect Citibank Canada's most vital business information assets or operations, resulting in a financial or reputational loss. With an evolving threat landscape, ever increasing sophistication of cybersecurity attacks and use of new technologies to conduct financial transactions, Citibank Canada and its clients, customers and third parties are and will continue to be at risk for cyber-attacks and information security incidents. Citibank Canada recognizes the significance of these risks and, therefore, employs an intelligence-led strategy to prevent, detect, respond to, and recover from cyber-attacks.

Citibank Canada is fully integrated into Citi's technology and cybersecurity risk management program which is built on three lines of defense. Citi's first line of defense includes its Information Protection Directorate and Global Information Security group, which provides frontline business, operational and technical controls and capabilities to protect against cybersecurity risks, and to respond to cyber incidents and data breaches. Citi manages these threats through state-of-the-art Fusion Centers, which serve as central command for monitoring and coordinating responses to cyber threats. The enterprise information security team is responsible for infrastructure defense and security controls, performing vulnerability assessments and third-party information security assessments, employee awareness and training programs, and security incident management, in each case working in coordination with a network of information security officers that are embedded within the businesses and functions on a global basis.

Citi's Operational Risk Management-Technology and Cyber (ORM T/C) and Independent Compliance Risk Management-Technology and Information Security (ICRM-T) groups serve as the second line of defense, and actively evaluate, anticipate and challenge Citi's risk mitigation practices and capabilities. Internal audit serves as the third line of defense and independently provides assurance on how effectively the organization as a whole manages cybersecurity risk. Citi's Information Security Risk Operating Committee ("ISROC") has overall responsibility for information security across Citi, and facilitates communication, discussion, escalation and management of cyber risks across these functions.

Citi seeks to proactively identify and remediate technology and cybersecurity risks before they materialize as incidents that negatively affect business operations. Accordingly, the ORM-T/C team independently challenges and monitors capabilities in accordance with Citi's defined

Technology and Cyber Risk Appetite statements. To address evolving cybersecurity risks and corresponding regulations, ORM-T/C also monitors cyber legal and regulatory requirements, defines and identifies emerging risks, executes strategic cyber threat assessments, performs new products and initiative reviews, performs data management risk oversight, and conducts cyber risk assurance reviews (inclusive of third-party assessments). In addition, ORM-T/C employs and develops tools and metrics that are both tailored to cybersecurity and technology, and aligned with Citi's overall operational risk management framework to effectively track, identify and manage risk.

Measurement and Basel III

The Simplified Standardized Approach is used for computing the operational risk for the purposes of regulatory capital.

Information Security and Continuity of Business

Information security and the protection of confidential and sensitive customer data are a priority for the Bank. The Bank has implemented an Information Security Program. The Information Security Program is reviewed and enhanced periodically to address emerging threats to customers' information. The Continuity of Business and Crisis Management group, with the support of senior management, coordinates preparedness and mitigates business continuity risks by reviewing and testing recovery procedures.

12. Equities – Disclosure for Banking Book Positions

The Bank has no exposure to equity investments in the banking book as at December 31, 2023 and 2022.

13. Interest Rate Risk in the Banking Book

Qualitative disclosures

Interest rate risk from non-trading portfolios stems from the potential impact of changes in interest rates on Citibank Canada's net interest revenues and the changes in Accumulated Other Comprehensive Income (loss) ("AOCI") from its debt securities portfolio.

Net Interest Revenue at Risk

Net interest revenue, for interest rate exposure purposes, is the difference between the yield earned on the non-trading portfolio assets (including customer loans) and the rate paid on the liabilities (including customer deposits or company borrowings). Net interest revenue is affected by changes in the level of interest rates, as well as the amounts and mix of assets and liabilities, and the timing of contractual and assumed repricing of assets and liabilities to reflect market rates.

The Bank uses multiple metrics to measure its Banking Book interest rate risk. Interest Rate Exposure (IRE) is a key metric that analyzes the impact of a range of scenarios on Bank's Banking Book net interest income versus a base case. IRE does not represent a forecast of Bank's net interest income. The scenarios, methodologies and assumptions used in this analysis are periodically evaluated and enhanced in response to changes in the market environment, changes in Bank's balance sheet composition, enhancements in Bank's modeling and other factors.

