Citibank Singapore Limited
Registration Number: 200309485K

Pillar 3 Disclosure
Year ended 31 December 2011

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1. Introduction

Citibank Singapore Limited ("CSL" or the "Bank") is incorporated in the Republic of Singapore and has its registered office at 8 Marina View, #21-00 Asia Square Tower 1, Singapore 018960. The bank operates in Singapore under a full bank licence with an Asian Currency Unit and Qualifying Full Bank privileges granted by the Monetary Authority of Singapore ("MAS"). The immediate holding company is Citigroup Holding (Singapore) Private Limited, incorporated in Singapore. The ultimate holding company is Citigroup Inc., incorporated in the United States of America.

As at end of 2011, the Bank is accessible to customer at more than 1,400 touch points, including 26 branches, 222 Citibank ATMs and other shared access and payment networks.

The Capital Requirements Directive (CRD), often referred to as Basel II, introduced the need for banks operating under this new legislative framework to publish certain information relating to their risk management and capital adequacy. The disclosure of this information is known as Pillar 3 and is designed to complement the other two pillars of the Basel II, namely the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The disclosure has been prepared in accordance with MAS Notice 637 which took effect on 1 January 2008.

Since the beginning of 2008, CSL has adopted Standardised Approach ("SA") for Credit Risk, Basic Indicator Approach ("BIA") for Operational Risk and Standardised Approach ("SA") for Market Risk. The adoption of Advanced-Internal Risk Based Approach ("A-IRBA") for Credit Risk, Advanced Measurement Approach ("AMA") for Operational Risk and Internal Models Approach ("IMA") for Market Risk by CSL will be dependent on the readiness of adoption by its ultimate holding company and any other relevant considerations.

This Pillar 3 disclosure should be read in conjunction with Citibank Singapore Limited's Financial Statements for the corresponding financial year.

2. Corporate Governance

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 Board 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.

The Bank has put in place a risk management system, which leverages in part the risk management framework developed by Citigroup, to oversee and monitor material risks faced by the Bank, including credit, market and operational risks. The Audit Committee assists the Board in overseeing legal, compliance and operational risks and is supported by the Bank's internal audit, enterprise risk management and compliance functions. The Audit Committee will review significant control and compliance related matters and the audit findings of the compliance and internal audit functions at its quarterly meetings, including management's response to the audit findings and progress of the related corrective action plans. The Bank's management, Audit Committee and relevant bank personnel will update the Board during its quarterly meetings about pertinent operational, legal and compliance risk management issues which have arisen during the quarter.

The Bank has a Risk Management Committee, which together with the Audit Committee and management team assists the Board in fulfilling its oversight responsibility relating to the establishment and operation of a risk management system. The Risk Management Committee has particular oversight of credit, market and liquidity risk; reviews acquisition and disposal of large securities positions of the Bank; and monitors the progress of the Basel II implementation.

3. Capital Structure and Capital Adequacy

The Bank's capital management is designed to ensure that it maintains sufficient capital consistent with the Bank's risk profile and all applicable regulatory standards and guidelines. The Bank adopts a balanced approach in risk taking, balancing Senior Management and Board of Directors' oversight with well-defined independent risk management functions. The Board engages Senior Management regularly in key activities that may impact capital assessment and adequacy.

Other than paid-up capital of the Bank, the bank's capital is historically generated via retained earnings from the business.

3.1. Capital Management

	(in S$million)	Basel II 2011	Basel II 2010
1	**Tier 1**		
	Paid-up ordinary share capital	1,528	1,528
	Disclosed reserves [1]	3,184	3,179
	Less: Tier 1 deductions	-	1
	Net Tier 1 Capital	**4,712**	**4,706**
2	**Tier 2**		
	General Allowances	52	55
	Net Upper Tier 2 capital	**52**	**55**
3	**Total eligible capital (Net Tier 1 capital + Tier 2)**	**4,764**	**4,761**
	Risk Weighted Assets	18,146	17,425
	Tier 1 capital adequay ratio	25.97%	27.01%
	Total capital adequacy ratio	26.25%	27.33%

Note

[1] Disclosed reserves comprises translation reserves, statutory reserves and accumulated profits

Pursuant to Paragraph 9 of the Banking Act, the Bank is required to maintain a paid-up capital and capital funds of not less than $1,500,000,000. The Bank's capital fund is the aggregate of its paid-up capital and its published reserves, which includes foreign currency translation reserve, statutory reserve and accumulated profits.

In 2007, the Monetary Authority of Singapore ("MAS") approved the Bank's application to adopt the Basel II Standardised Approach with effect from 1 January 2008 for computing its regulatory capital requirements. The Bank's capital adequacy ratio ("CAR") for 31 December 2011 is computed on this basis and in accordance with MAS Notice 637 issued on 14 December 2007, which took effect on 1 January 2008. At the end of 2011, CSL's Tier 1 capital adequacy ratio is 25.97% (2010: 27.01%) and total capital adequacy ratio is 26.25% (2010: 27.33%).

