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**Citicorp International Limited**

**Regulatory Disclosures**

**For the Period ended  
December 31, 2019**

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## Template KM1: Key prudential ratios

The following table provides an overview of the key prudential ratios of Citicorp International Limited ("the Company").

In thousands of Hong Kong dollar		(a)	(b)	(c)	(d)	(e)
		At December 31, 2019	At September 30, 2019	At June 30, 2019	At March 31, 2019	At December 31, 2018
<b>Regulatory Capital</b>						
1	Common Equity Tier 1 (CET1)	6,883,181	6,476,399	7,970,830	7,449,382	6,838,232
2	Tier 1	6,883,181	6,476,399	7,970,830	7,449,382	6,838,232
3	Total capital	6,883,181	6,476,399	7,970,830	7,449,382	6,838,232
<b>RWA</b>						
4	Total RWA	9,527,891	9,254,631	9,053,024	8,723,801	8,322,188
<b>Capital Adequacy Ratios</b>						
5	CET1 ratio (%)	72.24%	69.98%	88.05%	85.39%	82.17%
6	Tier 1 ratio (%)	72.24%	69.98%	88.05%	85.39%	82.17%
7	Total capital ratio (%)	72.24%	69.98%	88.05%	85.39%	82.17%
<b>Additional CET1 buffer requirements</b>						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	1.875%
9	Countercyclical capital buffer requirement (%)	1.566%	1.387%	1.503%	1.496%	0.954%
10	Higher loss absorbency requirements (%) (applicable only to GSIBs or DSIBs)	0.000%	0.000%	0.000%	0.000%	0.000%
11	Total AI specific CET1 buffer requirements (%)	4.066%	3.887%	4.003%	3.996%	2.829%
12	CET1 available after meeting the AI's minimum capital requirements (%)	64.24%	61.98%	80.05%	77.39%	74.17%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	8,059,946	8,464,653	8,750,143	8,053,846	7,652,941
14	LR (%)	85.40%	76.51%	91.09%	92.49%	89.35%
<b>Liquidity Maintenance Ratio (LMR)</b>						
17a	LMR (%)	160.00%	160.00%	160.00%	160.00%	160.00%

## **Table OVA: Overview of risk management**

Effective risk management is of primary importance to its overall operations. Accordingly, the Company's risk management process has been designed to monitor, evaluate and manage the principal risks it assumes in conducting its activities. Specifically, the activities that the Company engages in, and the risks those activities generate, must be consistent with the Company's mission and value proposition, the key principles that guide it, and risk appetite.

The Risk Governance Framework consists of the policies, procedures, and processes through which the Company identifies, measures, manages, monitors, reports, and controls risks across the firm. Independent Risk Management, in conjunction with other independent control functions, reviews and updates this Risk Governance Framework at least annually and as needed to address any modifications that may be required as a result of any material changes to the firm or its operating environment. The Risk Management Committees (RMC) of the Company and the Board review and consider for approval the Risk Governance Framework at least annually.

RMC is delegated by the Board to establish the risk appetite statement, review on a regular basis and seek approval from the Board. The committee ensures that an adequate risk management framework, including policies and limits, is in place to identify, measure, mitigate and control all material risks that the Company takes during its business activities.

The Company utilizes a Risk Taxonomy that supports firm-wide frameworks including the Risk Governance Framework. The Risk Taxonomy and the Risk Governance Framework include the following risk types: Credit risk, Liquidity Risk, Market / price risk (including interest rate risk), Operational Risk, Compliance risk, Conduct risk, Legal risk and Strategic risk.

Management of risk is a fundamental responsibility of all employees. In order to create clarity around responsibilities, the Company manages its risks through each of its three lines of defense: (i) business management, (ii) independent control functions and (iii) Internal Audit. The three lines of defense collaborate with each other in structured forums and processes to bring various perspectives together and to steer the organization toward outcomes that are in clients' interests, create economic value and are systemically responsible.

### **First Line of Defense: Business Management**

Each of businesses of the Company owns its risks and is responsible for assessing and managing its risks. Each business is also responsible for having controls in place to mitigate key risks, assessing internal controls and promoting a culture of compliance and control. In doing so, a business is required to maintain appropriate staffing and implement appropriate procedures to fulfill its risk governance responsibilities.

Businesses organize and chair many committees and councils that cover risk considerations with participation from independent control functions, including committees or councils that are designed to consider matters related to capital, assets and liabilities, business practices, business risks and controls, mergers and acquisitions, fair lending and incentives.

### **Second Line of Defense: Independent Control Functions**

Independent control functions of the Company set standards by which the businesses manage and oversee risks, including compliance with applicable laws, regulatory requirements, policies and other relevant standards of conduct. Among other responsibilities, the independent control functions provide advice and training to the businesses and establish tools, methodologies, processes, and oversight for controls used by the businesses to foster a culture of compliance and control. The second line of defense provides credible challenge to the first-line units in their assessment and management of risk. Independent control functions of the Company include Independent Risk Management, Independent Compliance Risk Management (ICRM), Anti-Money Laundering (AML), Finance, Legal and Human Resources.

## **Table OVA: Overview of risk management (continued)**

### **Third Line of Defense: Internal Audit**

The role of Internal Audit is to provide independent and timely assurance to the Board, the Audit Committee, senior management, and regulators regarding the effectiveness of governance, risk management, and controls that mitigate current and evolving risks and enhance the control culture within the Company.

The Company has established policies and procedures to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date management and information systems. The Company continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal Audit also performs regular audits to ensure compliance with the policies and procedures.

### **Stress Testing**

Stress-testing involves the use of various techniques to assess a financial institution's potential vulnerability (typically in terms of its profitability, liquidity and capital adequacy) to "stressed" business conditions and thereby plays an important role in the management of risk by banks. It is also a tool commonly employed by supervisors for assessing the risks and vulnerabilities within banking systems.

The Board is ultimately responsible for the Company's stress testing program, while the senior management should be accountable for the implementation, management and oversight of the program. The stress parameters and assumptions should be reviewed regularly by respective material risk managers. The stress test should be performed at least annually. The Board and Senior Management should request ad-hoc stress testing if there are significant changes in the economic, social and political environment, or any material changes in business model/strategies.

Stress scenarios should be designed to evaluate the Company's position under severe but plausible adverse conditions where all material risk should be considered quantitatively or qualitatively. The following areas should be considered when selecting the scenarios:

- Appropriateness of scenarios
- Likelihood of scenarios
- Severity and duration of the parameters and risk drivers
- Intuitive impact of scenarios
- Additional scenarios and parameters

## Template OV1: Overview of Risk-Weighted Assets

The following table provides an overview of capital requirements in terms of a detailed breakdowns of RWAs for various risks.