To manage changes in interest rates effectively, the Bank may modify pricing on new customer loans and deposits, purchase fixed rate securities, enter into long/short term borrowings either fixed or floating or enter into derivative transactions that have the opposite risk exposures. Citibank Canada regularly assesses the viability of these and other strategies to reduce its interest rate risks and implements such strategies when it believes those actions are prudent.

The Bank manages interest rate risk as a consolidated company-wide position. The Bank's client-facing businesses create interest rate sensitive positions, including loans and deposits, as part of their ongoing activities. The Bank's Treasury (Canada Treasury) aggregates these risk positions and manages them centrally. Operating within established limits, Canada Treasury makes positioning decisions and uses tools, such as the Bank's investment securities portfolio, Long Term/Short Term borrowings and interest rate derivatives to target the desired risk profile. Changes in Citibank Canada's interest rate risk position reflect the accumulated changes in all non-trading assets and liabilities, with potentially large and offsetting impacts, as well as Canada Treasury's positioning decisions.

The interest rate risks in the Bank's non-traded portfolios, estimated using a common set of standards that define, measure, and report the risk. Citibank Canada is required to establish a market risk framework that clearly defines risk profiles and is within the parameters of the Bank's overall risk appetite. In all cases, Canada Treasury is ultimately responsible for remaining within its defined limits. These limits are monitored by the CRO and the ALCO on a monthly basis. All such limits are approved by the CRO, ALCO and the Board. Citibank Canada employs additional measurements, including stress testing the impact of non-linear interest rate movements on the Net Interest Revenue.

Quantitative disclosures

The management of interest rate risk is based on monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100 basis point parallel fall or rise in all yield curves worldwide. As at December 31, 2023, a 100 basis point upward interest rate shift would increase net income in the US dollar book by $0.08 million (2022 - $0.90 million decrease) and increase the Canadian dollar book by $4.3 million (2022 - $2.38 million decrease) resulting in a net increase of $4.4 million (2022- $3.28 million decrease) over the next twelve months, assuming management takes no action. A 100 basis point downward shift would have a comparable, but opposite, impact on net income.

14. Remuneration

Governance

Global Remuneration Committee

Citigroup Inc.'s ("Citi") Global Remuneration Committee which as of the date hereof is known as the Compensation, Performance Management and Culture ("CPC") Committee is a duly constituted committee of the Board of Directors of the Bank's ultimate parent, Citi. The CPC Committee draws on considerable experience of the non-executive directors of the Board of Directors of Citi, and is empowered to draw upon internal and external expertise and advice as it determines appropriate. The terms of reference of the CPC Committee are available online at:

https://www.citigroup.com/citi/investor/data/compculturecharter.pdf?ieNocache=979

Citi's global compensation principles are developed and approved by the CPC Committee in consultation with management, independent consultants and Citi's senior risk officers. The CPC Committee is comprised of independent directors who have experience evaluating compensation structures, especially for senior executives. Citi's compensation principles are designed to advance Citi's business strategy by attracting, retaining and motivating the best talent available to execute the strategy, while ensuring, among other things, that unnecessary or excessive risk-taking is not encouraged.

For additional information on the global compensation principles and governance, refer to the Citi 2024 Proxy Statement available online at:

https://www.citigroup.com/rcs/citigpa/storage/public/Citi-2024-proxy-statement.pdf

Citibank Canada Board

The Bank's Board of Directors oversees the Bank's human capital strategy, including talent strategy, succession planning and total awards. In carrying out this responsibility, the Board will consider alignment with the Bank's strategic plan and adherence to the Bank's risk appetite statement and system of internal control.

The Board will review and approve

(a) the succession planning, selection and appointment, annual performance, objectives, and compensation of the CEO, senior management and heads of oversight functions; and

(b) the removal or replacement of the CEO, if appropriate, which will exclude the member who is the CEO.

In carrying out these responsibilities, at least annually, the Board will review and monitor the progress of the CEO, senior management and heads of oversight functions against their performance objectives based on reports and recommendations of the Conduct Review and Governance Committee.

