

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Citibank Singapore Limited (the “Bank”) was incorporated in Singapore on 24 September 2003. Since 1 January 2005, the Bank has been licensed by the Monetary Authority of Singapore (“MAS”) as a qualified full licence bank to engage in banking business in Singapore. The Bank’s ultimate parent is Citigroup, Inc. (“Citigroup”).

As a Singapore-incorporated bank, the Bank is guided in its corporate governance practices by the Banking (Corporate Governance) Regulations (“Regulations”) and the Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers which are Incorporated in Singapore (“Guidelines”).

BOARD GOVERNANCE

Board composition

In December 2011, one new director, Mr Yap Chee Keong, was appointed. Following these appointments, the Bank’s Board now comprises 10 members, of whom 6 are non-executive non-independent directors and 4 are non-executive independent directors. Six of the directors are Singapore citizens.

The 6 non-executive non-independent directors are Mr Shirish Apte, Mr Jonathan Larsen, Mr Michael Zink, Ms Tracey Woon, Ms Amy Tan and Mr Anil Wadhvani. Mr Shirish Apte is Chairman, Asia Pacific, Citibank N.A. and Vice President of Citigroup Inc. He is employed by Citibank N.A. Singapore Branch. Mr Jonathan Larsen is employed by Citibank N.A., Hong Kong Branch, and is the Global Retail Banking Business Unit Head and the Regional Head, Consumer Banking, Asia-Pacific. Although Mr Apte has overall responsibility for the Citigroup franchise in Asia-Pacific and Mr Larsen has overall responsibility for consumer banking in the Asia Pacific, neither is involved in the Bank’s day-to-day operations. Mr Michael Zink is Head of ASEAN and Citi Country Officer, Singapore. He is an employee of Citibank N.A., Singapore Branch. Ms Tracey Woon is an employee and executive director of Citigroup Global Markets Singapore Pte Ltd. Mr Anil Wadhvani, who stepped down as CEO of the Bank on 20 February 2012, is now an employee of Citibank N.A., Singapore Branch and is the Region Head, Cards & Personal Loans, Asia-Pacific. Mr Apte, Mr Larsen, Mr Zink, Ms Woon and Mr Wadhvani are considered non-executive directors as they are not employed by the Bank and do not assume any day-to-day management role within the Bank. Ms Amy Tan was, until end-August 2008, the Head of International Personal Banking Business for the Bank. From 1 December 2009 to 30 June 2010, she assumed an advisory role to the International Personal Banking business on a part-time basis. The Regulations provide that a director is not considered independent from business relationships if he has any business relationship with the Bank, any of its subsidiaries or any officer of the Bank that could interfere, or be reasonably regarded as interfering, with the exercise of the director’s independent business judgment with regard to the interests of the Bank. Ms Tan is non-executive but not assessed to be independent.

The 4 non-executive independent directors are Mr Daniel Ee, Professor Tan Chin Tiong, Mr Robert Kwan Wai Meng and Mr Yap Chee Keong.

The Bank considers its present Board size to be appropriate for its current operations.

More information on the directors is set out below: -

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| <p>Shirish Apte (Non-Executive Director and Chairman)</p> <p>Appointed on 5 November 2009, Mr Apte is Chairman, Asia Pacific, Citibank N.A. and Vice President, Citigroup Inc. Mr Apte is a British citizen. He is a qualified chartered accountant from the Institute of Chartered Accounts in England and holds an MBA from London Business School.</p> <p>Mr Apte is a director of Bank Handlowy and Citibank Japan Ltd, both affiliates of the Bank.</p> <p><u>Directorships for past 3 years</u></p> <ul style="list-style-type: none"> • Citibank Europe plc, Ireland | <p>Anil Wadhvani (Non-Executive Director)</p> <p>Appointed on 30 November 2009, Mr Wadhvani is Region Head, Cards & Personal Loans, Asia Pacific. He was CEO of the Bank until 20 February 2012. Mr Wadhvani, an Indian citizen, has a Bachelor of Commerce degree from Marsee Monjee College of Commerce & Economics, Mumbai University and a Masters in Management Studies from Somaiya Institute of Management Studies and Research, Mumbai University.</p> <p>Mr Wadhvani holds no other directorships.</p> |
| <p>Michael George Zink (Non-Executive Director)</p> <p>Appointed on 18 June 2010, Mr Michael Zink is Head of ASEAN and Citi Country Officer, Singapore. A United States citizen, Mr Zink graduated from Case Western Reserve University with a Bachelor of Science Degree in Chemical Engineering with Honours. He also holds a Masters of Management (MBA) Degree from J.L. Kellogg Graduate School of Management.</p> <p>Mr Zink is a director of the following companies:</p> <ul style="list-style-type: none"> • Citibank Consumer Nominees Pte Ltd • Citibank Finance Limited • Citibank Nominees Singapore Pte Ltd • Citicorp Investment Bank (Singapore) Limited • Citicorp Trustee (Singapore) Limited • Citigroup Holding (Singapore) Private Limited • Tribeca Global Management (Asia) Pte Ltd • Citigroup Global Markets Singapore Holdings Pte Ltd • Citigroup Business Process Solutions Pte Ltd • Cititrust (Singapore) Limited • Citigroup Global Markets Singapore Pte Ltd • Citigroup Global Markets Singapore Securities Pte Ltd <p>Mr Zink's other appointments are:</p> <ul style="list-style-type: none"> • Member of the Executive Committee and Board of Governors for The American Chamber of Commerce in Singapore; • Member of the Board of Advisors to The National University of Singapore (NUS) Business School Centre for Strategic Leadership, • Vice Chair for Financial Services, Asia-Pacific Council of American Chambers of | <p>Jonathan Christian Larsen (Non-Executive Director)</p> <p>Appointed on 17 June 2005, Mr Larsen is both the Global Retail Banking Business Unit Head and the Head of Consumer Banking and Global Cards, Asia-Pacific. Mr Larsen, who is Australian, graduated from The University of Melbourne with a Bachelor of Arts with Honours (First Class) Degree.</p> <p>Mr Larsen is a director of Citibank Berhad and BJL Investment Limited, a private investment holding company. He is a Council Member on the Visa International Senior Client Council and Advisory Board Member of the Young Men's Christian Association (Singapore).</p> <p><u>Directorships for past 3 years</u></p> <ul style="list-style-type: none"> • Longitude Lifestyle Pte Ltd • Phibro (Asia) Pte Ltd • Citibank Consumer Nominees Pte Ltd • Citibank Finance Limited • Citibank Nominees Singapore Pte Ltd • Citicorp Investment Bank (Singapore) Limited • Citicorp Trustee (Singapore) Limited • Citigroup Holding (Singapore) Private Limited • Tribeca Global Management (Asia) Pte Ltd • Citigroup Global Markets Singapore Holdings Pte Ltd • Citigroup Business Process Solutions Pte Ltd • Cititrust (Singapore) Limited • Citigroup Global Markets Singapore Pte Ltd • Citigroup Global Markets Singapore Securities Pte Ltd |

