



Citibank (Hong Kong) Limited

Regulatory Disclosures

**For the Year 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 Citibank (Hong Kong) 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
Regulatory Capital						
1	Common Equity Tier 1 (CET1)	22,079,649	22,352,471	23,474,764	22,997,769	22,081,496
2	Tier 1	22,079,649	22,352,471	23,474,764	22,997,769	22,081,496
3	Total capital	22,950,332	23,213,313	24,303,770	23,808,085	22,890,771
Risk-Weighted Assets (RWA)						
4	Total RWA	81,630,465	80,334,315	77,618,029	76,250,942	75,766,112
Capital Adequacy Ratios						
5	CET1 ratio (%)	27.05%	27.82%	30.24%	30.16%	29.14%
6	Tier 1 ratio (%)	27.05%	27.82%	30.24%	30.16%	29.14%
7	Total capital ratio (%)	28.11%	28.90%	31.31%	31.22%	30.21%
Additional CET1 buffer requirements						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	1.875%
9	Countercyclical capital buffer requirement (%)	1.921%	2.416%	2.415%	2.404%	1.801%
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 (%)	4.421%	4.916%	4.915%	4.904%	3.676%
12	CET1 available after meeting the AI's minimum capital requirements (%)	20.11%	20.90%	23.31%	23.22%	22.21%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	241,242,534	252,742,747	247,772,431	242,158,003	232,151,552
14	LR (%)	9.15%	8.84%	9.47%	9.50%	9.51%
Liquidity Maintenance Ratio (LMR)						
17a	LMR (%)	50.52%	52.86%	55.06%	55.38%	51.65%
Core Funding Ratio (CFR)						
20a	CFR (%)	140.45%	143.74%	150.43%	150.32%	149.07%

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 shall have ultimate responsibility 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 discussed and reviewed by Senior Management with their collective knowledge, expertise and judgment in designing/endorsing the scenario parameters/assumptions. The Board is ultimately responsible for the review and approval of stress test scenarios. Stress scenarios should be designed to evaluate the Company's position under severe but plausible conditions along a spectrum of events and severity levels. The design of stress scenarios should take into account of the Company's operations and business models and key vulnerabilities to address all relevant material risks.

In general, bank-wide stress testing should be designed primarily for capturing adverse macro-economic scenario. In addition, impact assessment can also be conducted on other types of scenarios (e.g. specific operational loss incidents or negative reputational issues). Linkages among different risks should be considered.

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	69,201,191	68,423,318	5,536,095
2	Of which STC approach	69,201,191	68,423,318	5,536,095
6	Counterparty default risk and default fund contributions	72,836	73,697	5,827
7a	Of which CEM	72,836	73,697	5,827
10	CVA risk	37,113	40,375	2,969
16	Securitization exposures in banking book	380,639	370,374	30,451
18	Of which SEC-ERBA (including IAA)	380,639	370,374	30,451
20	Market risk	648,113	396,888	51,849
21	Of which STM approach	648,113	396,888	51,849
24	Operational risk	11,407,100	11,143,350	912,568
26a	Deduction to RWA	116,527	113,687	9,322
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	116,527	113,687	9,322
27	Total	81,630,465	80,334,315	6,530,437

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

The Company does not have any credit-related derivatives and exposures to CCPs as at December 31, 2019.

Template LI1: 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)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			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
Assets							
Cash and balances with banks and other financial institutions	12,949,226	4,330,411	4,330,411	-	-	-	-
Placements with banks and other financial institutions	9,047,648	50,053,121	50,053,121	-	-	-	-
Loans and advances							
Loans and advances to customers	98,673,752	99,718,146	99,718,146	-	-	-	-
Loans and advances to banks	32,386,412	-	-	-	-	-	-
Financial assets at fair value through profit or loss	51,638,058	51,555,062	51,555,062	-	-	-	-
Available-for-sale financial assets	24,100,132	24,100,132	21,925,609	-	2,174,523	-	-
Fixed assets	827,895	414,681	414,681	-	-	-	-
Intangible assets	49,327	49,327	-	-	-	-	49,327
Deferred tax assets	68,348	68,348	-	-	-	-	68,348
Other assets	3,086,413	3,582,641	2,799,519	82,996	558	-	699,568
Impairment allowances	-	(396,576)	(38,720)	-	-	-	(357,856)
Total assets	232,827,211	233,475,293	230,757,829	82,996	2,175,081	-	459,387
Liabilities							
Deposits and balances from banks and other financial institutions	30,158,731	30,158,731	-	-	-	-	30,158,731
Deposits from customers	174,758,805	175,406,887	-	-	-	-	175,406,887
Trading financial liabilities	36,200	36,200	-	-	-	-	36,200
Current taxation	526,034	526,034	-	-	-	-	526,034
Other liabilities	4,511,934	4,511,934	-	-	-	-	4,511,934
Total liabilities	209,991,704	210,639,786	-	-	-	-	210,639,786

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)	233,015,906	230,757,829	2,175,081	82,996	-
2	- Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	233,015,906	230,757,829	2,175,081	82,996	-
4	Off-balance sheet amounts	80,771,664	485,335	-	-	-
5	Potential exposures for counterparty credit risk	137,298	-	-	137,298	-
6	Recognized collateral for Credit risk mitigation	(18,765,264)	(18,765,264)			
7	Net open position for foreign exchange exposures	648,113	-	-	-	648,113
8	Exposure amounts considered for regulatory purposes	215,521,388	212,477,900	2,175,081	220,294	648,113

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).