The above ratios are well above the regulatory requirements for Tier 1 and total capital adequacy ratios of 6% and 10% respectively.

3.2. Risk Weighted Assets (RWA)

The following tables detail the classes of RWA and the types of credit exposure of the Bank as at 31 December 2011:-

1. Credit RWA **(S$ million)**

	Standardised Approach for Credit Risk [SA (CR)]	Total Credit RWA
i)	Cash and Cash Equivalents	-
ii)	Central Governments and Central Banks Asset Class	-
iii)	Public Sector Entity Asset Class	26.01
iv)	Multilateral Development Bank Asset Class	-
v)	Bank Asset Class	5,784.49
vi)	Corporate Asset Class	16.90
vii)	Regulatory Retail Asset Class	3,712.01
viii)	Residential Mortgage Asset Class	3,574.53
ix)	Commercial Real Estate Asset Class	36.62
x)	Other Exposures Asset Class	1,921.09
	Total Credit RWA under SA (CR)	**15,071.65**

2. Market RWA **in S$ million**

Market Risk Type	Specific Risk	General Market Risk	Additional Capital Charge for Options	Total Capital Requirement	
Interest Rate Risk	12.87	2.10	-	14.97	
Equity Risk	-	-	-	-	
Foreign Exchange Risk	-	9.50	3.81	13.32	
Commodity Risk	-	-	-	-	
Total Capital Requirement under SA(MR)	12.87	11.60	3.81	28.28	**A**
Market RWA under Standardised Approach for Market Risk [SA (MR)] = A*12.5				**353.52**	

3. Operational RWA **(S$ million)**

Operational Risk Capital Requirement	217.65	**B**
Total Operational RWA (=B*12.5)	2,720.66	

4. Risk Categorization

To assess adequacy of the Bank's capital to support its current and future activities, the Bank has identified material risks applicable to CSL's lines of business.

The material risks identified by Senior Management and reviewed and adopted by the Board of Directors are Credit Risk, Operational Risk, Market Risk, Interest Rate Risk in the Banking Book ("IRRBB"), Liquidity Risk, Business & Strategic Risk, Reputation Risk and Model Risk.

CSL defines these material risks as follows:

4.1. Credit Risk

Credit Risk is the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract with the Bank or otherwise fail to perform as agreed. Credit Risk also arises in conjunction with a broad range of the Bank's activities, including selecting investment portfolio products, derivatives trading partners, foreign exchange counterparties, country or sovereign exposure, as well as indirectly through guarantor performance.

4.1.1 Credit Risk management policy

The Credit Risk Management process at the Bank relies on corporate-wide standards to ensure consistency and integrity, with business-specific policies and practices to ensure applicability and ownership.

For Consumer/Retail portfolio, the credit risk is governed by local regulatory requirements, Global Consumer Credit and Fraud Risk Policy ("GCCFRP") and local product specific Business Credit Policy & Procedure Manual ("BCPPM"). Credit authority levels, credit delegation process, approval processes for portfolios categorization, product and transaction approvals, and other types of required approvals, as well as, appointment of credit officers and their responsibilities are defined in these policy documents.

For CitiBusiness/Commercial portfolio, the credit risk is governed by Global Commercial Credit Policy ("GCCP").

In addition to compliance with the global credit policies, CSL also complies with MAS Notice to Banks No. 612 on credit grading of facilities where loans are graded into Pass, Special Mention, Sub Standard, Doubtful and Loss.

4.1.2 Impairment Allowances policy

The Bank complies with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act, Chapter 50 (the "Act"). In accordance with Section 201(19) of the Act, the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning have been modified by the requirements of Notice to Banks No 612 'Credit Files, Grading and Provisioning' ("MAS 612") issued by the MAS.

Specific impairment allowance for unsecured loans is made on the carrying amount according to loan delinquency. Specific impairment allowance for secured loans is made on excess of carrying amount over market value of collateral, according to loan delinquency. Secured loans are generally collateralized by securities, properties and motor vehicles. Management updates market prices of securities periodically to identify shortfalls in collateral values against loan carrying amounts.

Collective impairment allowance is determined based on the SR-0 methodology with an adjustment to the loss emergence factor. The SR-0 method computes Loan Loss Reserve ("LLR") required for loans and advances as at 31 December 2011 based on the flow rate. The emergence loss factor analyses the allowance required from the time a loss event was triggered to the write-off of the loan that take into consideration the current loans that are potentially impaired. In addition there is consideration for adjustments that may be required for observable market data indicating potential future deterioration of credit condition.

With the internal LLR impairment assessment methodology, the Bank has a process to ensure that the LLR is adequate to meet the requirements under MAS612.

Details of specific and collective impairment allowances and non-performing credit facilities as well as reconciliation of changes in the allowance for loan impairment are disclosed in Note 16 and Note 17 of CSL's financial statements.

4.1.3 Credit Risk Assessment and allowances

Credit Risk assessment is performed as follows:

A) Retail Portfolio

The target markets for retail lending are individual borrowers. Key retail lending products are mortgage loan, auto loan, credit card, revolving credit and margin lending.