In thousands of Hong Kong dollar		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at December 31, 2019	As at September 30, 2019	As at December 31, 2019
1	Credit risk for non-securitization exposures	1,642,416	1,716,431	131,393
2	Of which STC approach	1,642,416	1,716,431	131,393
24	Operational risk	7,885,475	7,538,200	630,838
27	<b>Total</b>	<b>9,527,891</b>	<b>9,254,631</b>	<b>762,231</b>

The Company has adopted the “standardized approach” and the “basic indicator approach” for the calculation of the risk-weighted assets for credit risk and operational risk respectively.

The Company does not have any credit-related derivatives and exposures to CCPs as at reporting date.

**Template L11: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories**

The following table shows the differences between the carrying values as reported in the Company's financial statements following the scope of accounting consolidation and the carrying values under the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation.

At 31 December, 2019:

	(a) and (b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements and the carrying values under scope of	Carrying values of items:				
In thousands of Hong Kong dollar		subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Balances with banks	8,006,755	8,006,772	-	-	-	(17)
Fixed assets	2,333	2,333	-	-	-	-
Deferred tax assets	18,823	-	-	-	-	18,823
Other assets	50,858	50,858	-	-	-	-
<b>Total assets</b>	<b>8,078,769</b>	<b>8,059,963</b>	-	-	-	<b>18,806</b>
<b>Liabilities</b>						
Deposits and balances of banks	69,161	-	-	-	-	<b>69,161</b>
Current taxation	474,044	-	-	-	-	<b>474,044</b>
Other liabilities	633,560	-	-	-	-	<b>633,560</b>
<b>Total liabilities</b>	<b>1,176,765</b>	-	-	-	-	<b>1,176,765</b>

**Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

The following table provides information on the main sources of differences between the carrying values in financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation.

At 31 December, 2019:

In thousands of Hong Kong dollar		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	8,059,963	8,059,963	-	-	-
2	- Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	8,059,963	8,059,963	-	-	-
4	Off-balance sheet amounts	-	-	-	-	-
5	Exposure amounts considered for regulatory purposes	8,059,963	8,059,963	-	-	-



## **Template LIA: Explanations of differences between accounting and regulatory exposure amounts**

The following provides explanations on the differences observed between accounting carrying values (as defined in template LI1) and amounts considered for regulatory capital purposes (as defined in template LI2).

### **Differences between the amounts in columns (a) and (b) in template LI1**

The Company's carrying values as reported in published financial statements and the carrying values under scope of regulatory consolidation are the same.

### **The main drivers for the differences between accounting values and amounts considered for regulatory purposes shown in template LI2**

There is no difference between accounting values and amounts considered for regulatory purposes shown in template LI2

### **Valuation of financial instruments**

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organized secondary markets for most financial instruments, and in particular for loans, deposits and unlisted derivatives, direct market prices are not available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of the value realizable in a future sale.

All valuation models are validated before they are used as a basis for financial reporting, by qualified personnel independent of the area that created the model. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instruments.

#### *Fair value hierarchy*

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unverified inputs and validated models. Unverified inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unverified inputs or invalidated models.

**Table PV1: Prudent valuation adjustments**

The following table provide a detailed breakdown of the constituent elements of valuation adjustment.

At 31 December, 2019:

In thousands of Hong Kong dollar		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
2	<i>Mid-market value</i>	-	-	-	-	-	-	-	-
3	<i>Close-out costs</i>	-	-	-	-	-	-	-	-
4	<i>Concentration</i>	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs	-	-	-	-	-	-	-	-
9	Unearned credit spreads	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	<b>Total adjustments</b>	-	-	-	-	-	-	-	-

As at reporting date, the Company has no reportable item in this template.

**Template CC1: Composition of regulatory capital**

		(a)	(b)
		In thousands of Hong Kong dollar	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	<b>CET1 capital: instruments and reserves</b>		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	187,556	(2)
2	Retained earnings	6,641,034	(3)
3	Disclosed reserves	73,414	(4)
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0	
6	<b>CET1 capital before regulatory deductions</b>	6,902,004	
	<b>CET1 capital: regulatory deductions</b>		
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liability)	0	
9	Other intangible assets (net of associated deferred tax liability)	0	
10	Deferred tax assets net of deferred tax liabilities	18,823	(1)
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	
13	Credit-enhancing interest only strip, and any gain on sale and other increase in the CET1 capital arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	0	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	0	
26b	Regulatory reserve for general banking risks	0	
26c	Securitization exposures specified in a notice given by the Monetary Authority	0	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	<b>Total regulatory deductions to CET1 capital</b>	18,823	
29	<b>CET1 capital</b>	6,883,181	
	<b>AT1 capital: instruments</b>		
30	Qualifying AT1 capital instruments plus any related share premium	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	0	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements	0	
36	<b>AT1 capital before regulatory deductions</b>	0	

Template CC1: Composition of regulatory capital (continued)

		In thousands of Hong Kong dollar	Cross-referenced to Balance Sheet
	<b>AT1 capital: regulatory deductions</b>		
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	<b>Total regulatory deductions to AT1 capital</b>	0	
44	<b>AT1 capital</b>	0	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	6,883,181	
	<b>Tier 2 capital: instruments and provisions</b>		
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	0	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	0	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	0	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	0	
51	<b>Tier 2 capital before regulatory deductions</b>	0	
	<b>Tier 2 capital: regulatory deductions</b>		
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments	0	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
56	National specific regulatory adjustments applied to Tier 2 capital	0	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	0	
57	<b>Total regulatory deductions to Tier 2 capital</b>	0	
58	<b>Tier 2 capital (T2)</b>	0	
59	<b>Total capital (TC = T1 + T2)</b>	6,883,181	

Template CC1: Composition of regulatory capital (continued)