Major differences between the amounts in columns (a) and (b) in template LI1

- i) The carrying values as reported in published financial statements are after Netting adjustment on account of foreign currency margin products.
- ii) The carrying values of “Placement with banks and other financial institutions” as reported in published financial statements which have residual contractual maturities within one month are classified as “Cash and balances with banks, central banks and other financial institutions”, while balances with residual contractual maturities greater than one year are classified as “Loans and advances”.

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

- i) Exposure amounts considered for regulatory purposes consist of Off-balance sheet exposures including contingent liabilities and commitments after application of Credit Conversion Factor (“CCF”).
- ii) Counterparty credit risk exposures for regulatory purposes consist of both the current exposures and the potential exposures which are derived by applying the CCF to the notional principal of the transactions or contracts.
- iii) Exposures amount is calculated after deducting credit risk mitigation under standardized approach.
- iv) For Market risk framework, the exposure amounts considered Net open position for foreign exchange exposures.

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.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments presented below:

- (i) the fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the statement of financial position date;
- (ii) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognized separately by deducting the amount of the impairment allowances from both the carrying amount and fair value;
- (iii) the fair value of fixed rate loans and mortgages carried at amortized cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans; and
- (iv) the fair value of forward exchange contracts and interest rate swaps is estimated by discounting future cash flows. Future cash flows are estimated based on model estimates of the amount it would receive or pay to terminate the contract at the statement of financial position date taking into account current market conditions and the current creditworthiness of the counterparties. The discount rate used is a market rate for a similar instrument at the statement of financial position date. The fair value of an option contract is determined by applying the binomial valuation model. Inputs are based on market related data at the statement of financial position date.

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:	-	-	245	-	-	245	-	245
2	<i>Mid-market value</i>	-	-	245	-	-	245	-	245
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	Total adjustments	-	-	245	-	-	245	-	245

Template CC1: Composition of regulatory capital

		In thousands of Hong Kong dollar	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	7,348,440	(6)
2	Retained earnings	15,504,203	(7)
3	Disclosed reserves	(17,136)	(8)+(9)
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	CET1 capital before regulatory deductions	22,835,507	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liability)	0	
9	Other intangible assets (net of associated deferred tax liability)	42,288	(2) + (4)
10	Deferred tax assets net of deferred tax liabilities	75,387	(3) - (4)
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)	8,565	(5)
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 LAC 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 LAC 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	629,618	
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	629,618	
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	Total regulatory deductions to CET1 capital	755,858	
29	CET1 capital	22,079,649	
	AT1 capital: instruments		
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	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	0	
36	AT1 capital before regulatory deductions	0	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	

Template CC1: Composition of regulatory capital (continued)

		In thousands of Hong Kong dollar	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
40	Significant LAC 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	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	22,079,649	
Tier 2 capital: instruments and provisions			
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	870,683	Note (i)
51	Tier 2 capital before regulatory deductions	870,683	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	0	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	0	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions)(for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	0	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	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	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	0	
57	Total regulatory deductions to Tier 2 capital	0	
58	Tier 2 capital (T2)	870,683	
59	Total capital (TC = T1 + T2)	22,950,332	
60	Total risk weighted assets	81,630,465	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	27.05%	
62	Tier 1 capital ratio	27.05%	
63	Total capital ratio	28.11%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	8.921%	
65	<i>of which: capital conservation buffer requirement</i>	2.500%	
66	<i>of which: bank specific countercyclical buffer requirement</i>	1.921%	
67	<i>of which: higher loss absorbency requirement</i>	0.000%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	20.11%	
National minima (if different from Basel 3 minimum)			
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
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	0	
73	Significant LAC 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

Template CC1: Composition of regulatory capital (continued)

		In thousands of Hong Kong dollar	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2 capital			
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	
Capital instruments subject to phase-out arrangements			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	0	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	0	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	0	

Note (i):

The amount is the sum of regulatory reserve for general banking risks and collective impairment allowances, limited to 1.25% of risk-weighted assets for credit risks under standardized approach.

Notes to the Template

Row No.	Description	Hong Kong basis	Basel III basis
	Deferred tax assets net of deferred tax liabilities	75,387	75,387
10	<p>Explanation</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>		
<p>Remarks:</p> <p>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.</p>			

Template CC2: Reconciliation of regulatory capital to balance sheet

	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	
Assets			
Cash and balances with banks and other financial institutions	12,949,226	4,330,411	
Placements with banks and other financial institutions	9,047,648	50,053,121	
Loans and advances			
- Loans and advances to customers	98,673,752	99,718,146	
- Loans and advances to banks	32,386,412	-	
Financial assets at fair value through profit or loss	51,638,058	51,555,062	
Financial assets at fair value through other comprehensive income	24,100,132	24,100,132	
Fixed assets	827,895	414,681	
Intangible assets	49,327	49,327	(2)
Deferred tax assets	68,348	68,348	(3)
<i>of which : deferred tax liabilities related to intangibles</i>		(7,039)	(4)
<i>Other assets</i>	3,086,413	3,582,641	
<i>of which: defined benefit pension fund net assets</i>		8,565	(5)
<i>Less: Impairment allowances</i>		(396,576)	
<i>of which: collective impairment allowances reflected in regulatory capital</i>		(357,592)	(1)
Total Assets	232,827,211	233,475,293	
Liabilities			
Deposits and balances from banks and other financial institutions	30,158,731	30,158,731	
Deposits from customers	174,758,805	175,406,887	
Trading financial liabilities	36,200	36,200	
Current taxation	526,034	526,034	
Other liabilities	4,511,934	4,511,934	
Total liabilities	209,991,704	210,639,786	
Shareholders' Equity			
Share capital	7,348,440	7,348,440	
<i>of which: paid-in share capital</i>		7,348,440	(6)
Reserves	15,487,067	15,487,067	
<i>of which: retained profits</i>		15,504,203	(7)
<i>Investment revaluation reserve</i>		(6,327)	(8)
<i>capital reserves</i>		(10,809)	(9)
Total shareholders' equity	22,835,507	22,835,507	
Total liabilities and shareholders' equity	232,827,211	233,475,293	