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| <p>Commerce,</p> <ul style="list-style-type: none"> • Vice Chair for Financial Services and Vice Chair for ASEAN Integration Committee for US-ASEAN Business Council. <p><u>Directorships for the past 3 years</u></p> <ul style="list-style-type: none"> • Guangdong Development Bank | |
| <p>Amy Tan Sioh Tin (Non-Executive Director)</p> <p>Appointed on 7 November 2008, Ms Tan was a career Citibanker and the Head of the Bank's International Personal Banking Business until she retired at the end of August 2008. A Singapore citizen, Ms Tan holds a Bachelor of Social Science (Economics & Political Science) Degree from the University of Singapore.</p> <p>Ms Tan holds no other directorships.</p> | <p>Tracey Woon (Non-Executive Director)</p> <p>Appointed on 2 June 2010, Ms Tracey Woon is the Head of Global Banking and is an employee and Managing Director of Citigroup Global Markets Singapore Pte Ltd. A Singapore citizen, Ms Woon graduated from the National University of Singapore with a Bachelor of Law (Hons). Ms Woon is also a director of the following companies:</p> <ul style="list-style-type: none"> • Citigroup Global Markets Singapore Pte Ltd • Mivica Limited • Mivica Properties Limited • Eastern Health Alliance Pte Ltd <p><u>Directorships for the past 3 years</u></p> <ul style="list-style-type: none"> • Changi General Hospital |
| <p>Daniel Cuthbert Ee Hock Huat (Independent Director* and Chairman of the Audit Committee and Risk Management Committee)</p> <p>Appointed on 17 June 2005, Mr Ee is a Singapore citizen. Mr Ee graduated from the University of Bath, UK with BSc Honours Class 1 (Systems Engineering) and obtained an MSc (Industrial Engineering) from The National University of Singapore. He was awarded the Public Service Medal in 2003.</p> <p>He is the Chairman of CitySpring Infrastructure Management Pte Ltd, the Trustee-Manager of CitySpring Infrastructure Trust, and is Deputy Chairman of the Securities Industry Council. He is the Chairman of the Board of Advisors of Walton International Group Limited, an independent director of Surface Mount Technology (Holdings) Limited and a Council Member of the Singapore Institute of Directors.</p> <p><u>Directorships for past 3 years</u></p> <ul style="list-style-type: none"> • Gas Supply Pte Ltd • National Environment Agency • Tiger Aviation Pte Ltd. | <p>Yap Chee Keong (Independent Director*)</p> <p>Appointed on 1 December 2011, Mr Yap is a Singapore citizen. Mr Yap graduated from the National University of Singapore with a Bachelor of Accountancy. Mr Yap is a fellow of the Institute of Certified Public Accountants of Singapore, a Fellow (CPA Australia) and a Member of the Singapore Institute of Directors. From 2002 to 2009, he was the Chief Financial Officer of Singapore Power Limited, of which he remains an Adviser. Mr Yap is a non-executive independent director of the following companies:</p> <ul style="list-style-type: none"> • CapitaMalls Asia Limited • CityNet Infrastructure Management Pte Ltd the Trustee-Manager of NetLink Trust, a business trust wholly-owned by Singapore Telecommunications Limited • Hup Soon Global Corporation Limited • SPI (Australia) Assets Pty Ltd • The Straits Trading Company Limited • Tiger Airways Australia Pty Limited • Tiger Airways Holdings Limited • UTAC Holdings Limited • <p>Mr Yap's other appointments are:</p> <ul style="list-style-type: none"> • Board Member of Accounting & Corporate Regulatory Authority • Elder & Director of the Assembly of Christians of Singapore Ltd |

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| | <ul style="list-style-type: none"> • Advisor for Singapore Power Limited • Senior Advisor for Entropy Ventures Limited • Member of the CFOI Advisory Council • Member of the Resource Panel, Government Parliamentary Committee For Finance, Trade & Industry • Member of the Working Group 4, Companies Act Rewriting Exercise <p><u>Directorships for past 3 years</u></p> <ul style="list-style-type: none"> • Singapore District Cooling Pte Ltd |
| <p>Robert Kwan Wai Meng (Independent Director* and Chairman of the Nominating Committee)</p> <p>Appointed on 17 June 2005, Mr Kwan, who is Singaporean, is the founder and Chairman Emeritus of McDonald’s Singapore. He was the Chairman of The National Council on Environment (1991 – 1995).</p> <p>In addition to being a director of the Bank, Mr Kwan is a director of Valewood Investments Pte Ltd and Comfort Food Pte Ltd.</p> <p><u>Directorships for past 3 years</u></p> <ul style="list-style-type: none"> • Monopole Pte Ltd | <p>Professor Tan Chin Tiong (Independent Director*)</p> <p>Appointed on 17 June 2005, Prof Tan, who is a Singapore citizen, is the President and Member of the Board of Trustees of the Singapore Institute of Technology. Prof Tan graduated from The University of Singapore with BBA (Hons) Degree. He holds an MBA from Western Illinois University and PhD from The Pennsylvania State University.</p> <p>Prof Tan is a director on the Council for Third Age (Ministry of Community Development, Youth and Sports) and is the non-executive Chairman of Superior Multi-Packaging Ltd. He is the President and Member of the Board of Trustees for the Singapore Institute of Technology. Prof Tan also sits as an independent director on the board of directors of several companies such as:</p> <ul style="list-style-type: none"> • Communication Design International Ltd • Health Management International Ltd • Hersing Corporation Ltd • Hup Soon Global Corporation Ltd |

* For an assessment of directors’ independence, please refer to the section “Selection and Qualification of Board Members” below.

Board appointment

The Nominating Committee reviews the suitability of nominees for recommendation for election to the Board.

