

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”). The Regulations and Guidelines, which are issued by the MAS, were revised in December 2010. The Bank has reviewed its corporate governance practices to comply with the revised Regulations and Guidelines and will ensure compliance by the stipulated timelines.

BOARD GOVERNANCE

Board composition

The Bank’s current Board comprises 9 members, of whom one is an executive director, 5 are non-executive non-independent directors and 3 are non-executive independent directors. Five of the directors are Singapore citizens.

Mr Anil Wadhvani, the Chief Executive Officer (“CEO”) of the Bank, is the executive director.

The 5 non-executive non-independent directors are Mr Shirish Apte, Mr Jonathan Larsen, Mr Michael Zink, Ms Tracey Woon and Ms Amy Tan. Mr Shirish Apte is the Joint Chief Executive Officer, Asia Pacific and is employed by Citibank N.A. Singapore Branch. Mr Jonathan Larsen is employed by Citibank N.A., Hong Kong Branch, and is the Head of Consumer Banking and Global Cards, Asia-Pacific. Although Mr Apte has overall responsibility for the Citigroup franchise in the 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 Country Head and Citi Country Officer for Singapore and 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 Apte, Mr Larsen, Mr Zink and Ms Woon 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 3 non-executive independent directors are Mr Daniel Ee, Professor Tan Chin Tiong and Mr Robert Kwan Wai Meng.

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 Joint Chief Executive Officer, Asia Pacific, for Citigroup. 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, an affiliate 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 (Chief Executive Officer and Executive Director)</p> <p>Appointed on 30 November 2009, Mr Wadhvani is the Chief Executive Officer of the Bank and Head of Consumer Markets, Singapore. He has overall responsibility for all the Bank's operations. 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>Jonathan Christian Larsen (Non-Executive Director)</p> <p>Appointed on 17 June 2005, Mr Larsen is 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.</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 | <p>Michael George Zink (Non-Executive Director)</p> <p>Appointed on 18 June 2010, Mr Michael Zink is Country Head and Citi Country Officer for 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 include serving as a member of the Executive Committee and Board of Governors for The American Chamber of Commerce in Singapore. He is also a member of the Board of Advisors to The National University of Singapore (NUS) Business School Centre for</p> |

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| | <p>Strategic Leadership and Vice Chair for Financial Services, Asia-Pacific Council of American Chambers of Commerce.</p> <p><u>Directorships for the past 3 years</u></p> <ul style="list-style-type: none"> Guangdong Development Bank |
| <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 a Member of the Securities Industry Council and Corporate Governance Council. He is the Chairman of the Board of Advisors of Walton International Group Limited and sits on the board of directors of:</p> <ul style="list-style-type: none"> National Environment Agency Surface Mount Technology (Holdings) Limited Singapore Institute of Directors <p><u>Directorships for past 3 years</u></p> <ul style="list-style-type: none"> Tiger Aviation Pte Ltd. Genesis Capital Pte Ltd Gas Supply Pte Ltd |
| <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>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"> Wildlife Reserves Singapore Pte Ltd Monopole Pte Ltd Singapore Zoological Gardens |

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| | <ul style="list-style-type: none"> • The Jurong Bird Park Private Limited |
| <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"> • Health Management International Ltd • Hersing Corporation Ltd • Communication Design International 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. No Directors were appointed after the 2010 annual general meeting.

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 Daniel Ee, Professor Tan Chin Tiong and Ms Amy Tan retired by rotation and were re-elected at the annual general meeting held on 30 June 2011.

The independent Directors are currently on 3-year terms. Their current 3-year term expired at the 2011 AGM and was renewed for a further 3-year term expiring at the 2014 AGM. In line with the Regulations, the opportunity was also taken to place Ms Amy Tan, who retired by rotation at the 2011 AGM, on a 3-year term expiring at the 2014 AGM. As and when the other Directors retire by rotation, they will also be placed on 3-year terms. This is to avoid all Directors being on the same 3-year appointment cycle.

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 2011 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; and (iii) reviewing each Director's competing time commitments. The performance of the Directors were assessed to be satisfactory.

To ensure that Directors do not face competing time commitments from multiple representations and continue to be able to discharge their duties effectively, the Board approved guidelines on this at its March 2011 Board meeting. The key points are: (i) Directors must attend at least 75% of all Board and Board committee meetings; (ii) Directors are limited to 7 appointments, with an exception made for all existing appointments; and (iii) appointments to other Citi entities by the Citi-appointed Directors are not taken into account. Competing time commitments of a Director will be taken into account by the Nominating Committee in all annual assessments of 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 only if he is independent from substantial shareholders, management and business relationships and (from the 2012 annual general meeting onwards) only 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 2011, 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 Chief Executive Officer of the Bank, 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, on the one hand, and CNA HK on the other hand. 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, on the one hand, and CGMSPL on the other hand. These were mainly (i) payments by the Bank to CGMSPL for premises; and (ii) recovery of expenses received by the Bank from CGSMPL.