Table CCA: Main features of regulatory capital instruments

1	Issuer	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA	NA	NA	NA
3	Governing law(s) of the instrument	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Hong Kong
	<i>Regulatory treatment</i>							
4	Transitional Basel III rules ^a	NA	NA	NA	NA	NA	NA	NA
5	Post-transitional Basel III rules ^a	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
8	Amount recognised in regulatory capital (as of most recent reporting date)	HKD 200 (Class A)	HKD 299,800 (Class A)	HKD 170,800 (Class A)	HKD 29,200 (Class A)	HKD 50,000 (Class A)	HKD 4,450,000 (Class A)	HKD 5,000,000 (Class A)
9	Par value of instrument	NA	NA	NA	NA	NA	NA	NA
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance	5 July 1965	22 July 1965	11 October 1965	30 December 1965	16 January 1967	7 April 1976	3 February 1983
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity	no maturity	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA	NA	NA
	<i>Coupons / dividends</i>							
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	NA	NA	NA	NA	NA	NA	NA
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA	NA
30	Write-down feature	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA	NA	NA	NA	NA	NA
36	Non-compliant transitioned features	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA	NA	NA	NA

Footnote:

^a Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

^{*} Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

^{*} Include solo-consolidated

Table CCA: Main features of regulatory capital instruments

1	Issuer	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited	Citibank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA	NA	NA
3	Governing law(s) of the instrument	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Hong Kong
<i>Regulatory treatment</i>							
4	Transitional Basel III rules ^a	NA	NA	NA	NA	NA	NA
5	Post-transitional Basel III rules ^a	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at solo ^b /group/group & solo	Solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
8	Amount recognised in regulatory capital (as of most recent reporting date)	HKD 585,000,000 (Class A)	HKD 78,000,000 (Class B)	HKD 2,722,440,000 (Class A)	HKD 78,000,000 (Class A)	HKD 3,787,983,000 (Class A)	HKD 87,017,000 (Class B)
9	Par value of instrument	NA	NA	NA	NA	NA	NA
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance	21 May 2004	1 July 2004	13 June 2005	1 July 2005	15 December 2009	15 December 2009
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	no maturity	no maturity	no maturity	no maturity	no maturity	no maturity
14	Issuer call subject to prior supervisory approval	No	No	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA	NA
<i>Coupons / dividends</i>							
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	NA	NA	NA	NA	NA	NA
19	Existence of a dividend stopper	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA
30	Write-down feature	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA	NA	NA	NA	NA
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA	NA	NA

Footnote:

^a Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

^b Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

^c 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%	44,370,603		
2 France	0.250%	356		
3 Norway	2.500%	71		
4 Sweden	2.500%	1		
5 United Kingdom	1.000%	5,393		
6 Sum		44,376,424		
7 Total		46,202,053	1.921%	887,469

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	232,827,211
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	177,045
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)	8,429,050
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(396,576)
7	Other adjustments	205,804
8	Leverage ratio exposure measure	241,242,534

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
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	233,788,873	244,777,848
2	Less: Asset amounts deducted in determining Tier 1 capital	(755,858)	(746,364)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	233,033,015	244,031,484
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	49,044	46,281
5	Add-on amounts for PFE associated with all derivative contracts	137,298	207,352
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	(9,297)	(86,238)
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	Total exposures arising from derivative contracts	177,045	167,395
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	500,000
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	255
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	500,255
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	80,771,664	80,251,541
18	Less: Adjustments for conversion to credit equivalent amounts	(72,342,614)	(71,842,240)
19	Off-balance sheet items	8,429,050	8,409,301
Capital and total exposures			
20	Tier 1 capital	22,079,649	22,352,471
20a	Total exposures before adjustments for specific and collective provisions	241,639,110	253,108,435
20b	Adjustments for specific and collective provisions	(396,576)	(365,688)
21	Total exposures after adjustments for specific and collective provisions	241,242,534	252,742,747
Leverage ratio			
22	Basel III leverage ratio	9.15%	8.84%

Table LIQA: Liquidity risk management

The Company's liquidity risk management process is integrated into the overall Citi liquidity and funding process and liquidity monitoring framework. Liquidity is managed at the Citi-level, the Citibank, N.A.-level, the Country level and the level of Material Legal Entity ("MLE").

Citi policy requires all MLE (which is the level at which the Company is operating at) to maintain a strong liquidity position and ensure sufficient cash flows to meet all financial commitment 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 make new loans and investments as opportunities arise. The Company maintains a pool of customer deposits, which made up of current and savings accounts and time deposits. The customer deposits are widely diversified by type and maturity and represent a stable source of funding.

Policies and Procedures

The Company has established an Asset and Liability Management Committee ("ALCO"). The ALCO Charter includes the monitoring and control of liquidity and funding. ALCO monitors trends in balance sheet and ensures that any concerns that might impact the stability of the customer deposits are addressed effectively.