Citi's Compensation Philosophy

Citi believes that compensation is a critical strategic lever in the successful execution of our goals. As long-term value creation requires balancing strategic goals, so does developing compensation programs that incentivize balanced behaviors.

Citi's Compensation Philosophy lists and describes six primary objectives of our compensation program. These compensation objectives have been developed and approved by the CPC Committee of the Board of Directors and its predecessor, in consultation with management, independent consultants and Citi's senior risk officers. They encourage prudent risk-taking while attracting the world-class talent necessary to see the company through to success.

The compensation objectives set out in our Compensation Philosophy are:

- Incentivize conduct that aligns with shareholder and other stakeholder interests
- Reinforce a business culture based on accountability, achieving excellence and maintaining the highest ethical and control standards through Citi's Leadership Principles
- Encourage prudent individual and group decision-making in regards to risk consistent with applicable regulatory guidance and Citi's Mission and Value Proposition Statement
- Function as a tool to attract and retain the best talent and to reward talent for engaging in appropriate behaviors that support Citi's corporate goals
- Encourage behaviors that are in the best interests of our customers, shareholders and the goals of the organization, including environmental and social principles
- Align realized pay with achievement of important risk and control, regulatory, strategic and financial-based objectives

For a full overview of what these compensation objectives encompass, refer to our Compensation Philosophy, which is available online at:

https://www.citigroup.com/rcs/citigpa/storage/public/comp-phil-policy.pdf

Senior Management and Other Material Risk Takers

- The Bank's senior management personnel include its Chief Executive Officer, Heads of Functions (Chief Financial Officer, General Counsel, Chief Compliance Officer, Chief Risk Officer, Head of Human Resources, Head of Communications), Treasurer, and business heads who lead the Bank's global transaction services, global markets (derivatives), commercial banking and private banking operations.
- In accordance with remuneration regulatory requirements, Citi undertakes an ongoing exercise to identify those employees whose professional activities have a material impact on the risk profile of the firm. In general, such employees may be subject to further obligations under relevant remuneration regulations. For US regulatory purposes, such employees are termed "Covered Employees".

- Citi has developed a systematic framework for identifying employees who are Covered Employees across its businesses globally, based on a structural identification of the roles in managing key financial (including revenue and risk capital metrics) and non-financial risks (e.g., franchise risk):
  - Group 1 Covered employees are senior executives with firm-wide responsibilities known as Section 16 executive officers for US regulatory purposes. There are no Group 1 Covered Employees in Canada.
  - Group 2 Covered Employees are senior employees who can take, or influence the taking of, material risk for Citigroup or for a material business unit.
  - Group 3 Covered Employees are groups of employees who are subject to the same or similar incentive compensation arrangements and who, in the aggregate, may expose the organization to material amounts of risk, even if no individual employee is likely to expose the organization to material risk (e.g., loan officers who, as a group, originate loans that account for a material amount of the organization's credit risk).

Remuneration Structures

Link between pay and performance

- Citi is committed to responsible compensation practices and structures. Citi seeks to balance the need to compensate its employees fairly and competitively based on their performance, while assuring that their compensation reflects principles of risk management and performance metrics that reward long-term contributions to sustained profitability.
- Citi's compensation programs aim to enhance stockholder value through the practice of responsible finance, facilitate competitiveness by attracting and retaining the best talent, promote meritocracy by recognizing employee contributions, and manage risk through sound incentive compensation practices.

Fixed Remuneration – Salary and Benefits

- Citi's fixed remuneration is set appropriately to attract, retain and motivate employees in line with market practices and is benchmarked against market data.
- Pension and other non-cash benefits are offered to Citi employees as part of an overall reward package which is designed to be sufficiently competitive to attract, retain and motivate employees. Citi aims to provide common pension and other benefits across all units/business groups, which are competitive against the external market.

Ratio of fixed to variable remuneration

- Citi seeks to balance the components of reward between fixed and variable, and between short term and long-term components. Citi's policy in regards to discretionary incentive and retention awards is to ensure that compensation is fully flexible and can be decreased as a result of negative performance, which may result in zero variable remuneration. A small and declining number of Citi employees participate in formulaic variable incentive compensation plans.