There is an established set of measures, procedures, and policies for monitoring the performance of the retail asset portfolios. This is done through a monthly Portfolio Quality Review ("PQR") covering the following key areas:

- Leading indicators (including macro economic indicators), new booking characteristics, test programmes, significant credit changes, portfolio classified as "Performance Exception" and

portfolio performance indicators (delinquencies, net flows, credit losses). Where applicable, results are compared against historical performance and/or plan/benchmarks

- Monitoring of limits stipulated in approved programmes
- Concentration limits/caps for high risk segments
- Test programmes tracking
- Deviation rates and related performance of exceptions approved
- Reporting Key Risk Indicators ("KRI") if benchmarks are triggered and actions are taken, where applicable. KRIs include tripwires identified during the annual stress tests
- Keeping an inventory of credit changes made. For significant credit changes, performance against benchmarks is tracked for 12 months

Day Past Due ("DPD") is used by CSL to assess the level of individual impairment allowance required. Details of DPD bucket for retail portfolio (Unsecured Loan and Mortgage Loan) are as follows:

DPD	Classification (MAS612)
0-29	Pass
30-89	Special mention
90-119	Substandard
120-179	Doubtful
>=180	Loss
Past Due Obligations (PDO) Account < 90 DPD	Substandard
PDO Account >=90 DPD	Per delinquency status
Rewrite < 90 DPD	Substandard
Rewrite >=90 DPD	Per delinquency status

For loans with underlying collaterals, there is a split classification and methodology for accounts falling under the substandard, doubtful and loss classification.

For Auto and Education Loans:

DPD (Citibank)	Classification (MAS612)
0-29	Pass
30-59	Special Mention
60-89	Sub Standard
90-119	Doubtful
>=120	Loss
Past Due Obligations (PDO) Account < 90 DPD	Sub Standard
PDO Account >=90 DPD	Per delinquency status

Facilities secured by cash, mutual funds, fixed income securities, shares:

DPD (Citibank)	Classification (MAS612)
0-29	Pass
30-89	Special Mention
90-119	Sub Standard
120-179	Doubtful
>=180	Loss

- **Credit Risk Mitigation (CRM)**

For the purpose of calculating and assessing Net Credit RWA, the Bank takes into account eligible collaterals pledged by the customers with the Bank, that are primarily cash deposits, mutual funds, fixed income securities and shares.

The Bank's Credit Department is guided by its Credit Policy and Procedures for collateral valuation and management. It marks to market the CRM eligible financial collateral value on a daily, weekly and monthly (whichever is applicable) basis. Margin Calls and Force Sales will take place if the Quantum of Financing ("QOF") is higher than the Credit Policy accepted percentage. Trade will be rejected if the QOF reaches Margin Call or Force Sale.

As the end of December 2011, the Bank's gross credit exposure is S$38 billion, of which S$1.08 billion is offset by CRM in the retail portfolio. After applying the required risk weights, the Bank's Credit RWA is $15.07 billion. Given the immateriality of CRM, which is 2.8% of total credit exposure, asset class breakdowns are not provided and for the same reason, there is no CRM risk concentration exposure to the Bank.

Twelve month forecasts of portfolio performance are carried out as part of the annual budget process. This process includes a review of volume growth, expected losses and reserves and related profitability, and is subject to the independent review and concurrence of the Regional and Global Risk Management Office. Once the forecasts are approved, they are used as credit benchmarks to monitor performance of the portfolio in the following financial year.

Large consumer portfolios are subject to annual business stress testing, where the major asset product portfolios are put through a set of generated stress scenarios to determine their loss absorption capacity.

B) Wholesale Portfolio

The Commercial Market Business Credit Policy and Procedures ("CMBCPP") define how credit risk is managed for commercial lending. In particular, they drive the escalation of the larger exposures and exceptions for higher level approval.

Within the risk framework of the CMBCPP, CSL's Small and Medium Enterprises ("SME") credit risk management is outlined in greater detail in the Business Credit Policy & Procedure Manual ("BCPPM"), which is developed locally to incorporate applicable local regulations, market practices and environment and processes for approving and managing the risks of the portfolio. There is an established monitoring and review process through monthly Portfolio Quality Review ("PQR") reporting. The SME Wholesale Portfolio constitutes only 0.35% of the total RWA for Credit Risk. As such, Concentration Risk, Cross Border Risk and Residual Risk are deemed immaterial for this portfolio.

To assess the allowance of Individual Commercial Lending Portfolio, the following classification is used in accordance with the Bank's internal Credit Policy and MAS612:

Classification	Classification (MAS612)
I	Pass
IA	Special mention
II	Substandard
III	Doubtful
IV	Loss

C) Treasury Portfolio Credit Risk

The Corporate Treasury and Integrated Foreign Exchange and Fixed Income ("CTFX") business through its activities manages the funds of the businesses that it supports. The credit risk evaluation for CTFX placements is as follows:

- **Third Party Placements**
  All approval of limits for third party placements is carried out centrally by the Global Risk Management unit. The limit for each counterparty is determined globally and allocated to each country. This process ensures that Citigroup's global exposure is centrally aggregated and controlled. Prior to making any third party placements, CTFX checks to ensure that there are limits available for the transactions. The Risk Management Unit monitors the placements with counterparties to ensure that they are within the limits allocated.