It is the responsibility of the Company's management to ensure compliance with local regulatory requirements and limits set by ALCO. The Company's liquidity resources are managed by the treasurer. Liquidity is managed on a daily basis by treasury function. The Board is ultimately responsible for overseeing liquidity risk that the Company is able to take and ensure that there is a robust liquidity management process in place.

The Company's liquidity risk management framework requires limits to be set for prudent liquidity management, the limits and internal targets include:

- Net intragroup balance
- Liquidity ratios
- Loan to deposit ratio
- Daily S2
- Monthly S4
- Resolution Liquidity Adequacy and Positioning ("RLAP")

All limits and internal targets are reviewed at least annually together with the Funding and Liquidity Plan ("FLP") and more frequently if required, to ensure that they are remain to current market conditions and business strategy. These limits and targets are monitored and reviewed by ALCO on a regular basis. Any limit excess will be escalated under a delegated authority structure and reviewed by ALCO and the Board. A Contingency Funding and Liquidity Plan ("CFP") playbook is in place for Hong Kong, on a total country basis, which lays out the trigger points and actions in the event of liquidity crisis to ensure that there is an effective response by senior management in case of such an event.

The Company's securities holdings are mainly in government securities that can be liquidated, repurchased or used as collateral in the event of liquidity stress.

Stress Test

Citi uses multiple measures in monitoring its liquidity, including those described below. In addition, there continues to be numerous regulatory developments relating to future liquidity standards and requirements applicable to financial institutions such as Citi, including certain measures discussed below.

Stress testing and scenario analyzes are intended to quantify the potential impact of a liquidity event on the balance sheet (including on and off balance sheet), contingent funding obligations and other liquidity exposures, and to identify viable funding alternatives that can be utilized. These scenarios include assumptions about significant changes in key funding sources, market triggers (such as credit ratings), potential uses of funding and political and economic conditions in certain countries. These conditions include standard and stress market conditions as well as firm-specific events.

A wide range of liquidity events over a full year, some may cover an intense stress period of one month, and still other time frames may be appropriate. These potential liquidity events are useful to ascertain potential mismatches between liquidity sources and uses over a variety of time horizons by tenor buckets. Liquidity limits are set accordingly. To monitor the liquidity of the Bank, those stress tests and potential mismatches may be calculated with varying frequencies, with several important tests performed daily. All assumptions used in the stress scenarios must be approved under the process of "Annual Funding and Liquidity Plan".

S2-"Highly Stressed Market Disruption Scenario" is Citi's primary long term stress metrics. Assumes market, credit and economic conditions are moderately to high stressed with potential further deterioration, and is used to measure a 12 month survival, i.e. CHKL must maintain sufficient liquidity to meet all maturing obligations with 12 months under the S2 stress scenario. S2 is prepared daily for all major currencies including HKD, CNY and G10 currencies. Other minor currencies are included in the S2 Universal.

S4 - "Institution Specific and Local Market Scenario" is represented a significant local market disruption such as a collapse of a major local bank, or an abrupt change in the regulatory or political environment, which will affect the liquidity available to that market. It requires a self-sufficiency period over a 3 month period is performed in a monthly basis. In addition to monitoring by tenor bucket, the day by day S4 position from overnight to Day 15 is also exhibited for monitoring to ensure daily surplus liquidity is maintained.

Resolution Liquidity Adequacy and Positioning (RLAP) -is a ratio based on internal stressed outflows assumptions and internal definition of liquidity resources. It is designed to ensure there are sufficient liquidity resources to withstand outflows associated with Resolution scenario with a 30 day survival period under a severely stress market condition. Assumptions are internally developed and expected to be closely aligned with the old LCR Prime and ratio is produced and monitor on daily basis.

Table LIQA: Liquidity risk management (Continued)

Encumbered and unencumbered assets

An asset is defined as encumbered, from a liquidity perspective, if it has been pledged as collateral against an existing liability, and as a result is no longer available to the bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorized as unencumbered if it has not been pledged against an existing liability. As of December 31, 2019, High Quality Liquid Asset (HQLA) held by the bank is mostly unencumbered assets, except a small portion of Hong Kong exchange fund bills and Chinese government bond which are set aside for intraday liquidity needs.

The Company maintains a sufficient cushion of HQLA which can be sold or used as collateral to provide liquidity under stress period. The compositions of the HQLA are mainly in government securities together with a small portion of high investment grade credit securities. The size of the liquidity cushion was approximately HK\$72 billion as of December 31, 2019.

Citibank, N.A.'s credit ratings as at the end of December, 2019 were A+(S&P) and Aa3 (Moody's). Given that Citibank other entities are our only counterparties for these derivative transactions and cash positions are held or posted as collateral according to the mark to market of the contracts. Citibank's credit ratings downgrade has minimal impact on Bank's derivative collateral requirement.

Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period at the statement of financial position date to the contractual maturity date.