Directors who are appointed during a financial year are subject to review by the Nominating Committee for re-election to the Board at the next annual general meeting pursuant to Article 69 of the Bank’s Articles of Association. Mr Yap Chee Keong, who was appointed on 1 December 2011, retired and stood for re-election at the annual general meeting held on 29 June 2012.

The Bank’s Articles of Association provide for at least one-third of its directors to retire by rotation at each annual general meeting and for eligible retiring directors to stand for re-election at the annual general meeting. Mr Robert Kwan, Mr Michael Zink and Ms Tracey Woon retired by rotation and were re-elected at the annual general meeting (“AGM”) held on 29 June 2012.

Non-executive Directors unaffiliated to Citigroup are appointed for 3-year terms commencing on an AGM date and expiring at the AGM date 3 years later. The current 3-year term of Mr Daniel Ee, Mr Robert Kwan, Prof Tan Chin Tiong and Ms Amy Tan commenced at the 2011 AGM and will expire at the 2014 AGM. The 3-year term of Mr Yap Chee Keong, who was appointed on 1 December 2011, is deemed to commence at the AGM held on 30 June 2012 and will expire at the 2015 AGM.

Selection and Qualification of Board Members

The Nominating Committee is responsible for identifying, evaluating and selecting candidates for the Board of Directors. The Nominating Committee reviews and recommends all director appointments to the Board. In doing so, it relies on a framework which it has developed to identify the skills that Board and Board Committee members require to discharge their responsibilities effectively, taking into account the Bank's risk profile, business operations and business strategy. In recommending the appointment of executive and non-executive directors drawn from other Citigroup entities, the Nominating Committee seeks to ensure that these directors represent a broad range of business and support functions within the Citigroup operations. Independent non-executive directors are drawn from a range of industries to facilitate a diversity of views and experience on the Board. The current independent directors on the Board come from the financial, commercial and academic sectors.

The Nominating Committee conducted a review before the 2012 AGM to assess whether each Director remained qualified for office. The assessment included whether the Director was a fit and proper person, and was qualified, for the office, taking into account his track record, age, experience, capabilities and skills. To determine whether a Director was a fit and proper person, all Directors were required to complete a fit and proper declaration and bankruptcy, litigation and credit bureau searches were conducted on each Director. The results of these fit and proper due diligence procedures raised no issues of concern. Apart from the fit and proper assessment, the Nominating Committee also reviewed each Director's continuing suitability for office by (i) assessing each Director based on certain identified performance measures, including attendance and participation; (ii) reviewing the composition of the Board, taking into account such factors as each Director's business experience and areas of expertise; (iii) reviewing each Director's competing time commitments; and (iv) making a qualitative assessment of each Director's performance. Each Nominating Committee member recused himself from an assessment of his performance. The performance of the Directors was assessed to be satisfactory.

Board-approved guidelines on competing time commitments are in place to ensure that Directors do not face competing time commitments from multiple representations and continue to be able to discharge their duties effectively. Directors must attend at least 75% of all scheduled Board and Board committee meetings and are limited to 7 appointments. Exceptions are made for existing appointments at the time of a Director's appointment to the Board and for appointments to other Citi entities by the Citi-appointed Directors. A Director's competing time commitments are taken into account by the Nominating Committee in assessing a Director's continuing suitability and fitness for office.

The Nominating Committee also determines the directors' independence based on the criteria set out in the Regulations and the Guidelines. Under the Regulations, a Director is considered independent if he is independent from substantial shareholders, management and business relationships and if the Director has not served on the Board for a continuous period of 9 years or more. Under the Guidelines, the length of a director's service is to be taken into account in assessing independence. In February 2012, the Nominating Committee reviewed the Directors' independence based on the criteria set out in the Regulations and Guidelines and made the independence assessments set out below.

(a) Independence from management

The Regulations provide that a director is not considered independent from management relationships if he was employed by the Bank or any of its subsidiaries during the current financial year or any of the preceding 3 financial years. As the CEO of the Bank until 20 February 2012, Mr Anil Wadhvani is not considered independent from management. Mr Jonathan Larsen was the CEO of the Bank until 10 November 2009, and is not considered independent from management. Ms Amy Tan was the Bank's Head of the International Personal Banking Business until she retired end-August 2008. From 1 December 2009 to 30 June 2010, Ms Tan assumed an advisory role to the Bank's International Personal Banking Business on a part-time basis. Ms Tan is not considered independent of management.

(b) Independence from substantial shareholder

The Regulations provide that a director is not considered independent from substantial shareholders if a substantial shareholder or an affiliate of the substantial shareholder employs him. Citigroup is the ultimate holding company of the Bank.

Mr Shirish Apte, Mr Jonathan Larsen, Mr Anil Wadhvani, Mr Michael Zink and Ms Tracey Woon are not considered independent from substantial shareholders, as they are employees of Citigroup affiliates.

(c) Independence from business relationships

The Regulations provide that a director is not considered independent from business relationships if he has any business relationship with the Bank, any of its subsidiaries or any officer of the Bank, that could interfere, or be reasonably regarded as interfering, with the exercise of the director's independent business judgment with regard to the interests of the Bank.

Mr Jonathan Larsen is an employee of Citibank N.A., Hong Kong Branch ("CNA HK"). In the course of the financial year, payments were made and received between the Bank and CNA HK. These were mainly (i) payments by the Bank to CNA HK for infrastructure and technology support services; and (ii) interest payments received by CNA HK from the Bank arising from deposits placed by CNA HK with the Bank as part of its usual money market activities.

Ms Tracey Woon is an employee and executive director of Citigroup Global Markets Singapore Pte Ltd ("CGMSPL"). In the course of the financial year, payments were made and received between the Bank and CGMSPL. These were mainly (i) payments by the Bank to CGMSPL for premises and support services; and (ii) recovery and reimbursement of expenses received by the Bank from CGMSPL.

Mr Shirish Apte and Mr Michael Zink are employees of Citibank N.A., Singapore Branch ("CNA Spore"). In the course of the financial year, payments were made and received between the Bank and CNA Spore and other Citigroup affiliates in Singapore, where Mr Zink is also a director.. These were mainly (i) payments by the Bank to CNA Spore for technology services, premises charges and interest paid on demand deposits; and (ii) interest payments received by the Bank from Citigroup affiliates, and interest payments received by various Citigroup affiliates, including CNA Spore, from the Bank, arising from deposits placed by the Bank and the affiliates with each other as part of their usual money market activities.