		In thousands of Hong Kong dollar	Cross-referenced to Balance Sheet
60	<b>Total risk weighted assets</b>	9,527,891	
<b>Capital ratios (as a percentage of risk weighted assets)</b>			
61	CET1 capital ratio	72.24%	
62	Tier 1 capital ratio	72.24%	
63	Total capital ratio	72.24%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	8.566%	
65	<i>of which: capital conservation buffer requirement</i>	2.500%	
66	<i>of which: bank specific countercyclical buffer requirement</i>	1.566%	
67	<i>of which: higher loss absorbency requirement</i>	0.000%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	64.24%	
<b>National minima (if different from Basel 3 minimum)</b>			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Insignificant capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	Not applicable
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	0	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	0	
78	Provisions eligible for inclusion in Tier 2 in respect of exposure	0	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	0	
<b>Capital instruments subject to phase-out arrangements</b>			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	0	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	0	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	0	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	0	

Notes to the Template

Row No.	Description	Hong Kong basis	Basel III basis
	<b>Deferred tax assets net of deferred tax liabilities</b>	18,823	18,823
10	<p><b>Explanation</b></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.</p> <p>The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.</p>		
Remarks:			
The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

## Template CC2: Reconciliation of regulatory capital to balance sheet

The following tables enable Pillar 3 data users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between the Company's balance sheet in its published financial statements and the numbers that are used in the composition of regulatory capital disclosure template set out in Template CC1.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
In thousands of Hong Kong dollar	As at December 31, 2019	As at December 31, 2019	
<b>Assets</b>			
Balances with banks	8,006,755	8,006,755	
Fixed assets	2,333	2,333	
Deferred tax assets	18,823	18,823	(1)
Other assets	50,858	50,858	
<b>Total Assets</b>	<b>8,078,769</b>	<b>8,078,769</b>	
<b>Liabilities</b>			
Deposits and balances of banks	69,161	69,161	
Current taxation	474,044	474,044	
Other liabilities	633,560	633,560	
<b>Total liabilities</b>	<b>1,176,765</b>	<b>1,176,765</b>	
<b>Shareholders' Equity</b>			
Share capital	187,556	187,556	(2)
Reserves	6,714,448	6,714,448	
<i>of which: retained profits</i>		6,641,034	(3)
<i>capital reserves</i>		73,414	(4)
<b>Total shareholders' equity</b>	<b>6,902,004</b>	<b>6,902,004</b>	
<b>Total liabilities and shareholders' equity</b>	<b>8,078,769</b>	<b>8,078,769</b>	

**Table CCA: Main features of the Capital Instruments Issued**

1	Issuer	Citicorp International Limited	Citicorp International Limited	Citicorp International Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA
3	Governing law(s) of the instrument	Hong Kong	Hong Kong	Hong Kong
<i>Regulatory treatment</i>				
4	Transitional Basel III rules <sup>#</sup>	NA	NA	NA
5	Post-transitional Basel III rules <sup>†</sup>	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 2	HKD 998	HKD 187,555,200
9	Par value of instrument	NA	NA	NA
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance	26 October 1970	31 October 1970	28 May 2007
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
<i>Coupons / dividends</i>				
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	NA	NA	NA
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA	NA
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA

**Footnote:**

<sup>#</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

<sup>†</sup> Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

\* Include solo-consolidated

**Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer (“CCyB”)**

The following table provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the Company’s CCyB ratio at December 31, 2019.

	(a)	(c)	(d)	(e)
Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio (in thousands of Hong Kong dollar)	AI-specific CCyB ratio (%)	CCyB amount
1 Hong Kong SAR	2.000%	28,685		
2 United Kingdom	1.000%	2,764		
3 Sum		31,449		
4 Total		38,445	1.566%	602.01



### Template LR1: Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure

The following table reconciles the total assets in the published financial statements of the Company to the LR exposure measure.

		(a)
	Item	Value under LR framework (in thousands of Hong Kong dollar)
1	Total consolidated assets as per published financial statements	8,078,769
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	-
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(18,823)
8	<b>Leverage ratio exposure measure</b>	<b>8,059,946</b>

## Template LR2: Leverage ratio (“LR”)

The following table provides a detailed breakdown of the components of the Company's LR denominator.

		(a)	(b)
		In thousands of Hong Kong dollar	
		As at December 31, 2019	As at September 30, 2019
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	8,078,769	8,488,183
2	Less: Asset amounts deducted in determining Tier 1 capital	(18,823)	(23,530)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>8,059,946</b>	<b>8,464,653</b>
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	<b>Total exposures arising from derivative contracts</b>	<b>0</b>	<b>0</b>
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	<b>Total exposures arising from SFTs</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	<b>Off-balance sheet items</b>	<b>0</b>	<b>0</b>
<b>Capital and total exposures</b>			
20	Tier 1 capital	6,883,181	6,476,399
20a	Total exposures before adjustments for specific and collective provisions	8,059,946	8,464,653
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	8,059,946	8,464,653
<b>Leverage ratio</b>			
22	<b>Basel III leverage ratio</b>	<b>85.40%</b>	<b>76.51%</b>

## Table LIQA: Liquidity risk management

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. This includes the Company's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by the Treasury Department under the direction of the Country Asset and Liability Committee and in accordance with the Funding and Liquidity plan, which is jointly reviewed and approved by Regional Market Risk Management and the Head Office on an annual basis. The Treasury Department is responsible for ensuring that the Company has adequate liquidity for all operations, and monitoring local and international markets for the adequacy of funding and liquidity.

The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

### *Analysis of assets and liabilities by remaining maturity*

The following maturity profile is based on the remaining period at the balance sheet date to the contractual maturity date.

2019	<i>Total</i>	<i>Repayable on demand</i>	<i>1 month or less</i>	<i>Undated or overdue</i>
<b>Assets</b>				
Balance with banks	8,006,755	1,506,772	6,499,983	-
Fixed assets	2,333	-	-	2,333
Deferred tax assets	18,823	-	-	18,823
Other assets	50,858	-	7,373	43,485
	<u>8,078,769</u>	<u>1,506,772</u>	<u>6,507,356</u>	<u>64,641</u>
<b>Liabilities</b>				
Deposits and balances of banks	69,161	69,161	-	-
Defined benefit liabilities	12,078	-	-	12,078
Current taxation	474,044	-	474,044	-
Other liabilities	621,482	-	-	621,482
	<u>1,176,765</u>	<u>69,161</u>	<u>474,044</u>	<u>633,560</u>
Net asset gap	<u>6,902,004</u>	<u>1,437,611</u>	<u>6,033,312</u>	<u>(568,919)</u>

## **Table CRA: General information about credit risk**

The Board has delegated responsibility to the Hong Kong Risk Management Committee to oversee credit risk arising from businesses and ensure the asset quality, adequate policies, and business activities in accordance with established policies and relevant laws and regulations. The Committee Chair periodically reports to the Board on portfolio performance, statutory limits compliance and significant credit issues.