A process is also in place to check for compliance with exposure to single counterparty groups. A figure of 20% of capital funds is used as the internal trigger in addition to compliance with the regulatory limit of 25% of capital funds. The monitoring of this is performed on a daily basis.

- **Inter-Company**
  Pursuant to the banking licence granted by MAS, CSL is required to maintain its net inter-company exposure within certain limits. The net exposure to inter-company is monitored on a daily basis. Inter-company exposure is also monitored to ensure adequacy of capital is maintained at all times.

4.1.4 Credit Ratings of External Credit Assessment Institution (ECAI)

In terms of assessing counterparty credit risk, Moody's Investors Service and S&P's Ratings Services are selected as CSL's approved ECAI for providing credit ratings. ECAI is used in the Bank's Wholesale and Treasury portfolios.

The Bank uses an internally developed system to calculate its risk weighted assets and this system receives its external ratings from a credit system that has a feed for external ratings from the approved ECAI.

The alignment of the alphanumerical scale of each recognized ECAI used by CSL with relevant risk weights are detailed in the table below:

Credit Ratings and Credit Quality Grade

Rating Agencies		Credit Ratings						
Moody's Investor Services		Aaa Aa1 Aa2 Aa3	A1 A2 A3	Baa1 Baa2 Baa3	Ba1 Ba2 Ba3	B1 B2 B3	Caa1 Caa2 Caa3 Ca C	
Standard & Poor's		AAA AA+ AA AA-	A+ A A-	BBB+ BBB BBB-	BB+ BB BB-	B+ B B-	CCC+ CCC CCC- CC C D	
Basel Credit Ratings		**AAA**	**A+**	**BBB+**	**BB+**	**B+**	**CCC+**	
Credit Quality Grade		**1**	**2**	**3**	**4**	**5**	**6**	**Unrated**
Basel Asset Class - Bank	<= 3 months	20%	20%	20%	50%	50%	150%	20%
	>3 months	20%	50%	50%	100%	100%	150%	50%
Basel Asset Class - Corporate	<= 3 months	20%	50%	100%	100%	150%	150%	100%
	>3 months	20%	50%	100%	100%	150%	150%	100%
	Original Maturity Date	**Risk Weight Applied**						

4.1.5 Credit Risk Exposure Disclosure

- **Gross Credit exposure**
  The gross credit exposures of the Bank is represented by the maximum exposure to credit risk for balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancement at the balance sheet date. Gross credit exposures and residual contractual maturity breakdown can be found in Note 31 of the Bank's financial statements.

Average gross credit exposure is used for analysis purposes only. The monthly average balance is the common method used for analysis. As average gross credit exposures are not used to determine the maximum credit exposure to the Bank, they are not disclosed.

- **Geographic and Industry Breakdown**
Geographic distribution of the Bank's major credit exposure is disclosed in Note 14 to Note 16 of the financial statements while industry distribution is disclosed in the 'Industry Analysis' section of Note 31 in the financial statements.

Individual and collective impairment allowance by major industry is also disclosed in Note 31 of the Financial Statements.

Further disclosures are as follows:

- **Classified Exposure - by Major Industry**

Industry	**Amount (S$million)**
Professional & Private Individuals	121
Housing	12
Total	**133**

- **Classified Exposure - by Geographical Location**

Country	**Amount (S$million)**
Singapore	132
Others	1
Total	**133**

- **Past due loans under MAS612 – by Major Industry**

Past Due Loans (>90 dpd)	**Amount (S$million)**
Professional & Private Individuals	15
Housing	1
Total	**16**

- **Past due loans under MAS 612 – by Geographical Location**

Past Due Loans (>90 dpd)	**Amount (S$million)**
Singapore	16
Others	0
Total	**16**

- **Individual impairment allowance – by Geographical Location**

Industry	**Amount (S$million)**
Singapore	0
Others	1
Total	**1**

- **Charges for individual impairment allowance and charge-offs – by Major Industry**

Industry	**Amount (S$million)**
Professional & Private Individuals	1
Total	**1**

Note: Collective impairment allowance is done on a total portfolio basis, thus breakdown by geography and industry is not available.