The Nominating Committee reviewed these payments and was satisfied that they did not impede the independent business judgment of the non-executive directors on the grounds that the non-executive directors did not have any direct control over the payments made for infrastructure, technology support services, direct charges or other services. Neither did they have any control over the money market activities of the various Citigroup affiliates. Although Mr Jonathan Larsen is both the Global

Retail Banking Business Unit head and the Regional Head, Consumer Banking, Asia Pacific and an employee of CNA HK, all money market activities of CNA HK are conducted independently of him at arm's length. Likewise, although Mr Shirish Apte is an employee of CNA Spore and Mr Zink is Citi Country Officer for Singapore, all money market activities of CNA Spore are conducted independently of Mr Apte and Mr Zink at arm's length. Mr Shirish Apte, Mr Jonathan Larsen, Mr Michael Zink and Ms Tracey Woon derived no personal benefit from these payments; neither were their performance appraisal nor remuneration dependent on these payments. The Nominating Committee therefore considered these directors independent from business relationships.

Ms Amy Tan is a substantial shareholder, and her husband and son are directors, of a private investment company which accepted a commercial loan from the Bank. The interest payments received by the Bank from the company were not significant in the context of the Bank's revenues, and the company had ready access to other financing sources. The Nominating Committee therefore considered Ms Tan independent from business relationships. The loan was repaid in April 2012.

Mr Yap Chee Keong is a non-executive independent director of a company, which has corporate card facilities with the Bank. Mr Yap has no involvement in day-to-day operations, and has no control or influence over the said company's credit and other facilities. The amount of and revenue generated from the card facilities granted to the company are not material in the context of the Bank's revenues and the terms of the facility are on arm's length basis. Accordingly, the Nominating Committee considered Mr Yap independent from business relationships.

(d) **Length of service**

Mr Daniel Ee, Mr Robert Kwan Wai Meng and Professor Tan Chin Tiong, the external non-executive directors of the Bank, were first appointed on 17 June 2005 for an initial 3-year term. Their terms were renewed twice for 3-year terms at the 2008 and 2011 annual general meetings. Their current 3-year term will expire at the 2014 annual general meeting. The Nominating Committee reviewed their length of service and considered that their current 7 years of service on the Board were not of an undue length so as to render them non-independent. Furthermore, Mr Ee, Mr Kwan and Professor Tan had, during their 6 years on the Board, served with at least 3 different Chairmen and 2 different CEOs and, as such, had no entrenched interests likely to impair their independence. Mr Yap Chee Keong was appointed to the Board on 1 December 2011.

Mr Daniel Ee, Mr Robert Kwan Wai Meng, Professor Tan Chin Tiong and Mr Yap Chee Keong are therefore considered independent.

Lead Independent Director

The Board considered whether a lead independent director appointment was required and determined that as adequate procedures are in place for the flow of information between the Board (including the non-executive, non-Citi-affiliated Directors) and the Bank's management team, the Board does not see the need to have a lead independent Director. Furthermore, the non-executive, non-Citi-affiliated Directors meet separately in the absence of the Citi-affiliated Directors and management at least annually.

Separation of Chairman and Chief Executive Officer Roles

Mr Shirish Apte is the non-executive Chairman of the Board, while Mr Han Kwee Juan is the Chief Executive Officer of the Bank and ultimately responsible for all the Bank's operations. Mr Apte and Mr Han are not related to each other.

As Chairman, Mr Shirish Apte leads and manages the Board in its oversight over the Bank's management and carries out the other duties of a Chairman of a Board as stated in the Guidelines and the Bank's Policy on Division of Work Responsibilities (Board and Management). Mr Han and Mr

Apte set the agenda for Board meetings. Members of the Board have access to the Bank's management.

As Chief Executive Officer, Mr Han together with the Bank's management sets the Bank's annual and long-term strategic and financial goals, monitors management's performance against pre-set corporate objectives and manages the Bank's day-to-day affairs in accordance with the strategic direction set by Citigroup and approved by the Board within the limits of authority delegated to him.

Board responsibilities and accountability/ Board statement of core values

The Board has formalized the division of work responsibilities between the Board and the Bank's management in the Policy on Division of Work Responsibilities (Board and Management) (the "Policy").

Working in consultation with the Bank's management team, the Board provides oversight for the overall management of the Bank's business. The Board reviews and approves the corporate strategies set by Citigroup for the Bank and has overall responsibility for risk management, financial reporting and corporate governance issues. Matters that specifically require Board approval include the financial statements and the acquisition and disposal of companies.

The Board also ensures that the Bank upholds Citigroup's core values including the values set out in internal policies like the Code of Conduct and Client 1st (which incorporate the Bank's commitment to delivering the fair dealing outcomes as set out in the Fair Dealing Guidelines issued by MAS).

Board meetings and attendance

Four Board meetings were scheduled in 2011. The Directors were in attendance at all the scheduled meetings during the year save that Mr Michael Zink and Ms Tracey Woon did not attend 1 Board meeting. At the Board meetings, the Board discusses activities, policies or strategies that fall within the Board's jurisdiction. At the Board meeting held in March 2012 before the 2012 AGM, the Board reviewed the Bank's financial statements after they were reviewed and recommended to the Board for adoption by the Audit Committee.

The fourth scheduled Board meeting in 2011 was also a 2-day Board offsite in Hong Kong. At the offsite, Board members were briefed on the Bank's overall strategy and direction, and the businesses' plans, for 2012.

Three unscheduled Board meetings were held in 2011, one of which was dedicated to reviewing and approving the Internal Capital Adequacy Assessment Process document prior to submission to MAS. The other 2 meetings were to update the Board on a number of regulatory and industry developments, and their implementation, including the Fair Dealing Guidelines, the Financial Stability Board Principles for Sound Compensation Principles, Basel III and "living wills". At the adhoc Board meeting held in February 2011, the Directors also reviewed, discussed and adopted the Bank's 5-year strategic plan.

The Bank's Articles of Association provides that the Board can make decisions via conference calls and video conferencing. Board written resolutions can be circulated to the directors for approval by mail, courier, facsimile or telex. A Board meeting agenda is circulated to Directors prior to each Board meeting, and the Directors are provided with all necessary Board papers and other information in a timely fashion for review.

At the 19 March 2012 Board meeting, the Board agreed that a quorum would only be deemed to be constituted if a majority of Directors was present and at least one independent Director was present.

Board training and information access

Upon the appointment of a new director, the Bank will provide the director with an appointment letter and written guidance on the role and responsibilities of a director under general law. A new director will undergo orientation and be briefed on the Bank's operations, material risks, significant policies relevant to the Bank's business and applicable laws.