The credit risk management function at the Company is responsible for:

- Approving business-specific policies and procedures
- Monitoring business risk performance
- Providing ongoing assessment of portfolio credit risk
- Ensuring the appropriate level of cost of credit (loan loss reserve and credit losses)
- Approving product and credit transaction

Given the existing business activities and strategies at the Company, credit risk is considered to be low.

The Company follows the global policies and procedures in relation to credit risk to the extent that they are aligned with local regulatory and statutory requirements. Citi has established processes for calculation, measurement, monitoring and reporting of credit risk by businesses. Local risk management should follow the global policies unless prior approval is obtained from regional / global credit risk management for deviations

Credit risk is subject to the regulatory capital charge under Pillar 1 of Basel III. The standardized approach is used to calculate credit risk weighted assets in Capital Adequacy Ratio which is submitted to the HKMA quarterly.

**Template CR1: Credit quality of exposures**

The following table provides an overview of credit quality of on- and off-balance exposures as at December 31, 2019.

In thousands of Hong Kong dollar		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	-	-	-	-
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	-	-	-
4	<b>Total</b>	-	-	-	-

As at reporting date, the Company has no reportable item in this template.

## Template CR2: Changes in defaulted loans and debt securities

The following table provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at December 31, 2019 and June 30, 2019 respectively.

In thousands of Hong Kong dollar		(a)
		Amount
<b>1</b>	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	-
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	-
<b>6</b>	<b>Defaulted loans and debt securities at end of the current reporting period</b>	-

## **Table CRB: Additional disclosure related to credit quality of exposures**

### ***Impairment of assets***

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Company about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;
- disappear of an active market for financial assets because of financial difficulties; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to the profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of loans and receivables, which are measured at amortized cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account relating to that borrower/investment are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in the profit or loss.

As at reporting date, the Company has no impaired, past due or restructured exposures.

**Table CRC: Qualitative disclosures related to credit risk mitigation**

Under the Banking (Capital) Rules, recognized netting is defined as any netting done pursuant to a valid bilateral netting arrangement. Consistent with the Banking (Capital) Rules, the Company only includes valid bilateral netting arrangements in the calculation of credit risk mitigation for capital adequacy purpose.

Given the business activities of the Company, there is no collateral received or managed in its normal operation.



**Template CR3: Overview of recognized credit risk mitigation**

The following table presents the extent of credit risk exposures covered by different types of recognized CRM as at December 31, 2019.

In thousands of Hong Kong dollar		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	-	-	-	-	-
2	Debt securities	-	-	-	-	-
<b>3</b>	<b>Total</b>	-	-	-	-	-
4	Of which defaulted	-	-	-	-	-

**Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach**

Credit ratings from Moody's Investors Service and Standard & Poor's Ratings Services are used for the exposures of Sovereign, Public sector entity ("PSE"), Multilateral development bank, Bank, Securities firm, Corporate and Collective investment scheme ("CIS"). The Company follows the process prescribed in Part 4 of the Banking (Capital) Rules to map the ratings to the exposures booked in the Company's banking book.

**Template CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach**

The following table illustrates the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of capital requirements under STC approach as at December 31, 2019.

In thousands of Hong Kong dollar		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	55	-	55	-	55	100%
2	PSE exposures	-	-	-	-	-	0%
2a	Of which: domestic PSEs	-	-	-	-	-	0%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	-	-	-	-	-	0%
4	Bank exposures	8,018,210	-	8,018,210	-	1,603,800	20%
5	Securities firm exposures	6,637	-	6,637	-	3,319	50%
6	Corporate exposures	15,850	-	15,850	-	16,153	102%
7	CIS exposures	278	-	278	-	156	56%
8	Cash items	-	-	-	-	-	0%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0%
10	Regulatory retail exposures	-	-	-	-	-	0%
11	Residential mortgage loans	-	-	-	-	-	0%
12	Other exposures which are not past due exposures	18,933	-	18,933	-	18,933	100%
13	Past due exposures	-	-	-	-	-	0%
14	Significant exposures to commercial entities	-	-	-	-	-	0%
15	<b>Total</b>	<b>8,059,963</b>	<b>-</b>	<b>8,059,963</b>	<b>-</b>	<b>1,642,416</b>	<b>20%</b>

**Template CR5: Credit risk exposures by asset classes and by risk weights – for STC approach**

The following table presents a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as at December 31, 2019.

In thousands of Hong Kong dollar		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Exposure Class	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
	1	Sovereign exposures	-	-	-	-	-	-	55	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	8,017,794	-	351	-	65	-	-	-	8,018,210
5	Securities firm exposures	-	-	-	-	6,637	-	-	-	-	-	6,637
6	Corporate exposures	-	-	12	-	776	-	13,660	1,402	-	-	15,850
7	CIS exposures	-	-	-	-	245	-	33	-	-	-	278
8	Cash items	-	-	-	-	-	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
11	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
12	Other exposures which are not past due exposures	-	-	-	-	-	-	18,933	-	-	-	18,933
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	<b>Total</b>	-	-	<b>8,017,806</b>	-	<b>8,009</b>	-	<b>32,746</b>	<b>1,402</b>	-	-	<b>8,059,963</b>

## **Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies**

Interest Rate Risk in the Banking Book (“IRRBB”) pertains to the risk to the Company's financial condition resulting from adverse movements in interest rates that affect the Company's capital and earnings. The Company's principal measures of risk to economic value of equity (“EVE”) and net interest income (“NII”) are defined based on the standardized framework described in the Supervisory Policy Manual module IR-1 “Interest Rate Risk in the Banking Book” and in accordance with the method used in the Return on Interest Rate Risk in the Banking Book (MA(BS)12A).

Through the treasury discipline, IRRBB is managed within the limits that are reviewed and monitored by the Company's independent Treasury Risk organization, Asset and Liability Committee (ALCO) and the Board. The Company has an established IRRBB limit framework for identified risk factors that clearly defines approved risk profiles and is within the Treasury Risk Appetite Framework. In order to manage IRRBB effectively, the Company may take hedging actions or restructure existing positions to reduce IRRBB. The Company regularly assesses viability of these actions and other strategies, including further strengthening its capital position, and implement such strategies when deemed prudent, ensuring the Company operates well within established limits.