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, on the one hand, and CNA Spore and other Citigroup affiliates in Singapore, where Mr Zink is also a director, on the other hand. These were mainly (i) payments by the Bank to CNA Spore for infrastructure and technology support services; 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 Shirish Apte is the Joint Chief Executive Officer for Asia Pacific for Citigroup, with overall responsibility for the Citigroup franchise in the Asia Pacific (including the Bank), and Mr Jonathan Larsen is Head of Consumer Banking and Global Cards, Asia Pacific, all money market activities of CNA HK are conducted independently of both directors at arm's length. Likewise, although Mr Shirish Apte is an employee of Citibank N.A., Singapore Branch and Mr Zink is Country Head and 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 was appointed an advisor to the International Personal Banking Business from 1 December 2009 on a part-time basis ending 30 June 2010. The Nominating Committee considers her not 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 annual general meeting and the 2011 annual general meeting held on 30 June 2011. 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 six 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 six 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 Daniel Ee, Mr Robert Kwan Wai Meng and Professor Tan Chin Tiong are therefore considered independent.

Lead Independent Director

As adequate procedures are in place for the flow of information between the Board (including the non-executive, non-Citi-affiliated Directors, who comprise less than half the Board) 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 Anil Wadhvani is the Chief Executive Officer of the Bank and ultimately responsible for all the Bank's operations. Mr Apte and Mr Wadhvani 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 Wadhvani 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 Wadhvani together with the Bank's senior 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"). The Policy, which is regularly reviewed, was revised in March 2011 to set out expressly the role of the Chairman and to set out the Board's responsibility for ensuring fair dealing outcomes as set out in the Fair Dealing Guidelines issued by MAS.

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 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 2010. 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 prior to the 2011 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 2010 was also an all-day Board offsite. At the offsite, Board members were briefed on the Bank's overall strategy and direction, and the businesses' plans, for 2011. Directors were given the opportunity to interact and direct questions in an informal, interactive setting with the Bank's management. The Directors were also briefed about the Bank's 3-year strategic plan during its Board meeting in February 2011.

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.

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, significant polices 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 banking industry (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' and obligations.

At the quarterly Board meetings, standard agenda items include (i) key regulatory changes affecting the banking industry during the previous quarter; and (ii) Basel-related developments. In 2010, key regulatory changes that were reviewed during Board meetings included the MAS consultations and new guidelines on the sale of investment products and the new Representative Notification Framework affecting the Bank's representatives who provide financial advisory services. Training sessions were also conducted for the Board on directors' duties and obligations at law and Basel developments.

In the first half of 2011, the Board was briefed on the impact of the revised Regulations and Guidelines on the Bank. The Bank also engaged external consultants to provide training on Basel III to the Board.

The Bank will review on a regular basis whether there is a need to provide additional or greater training for Directors on topics of selected 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, participation at Board meetings and utilization of skillsets to contribute to Board discussions. A Nominating Committee member recuses himself from all Nominating Committee discussions regarding his own performance. 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.

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 executive directors and those non-executive directors drawn from other Citigroup entities is decided in accordance with Citigroup's general remuneration policies.

Audit Committee

The Audit Committee comprises Mr Daniel Ee (Chairman), Professor Tan Chin Tiong and Ms Tracey Woon, all non-executive directors. Mr Robert Kwan Wai Meng was a member of the Audit Committee from 11 November 2009 to 2 June 2010. There were 5 Audit Committee meetings during the year and the committee members who were in office during the year attended all of these meetings (save that Ms Tracey Woon did not attend one meeting). The Bank's internal auditors, legal and compliance heads and company secretary also attend these Audit Committee meetings.

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 2010 are presented in conformity with generally accepted accounting principles in all material aspects.

The Bank's compliance and control functions provide a dedicated and continuous compliance review service to the Bank. The Bank's internal audit function is a resource of Citigroup which performs a cycle of audits of various business areas of Citigroup. The Audit Committee will review and discuss the audit findings of both the compliance and internal audit functions at its quarterly meetings, including reviewing management's response to the audit findings and progress of the related corrective action plans. The Audit Committee also met to review the effectiveness and adequacy of the internal audit function and concluded that the internal audit function displayed the necessary level of independence and rigour in their reviews and monitoring, resulting in a sound system of internal controls.

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 the internal auditors, the Principal Audit Officer 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 2010, 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.

Under the Audit Committee terms of reference, the Audit Committee is required to approve in advance any non-audit services provided to the Bank by the external auditors in excess of a certain amount. During the year, the Audit Committee agreed to revise this amount from S\$20,000 to S\$70,000 to accommodate the expected increase in non-audit services required from the external auditors arising from, among other things, increased tax queries from the tax authorities as a result of the Bank having more years of operation. The amendments were approved by the Board.