- **Asset Class Breakdown by Risk Weights after CRM, under SA(CR):**

	Risk Weights	Asset Class	Net Exposure (S$million)	Credit RWA (S$million)
i)	0%	Cash Items	93.76	-
		Central Government & Central Government Exposure	5,086.77	-
ii)	20%	Cash Items – Cheques and other items in processing	-	-
		Public Sector Entities Exposure	130.07	26.01
		Banking Institutions Exposure – On Balance Sheet	7,920.24	1,584.05
		- Off-Balance Sheet	1,008.06	201.61
		- OTC	40.45	8.09
		Corporate Exposure - OTC	0.01	0.00
iii)	35%	Exposures secured by Residential Property - On Balance Sheet	4,620.96	1,617.34
		- Off Balance Sheet	1,217.19	426.02
iv)	50%	Banking Institutions Exposure – On Balance Sheet	7,954.36	3,977.18
		- Off Balance Sheet	-	-
		- OTC	27.13	13.56
		Corporate Exposure- OTC	0.05	0.03
v)	75%	Regulatory Retail Exposure – Individuals	4,915.75	3,686.81
		-Small Business	0.18	0.14
		Exposures secured by Residential Property - On Balance Sheet	178.44	133.83
		- Off Balance Sheet	3.50	2.63
vi)	100%	Corporate Exposure – On Balance Sheet	15.25	15.25
		- Off Balance Sheet	1.04	1.04
		- OTC	0.58	0.58
		Regulatory Retail Exposure – to Small Business	0.01	0.01
		Exposures secured by Residential Property	1,394.72	1,394.72
		Other Exposures Asset Class	1,921.09	1,921.09
		Commercial Real Estate Exposure - On Balance Sheet	35.96	35.96
		- Off Balance Sheet	0.65	0.65
vii)	150%	Regulatory Retail Exposure – on Balance Sheet	16.70	25.05
		Total	**36,582.92**	**15,071.65**

Counterparty Credit Risk ("CCR") and Over-the-counter ("OTC") derivatives

Counterparty risk exposure is included in our economic capital model by converting the current plus future potential exposure to a counterparty into a one-year loan equivalent, aggregated with other direct and indirect exposure, and allocating economic capital based on the perceived credit quality of the obligor.

The gross credit exposure for OTC derivative transaction is calculated under the current exposure method. This comprises both replacement cost (on balance sheet mark-to-market) and potential future exposure after taking a Credit Conversion Factor ("CCF") on the derivative contract notional amount.

There are no collaterals, credit reserves or specific policy with respect to exposures that give rise to general or specific wrong-way risk.

The gross positive fair value of derivative transactions is disclosed in Note 6 of the Financial Statements.

Credit exposures by type of OTC derivatives are detailed below:

	Foreign	**Interest Rates**	**Equity**	**Total**
	(S$million)	**(S$million)**	**(S$million)**	**(S$million)**
Exposure at default (EAD)	153.01	-	1.13	154.14

4.2 Market Risk

Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business of a global financial intermediary. Liquidity risk is the risk that an entity may be unable to meet a financial commitment to a customer, creditor, or investor when due. Price risk is the earnings risk from changes in interest rates, foreign exchange rates, and equity and commodity prices, and in their implied volatilities. Price risk arises in both trading and non-trading portfolios.

Market risks are measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk. Each business is required to establish, with approval from independent market risk management, a market risk limit framework for identified risk factors that clearly defines approved risk profiles, which is within the parameters of Citibank's overall risk appetite.

CSL is fully integrated into the overall Citi risk and control framework, balancing Senior Management oversight with well-defined independent risk management functions. It is the responsibility of the senior management of CSL to implement Citi's risk policies and practices, and respond to the needs and issues in the Bank. CSL's market risk management process is part of the Regional Consumer Banking ("RCB") market risk management process.

In terms of internal controls, Market Risk Management, an independent group, oversees market and liquidity risk and ensures that the approved risk profile is consistent with CSL's overall risk appetite. Market risk limits are approved by Market Risk Management and monitored on a daily basis. Limit excesses are highlighted to the Risk Management Committee of CSL.

In line with Basel II requirements, stress testing procedures are developed in response to business or market specific concerns and applied to all Trading/Accrual portfolios within a specific business, as appropriate. The stress tests are performed periodically on Trading and Accrual portfolios at a frequency required under the independent market risk limit framework, or at the discretion of Market Risk Management.

4.2.1 Interest Rate Risk Management

The Bank's interest rate positions arise from treasury and consumer banking activities. Interest rate risk arises in both trading portfolios and non-trading portfolios. Interest rate risk arises primarily due to the timing differences in the re-pricing of interest-bearing assets and liabilities. It is also a result of positions from non-interest bearing liabilities including shareholders' funds and current accounts, as well as from certain fixed rate loans and liabilities. Interest rate risk is managed by the Treasury Department through monitoring of limits approved by the Regional Market Risk Management. The Bank also uses interest rate swaps to manage interest rate risk.

As of 31 December 2011 the Bank's Market Risk Department estimated that the interest rate sensitivity of a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Bank's profit before tax by approximately $33,114,000.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date and that all other variables, in particular foreign exchange rates, remain constant. The above basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

4.2.2 Interest Rate Risk in the Banking Book

Interest rate risk in the Banking Book arises from both interest bearing and non-interest bearing assets and liabilities. Interest rate risk is monitored on a daily basis within the approved limits framework set by the Regional Market Risk Management. Assets and liabilities, which are contractual in nature, are monitored up to the re-pricing tenors. Consumer loans having long term re-pricing exposures are subjected to prepayment assumptions based on historical studies on customer early payout behavior. Non-interest bearing and perpetual products, e.g. current and saving accounts, credit cards and ready credit are monitored for interest rate risk on core balances. The core balances are computed based on statistical regression analysis. Global

Optimization Technique will be use to determine the interest rate risk vectors of the interest bearing non contractual products eg savings accounts and credit card revolvers as and when it is implemented.