2019	Total	Repayable on demand	Over 1 month to 1 month or less	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Undated or overdue
Assets								
Cash and balances with banks, central banks and other financial institutions	12,949,226	4,330,353	8,618,873	-	-	-	-	-
Placements with banks and other financial institutions	9,047,648	-	-	1,372,589	7,675,059	-	-	-
Loans and advances	131,060,164	8,578,103	488,719	4,456,512	18,558,509	53,196,459	45,620,595	161,267
Financial assets at fair value through profit or loss	51,638,058	-	18,000,221	27,541,587	5,363,254	-	-	732,996
Financial assets at fair value through other comprehensive income	24,100,132	-	1,048,873	6,437,458	14,439,278	2,174,523	-	-
Non-interest bearing assets	4,031,983	-	-	-	-	-	-	4,031,983
	<u>232,827,211</u>	<u>12,908,456</u>	<u>28,156,686</u>	<u>39,808,146</u>	<u>46,036,100</u>	<u>55,370,982</u>	<u>45,620,595</u>	<u>4,926,246</u>
Liabilities								
Deposits and balances from banks and other financial institutions	30,158,731	875,659	15,588,705	511,324	2,359,621	10,823,422	-	-
Deposits from customers	174,758,805	113,269,477	36,188,003	24,208,500	1,092,825	-	-	-
Trading financial liabilities	36,200	-	-	-	-	-	-	36,200
Non-interest bearing liabilities	5,037,968	-	16,790	33,677	128,050	235,040	-	4,624,411
	<u>209,991,704</u>	<u>114,145,136</u>	<u>51,793,498</u>	<u>24,753,501</u>	<u>3,580,496</u>	<u>11,058,462</u>	<u>-</u>	<u>4,660,611</u>
Commitments								
Other commitments	80,771,625	80,165,148	353,197	160,321	92,959	-	-	-
Forward forward deposits placed	39	-	39	-	-	-	-	-
	<u>80,771,664</u>	<u>80,165,148</u>	<u>353,236</u>	<u>160,321</u>	<u>92,959</u>	<u>-</u>	<u>-</u>	<u>-</u>
Of which:								
Debt securities								
- included in financial assets at fair value through profit or loss	50,905,062	-	18,000,221	27,541,587	5,363,254	-	-	-
- included in financial assets at fair value through other comprehensive income	24,100,132	-	1,048,873	6,437,458	14,439,278	2,174,523	-	-
	<u>75,005,194</u>	<u>-</u>	<u>19,049,094</u>	<u>33,979,045</u>	<u>19,802,532</u>	<u>2,174,523</u>	<u>-</u>	<u>-</u>

Table CRA: General information about credit risk

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

This category includes credit and counterparty risks from loans and advances and counterparty risks from trading and investing activities and also third parties to either hold, collect or settle the funds on behalf of the Company. The Company identifies and manages this risk through its (a) target market definitions, (b) credit approval process, (c) post-disbursement monitoring and (d) remedial management procedures.

Credit Risk Management is responsible for the quality and performance of credit portfolios of the Company, through which it can pursue a long-term sustainable and profitable growth. It manages, monitors and controls all credit risks within the Company through:

- formulating credit policies on new acquisition, portfolio management, collection and recovery for credit portfolios;
- developing risk acceptance criteria for portfolios towards segments, sectors, industries, usages and collateral;
- undertaking an independent review and objective assessment of credit risks;
- controlling exposures to portfolios, industries, counterparties and countries etc by setting limits;
- monitoring the performance of credit portfolios, including collateral positions, and developing effective remedial strategies;
- evaluating potentially adverse scenario that may impact the quality and performance of credit portfolios;
- establishing key risk indicators that assess the market situation on on-going basis; and
- providing advice and guidance to business units on various credit-related issues.

The Company's credit risk arises mainly from its consumer and treasury operations.

Consumer credit risk

The Global Consumer Credit and Fraud Risk Policies (GCCFRP), along with the firm-wide Risk Rating Policy, is the foundation of Global Consumer Risk Management. The GCCFRP provide the rules by which credit and fraud risks are managed and authorities, exceptions and limits are defined. The ability for Independent Risk Management to successfully manage risk is complemented by a robust control framework, which includes: ongoing business monitoring; risk-based independent verification; detective mechanisms including frequent portfolio and business reviews; and a robust Risk Appetite Framework.

Active monitoring of conformance with established risk limits and tolerances occurs through a variety of Key Risk Indicators (KRIs), benchmarks, and financial measures. These include a risk tolerance limit, which requires every portfolio to obtain initial approval and annual re-approval of risk tolerances. In addition, origination benchmarks are an essential control mechanism to ensure the Company's originations are performing on a consistent basis within the risk appetite of any individual business. There are numerous monitoring systems and triggering mechanisms in place to determine if additional scrutiny or action is needed. Risk tolerance limits and the Risk Appetite Ratio are critical Key Risk Indicators which call for additional scrutiny by senior management and specific action when triggers are breached.

The Company's consumer credit policy, approval process and credit delegation authority are designed for the fact that there are high volumes of relatively homogeneous, small value transactions in each consumer loan category. Because of the nature of consumer banking, the credit policies are based primarily on statistical analyzes of risks with respect to different products and types of customers. The Company has established methodologies on risk assessment for new product launch as well as periodic review of the terms of existing products, so as to achieve the desired customer profiles.

Credit risk for treasury transactions

The Company's treasury activities are predominantly with group entities or with institutions and governments with strong credit standing. As such, credit risk for the Company's treasury activities is not significant.

Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions, are therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans.

Master netting arrangements

The Company enters into master netting arrangements with counterparties whenever possible. Netting agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis.

Concentration of credit risk

The Company pursues a strategy of mitigating any concentration in credit risk by diversifying the asset portfolio. The total asset portfolio consists of a balanced mix of collateralized products (mortgages and margin finance), as well as credit cards and unsecured credit facility but is concentrated in Hong Kong.