IRRBB regulatory reporting and monitoring is done on a quarterly basis. IRRBB measures from this return, including any hedging strategies or actions to reduce IRRBB, are presented to the ALCO and the Board. In addition to and in accordance with global firm-specific standards, IRRBB based on internal methodologies and assumptions is monitored on a daily as well as monthly basis. While the Company uses internally defined standard interest rate shocks and scenario assumptions for internal risk reports, rate models and other assumptions that relate to interest rate risk sensitivity are consistent between internal monitoring and regulatory reporting. These models and assumptions are reviewed and validated on an annual basis, at the minimum, and where applicable, are governed by an established Model Risk Management Policy.

The Company employs additional measurements of vulnerability to loss, including stress testing based on the six standardized interest rate shocks defined by the HKMA and internally selected scenarios that reflect plausible balance sheet and risk changes as observed in the past as well as based on hypothetical or forward-looking assumptions. Potential impact from these changes is considered when reviewing policy, setting limits as well as assessing capital adequacy.

In calculating  $\Delta$ NII, the Company assumes that businesses and/or the Treasury make no additional changes in balances or positioning in response to the unanticipated rate changes. A static balance sheet is maintained throughout the 12 month forecast horizon, remaining constant in terms of size and product mix regardless of the interest rate scenario with maturing instruments being replaced with ones of the same original tenor and repricing terms.

Major currency positions reported are determined based on the criteria defined by HKMA. Currencies identified as significant for the current annual reporting date at 31st December 2019 are HKD and USD. IRR Sensitivities do not include any netting across currencies. All favorable exposures (gains) are excluded and adverse exposures (losses) are reported.

### Template IRRBB1: Quantitative information on interest rate risk in banking book

This table provides information on the change in economic value of equity (“EVE”) and change in net interest income (“NII”) over next 12 months under each of the prescribed interest rate shock scenario in respect of the Company’s interest rate exposures arising from banking book positions. The Company’s variations in earnings based on the standardized framework described in the Supervisory Policy Manual module IR-1 “Interest Rate Risk in the Banking Book” and the Return on Interest Rate Risk in the Banking Book (MA(BS)12A) for the current annual reporting date at 31st December 2019 are as follows:

In million of Hong Kong		$\Delta$ EVE	$\Delta$ NII
	<b>Period</b>	<b>31<sup>st</sup> December 2019</b>	
1	Parallel up	1	-152
2	Parallel down	0	154
3	Steeper	0	
4	Flattener	2	
5	Short rate up	2	
6	Short rate down	0	
7	<b>Maximum</b>	2	
	<b>Period</b>	<b>31<sup>st</sup> December 2019</b>	
8	<b>Tier 1 capital</b>	6,883	

No comparative figures versus prior year are available as this is the first disclosure under the new requirements of HKMA.

## **Table REMA: Remuneration policy**

Information are hereby provided in accordance to Section 3 of the Guideline on Sound Remuneration System (CG-5), issued under the Supervisory Policy Manual by the Hong Kong Monetary Authority.

### *Governance Structure of the Remuneration System*

Citi Hong Kong is part of the Citigroup incorporated in the United States. Majority of its compensation policy are driven by global policy originated from the New York corporate office. As part of a global organization, Citi Hong Kong follows the global policies, programs, or directions / guidelines where it is applicable to the local context. In formulating the Hong Kong Remuneration Policy, references are made to the respective global policies / practices where necessary while local consideration will also be included.

The Personnel and Compensation Committee, set up at corporate level in New York, has been delegated broad authority to oversee compensation of employees of the Citi and its subsidiaries and affiliates. The Committee is responsible for determining the compensation for the CEO and approving the compensation of other executive officers of the Company and members of Citi's Operating Committee. The Committee is also responsible for approving the incentive compensation structure for other members of senior management and certain highly compensated employees.

The Committee annually reviews and discusses the Compensation Discussion and Analysis required to be included in the Company's Proxy Statement with management, and, if appropriate, recommends to the Board that the Compensation Discussion and Analysis be included. Additionally, the Committee reviews and approves the overall goals of Citi's material incentive compensation programs, including as expressed through Citi's Compensation Philosophy and provides oversight for Citi's incentive compensation programs so that they both (i) appropriately balance risk and financial results in a manner that does not encourage employees to expose Citi to imprudent risks, and (ii) are consistent with bank safety and soundness. Towards that end, the Committee meets periodically with Citi's senior risk officers to discuss the risk attributes of Citi's incentive compensation programs. The Committee has the power to hire and fire independent compensation consultants, legal counsel, or financial or other advisors as it may deem necessary to assist it in the performance of its duties and responsibilities. The Committee has retained Frederic W. Cook & Co. (Cook & Co.) to provide the Committee with advice on Citi's compensation programs for senior management.

The Board has determined that in addition to being independent according to the Board's independence standards as set out in its Corporate Governance Guidelines, each of the members of the Personnel and Compensation Committee is independent according to the corporate governance rules of the New York Stock Exchange. Each of such Directors is a "non-employee Director," as defined in Section 16 of the Securities Exchange Act of 1934 United States, and is an "outside Director," as defined by Section 162(m) of the Internal Revenue Code of United States.

Locally the Nomination and Remuneration Committee of Citibank (Hong Kong) Limited ("CHKL"), reporting to the CHKL Board, is responsible for overseeing senior management's implementation of the remuneration system applying to CHKL to ensure compliance with applicable regulatory requirements and assessing whether the CHKL's overall remuneration policy is in line with its risk appetite, risk culture and long term interests.

### *Hong Kong Remuneration Policy*

A Hong Kong Remuneration Policy has been set up to establish Citi's compensation philosophy, the guiding principles on remuneration in general and to specific categories of employees, as well as the definition of different categories of employees. It also contains certain specific restrictions and limitations on the use of different compensation tools. The policy also set out the regular monitoring approaches that are required to ensure a full compliance to the policy, including the annual self-assessment to be performed by an independent party, the semi-annual internal monitoring, and the Citi's internal audit review that will be scheduled from time to time.

The Policy has set out the definition for the following categories of employees which are in accordance to the Guideline on a Sound Remuneration System (CG-5) issued by the Hong Kong Monetary Authority:

## **Table REMA: Remuneration policy (Continued)**

### *Senior Management*

Individual employees who are responsible for oversight of Citi Hong Kong firm-wide strategy or activities, or who oversees a major material business line in Citi Hong Kong. The following positions are identified:

- Citi Country Officer, Hong Kong
- Consumer Business Manager, Citibank Hong Kong
- GMM Hong Kong, Citi Private Bank

In addition, all members of the Hong Kong Executive Committee and the Global Consumer Bank (GCB) Management Committee, who are not listed above or defined as Key Personnel in below section, are also defined as Senior Management.