Potential interest rate risk in the Banking Book is monitored through interest rate exposure at 100 basis points parallel move in interest rates. Interest rate exposure at each major currency level for the Banking Book is as follows:

Currency	**+100bps Up Move (S$million)**
SGD	-9.6
USD	-20.2
GBP	-0.8
CHF	-0.1
CAD	-0.6
AUD	-0.9
NZD	0.1
EUR	0.1

4.2.3 Liquidity Risk

CSL's liquidity management objective is to ensure that the Bank has adequate access to liquidity to meet all obligations as and when due, including under extreme but plausible conditions.

Liquidity risk management in CSL includes Funding and Liquidity Planning, Market Access Reporting ("MAR"), and the use of limits, triggers and stress testing. Liquidity is monitored and managed within a robust framework that includes review by the Asset Liability Committee (ALCO), which consists of representation from all businesses with the Citi Country Officer designated as the chairman of ALCO.

In terms of internal control, under the Liquidity Risk Management Policy, there is a single set of standards for the measurement, reporting and management of liquidity risk in order to ensure consistency across businesses, stability in methodologies, and transparency of risk.

Details of market risk, interest rate sensitivity, foreign currency risk and liquidity risk analysis can be found in Note 31 of CSL's financial statements.

4.3 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. It includes reputation and franchise risk associated with business practices or market conduct that the Bank may undertake. Operational risk is inherent in the Bank's business activities and is managed through an overall framework with checks and balances that include recognised ownership of the risk by the businesses and independent risk management oversight.

CSL management places high importance on maintaining an effective control environment to mitigate operational risk. A number of tools have been put in place to mitigate this risk. These tools range from conducting Manager's Control Assessment ("MCA"), operational loss reporting and several escalation mechanisms related to operational risk. In line with Basel II requirements, CSL performs risk analysis on a regular basis to assess whether the minimum capital requirement for operational risk is adequate and adhered to. It is the Business Risk, Compliance & Control Committee ("BRCC") that governs operational risk within CSL. The Committee meets on a quarterly basis and discusses operational risk related items according to a standard agenda. The CSL Audit Committee is the independent governing body monitoring operational risk within CSL.

CSL is primarily engaged in retail banking services, ranging from those for the mass market segment, such as vanilla deposit and loan products to the more complex structured investment products for the affluent segment. Some of these activities carry a medium degree of operational risk. CSL management places a very high value on maintaining an effective control environment to mitigate related operational risk. Hence, the residual operational risk of retail banking services within CSL is relatively low.

The Bank uses the Basic Indicator approach for calculating Operational Risk Capital. The computation is set out in MAS Notice 637, Part IX division 2.

5. Remuneration

5.1 Remuneration of Employees

The Bank's remuneration policy is aimed at attracting and retaining talented individuals. The job scope and market factors are taken into account in determining the remuneration package for an employee. To ensure that the Bank remunerates its employees competitively and appropriately, the Bank regularly reviews its base salary ranges and benefits package using market data provided by recognized surveys of comparative groups in the financial sector in Singapore.

5.2 Financial Stability Board Principles of Sound Compensation Practices

In April 2009, the Financial Stability Board ("FSB") issued the Principles of Sound Compensation Practices ("FSB Principles"). In September 2009, the FSB issued implementation guidelines for the FSB Principles. The nine principles, which are intended to reduce incentives which encourage excessive risk taking, focus on three areas:

1. Effective governance of compensation;
2. Effective alignment of compensation with prudent risk taking; and
3. Effective supervisory oversight and engagement by stakeholders.

On 9 December 2010, MAS revised the Corporate Governance Guidelines for Banks, Financial Holding Companies and Direct Insurers incorporated in Singapore to incorporate the FSB Principles. The Bank has performed a self-assessment against the FSB Principles and has concluded that its remuneration policy and compensations practices are aligned with the FSB Principles.

5.3 Effective Governance of Compensation

5.3.1 Board Remuneration Committee

Citigroup, Inc. ("Citigroup") has a remuneration policy which is applied in a consistent manner by its various businesses across the globe, including those operating in CSL (hereinafter referred to as "Global Remuneration Policy").

As with other global Citi policies, practices and procedures that are relevant to the businesses in CSL, the CSL Board has been appraised by the Bank's management of the Global Remuneration Policy and concurs with management's proposal to adopt the Global Remuneration Policy for CSL. On at least an annual basis, the CSL Board will review with the Bank's management, the Bank's remuneration policies, structure and procedures that follow the objectives of the Global Remuneration Policy. As part of such review, the CSL Board has been provided information on matters including the objective of the Global Remuneration Policy, the role, responsibility and composition of global, regional and country committees established for the purpose of reviewing and approving remuneration structures and guidelines, and the review and approval processes involved in determining remuneration packages for the Bank's employees such as Covered Employees and Senior Managers (as defined below). As mentioned above, the Bank has conducted a self assessment of the Global Remuneration Policy adopted by the Bank against the FSB Principles and concluded that the Bank's remuneration structure/practices and processes are broadly aligned to the FSB Principles. The CSL Board has reviewed the said self-assessment with the Bank's management.