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)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on exposures calculated under the STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	85,802	132,505,976	396,459	38,720	357,739	-	132,195,319
2	Debt securities	-	72,830,670	-	-	-	-	72,830,670
3	Off-balance sheet exposures	-	1,334,518	-	-	-	-	1,334,518
4	Total	85,802	206,671,164	396,459	38,720	357,739	-	206,360,507

Loans included, Trade Bills, Placement with banks and other financial institutions with residual maturities greater than one year, Loans and advances to customers and related accrued interest receivables.

Commitment included Trade-related contingencies, Forward deposits placed, and Other commitments with an original maturity of not more than one year and with an original maturity of more than one year.

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
1	Defaulted loans and debt securities at end of the previous reporting period	72,128
2	Loans and debt securities that have defaulted since the last reporting period	137,215
3	Returned to non-defaulted status	(180)
4	Amounts written off	(120,809)
5	Other changes	(2,552)
6	Defaulted loans and debt securities at end of the current reporting period	85,802

Table CRB: Additional disclosure related to credit quality of exposures

The following provide additional qualitative and quantitative information on the credit quality of exposures to supplement the quantitative information provided under templates CR1 and CR2 as at December 31, 2019.

(i) ***Credit quality of Loans and advances to customers***

The Company classifies the loans and advances in accordance with the loan classification system required to be adopted for reporting to the HKMA.

The ageing analysis of loans and advances to customers that are past due but not impaired as follows:

	As at December 31, 2019
Gross loans and advances to customers that are past due but not impaired	
- Overdue 3 months or less	<u>2,522,232</u>

(ii) ***Credit losses and impairment of assets***

The Company recognises loss allowances for expected credit loss (“ECL”) on financial assets measured at amortised cost and fair value through other comprehensive income.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Table CRB: Additional disclosure related to credit quality of exposures (Continued)

(iii) Credit risk exposure by geographical areas, industry and residual maturity

Geographical area In thousands of Hong Kong dollar	As at December 31, 2019
Hong Kong	120,499,078
United States	71,017,031
Other	15,240,857
Total	206,756,966
Industry In thousands of Hong Kong dollar	As at December 31, 2019
Banks	32,665,712
Official sector	72,830,670
Non-bank private sector	
- Individual	98,056,091
- Other	3,204,493
Total	206,756,966
Residual maturity In thousands of Hong Kong dollar	As at December 31, 2019
Repayable on demand and Up to 1 year	106,440,601
Over 1 year to 5 years	54,345,615
Over 5 years	45,803,892
Undated or overdue	166,858
Total	206,756,966

(iv) Overdue loans and advances to customers

In thousands of Hong Kong dollar	As at December 31, 2019
Loans and advances to customers which have been overdue for periods of:	
- 6 months or less but over 3 months	44,706
- 1 year or less but over 6 months	-
- over 1 year	-
	44,706
Current market value of collateral held against the covered portion of overdue loans and advances to customers	-
Covered portion of overdue loans and advances to customers	-
Uncovered portion of overdue loans and advances to customers	44,706
	44,706
Specific impairment	32,381

Table CRB: Additional disclosure related to credit quality of exposures (Continued)

(iv) Overdue loans and advances to customers (Continued)

The covered portion of overdue loans and advances to customers represents the amount of collateral held against outstanding balances. Where collateral values are greater than gross loans and advances, only the amount of collateral up to the gross loans and advance was included.

The collateral held in respect of the overdue loans and advances mainly consists of properties.

After taking into account the transfer of risk, there were no exposures to a single country outside Hong Kong exceeding 10% of the aggregate overdue loans and advances to customers as at the above respective reporting dates.

(v) Rescheduled loans and advances to customers

In thousands of Hong Kong dollar	As at December 31, 2019
Rescheduled loans and advances to customers	<u>21,926</u>

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or because of the inability of the borrower to meet the original repayment schedule. Rescheduled loans and advances to customers are stated net of any loans and advances which have subsequently become overdue for over three months and which are included in overdue loans and advances to customers in (iv) above.

(vi) Impaired loans and advances to customers

In thousands of Hong Kong dollar	As at December 31, 2019
Overdue loans and advances to customers	44,706
Rescheduled loans and advances to customers	<u>21,926</u>
Impaired loans and advances to customers	<u>66,632</u>

After taking into account the transfer of risk, there were no exposures to a single country outside Hong Kong exceeding 10% of the aggregate impaired loans and advances to customers as at the above respective reporting dates. There were also no exposures to a non-individual exceeding 10% of the aggregate impaired loans and advances to customers as at the above respective reporting dates.

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.

For all facilities except instalment mortgages, non-revolving loan supported by recognized guarantee and margin finance not hitting the required conditions, it is the Company's policy that they should be reviewed at least on an annual basis, with the collateral (if any) being revalued during the review. Where facilities have been overdue and are tangibly secured, the collateral must be revalued at a minimum of once every month.

For mortgages, valuation on the mortgaged property must be updated at a minimum of once every year through the consistent use of real estate price indices. When the market is subject to significant changes in conditions, valuation should be updated more frequently. For accounts past due over 120 days, an updated valuation through a panel surveyor on the mortgaged property is required. An updated valuation must be obtained on an annual basis or earlier if there is a reason to believe that the value of the mortgaged property has declined.

For Margin and Securities backed Finance facilities, all collateral are subject to daily mark-to-market revaluation; and margin calls must be initiated if the equity position has deteriorated to the margin trigger level. The frequency of revaluation may be intensified under the volatile market scenario.

The main types of recognized collateral taken by the Company includes cash on deposit, real estate properties, units or shares in collective investment schemes and various recognized debt securities.