The Regulations and Guidelines require the Board to develop a continuous professional development programme to ensure that Board and Board Committee members have the requisite skillsets to discharge their respective responsibilities. The Board emphasizes training on key developments affecting the Bank's business (such as Basel II and Basel III); key regulatory changes affecting the Bank; training on business risks relating to the Bank's primary businesses and training on directors' duties and obligations.

At the quarterly Board meetings, standard agenda items include (i) key regulatory changes affecting the banking industry during the previous quarter; (ii) Basel-related developments; and (iii) updates on how the Bank delivers the fair dealing outcomes as set out in the Fair Dealing Guidelines. In 2011, the Board was briefed on the impact of the revised corporate governance regulations on the Bank. The Bank also engaged external consultants to provide training to the Board on Basel III, preparation of "living wills" and Recovery and Resolution Plans (including the Board's responsibilities in preparing such documents).

The Bank will review on a regular basis whether there is a need to provide additional or greater training for Directors on topics of interest.

Regular information flow to the Board is ensured through the provision, at the quarterly Board meetings, of comprehensive updates on the Bank's business strategy, financial performance and operations. As mentioned earlier, accounting and regulatory changes relevant to the Bank's operations, as well as market trends and developments are also highlighted to the Board during these meetings. Aside from receiving information at Board meetings, Directors have access to Bank employees and are free to seek expert external advice at the Bank's expense if they consider this necessary.

Board performance

The Board assesses its performance on a collective basis annually. The result of this collective assessment is reviewed by the Nominating Committee, which then makes its report to the Board. The Board assessment process is useful in allowing the Board to evaluate its own effectiveness and to provide directors with an opportunity to make suggestions for improvement. In 2011, the Nominating Committee also reviewed each Director's performance as part of the annual review, required under the Regulations and Guidelines, which the Nominating Committee is required to conduct on each Director's continuing suitability for office.

As part of the individual assessment of each Director, the Nominating Committee took into account Board meeting attendance (based on the guidelines on competing time commitments), participation at Board meetings and utilization of skillsets to contribute to Board discussions. The Nominating Committee also conducted a qualitative evaluation of each candidate, with each Nominating Committee member recusing himself from all discussions regarding his own performance.

Prior to the annual Nominating Committee meeting, all Directors completed "fit and proper" declarations confirming their compliance with certain criteria set out in the MAS Fit and Proper Guidelines. Credit bureau, litigation and bankruptcy searches were also conducted on each Director. There was nothing in the declarations or the searches to give rise to any concerns.

On the basis of the individual assessments, the fit and proper declarations completed by each Director

and the various searches conducted on each of them, the Nominating Committee concluded that all Directors remained qualified, and was a fit and proper person, for the position of Director.

Given the experience and qualifications of the Nominating Committee members, the Nominating Committee does not consider it necessary to engage external persons to facilitate the Board evaluation process.

Skillsets and Effectiveness of Board and Board Committees

The Nominating Committee reviewed the skillsets of the Board and Board Committees, and was satisfied that Directors' existing skillsets were adequate for the Bank's and the Board's current requirements.

BOARD COMMITTEES

The Board has established an Audit Committee, a Nominating Committee and a Risk Management Committee, each of which has its own terms of reference. The Audit Committee and the Risk Management Committee are responsible for the establishment and operation of a risk management system, including reviewing the adequacy of risk management practices for the material risks of the Bank such as credit, market, liquidity, legal, compliance, regulatory and operational risks. The Board and each committee have the power to appoint any independent legal, financial or other advisors as they deem necessary.

MAS has exempted the Bank from establishing a remuneration committee, which is required under the Regulations. No remuneration committee has therefore been established, in view of the fact that the remuneration of the Bank's executive director and non-executive directors drawn from other Citigroup entities is decided in accordance with Citigroup's remuneration policies and the remuneration of the external directors are periodically benchmarked, the last benchmarking exercise having been conducted in May 2011 by external consultants (Mercer).

Audit Committee

The Audit Committee comprises Mr Daniel Ee (Chairman), Professor Tan Chin Tiong, Ms Tracey Woon and Mr Yap Chee Keong, all non-executive directors. (Mr Yap was appointed to the Audit Committee on 19 March 2012.) There were 5 Audit Committee meetings in 2011 and the committee members who were in office attended all of these meetings (save that Ms Tracey Woon did not attend one meeting).

The Audit Committee reviews the Bank's financial statements before they are submitted to the Board but does not review formal announcements on the Bank's financial performance. The Audit Committee has reviewed the financial statements with the Bank's management and the external auditors and is of the view that the Bank's financial statements for 2011 are presented in conformity with generally accepted accounting principles in all material aspects.

The Heads of Internal Audit, Compliance and Enterprise Risk Management functions attend all Audit Committee meetings, as does the Bank's Legal Counsel and Company Secretary. Internal Audit provides updates on all completed and upcoming audits that are relevant to the Bank. Compliance briefs the Audit Committee on regulatory compliance issues and provides updates on any testing of compliance with applicable regulations. Enterprise Risk Management, which is responsible for the risk management framework from an operational risk perspective and facilitates the Management Control Assessment process, highlights operational risk issues. The Audit Committee will review and discuss the results and findings of all relevant audits, tests and reviews conducted by Internal Audit, Compliance and Enterprise Risk Management at its quarterly meetings, including reviewing

management's response to the audit findings and progress of the related corrective action plans.

In the first half of 2012, the Audit Committee also met to review the effectiveness and adequacy of Internal Audit for the financial year ended 2011, taking into account the fact that Internal Audit (formerly known as Audit Risk and Review) had recently been restructured from a Citigroup-level resource into a Bank dedicated internal audit function. The team dedicated to the Bank continue to be part of group-level resource will be able to leverage the strengths of the global Internal Audit infrastructure. The Audit Committee held two separate meetings with Internal Audit, Compliance and Enterprise Risk Management to understand the scope and extent of the restructuring and, following this, reviewed Internal Audit's performance using the suggested questionnaire found in the Guidebook for Audit Committees in Singapore. Following these meetings and discussions, the Audit Committee concluded that Internal Audit was carrying out their functions in an effective and adequate manner.