### *Individual Key Personnel*

Individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking of material exposures on behalf of Citi that could materially impact on Citi capital sufficiency level. Under the current legal entities as regulated by HKMA, and with input provided by Risk Management at the Regional Office (which is independent from the Hong Kong management), the following positions are identified:

- Country Treasurer
- GCB Treasurer
- Country Chief Financial Officer
- Country Independent Compliance Risk Management Head
- Country Risk & Operational Risk Management Head
- GCB Director of Risk Management

### *Sales Personnel*

Groups of employees whose activities in the aggregate may expose Citi to material amounts of risk and who are subject to the same or similar incentive arrangements (e.g. employees who are incentivized to meet certain quotas or targets, personnel in sales and distribution, loan officers).

### *Control Functions*

Employees with a control role (i.e., Risk, Finance, Compliance, Legal, Internal Audit).

The Hong Kong Remuneration Policy was reviewed and approved by the Hong Kong Country Senior Personnel Committee, and the relevant Boards or its associated sub-committee on remuneration matters, which consisted of independent non-executive Directors as well as executive Directors.

The Hong Kong Country Senior Personnel Committee is a committee that makes decision on major Human Resources related issue including but not limited to cross franchise compensation and benefits planning in Hong Kong. The Hong Kong Country Senior Personnel Committee is comprised of the following members:

- Citi Country Officer, Hong Kong (listed as Chief Executive of Citibank N.A. Hong Kong Branch, and Citibank (Hong Kong) Limited)
- Consumer Business Manager, Citibank Hong Kong (listed as Alternate Chief Executive of Citibank (Hong Kong) Limited)
- Global Market Manager, Citi Private Bank
- Country Human Resources Officer
- HR Advisor, Citi Global Consumer Bank
- HR Advisor, CCB and O&T (ex GCB O&T)
- HR Advisor, Global Function, Regional HR
- HR Advisor, Markets, Regional HR
- HR Advisor, CPB and TTS, Regional HR

## **Table REMA: Remuneration policy (Continued)**

The policy was also approved by Citi Corporate Executive Compensation Office in New York, United States.

The latest revision of the Hong Kong Remuneration Policy was updated in May 2019 and was duly approved by the above parties. The next annual review was scheduled in May 2020.

### *Key Design Characteristics of the Remuneration System*

Citi's compensation structure consists of a fixed remuneration component and a variable remuneration component.

The fixed remuneration refers basically to the individual annual salary, and any other cash allowances as applicable. The fixed remunerations are determined at a level that is necessary to allow Citi to compete for talent from the market, as well as to retain them.

The variable remuneration refers to the year-end discretionary bonus. The variable remunerations are structured to encourage behavior that supports Citi long term objectives and business strategies. It is designed in a way not to encourage excessive risk-taking that would jeopardize Citi's risk tolerance and long term financial soundness, while balancing the needs to attract and retain talent with the relevant skills, knowledge and expertise to discharge their specific functions.

The mix between fixed and variable remuneration depends on the importance of the employee's role within the organization. In general, highly compensated employees will receive a greater percentage of their total annual compensation as variable remuneration.

When implementing remuneration programs, Citi considers the risks associated with such programs, which in general would be the risk of encouraging excessive risk taking behavior that would ultimately impact on Citi performance and reputation. Referring to such, Citi has incorporated a detailed statement in its Compensation Philosophy regarding Risk Management, and put into practice the measurement of individual non-financial performance against a list of Risk and Compliance criteria. More on this in the following sections.

### *Compensation Objectives and Philosophy*

Employee compensation is a critical tool in the successful execution of our corporate goals. As long-term value creation requires balancing strategic goals, so does developing compensation programs that incent balanced behaviors. Citi's Compensation Philosophy describes our approach to balancing the five primary objectives that our compensation programs and structures are designed to achieve.

#### *Objectives*

Our compensation objectives, as outlined below, have been developed and approved by the Personnel and Compensation Committee of the Board of Directors (the "Committee"), in consultation with management, the Committee's independent consultants and Citi's senior risk officers. They have been specifically created to encourage prudent risk-taking, while attracting the world-class talent necessary to see the company through to success.

#### *Citi's Compensation Principles*

- Align compensation programs, structures and decisions with shareholder and other stakeholder interests
- Reinforce a business culture based on the highest ethical standards
- Manage risks to Citi by encouraging prudent decision-making
- Reflect regulatory guidance in compensation programs
- Attract and retain the best talent to lead the Company to success



## **Table REMA: Remuneration policy (Continued)**

### *Shareholder/Stakeholder Alignment*

- Compensate executives through an objective framework that aims to strengthen the link between pay and performance by using a balanced scorecard approach with financial metrics and nonfinancial objectives that, in combination, are expected to improve risk adjusted returns to shareholders.
- Provide meaningful portions of incentive compensation in the form of equity to help build a culture of ownership and to align employee interests with those of shareholders and other stakeholders.
- Require that executive officers maintain an ownership of 75% of the net shares acquired through incentive compensation programs and that they hold a substantial amount of vested Citi stock for at least one year after the end of their service as executive officers.
- Defer the delivery of significant portions of incentive compensation with vesting over a number of years and tie the amounts delivered to longer-term performance of the company to better link long-term shareholder value creation to the interests of management and to enhance alignment with risk outcomes.
- Provide for clawbacks in cases of improper risk-taking and material adverse outcomes in the years following the awarding of incentive compensation.
- Size incentive compensation to reflect company performance as well as industry and environmental factors, while maintaining strong capital levels.
- Recognize capital planning outcomes in senior management incentive compensation awards, to improve alignment with both shareholder interests and regulatory guidance.

### *Ethics and Culture*

- Promote conduct based on the highest ethical standards through performance assessments, incentive compensation programs and, where appropriate, disciplinary actions, and communicate throughout the organization that acting with integrity at all times is the foundation of our business.
- Enhance a business culture that supports accountability and a zero-tolerance environment for unethical conduct, through appropriate compensation and employment decisions.