5.3.2 Review and Evaluation of Incentive/Compensation Programs

At a global level, the Board of Citigroup plays a key role in the design and oversight of the Global Remuneration Policy through the Citigroup Personnel and Compensation Committee ("PCC"). All remuneration proposals are brought to Citigroup Board for review and final approval.

In Singapore, the Country Senior Personnel Committee ("CSPC") meets on a quarterly basis to review and approve all human resource related policies, including CSL's remuneration policy, based on guidelines provided by global and regional offices. CSPC is chaired by the Citi Country Officer, Mr Michael Zink and comprises the Chief Operating Officer ("COO"), Chief Financial Officer ("CFO"), Country Human Resources Officer ("CHRO"), Senior Country Operations Officer ("SCOO") and the Heads of Business for Global Consumer Banking, International Personal Banking and Citi Private Bank. The remuneration packages of the Bank's management are reviewed and approved by the Citi Country Officer and Head of Consumer Banking, Asia Pacific, Mr Jonathan Larsen. Where the Bank's management staff is from a control function (e.g. Finance, Risk Management, Compliance), the relevant Asia Pacific control function head will also review and approve the remuneration package.

1. The PCC will regularly review the design and structure of compensation programs relevant to all employees in the context of risk management.
2. In 2010, in response to FRB Guidance and European Union Capital Requirements Directive (CRD 3), a new global program, "Covered Employees" ("CEs") was implemented. This program covers senior executives as well as employees who, either individually or as part of a group, have the ability to expose Citi to material amounts of risk. Citigroup Inc's definitions of CEs are:

   Group 1: Employees who are Section 16 officers under the US Securities Exchange Act.
   Group 2: Senior employees who can take, or influence the taking of material risk for the company or for a material business unit of the company.
   Group 3: Employees in similar roles and with similar incentives who could, acting as a group, create material risk for the company or a material business unit, even though they are not likely capable of doing so if acting alone.

   The Bank adopted Citigroup Inc's definition to identify CEs. As of 31 December 2011, there were 3 CEs. Senior executives are defined as Senior Managers ("SM") which include the Chief Executive Officer of the Bank and his direct reports. As of 31 December 2011, there were 17 SMs.
3. Formal risk goals are introduced in the CE performance evaluation process, increasing the focus on risk, risk related performance and risk metrics. Management also established an independent review process with inputs from Risk Management, Legal, Human Resource, Internal Audit and Compliance, using both qualitative and quantitative data. The compensation recommendations for CEs are presented to the PCC, prior to final approval of the recommendations.
4. The PCC reviews the compensation recommendations for CEs at several points through-out the year-end process, including preliminary reviews in mid-December, detailed reviews with responsible global business heads in early January and final reviews in mid-January at the full PCC and Citigroup Inc Board meeting.
5. In addition, the CE process, including all recommendations and supporting material is audited by Internal Audit globally at the conclusion of the year-end cycle. The incentive compensation for CEs includes deferred awards (minimum 40%) with a claw-back feature under specified circumstances, and for certain CEs, a stock ownership commitment.
6. Non-vested amounts may be forfeited if the PCC determines that:
   a) The staff received the award based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;
   b) The staff engaged in providing inaccurate information (including knowingly failing to timely correct inaccurate information) relating to financial statements or performance metrics; or
   c) The staff has violated any risk limits established or revised by senior management, a business head and/or risk management, or any balance sheet or working or regulatory capital guidance provided by a business head.

5.3.3 Review for Control Functions staff

1. The overall incentive pools for Control functions staff (including Risk Management and Compliance) are set at the global level, after taking into consideration a number of factors including, but not limited to Citigroup's financial performance, risk metrics, business strategy in terms of building/divesting certain businesses and/or growth/contraction in certain geographical regions, and positioning against the external markets.
2. For Control function staff, compensation is weighted in favor of fixed compensation relative to variable compensation.

3. The key performance standards for Control functions are set by the independent manager in the region and cascaded down to the country to be included in the Balanced Scorecard.
4. CSL's Head of the Risk Management has a direct reporting line to the CEO and a matrix reporting line to APAC Group Credit Director for Consumer Risk.