The Bank's external auditors are accountable to the Audit Committee. The external auditors present their audit plan for the Bank and their evaluation of the Bank's internal accounting controls (including management's response to the findings of the external auditors) to the Audit Committee for approval. The Audit Committee reviews the terms of the external auditors' appointment, their effectiveness, independence and objectivity, as well as the amount of non-audit services provided during the year. The Audit Committee also holds separate sessions with Internal Audit, Compliance and Enterprise Risk Management and the external auditors without the presence of management at least once a year.

The Audit Committee has reviewed the amount of non-audit services provided by the external auditors to the Bank for 2011, and is satisfied that the nature and extent of such services do not prejudice the external auditor's independence and objectivity. It is satisfied that the external auditors can be considered independent.

The Audit Committee is satisfied that whistle-blowing arrangements are in place to permit staff to raise, in confidence, concerns about possible improprieties in matters of financial reporting or other matters. The Bank's whistle-blowing policy is in line with Citigroup's whistle-blowing policies.

The Audit Committee conducted a self-assessment as recommended under the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee. The overall assessment was that the Audit Committee was functioning well.

Nominating Committee

The Nominating Committee comprises Mr Robert Kwan Wai Meng (Chairman), Mr Shirish Apte and Mr Anil Wadhvani. The Nominating Committee's primary responsibility is to review and recommend the appointment of directors, the appointment of Board committee members, the heads of the various businesses within the Bank, the CEO and the Chief Financial Officer. As required under the Regulations and Guidelines, the Nominating Committee is responsible for conducting annual reviews of each Director's independence, determining whether each director remains fit and qualified for office, and ascertaining whether any skillsets are lacking on the Board and Board committees. The Nominating Committee also determines whether Directors are devoting sufficient time to their duties as set out in the internal guidelines on competing time commitments for Directors. Please refer to "Selection and Qualification of Board Members".

In line with the Regulations and Guidelines, the Nominating Committee also reviews the reasons for resignation provided by a Director, Board Committee member, the CEO and the Chief Financial Officer. In February 2012, the Nominating Committee reviewed the appointment of Mr Han Kwee Juan as the new CEO of the Bank, and noted that Mr Anil Wadhvani's resignation from the position was to take on a promotion to a Regional Head role in Citibank N.A. Singapore Branch.

There were two Nominating Committee meetings during 2011, which were attended by all members.

At the 19 March 2012 Board meeting, the NC Terms of Reference were amended to state that a quorum for NC meetings would only be constituted if at least one independent Director was present.

The Nominating Committee maintains records of all assessments conducted by it.

Risk Management Committee

The Risk Management Committee comprises Mr Daniel Ee (Chairman), Mr Anil Wadhvani, Mr Michael Zink and Ms Amy Tan. Five meetings were held in 2011 and all members who were in office during the year attended all meetings (save that Mr Zink did not attend one meeting). The Risk Management Committee meets quarterly.

Together with the Audit Committee, the Risk Management Committee assists the Board in fulfilling its oversight responsibility relating to the establishment and operation of a risk management system, including reviewing the adequacy of risk management practices for the material risks of the Bank such as credit, market, liquidity, legal, compliance, regulatory and operational risks. While the Audit Committee focuses more on operational, legal and compliance risks, the Risk Management Committee reviews market, liquidity and credit risks in addition to receiving reports from the Audit Committee. All major limit excesses, all breaches of key indicators and all material exceptions for the relevant risks during the preceding quarter are highlighted to the Risk Management Committee for review. Large securities positions acquired or disposed of during the preceding quarter are also reviewed. In addition, the Risk Management Committee is kept updated at each meeting on the progress of Basel II implementation. The Risk Management Committee also receives updates from Fundamental Credit Risk, a function recently set up under Independent Risk to provide a holistic view of credit risk across Citi and to support the credit risk function through a dynamic and forward-looking assessment process.

The Bank currently does not have a Chief Risk Officer (“CRO”), as the risk functions within Citi Singapore and regionally are specialised functions which are not organised to report to a central head. At Risk Management Committee meetings, designated officers from the various risk functions attend to update the Risk Management Committee on their area of specialisation. The Board will however review periodically whether a CRO should be appointed for the Bank.

REMUNERATION MATTERS

Remuneration of Employees

The Bank’s remuneration policy is to attract and retain outstanding individuals. The total compensation for employees comprise the basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible employees as well as benefits. The role to be performed and the market factors are taken into account in determining the remuneration package for employees. To ensure that its remuneration package is competitive, the Bank regularly reviews its base salary ranges and benefits package using market data provided by recognized surveys of comparative groups in the financial sector in Singapore.

In April 2009, the Financial Stability Board (FSB) issued the Principles of Sound Compensation Practices (“FSB Principles”) and subsequently its implementation guidelines on September 2009. The nine principles, which are intended to reduce incentives towards excessive risk taking that may arise from the structure of our compensation schemes, focus on 3 areas:

1. Effective governance of compensation
2. Effective alignment of compensation with prudent risk taking

3. Effective supervisory oversight and engagement by stakeholders

On 9 December 2010, MAS revised the Corporate Governance Guidelines for Banks, Financial Holding Companies and Direct Insurers incorporated in Singapore to incorporate the Principles of Sound Compensation Practices and Implementation Guidelines issued by the FSB.

The Bank has performed a self-assessment against the FSB Principles and has concluded that its compensations practices are aligned.

Effective Governance of Compensation

(1) Board Remuneration Committee

Citi has a Global Remuneration Policy which is applied in a consistent manner by its various businesses across the globe, including those operating in the Bank. The Board of Citigroup plays a key role in the design and oversight of the Global Remuneration Policy through the Citigroup Personnel and Compensation Committee (“PCC”). All remuneration proposals are brought to the Citigroup Board for review and final approval.

The Global Remuneration Policy meets broadly the requirements of the FSB Principles and the Bank’s employees would have had their remuneration determined in accordance with the Global Remuneration Policy.

In Singapore, the Country Senior Personnel Committee (“CSPC”) reviews and approves all human resource related policies, including CSL’s remuneration policy, based on guidelines provided by global and regional offices. CSPC is chaired by the Citi Country Officer, Mr Michael Zink and comprises the Chief Operating Officer (“COO”), Chief Financial Officer (“CFO”), Country Human Resources Officer (“CHRO”), Senior Country Operations Officer (“SCOO”) and the Heads of Business for Global Consumer Banking, International Personal Banking and Citi Private Bank.

Citi’s compensation programs are designed to affect the following:

- a) facilitate competitiveness to attract and retain talent;
- b) reward performance over an appropriate period;
- c) promote meritocracy by recognizing employee contributions;
- d) enhance Citi franchise value; and
- e) discourage unnecessary or excessive risk-taking.