Variable compensation

- The Discretionary Incentive and Retention Award ("DIRA") Plan is Citi's main variable incentive and retention plan. It is designed to incentivize, reward and retain employees based on their current and prospective performance and contribution. Citi retains complete discretion as to the components of DIRA, which may include cash and/or equity or other share-linked instruments.

Use of stock and share-linked instruments as deferred variable compensation

- Generally, a portion of variable compensation paid by Citi is paid on a deferred basis. In general, amounts subject to Citi's mandatory deferral policy are deferred into shares or share-linked instruments, subject to limitations on the number of shares authorized to be delivered pursuant to Citi's shareholder-approved stock incentive plans.
- The Capital Accumulation Program ("CAP") and Citigroup Stock Award Program ("CSAP") are the main programs under which Citi may make awards of stock to employees. Citi Canada senior management and Covered Employees receive awards in the form of share linked instruments instead of CAP and CSAP. Deferred Cash Stock Units ("DCSU") awards correspond to the number of shares that would otherwise be awarded as CAP, and which will be settled upon vesting solely by a cash payment that will be in an amount equal to the number of units vesting multiplied by the fair market value of one share of Citigroup stock as of the vesting date.
- Certain senior executives are subject to stock ownership commitments, further aligning the executives' interests with those of stockholders and other stakeholders.
- Deferred stock and share-linked instrument awards made to Covered Employees are subject to reduction in the event the employee is involved in or responsible for incidents that materially impair Citi's financial performance and in the certain other events.

Deferral periods and risk horizons

- Citi operates a standard or "default" deferral policy period pro-rated over four years, which it considers captures the duration of most risks for nearly all employees.

Variable compensation structure of non-Covered Employees of Citi Canada

- Non-Covered Employees are subject to mandatory deferrals of their incentive compensation. Deferrals are usually made through awards of share-linked instruments (i.e., DCSUs). For non-Covered Employees the deferral proportions are based on the local currency equivalents of the following globally set US Dollar thresholds:

Total USD Incentive Equal to:	2023 Deferral	2022 Deferral
Less than $75,000	-	0%
$75,000 - $99,999	15%	15%
$100,000 - $249,999	20%	20%
$250,000 - $499,999	25%	25%
$500,000 – $999,999	30%	30%
$1M - $1.999M	40%	40%
$2M - $2.999M	40%	40%
$3M - $4.999M	50%	50%
$5M +	60%	60%

- The remaining proportion of non-deferred variable compensation is delivered in immediate cash.

Variable compensation structure of Covered Employees of Citi Canada

- Covered Employee's variable compensation is subject to deferral of 15% to 60% which is awarded in the form of deferred share-linked instruments (i.e., DCSUs).
- Deferral proportions are based on the local currency equivalents of the following globally set US Dollar thresholds:

Group 2 Covered Employees

Total USD Incentive Equal to:	2023 Deferral	2022 Deferral
Less than $75,000	-	-
$75,000 - $99,999	15%	15%
$100,000 - $249,999	20%	20%
$250,000 - $499,999	25%	25%
$500,000 – $999,999	30%	30%
$1M - $1.999M	40%	40%
$2M - $2.999M	40%	40%
$3M - $4.999M	50%	50%
$5M +	60%	60%

Group 3 Covered Employees

Total USD Incentive Equal to:	2023 Deferral	2022 Deferral
Less than $75,000	-	-
$75,000 - $99,999	15%	15%
$100,000 - $249,999	20%	20%
$250,000 - $499,999	25%	25%
$500,000 – $999,999	30%	30%
$1M - $1.999M	40%	40%
$2M - $2.999M	40%	40%
$3M - $4.999M	50%	50%
$5M +	60%	60%

- In Canada, deferred stock awards are pro-rated and vest over 4 years, and the deferred cash stock unit and deferred cash awards are pro-rated and vest over 3 years.
- The remaining proportion of non-deferred variable compensation is delivered in immediate cash.