### *Risk Management*

- Develop and enforce risk management controls that reduce incentives to create imprudent risks for Citi and its businesses, and that reward a thoughtful balance of risk and return.
- Exercise discretion within a framework designed to make appropriate trade-offs between risk and reward.
- Encourage prudent risk-taking through multiple incentive compensation program processes for all employees who manage or influence material risks, including (a) rigorous performance management processes, (b) bonus pool funding and individual bonus determination processes that reflect risk-adjusted performance, and (c) deferrals that keep a meaningful portion of incentives at risk for future performance outcomes.
- Evaluate incentive compensation program results on an iterative basis, recognizing that validation and monitoring may result in future changes.
- Communicate clearly to all employees that poor risk management practices and imprudent risk-taking activity will lead to an adverse impact on incentive compensation, including the loss of incentive compensation and the reduction or elimination of previously awarded incentive compensation.
- Differentiate compensation decisions based on demonstrated risk management behaviors.
- Appoint only independent directors to the Committee, to provide independent review and approval of the firm's overall compensation philosophy.
- Set expectations of management regarding risk balancing in incentive compensation programs engaging, where appropriate, independent advisors to assist the Committee. Such advisors should provide no other services to Citi.
- Involve Citi's control functions, including Independent Risk, Compliance and Internal Audit, in compensation governance and oversight.

## **Table REMA: Remuneration policy (Continued)**

### *Regulatory Guidance*

- Design incentive compensation programs with the recognition that global regulation of bank incentive compensation is evolving and that Citi's programs must be responsive to emerging trends and best practices.
- Where appropriate, develop innovative and industry-leading approaches that reflect regulatory considerations and other stakeholder interests in compensation structures and designs.
- Promote understanding of the design and implementation of incentive compensation programs by outlining compensation policies, procedures and practices in public disclosures.

### *Attract and Retain Talent*

- Compensate employees based on ability, contributions and risk-adjusted performance demonstrated over time, balanced with appropriate recognition for short-term results and contributions.
- Provide compensation programs that are competitive within global financial services to attract the best talent to successfully execute the company's strategy.
- Differentiate individual compensation to reflect employees' current or prospective contributions, based on both financial and non-financial performance such as risk and compliance behavior, and to reward those employees who demonstrate ingenuity and leadership.
- Provide discretionary incentive compensation, including equity awards, that is variable within guidelines prescribed by management and the Committee using a rigorous objective framework of goal-setting and performance evaluation for all highly paid professionals.
- Clearly and consistently communicate Citi's approach to compensation throughout the year, cascading such communications broadly to employees through key value statements such as Citi's Code of Conduct and the statements and actions of senior management and managers generally. At Citi, we believe 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 incent balanced behaviors.

### *Performance Measurement, Risk Adjustment, and the Linkage between Pay and Performance*

When measuring the company performance, apart from general financial goals, costs and capital, Citi also put emphasis on client, culture, control and compliance. Control measurement includes internal audit assessment, public rating obtained including the CAMEL rating and the HKMA supervisory rating. Compliance measurement includes the assessment on the implementation of compliance related policies in ensuring the business or function are capable of identify, assess, monitor, control and report the related compliance issue. It also includes the assessment on the successfulness of setting an appropriate culture of compliance via the communication of the importance of all compliance related controls throughout the organization.

In evaluating individual performance, both financial and non-financial factors are a part of the performance appraisal process. The award of variable remuneration will depend on the fulfillment of their individual performance goals as agreed with their next level management, both financial and non-financial. Overall performance of the individual is assessed as an integral part of their performance measurement and will be appropriately reflected in the variable remuneration awarded to them.

Since the year end cycle of 2017, Citi has eliminated the overall performance rating and moved to a two-rating system. Every employee will receive a Goals and Leadership rating. This elevated the focus on leadership and created the expectation of an enhanced narrative on both performance dimensions. Both ratings are mandatory and will form part of the compensation review process. Furthermore, each of the Goals will have to be tagged to one of the Leadership Standard, thus further integrating financial and non financial factors when it comes to determining the performance of the individual.

## **Table REMA: Remuneration policy (Continued)**

The Leadership Standard focuses on the following areas:

- Develops our people
- Drives value for clients
- Works as a partner
- Champions progress
- Lives our values
- Delivers results

Responsible Finance forms one of the goals under the “Lives our values” standard, and it focuses on managing compliance risk: Citi must operate with integrity, maintain strong ethical standards, and adhere to applicable regulatory and legal requirements. Citi has zero tolerance for: violations or non-conformance of local, national, or cross-border laws, rules and regulations; intentional non-compliance with Citi’s policies and; deliberate actions that result in harm to clients or markets or behavior inconsistent with Citi’s value proposition of responsibly providing financial services that enable growth and economic progress. The following compliance risk management behaviors must be followed which are consistent with Citi’s Mission and Value Proposition, the Leadership Standards and the principles of Responsible Finance:

- Appropriately assess compliance risk when making decisions are made, demonstrating particular consideration for the firm's reputation and safeguarding the bank by driving compliance with applicable laws, rules and regulations and applying sound ethical judgment regarding business practices.
- Proactively drive consistent execution of compliance risk management to include adherence with all laws, rules, and regulations and oversight activities across the lines of defense.
- Identify and escalate compliance risk inherent in particular situations, products, or transactions. The impact of these risks on any part of the Citi organization should be adequately assessed, monitored, reported, and escalated as applicable.
- Embed a robust and well documented compliance risk assessment process that exhibits accuracy and completeness and proactively checks and challenges the status quo to drive a strong risk and control culture across the Citi organization.
- Models behavior that demonstrates integrity, prioritizes strong risk management values, and advocates decisions that foster a strong compliance risk management framework.
- Contribute to a 'no surprises' compliance culture by managing control issues with transparency and candor. Escalate in a timely fashion, communicate clearly, engage others and resolve issues or follow them through to resolution.

The Leadership Standards create a common language for what great looks like at Citi, and employees and managers were asked to give equal consideration to the goals achieved and the demonstration of leadership behaviors in achieving those goals. Tagging goals to a Leadership Standard embeds the connection between the Standards and the goals that are set and reinforces the concept that behaviors demonstrated in the pursuit of goals are as important as the goals themselves.

These Leadership Standard (nonfinancial measures) will be considered together with the Goals (financial measures) when considering the performance of the individual and when deciding the variable compensation level of the individual.

It is important to differentiate performance among employees in order to support a pay for performance culture. In general, employees with a higher overall performance rating should be given a relatively higher reward when compare to employees with a lower overall performance rating, and employees with unsatisfactory overall performance rating should not be given any reward. Risk adjustment to the variable remuneration awarded to an individual employee will take any adverse performance in non-financial measures into account, and any adverse performance may result in a reduction or elimination of the variable remuneration awarded to an individual employee.