The remuneration packages of the Bank’s management team are reviewed and approved by Mr Zink as Citi Country Officer and Mr Larsen as Head of Consumer Banking, Asia Pacific. Where a management staff is from a control function (e.g. Finance, Risk Management, Legal, Compliance and Control), the relevant Asia Pacific control function head will also review and approve the remuneration package.

The Bank has been granted exemption by the MAS on the requirement to have a remuneration committee. The Board does not review any remuneration matters as these matters are globally/regionally managed. However, the Board will be kept informed of the remuneration structure and policies of the Bank.

(2) Review and Evaluation of Incentive/Compensation Programs

1. The PCC will regularly review the design and structure of Citi's compensation programs relevant to all employees in the context of risk management.
2. In 2010, in response to FRB Guidance and European Union Capital Requirements Directive (CRD 3), a new global program, "Covered Employees" ("CEs") was implemented. This program covers senior executives as well as employees who, either individually or as part of a group, have the ability to expose Citigroup and its affiliates to material amounts of risk. Aside from the Bank's CEO, 2 management team members have been identified as CEs.
3. Formal risk goals are introduced in the CE performance evaluation process, increasing the focus on risk, risk related performance and risk metrics. Management also established an independent review process with input from Risk, Legal, Human Resource, Internal Audit and business management. Compliance input is sought of the review process, using both qualitative and quantitative data. The compensation recommendations for CEs are presented to the PCC, prior to final approval of the recommendations.
4. The PCC reviews the compensation recommendations for CEs at several points through-out the year-end process, including preliminary reviews in mid-December, detailed reviews with responsible global business heads in early January and final reviews in mid-January at the full PCC and Citigroup's Board meeting.
5. In addition, the CE process, including all recommendations and supporting material is audited by Internal Audit Globally at the conclusion of the year-end cycle. The incentive compensation for CEs includes deferred awards (minimum 40%) with a claw-back feature under specified circumstances and for certain CEs, a stock ownership commitment.
6. Non-vested amounts may be forfeited if the PCC determines that:
 - a) the staff received the award based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;
 - b) the staff engaged in providing inaccurate information (including knowingly failing to timely correct inaccurate information) relating to financial statements or performance metrics; or
 - c) the staff has violated any risk limits established or revised by the management team, a business head and/or risk management, or any balance sheet or working or regulatory capital guidance provided by a business head.

(3) Review for Control Functions staff

1. The overall incentive pools for Control functions staff (including Risk Management, Legal and Compliance) are set at the global level, after taking into consideration a number of factors including, but not limited to Citigroup's financial performance, risk metrics, business strategy in terms of building/divesting certain businesses and/or growth/contraction in certain geographical regions and it's positioning against the external markets.
2. For Control function staff, compensation is weighted in favor of fixed compensation relative to variable compensation.
3. The key performance standards for Control function staff are set by the relevant Asia Pacific control function head and cascaded down to the country to be included in the balanced scorecard.
4. The Bank's Head of Risk Management has a direct reporting line to the CEO and a matrix reporting line to APAC Group Credit Director for Consumer Risk.

(4) Effective Alignment of Compensation with Prudent Risk Taking

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

Effective Supervisory Oversight and Engagement by Stakeholders

The Bank is an indirect wholly owned subsidiary of Citigroup Inc. As mentioned above, the remuneration policies/practices/structures adopted by the Bank are guided and approved by Citigroup Inc. In the interest of transparency to stakeholders such as its depositors, the Bank has made disclosures (as it considers appropriate and aligned with the FSB Principles) of its remuneration practices and policies, bearing in the mind the sensitivity of such information from a competitive perspective.

Remuneration of the Executive Directors and Non-Executive Directors

The remuneration for the executive directors and the non-executive directors drawn from other Citigroup entities is decided in line with Citigroup's remuneration policies. General information on Citigroup's remuneration policies for senior executives can be found at http://www.citigroup.com/citigroup/corporategovernance/data/srexeec_guide.pdf.

Although the Regulations recommend that the remuneration of the executive directors and at least the top 5 key executives who are not also directors be disclosed within bands of \$250,000, the Board considers that such disclosure would be highly prejudicial to the Bank's interests in view of the keen competition for senior executives in the banking and financial industry regionally and globally. The Bank took into account that such disclosure is typically made by companies to keep their shareholders

informed. In the Bank's case, Citigroup has full knowledge of the remuneration of the executive director and the key executives.

Remuneration of the Non-Executive Directors not employed by Citigroup affiliates

The non-executive directors who are not employed by Citigroup affiliates receive directors' fees and Board Committee fees, which are benchmarked to market. Each of Mr Daniel Ee, Prof Tan Chin Tiong, Mr Robert Kwan Wai Meng, Ms Amy Tan and Mr Yap Chee Keong received directors' fees of S\$60,000 (the fees were pro-rated in the case of Mr Yap, who was appointed on 1 December 2011). Non-executive independent directors serving on the Audit Committee, Risk Management Committee and Nominating Committee received fees of S\$35,000, S\$35,000 and S\$15,000 respectively for 2012. The non-executive directors also received a meeting attendance fee of \$3,000 for each Board and Board Committee meeting in excess of the scheduled Board and Board Committee meetings during the year. The Nominating Committee Chairman received a fee of S\$25,000. The Audit Committee Chairman and the Risk Management Committee Chairman are entitled to fees of S\$55,000 respectively. However, taking into consideration that Mr Ee is the Chairman of both the Audit Committee and Risk Management Committee and there is some overlap in the responsibilities of these roles, the Board and shareholder approved a Risk Management Committee Chairman fee of S\$41,250.

There are no employees of the Bank who are immediate family members of a director or the Chief Executive Officer whose remuneration exceeded S\$150,000 during the year 2011.

Share schemes

The Bank's employees are entitled to participate in various share schemes implemented by the parent company, Citigroup. General information on Citigroup's share schemes can be found at http://ssunp11.aspac.citicorp.com/eportal/v2/article/index/0,5397,147816_91279078_96216682,00.html#cap.

RELATED PARTY TRANSACTIONS

The Bank has instituted a related party transactions policy ("Policy"). The Policy acknowledges that the Bank is already required to comply with Citigroup's internal policies on related party transactions, which are largely based on sections 23A and 23B of the US Federal Reserve Act, and also complies with sections 27 and 29 of the Banking Act. Briefly, these regulations impose prudential lending limits and certain other restrictions and requirements, including reporting requirements, on transactions with certain related entities. Procedures are in place to monitor compliance with these regulations. For purposes of the Policy, the Bank's related parties are its affiliates and Directors and Director-linked entities.