The credit and market risks concentrations within the recognized collateral and guarantees used by the Company are considered to be immaterial.

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	112,624,756	19,570,563	18,760,385	810,178	-
2	Debt securities	72,830,670	-	-	-	-
3	Total	185,455,426	19,570,563	18,760,385	810,178	-
4	Of which defaulted	50,719	3,152	3,152	-	-

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	74,263,419	-	74,278,118	-	-	0%
2	PSE exposures	-	-	795,479	-	159,096	20%
2a	Of which: domestic PSEs	-	-	795,479	-	159,096	20%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	-	-	-	-	-	0%
4	Bank exposures	52,659,797	39	52,659,797	39	23,241,576	44%
5	Securities firm exposures	-	-	-	-	-	0%
6	Corporate exposures	37,842	-	33,981	-	33,981	100%
7	CIS exposures	-	-	-	-	-	0%
8	Cash items	653,466	-	653,466	-	2,747	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	30,255,144	78,177,369	20,433,572	-	15,325,179	75%
11	Residential mortgage loans	57,923,208	1,322,746	57,128,353	485,296	24,403,677	42%
12	Other exposures which are not past due exposures	14,911,530	1,271,510	5,956,376	-	5,956,376	100%
13	Past due exposures	53,423	-	53,423	-	78,559	147%
14	Significant exposures to commercial entities	-	-	-	-	-	0%
15	Total	230,757,829	80,771,664	211,992,565	485,335	69,201,191	33%

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	74,278,118	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	795,479	-	-	-	-	-	-	-	795,479
2a	Of which: domestic PSEs	-	-	795,479	-	-	-	-	-	-	-	795,479
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	10,294,475	-	42,365,361	-	-	-	-	-	52,659,836
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	33,981	-	-	-	33,981
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	641,749	-	11,213	-	-	-	504	-	-	-	653,466
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	-	-	-	-	-	20,433,572	-	-	-	-	20,433,572
11	Residential mortgage loans	-	-	-	50,605,301	-	1,266,107	5,742,241	-	-	-	57,613,649
12	Other exposures which are not past due exposures	-	-	-	-	-	-	5,956,376	-	-	-	5,956,376
13	Past due exposures	-	-	-	-	-	-	3,152	50,271	-	-	53,423
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	74,919,867	-	11,101,167	50,605,301	42,365,361	21,699,679	11,736,254	50,271	-	-	212,477,900

Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

The Company engages in over-the-counter (OTC) derivative transactions that may result in counterparty credit risk. The OTC derivative transactions include (1) embedded derivatives of hybrid (combined) deposits to customers and (2) stand-alone derivatives.

Embedded derivatives of hybrid (combined) deposits

Positioned as a single product, a hybrid (combined) deposit to customers generally consists of two components: an embedded derivative and a host cash deposit. The host cash deposit serves as a collateral over the terms of the transaction that fully mitigates the counterparty credit risks associated with the embedded derivative.

Stand-alone derivatives transactions

The Company participates in stand-alone derivative transactions predominately for managing its own exposures as part of its asset and liability management process. The derivative activities of this type are with group entities.

No internal capital and credit limit for counterparty are considered necessary for the fully mitigated transactions and transactions with group entities.

Citibank, N.A.'s credit ratings as at the end of December, 2019 were A+(S&P) and Aa3(Moody's). Given that Citibank other entities are our only counterparties for these derivative transactions and cash positions are held or posted as collateral according to the mark to market of the contracts. Citibank's credit ratings downgrade has minimal impact on Bank's derivative collateral requirement.

Template CCRI: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

The following table presents a comprehensive breakdown of default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at December 31, 2019.

In thousands of Hong Kong dollar		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	82,996	137,298		N/A	160,915	72,836
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						72,836

Template CCR2: CVA capital charge

The following table provide information on portfolio subject to the CVA capital charge and the CVA calculations based on standardized CVA method and advanced CVA method as at December 31, 2019.

In thousands of Hong Kong dollar		(a)	(b)
		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	220,295	37,113
4	Total	220,295	37,113

Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

The following table presents a breakdown of default risk exposures, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the STC approach, by asset classes and risk-weights (the latter representing the riskiness attributed to the exposure according to the respective approaches), irrespective of the approach used to determine the amount of default risk exposures as at December 31, 2019.

In thousands of Hong Kong dollar		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
Exposure Class												
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	54,898	-	76,427	-	-	-	-	-	131,325
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	-	-	-	-	-
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	23,792	-	-	-	-	23,792
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	5,798	-	-	-	5,798
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	54,898	-	76,427	23,792	5,798	-	-	-	160,915

**Template CCR5: Composition of collateral for counterparty default risk exposures
(including those for contracts or transactions cleared through CCPs)**

The following table presents a breakdown of all types of collateral posted or recognized collateral received to support or reduce the exposures to counterparty default risk exposures as at December 31, 2019 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
In thousands of Hong Kong dollar						
Cash - domestic currency	-	159,862	-	-	-	-
Cash - other currencies	-	1,958,413	-	9,297	-	-
Debt securities	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	2,118,275	-	9,297	-	-

Table SECA: Qualitative disclosures related to securitization exposures

At the end of the reporting period, the Company only acted as an investor in the securitization exposures. There were no securitization exposures in trading book and re-securitization exposures in both banking book and trading book as at December 31, 2019.

The securitization exposures held by the Company are rated with investment grades and backed by non-granular pools.