5.4 Effective Alignment of Compensation with Prudent Risk Taking

1. The determination and approval of bonus pools and the respective allocation to the regional products and functions are conducted at the global level. In addition to financial performance, the pool calculations are based on a business scorecard approach which takes account of risk with increasing degrees of sophistication. Bonus pool amounts are reviewed and approved internally by Citigroup's CEO and presented to the PCC for final approval.
2. For CSL, the business will submit a bonus pool request, together with a detailed analysis based on business performance and balanced scorecard approach. Financial numbers are confirmed independently by Financial Control. The bonus pool will then be reviewed at the regional level before being submitted to global for approval.
3. Employees who receive annual variable remuneration that equals or exceeds the local currency equivalent of USD100,000 will receive a greater percentage of their total annual compensation as variable remuneration and are subject to the Capital Accumulation Program rules. Currently, a percentage, currently ranging from 25% to 60%, will be awarded as deferred variable remuneration and (a) granted in the form of equity, (b) vests in four equal annual installments and (c) subject to claw-back provisions.
4. From 2010, all deferred stock awarded under the Capital Accumulation Program are subject to claw back. Non-vested amounts may be forfeited if the PCC determines that:
   a) The staff received the award based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;
   b) The staff engaged in providing inaccurate information (including knowingly failing to timely correct inaccurate information) relating to financial statements or performance metrics; or
   c) The staff has violated any risk limits established or revised by senior management, a business head and/or risk management, or any balance sheet or working or regulatory capital guidance provided by a business head.

5.5 Effective Supervisory Oversight and Engagement by Stakeholders

CSL is an indirect wholly owned subsidiary of Citigroup, Inc. As mentioned above, the remuneration policies/practices/structures adopted by CSL are guided and approved by Citigroup, Inc. The CSL Board is appraised of the Global Remuneration Policy, including any changes to the structure and processes from previous year, annually.

In the interest of transparency to stakeholders such as its depositors, CSL has made disclosures (as it considers appropriate and aligned with the FSB Principles) of its remuneration practices and policies, bearing in the mind the sensitivity of such information from a competitive perspective.

5.6 Share Schemes

The Bank's employees are entitled to participate in various share schemes implemented by the parent company, Citigroup. Information on the share schemes is disclosed in Note 11 of CSL's financial statements.

5.7 Quantitative Disclosures

Table 1: Guaranteed Bonuses, Sign-on Awards and Severance Payments

Category	SM	CE
Number of guaranteed bonuses	0	0
Number of sign-on awards	0	0
Number of severance payments	0	0
Total amounts of above payments made during the Financial Year ($'000)	0	0

Table 2: Breakdown of Remuneration Awarded in Current Financial Year

Category		SM		CE	
		Unrestricted %	Deferred %	Unrestricted %	Deferred %
Fixed remuneration	Cash-based	67	0	44	0
	Shares and share-linked instruments	0	0	0	0
	Other forms of remuneration	3	0	2	0
Variable remuneration	Cash-based	25	0	32	11
	Shares and share-linked instruments	0	5	0	11
	Other forms of remuneration	0	0	0	0
	Total	**100**		**100**	

Explanation Notes

1. Except for the unionized staff, all other staff are not guaranteed bonuses. Any bonuses and/or incentives paid to the non-unionized staff will be considered as variable compensation. As of 31 December 2011, 2,471 of the Bank's employees received variable compensation. This included the 3 CEs and 17 SMs.
2. Under the FSB Principles for Sound Compensation Practices, the mix of cash, equity and other forms of compensation must be consistent with risk alignment. It is recommended that a substantial proportion, such as more than 50% of the variable compensation should be awarded in shares or share-linked instruments (or where appropriate, other non-cash instruments), as long as these instruments create incentives aligned with long-term value creation and the time horizons of risk. Awards in shares or share-linked instruments should be subject to an appropriate share retention policy, For the Bank, the percentage of compensation of the SM and CE that was variable and the forms in which this compensation was awarded was dependent on the amount of variable compensation that such employees received. SM and CE who received their annual variable compensation that equaled or exceeded USD100,000 (or local currency equivalent) would receive a greater percentage of their total annual compensation as variable remuneration and are subject to the Capital Accumulation Program ("CAP") rules. Currently, the percentage ranged from 25% to 60% awarded as deferred variable remuneration in equity, vested in four equal annual installment and subject to claw back provision.

Table 3: Breakdown of Long-term Remuneration Awards

Category	SM %	CE %
Change in deferred remuneration awarded in current financial year	-29	61
Change in amount of outstanding deferred remuneration from previous financial year	-39	31
Outstanding deferred remuneration (breakdown):		
Cash	1	0
Shares & share-linked Instruments	99	100

Other forms of remuneration	0	0
Total	100	100
Outstanding deferred remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	100	100
Reductions in current year due to ex-post adjustments (explicit[1])	0	0
Reductions in current year due to ex-post adjustments (implicit[2])	-48	-48
Outstanding retained remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	0	0
Reductions in current year due to ex-post adjustments (explicit)	0	0
Reductions in current year due to ex-post adjustments (implicit)	0	0

Notes:

[1] Examples of explicit ex-post adjustments include malus, clawbacks or similar reversals or downward revaluations of awards.
[2] Examples of implicit ex-post adjustments include fluctuations in the value of shares or performance units.

The above table shows the changes in remuneration awards granted in 2010 and 2011. Due to staff movements, the composition of SM and CE had changed and this is reflected in the above percentages. CEs' who were also SMs are excluded from the SM information shown above.