## **Table REMA: Remuneration policy (Continued)**

For Control Function employees, their variable remuneration are not directly linked to the financial performance of Citi's businesses, and are entirely based on their pre-defined performance goals. The amount of variable remuneration awarded to any control function employee is commensurate with such employee's role in his or her control function and his or her satisfaction of pre-defined performance goals. Moreover, the variable remuneration pools allocation are directly allocated from Citi's corporate Control Function group without any influence by the local management. The remuneration decisions on individual Control Function employees are also conducted directly within the Control Function group chain of command without any influence by the local business management.

In the scenario when the company performance is weak, the variable remuneration pool as allocated from Citi's corporate office will be reduced in line with the weak performance. Individual variable remuneration would have to be reviewed and decided within this reduced pool of fund. Employees with higher performance rating may be receiving a less reduced variable remuneration whereas employees with lower performance rating may be receiving a larger reduction in their variable remuneration. For employees who are classified as covered employees according to the criteria as set out by Citi's corporate office, their deferred variable remuneration that is going to be vested may be reduced according to a pre-defined vesting condition that take into consideration of Citi's overall performance.

### *Deferral policy and vesting criteria, and the parameters used for allocating cash versus other forms of remuneration*

Of the variable remuneration awarded to highly compensated employees, a percentage, currently ranging from 25% to 60%, will be awarded as deferred variable remuneration under the Citi Discretionary Incentive and Retention Award Plan (the "DIRA plan") should the variable remuneration exceeded a certain threshold as determined by Citi from time to time. Generally, deferred variable remuneration awarded under the DIRA plan is granted in the form of an equity award that vests in four equal annual installments. The payment or distribution of deferred variable remuneration requires that the employee satisfy pre-defined vesting conditions. The pre-defined vesting conditions generally require that an employee remain actively employed by Citi over the vesting period applicable to the award. In addition, if deferred variable remuneration is awarded in the form of an equity grant, the amount realized by employee will depend upon the per-share price of Citi's common stock over the applicable vesting period, thereby linking the amount realized by the employee to Citi's overall performance as reflected in its share price.

In some cases where the individual is identified as a covered employee, the deferral will be applied should the variable remuneration exceeded half of the normal threshold, and the deferral percentage will start from 10% up to 60%. The deferred remuneration will be granted 50% as an equity award, and 50% as deferred cash, with the exception of deferral at 10% in which case only deferred cash is being used as the deferral tool. Both deferred stock and deferred cash will vest in four equal annual installments subject to a performance based vesting condition which could result in a reduction of the deferred variable remuneration in case of a weak company performance.

Generally, unvested deferred variable remuneration is subject to forfeiture in the case of an employee's voluntary resignation; or upon involuntary termination on account of gross misconduct; or if it is found that the award is based on materially inaccurate publicly reported financial statements; or employees knowingly engaged in providing materially inaccurate information relating to publicly reported financial statements; or employees materially violated any risk limits established or revised by senior management and/or risk management.

**Template REM1: Remuneration awarded during financial year/ Template REM2: Special payments/  
Template REM3: Deferred remuneration**

**Aggregated Quantitative Information on Remuneration for the Senior Management and Key Personnel** *(note 1)*

Amount in thousands of Hong Kong dollar

a) Amounts of remuneration awarded for the financial year, split into fixed and variable remuneration (further split into cash & shares), and number of beneficiaries;

	Total Fixed Remuneration including benefit cost	Variable Remuneration (awarded as immediate cash)	Deferred Variable Remuneration (awarded in the form of shares to be vested in next 4 years)	Deferred Variable Remuneration (awarded in the form of deferred cash to be vested in next 4 years subject to financial performance of the designated reference business)	Number of Beneficiaries (employed by the same AI unless otherwise specified) <i>(note 4)</i>  (number of person)
<i>(note 2,3)</i>	2019	2019	2019	2019	2019
Citicorp International Limited	7,078	21,220	5,614	5,547	5

b) Unvested deferred remuneration as at end of 31 December of the respective year.

	Unvested Equity - Value as of 31 December	Unvested Defer Cash - Value as of 31 December
	2019	2019
Citicorp International Limited	13,913	11,747

c) Deferred remuneration vested and payout during the respective year:

	Vested Equity - Value as of the Vesting Dates	Vested Defer Cash - Value as of the Vesting Dates
	2019	2019
Citicorp International Limited	4,033	3,651

d) Total amount of unvested deferred remuneration subject to ex post explicit and / or implicit adjustments:

All unvested deferred remuneration as reported in item (b) above are all subject to ex post explicit and / or implicit adjustments. Deferred remuneration granted in the form of Equity is subject to ex post implicit adjustment due to the fluctuation of the Citi stock as traded in the NYSE. For covered employees, the number of stock units is also exposed to a pre-defined vesting condition that could result in a reduction. Deferred remuneration granted in the form of deferred cash is subject to a pre-defined vesting condition that could result in reduction of its value. For all employees, any gross misconduct will also lead to a forfeiture of the unvested deferred remuneration.

e) Deferred variable remuneration reduced due to ex post explicit adjustment:

2019: Nil

f) Deferred variable remuneration reduced due to ex post implicit adjustment: *(note 5)*

2019: Nil

g) Number of meetings held by the Citi Personnel and Compensation Committee in New York:

2019: 16 times *(note 6)*

**Note:**

1. Data of Senior Management and Key Personnel are reported in aggregate to preserve confidentiality of individual compensation information due to the small number of individuals identified as Key Personnel.

2. The above classifications are based on the AIs that run the business for which the senior management and key personnel are responsible.

3. The above disclosure included benefits cost or valuation of the cost, if applicable, that the company paid, including medical and life insurance, retirement benefits, mortgage loan or other form of housing assistance, and long service award.

4. Number of Beneficiaries represents any headcount who received remuneration during their employment assignment in the capacity of Senior Management or Key Personnel, and the period could be a full year or a partial year due to people movement and turnover. For example, if one headcount worked the first half year and then replaced by another headcount who worked in the same capacity in the remaining half year, the number of beneficiaries will be two while the remuneration will be the total of their half year remuneration received.

5. Deferred variable remuneration reduced during the year due to ex post implicit adjustment was calculated as: total units of unvested equity reported X (equity price at end of the year – equity price at end of previous year). A negative value will be reported as the amount of reduction due to ex post implicit adjustment whereas a positive or zero amount will be reported as NIL.

6. Number of meetings held by the Citi Personnel and Compensation Committee in New York included some conducted in the format of a conference call and email approval.