The Company held relatively small amounts of securitization exposures. They are classified and measured for accounting purpose in accordance with the Company's accounting policies on financial instruments.

Ratings from Fitch Ratings is adopted in assessing securitization exposures. The securitization exposures held by the Company is rated by recognized ECAI designated by the Capital Rules and is adopted the "Securitization External Ratings-Based Approach" for the calculation of the risk-weighted assets.

Template SEC1: Securitization exposures in banking book

The following table presents a breakdown of securitization exposures in the banking book (regardless of whether the exposures arising from securitization transactions satisfy all the requirements under Schedule 9 or 10 of the BCR) as at December 31, 2019.

In thousands of Hong Kong dollar		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which:	-	-	-	-	-	-	2,175,081	-	2,175,081
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	2,175,081	-	2,175,081
4	other retail exposures	-	-	-	-	-	-	-	-	-
5	re-securitization exposures	-	-	-	-	-	-	-	-	-
6	Wholesale (total) – of which:	-	-	-	-	-	-	-	-	-
7	loans to corporates	-	-	-	-	-	-	-	-	-
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

Template SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

The following table presents securitization exposures in the banking book where an AI acts as an investing institution of securitization transactions and the associated capital requirements as at December 31, 2019.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		<20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-SA	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-FBA	SEC-SA	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-FBA	SEC-SA	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-FBA
In thousands of Hong Kong dollar																		
1	Total exposures	2,175,081	-	-	-	-	-	-	2,175,081	-	-	-	380,639	-	-	-	30,451	-
2	Traditional securitization	2,175,081	-	-	-	-	-	-	2,175,081	-	-	-	380,639	-	-	-	30,451	-
3	Of which securitization	2,175,081	-	-	-	-	-	-	2,175,081	-	-	-	380,639	-	-	-	30,451	-
4	Of which retail	2,175,081	-	-	-	-	-	-	2,175,081	-	-	-	380,639	-	-	-	30,451	-
5	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table MRA: Qualitative disclosures related to market risk

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, etc. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to manage the Company's exposure to the volatility inherent in financial instruments.

The Treasury Department manages interest rate risks within the limits approved by the Market Risk Management and/or Asset and Liability Management Committee, and these risks are monitored and reported by an independent Operations unit. It also reviews and sets limits package as well as permitted product list, ensuring adherence to risk management objectives. These are governed by Citi Mark to Market Policy.

Derivative instruments are used to manage the Company's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Company are foreign exchange rate related contracts, which are primarily over-the-counter derivatives.

Derivative instruments shall be reflected in the trading systems which feeds to Risk system. Market Risk Reporting Unit prepares risk reports for exposure usage monitoring against the limits as approved. Reporting Unit sends the report to the business, market risk management for limit monitoring purpose. Once there are limit excess, it will be communicated between Treasury Department and Market Risk Management on the resolution plan and timeline and trace of resolution. The models and parameters in the systems are regularly updated and assessed as defined in the Citi policies.

The Company sets various positions and sensitivity limit structures. Additionally, the Company applies quantitative techniques and simulation models to identify and assess the potential net interest income and market value effects of these interest rate positions in different interest rate scenarios. The primary objective of such interest rate risk management is to limit the potential adverse effect of interest rate movements on net interest income. The Market Risk Manager monitors interest rate risks against set limits on a daily basis. All exceptions are reviewed and approved by the appropriate level of Market Risk Management.

Template MR1: Market risk under Standardized (market risk) approach (STM approach)

The following table provide components of market risk capital requirement calculated using Standardized (market risk) approach (STM approach) as at December 31, 2019.

In thousands of Hong Kong dollar		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	648,113
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	Total	648,113

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 Δ 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. No prepayment and early redemption assumptions are considered for loans and time deposits as risk from these options have been assessed as immaterial and impact is curbed by the penalty fee structure in place. Optionality risks in existing as well as new products are assessed and reviewed on a regular basis, and when it is believed to be material, are incorporated into the IRRBB measurements.

Other key assumptions incorporated by the Company with respect to the HKMA reporting requirements are as follows:

For cash flow profiling, the Company adopts methodology of including commercial margins and other spread components

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, USD, AUD and CAD. IRR Sensitivities do not include any netting across currencies. All favorable exposures (gains) are excluded and adverse exposures (losses) are reported.

Quantitative Disclosure

Non-maturity deposits (“NMD”) repricing risk is modeled according to modeled rate and balance forecasts that incorporate assumptions on customer behavior and the impact of pricing decisions. Both the rate and balance models, reviewed on an annual basis, at the minimum, are determined using historical data spanning different rate cycles.

(in years)	Repricing maturity assigned to NMDs
Average (notional-weighted maturity)	2.5
Longest	5

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		ΔEVE	ΔNII
Period		31 st December 2019	
1	Parallel up	0	-818
2	Parallel down	2,962	816
3	Steepener	0	
4	Flattener	193	
5	Short rate up	0	
6	Short rate down	854	
7	Maximum	2,962	
Period		31 st December 2019	
8	Tier 1 capital	22,080	

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

Based on the above reported figures, the maximum EVE decline will occur in a parallel down interest rate shock scenario, which would lead to a 13.4% decrease in the Tier 1 Capital.

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 laid down the 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.

Table REMA: Remuneration policy (Continued)

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:

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

- 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.
- 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
Citibank (Hong Kong) Limited	34,072	18,239	4,196	2,405	20

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
Citibank (Hong Kong) Limited	9,303	4,166

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
Citibank (Hong Kong) Limited	2,687	1,439

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.