Clawback Provisions – Unvested Awards

- At Citi's discretion, the unvested deferred portion of prior year and future awards may be subject to adjustment or cancellation. All employees who receive deferred stock awards and deferred cash stock unit awards are subject to the following global DIRA plan adjustment and cancellation provisions:
  - The participant received the award based on materially inaccurate audited publicly reported financial statements; or
  - The participant knowingly engaged in providing materially inaccurate information relating to audited publicly reported financial statements; or
  - The participant materially violated any risk limits established or revised by senior management and/or risk management; or
  - The participant engaged in gross misconduct.

Severance

- Citi does not provide guaranteed levels of severance upon early termination of employment. Severance pay is discretionary unless otherwise required by local law.

Guarantees, Buyouts and Retention Payments

- Guaranteed incentive and retention awards for employees are generally limited to the first year of service, other than in exceptional circumstances.
- Guaranteed awards made for the purposes of retaining employees are generally only made in exceptional circumstances, for example, during major restructuring, during a merger process; or where a business is winding down, such that particular staff needs to be retained on business grounds.

Personal Hedging

- Employees are prohibited by Citi from taking out insurance contracts or engaging in personal hedging strategies or remuneration or liability related contracts of insurance that undermine or may undermine any risk alignment effects of their remuneration arrangements.
- In addition, Citi's Personal Trading and Investment Policy (the "PTIP") prohibits the hedging in any manner (other than currency hedges) by Covered Persons (including directors and executive officers) of unvested restricted stock or deferred stock awarded as compensation under Citi's Capital Accumulation Program.
- The PTIP also prohibits engaging in speculative transactions in Citi securities, including sales of naked calls and speculative option strategies, as well as any other transaction that would benefit from a decline in the value of a Citi security. The PTIP generally allows Covered Persons (excluding directors and executive officers) to hedge vested long positions of then deliverable Citi securities.
- Covered Persons under the PTIP include (but are not limited to) individuals who 1) may have access to material non-public information regarding Citi, 2) are employed by Citi's Institutional Clients Group, 3) are FINRA -registered employees or associates of any of Citi's U.S. broker dealer entities, or 4) work in a securities or advisory business in Citi Personal Wealth Management, as well as certain individuals who are related to Covered Persons. Because directors and executive officers who are Covered Persons under the PTIP are also subject to the hedging policy applicable to directors and executive officers pursuant to the Corporate Governance Guidelines, a proposed transaction by a director or executive officer may be prohibited by application of one policy even if the transaction would be permissible under the other policy.

Performance measurement

Determination of global bonus pools

- Citi's bonus pools are determined at a global level. For revenue generating business units, incentive compensation pools reflect the reward that groups of employees should receive based on their economic value creation and distinct talent attributes. Bonus pool determinations will be driven by economic value creation taking into account risk calculated at the major business line level. Senior management may make discretionary risk adjustments based on factors not captured in the bonus pool determination, combined with adjustments for strategic factors (e.g., short term competitive pressures for talent, strategic importance of the franchise etc.) to determine final bonus pools. Incentive compensation pools of non-revenue generating business units are adjusted for Citi and business unit performance, business unit strategy and strategic positioning and competition for talent.

Individual performance assessment and award determination process

- Citi has an annual performance management process.
- The performance assessment of Canadian employees is based on individually tailored goals against 3 pillars – Risk and Control, Financial and Client and Franchise, as well as an assessment against Citi's Leadership Principles, (refer to Leadership Principles later in this section).
- Individuals complete a self-appraisal against their individual goals against the 3 performance pillars, as well as their Leadership Principle pillar. This is followed by a discussion between the individual and their manager. Managers complete their appraisal of the individual against their goals, and other metrics that may be pertinent to their business and record the individual's performance and contribution. A rating for Goals is derived by averaging the rating of all 3 performance pillars to determine an overall Goals rating, and a rating for Leadership is then given based on assessment against the Leadership Principles.
- Note that employees within Compliance, Risk and Audit are excluded from setting goals against the Financial Pillar and excluded from being assessed against this pillar.

Managers must carefully consider the risk metrics pertinent to their business unit when determining individual performance ratings, especially when applying any discretion that results in an individual compensation outcome varying from the level implied by the performance of their business unit.