The Policy requires the Audit Committee to approve the following Related Party Transactions ("RPTs") before the RPT is entered into:

- (a) a RPT with a Director or Director-linked entity with a value of \$1 million or more;
- (b) a RPT (with any related party) where the value of the transaction is equal to or more than 3% of the Bank's shareholders' funds, based on the latest audited accounts; and
- (c) a RPT which is not, or may not be, entered into on an arm's length basis and at fair market value, regardless of its value.

Such transactions are considered "material related party transactions" and will be notified to the Board after the Audit Committee has rejected or approved the transaction, as the case may be. All material

related party transactions approved by the Audit Committee during the financial year are required to be disclosed in the Bank's annual corporate governance report.

INTERNAL AUDIT AND INTERNAL CONTROLS

Internal Audit

As mentioned in the section on "Audit Committee", Internal Audit (formerly known as Audit Risk and Review) was restructured in early 2012 from a Citigroup-level resource into a Bank dedicated internal audit function.

The charter, role, responsibilities, standards of conduct for Internal Audit, as well as audit methodology (including specific metrics on internal timelines and quality) are set by Citigroup. As Internal Audit is a Citigroup resource, the Audit Committee does not approve the appointment, resignation or dismissal of the Bank's Internal Audit head. The Audit Committee reviews the appointment, resignation and dismissal of the Bank's Internal Audit Head, who has a reporting responsibility to the Audit Committee.

Internal Audit, Compliance and Enterprise Risk Management work closely with the Bank's external auditors on audit and internal control issues. The external auditors review the effectiveness of the Bank's internal controls and risk management during the annual audit. Any material non-compliance with procedures and regulations noted during the audit, as well as any internal control weaknesses, are reported to the Audit Committee and the Bank's management. The external auditors will offer their recommendations to management to address these issues and the Audit Committee ensures that management expeditiously deals with all high-risk outstanding audit issues.

Internal controls

Internal Audit, Compliance and Enterprise Risk Management are all responsible to varying degrees for overseeing and managing various aspects of internal controls.

The Audit Committee will review and discuss the audit findings of Internal Audit, Compliance and Enterprise Risk Management at its quarterly meetings. The Internal Audit function is described under the "Internal Audit" section above. Further information on the Bank's risk management function can be found in the "Risk Management" section below.

In the first half of 2012, the Audit Committee held two separate meetings to discuss and evaluate the adequacy of the Bank's control environment. The framework for assessing the adequacy of internal controls (including the actualisation of this framework and the validation of internal controls) was presented by Compliance and Enterprise Risk Management to the Audit Committee. The results of the pilot Management Control Assessment ("MCA"), which identifies critical operational risks and their mitigating actions and which is facilitated by Enterprise Risk Management, were also presented by Enterprise Risk Management to the Audit Committee.

Based on the presentation on the internal controls framework, the Audit Committee was satisfied that there was sufficient evidence and validation for the view that the Bank's internal controls were adequate and effective. The Audit Committee accordingly reported this to the Board. The Board reasonably believes that the system of internal controls and procedures in place at the date of this report is adequate for the Bank's current business and operations.

Communication with Citigroup

The Bank is a wholly owned indirect subsidiary of Citigroup, which is kept fully apprised of the

Bank's operations in Singapore.

RISK MANAGEMENT

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

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

Credit Risk

Credit risk means the possibility of a loss occurring due to the failure of a customer or counterparty to meet contractual debt obligations. The Bank's asset portfolios comprise primarily loans to individuals and small businesses. The credit risk and quality of these portfolios is overseen by a dedicated credit risk management function within the Bank.

All credit risk policies and processes are consistent with the global policies adopted by Citigroup, subject to modification to suit local regulatory and business requirements. In particular, the Bank leverages Citigroup's credit approval and evaluation processes for establishment of limits for financial institutions, large corporations and sovereigns. Such limits are required primarily for management of liquidity, funding and to comply with regulatory ratios.

Market Risk

Market risk represents the Bank's exposure to price and liquidity risk.

Price risk is defined as the risk that the Bank's earnings will decline, whether immediately or over time, as a result of a change in the level or volatility of interest rates, foreign exchange rates, commodities or equity prices. Price risk is managed by the Bank's treasury function as part of Citigroup's overall market risk framework for its operations in Singapore. The treasury function is responsible for and conducts an annual review to update the Bank's limit and trigger framework, as well as the supporting assumptions, to ensure ongoing applicability and appropriateness.

Liquidity risk is defined as the risk that the Bank will be unable to meet a financial commitment to a customer or counterparty in any location, in any currency, at any time. Liquidity exposures may arise in both funding and trading activities. Liquidity exposures from funding activities arise primarily from the mismatch of asset, liability and exchange contract maturities and contingent commitments while liquidity exposures from trading activities arise from reliance on markets, exchanges and

counterparties to create or alter positions. The Bank's treasury function is responsible for the Bank's liquidity risk management.

The Bank's Market Risk Manager independently monitors market risk limits and escalates limit excesses to relevant Bank staff.

Operational Risk

Operational risk is the risk of loss resulting from inadequate/failed internal processes or systems, human error or external events. Operational risk includes reputation and franchise risk but does not include strategic risk arising from losses due to decisions with regards to market, interest rate, insurance risk or opportunity costs.

The Bank has put in place an operational risk governance structure to manage operational risk. Material risk issues are escalated to relevant Bank staff and where necessary, will be reported to, or tabled for discussion at, the Country Business Risk Compliance & Control Committee, a committee that meets quarterly. The Audit Committee reviews the Bank's internal control environment through its work with the external auditors, Internal Audit, Compliance and Enterprise Risk Management, while the Board has overall oversight of operational risk under the operational risk governance structure.

The Bank has also put in place procedures to identify, evaluate and control key operational risks. Operational risks are categorized and their impact on the business evaluated. Business and support units are also required to conduct quarterly self-assessments. Key risk items are identified, with monthly reporting of key risk indicator breaches. The Bank has instituted an escalation process for significant lapses and specific individuals have been identified with clearly defined roles and responsibilities for managing operational risk.

The Risk Management Committee and the Board have reviewed the risk management processes in place for the Bank and consider them adequate for the Bank's existing scope and operations.