- Group 1 and 2 Covered Employees are subject to additional risk review processes under which control functions (i.e., Compliance, Finance, Risk, Internal Audit, and Legal) provide an evaluation of their individual risk behaviors. The results of the risk review processes are included in the performance evaluation system to inform the performance review conducted by the Covered Employee's manager.

Risk assessment of compensation plans

- Citi has developed processes to risk assess its compensation plans. Citi's chief risk and compliance officers report semi-annually to the CPC Committee concerning their assessment of risk attributes of Citi's compensation programs.

Remuneration of control function employees

- Citi takes several measures to avoid conflicts of interest between the business and Control Functions. They are:
  - Employees engaged in control functions have direct reporting lines that are separate from the business and those reporting lines within the control functions are responsible for the reward of those employees both in terms of year-end compensation, salary increases and promotion.
  - The control functions are allocated a bonus pool separate from the revenue generating businesses, and decisions about allocations of those pools are made within the control functions themselves.

- Compensation (both salary and variable incentive) for the control functions is regularly tested in line with external market data to gauge whether it is in keeping with the market. The level of variable remuneration for control function employees is determined by reference to performance against objectives that are set and assessed within their respective functions.

Performance Management

The performance assessment process of Canadian employees is assessed on individually tailored goals against 3 performance pillars – Risk & Control, Financial and Client & Franchise, along with an assessment against Citi's Leadership Principles.

Citi's Leadership Principles

Citi's Leadership Principles are incorporated into the performance assessment process assessing leadership behaviors demonstrated in support of how goals are achieved. Citi's Leadership Principles are:

- We Take Ownership - We challenge one another to a higher standard in everything we do.
    - Greets change with optimism, curiosity and resilience.
    - Speaks up with candor and welcomes challenge from others.
    - Learns from experiences, adapts and improves.
    - Prioritizes the greater good when contributing to and honoring group decisions.
- We Deliver with Pride - We strive for client excellence, controls excellence and operational excellence.
    - Simplifies, standardizes and clarifies work.
    - Holds self and others accountable for managing risk with appropriate controls.
    - Creates long-term value by fixing root causes.
    - Takes pride in always doing the right thing.
- We Succeed Together - We value and learn from different perspectives to surpass stakeholder expectations.
    - Breaks down barriers to deliver the best of Citi.
    - Measures performance through the lens of our stakeholders.
    - Invests in colleagues from all backgrounds.
    - Shows empathy for colleagues, clients and communities.

Quantitative disclosures

The Governance Committee of the Board annually reviews and approves the general compensation philosophy and guidelines for the Bank's senior management and other material risk takers.

The following tables summarize number of employees who received awards/payments for each category, as noted below, during the year ended December 31:

	Senior Management		Other Material Risk Takers	
	2023	2022	2023	2022
Employee Total	18	17	27	22
Employees receiving a variable remuneration award	16	15	27	21
Employees with guaranteed bonuses	-	1	-	-
Employees paid sign-on awards				
Number of severance payments	-	1	-	-

The following summarizes deferred remuneration paid during the year and outstanding as at December 31:

	Senior Management		Other Material Risk Takers	
	2023 $	2022 $	2023 $	2022 $
Outstanding*				
Deferred cash	411	1,203	176	651
Deferred cash stock units	4,754	2,905	2,506	1,745
Deferred stock	-	-	-	-
Paid				
Deferred cash	799	1,194	334	619
Deferred cash stock units	1,405	941	797	557
Deferred stock	-	200	-	127

* *The outstanding amounts are exposed to ex post explicit and/or implicit adjustments.*

The following summarizes the total remuneration awards relating to the Bank's senior management and other material risk takers for 2023:

	Senior Management		Other Material Risk Takers	
Fixed remuneration	**Unrestricted $**	**Deferred $**	**Unrestricted $**	**Deferred $**
Cash-based	8,073	-	9,554	-
Shares and share-like instruments	-	-	-	-
Other	406	-	520	-
Variable remuneration				
Cash-based	5,637	-	4,557	-
Shares and share-like instruments	-	2,499	-	1,265
Other	-	-	-	-

There were no reductions during 2023 and 2022 due to ex post explicit and implicit adjustments.