The Audit Committee (with the exception of Ms Tracey Woon) conducted a self-assessment as recommended under the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee. Ms Woon abstained from the assessment as she had only recently joined the Audit Committee and would not be in a position to provide an assessment. The overall assessment provided by the 2 independent Directors, namely Mr Daniel Ee and Professor Tan, 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 Directors' independence, determining whether each director remains 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 will, going forward, also review the reasons for resignation provided by a Director, Board Committee member, the CEO and the Chief Financial Officer.

There was one Nominating Committee meeting during 2010, and that was attended by all members. One adhoc Nominating Committee teleconference was held in 2010 to discuss the appointment of a new Chief Financial Officer.

At its meeting in February 2011, the Nominating Committee reviewed and updated its terms of reference to bring them in line with the Regulations and Guidelines. The amendments were approved by the Board.

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, who was appointed on 15 April 2011. Seven meetings were held in 2010 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. Of the seven Risk Management Committee meetings held in 2010, 3 were adhoc meetings convened to discuss certain Basel II-related matters and the proposed migration of a certain business line currently residing in Citibank N.A., Singapore Branch to the Bank. 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 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.

During the year, the Risk Management Committee reviewed its terms of reference and recommended appropriate amendments to streamline and update the terms of reference to comply with the Regulations and Guidelines as well as to take into account the provisions of guidelines on risk management practices previously issued by the MAS. The amendments were approved by the Board.

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 CSL. The Board of Citigroup Inc. plays a key role in the design and oversight of the Global Remuneration Policy through the Citigroup Personnel and Compensation Committee (“PCC”). All remuneration proposals are brought to Citigroup Inc. Board for review and final approval.

The Global Remuneration Policy meets broadly the requirements of the FSB Principles and CSL 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 Management 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, Compliance and Control), the relevant Asia Pacific function heads 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.

The Board will be kept informed of the remuneration structure and packages of CSL Management and employees. Citi Singapore will commission an annual independent review by external auditor, KPMG, to ensure compliance with the FSB Principles.

(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, "Material Risk Takers" (MRT) was implemented, covering Financial, Operational, Credit and Market risks. Covered employees under MRT are senior executives as well as employees who, either individually or as part of a group, have the ability to expose Citi to material amounts of risk.
 - a) Citi changed its performance evaluation process, introducing formal risk goals, increasing the focus on risk, risk related performance and risk metrics. Management also established an independent review process with input from Independent Risk, Legal, HR, Internal Audit and business management, using both qualitative and quantitative data.
 - b) The incentive compensation for MRTs will include deferred awards (up to 60%) with a claw-back feature under specified circumstances and for certain MRTs, a stock ownership commitment.

Based on the criteria of the MRT program, no Bank staff has been identified as an MRT.

3. Effective 2011, a Global Incentive Council (GIC) and Regional Incentive Councils (RIC) were created in response to US Federal Reserve Board's Guidance on Sound Compensation Practices, Principle 3, Action #14 – Create Compensation Plan Forums and develop a formal policy and minimum standards for incentive compensation plans. Likewise the Country Incentive Council (CIC) was created to establish policies governing the design, approval and administration of incentive plans for Citi Singapore employees. Members of the CIC are the CCO, COO, CFO, CHRO, Country Risk Officer, Country General Counsel and Country Compliance Officer.

All Sales Incentive Plans (SIPs) have to be approved by the CIC which will ensure that

- incentive compensation plans, programs and arrangements for employees employed in Singapore conform to established global strategic principles and standards as well as local regulations/ guidelines;
- strike a balance between financial and non-financial measurements in driving the desired sales behavior and sales return;
- are aligned to business objectives and strategies and does not encourage excessive risk-taking or improper behavior
- Appropriate claw-back and deferral mechanisms are implemented, in the event of misdemeanors.

(3) Review for Control Functions staff

1. The overall incentive pools for Control functions staff (including Risk Management and Compliance) are set at the global level, after taking into consideration a number of factors including, but not limited to Citi's financial performance, Citi's risk metrics, Citi's business strategy in terms of building/divesting certain businesses and/or growth/contraction in certain geographical regions and Citi's positioning against the external markets.
2. The size of the pools are reviewed and approved by the Global CEO based on recommendations from the respective Global and Regional Function Heads and supported by Global and Regional HR and the Global and Regional Chief Risk Officers to ensure that they are equitable, consistent with the current, and future, performance of the revenue generating businesses (taking into account a number of different risk and financial measures) for approval by the PCC.
3. For Control function staff, compensation is weighted in favor of fixed compensation relative to variable compensation.
4. Variable remuneration for the Control functions is not directly linked to the financial performance of Citi's businesses and is entirely based on the control function personnel meeting 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.
5. The key performance standards for Control functions are set by the independent direct manager in the Region and cascaded down to the country to be included in the Balanced Scorecard.
6. CSL's Head of the Risk Management Department has a direct reporting line to the CEO and a matrix reporting line to APAC Group Credit Director for Consumer Risk.

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 the Global CEO of Citi and presented to the PCC for final approval.
2. For CSL, the business will submit a bonus pool request, together with a detailed analysis based on business performance and balanced scorecard approach and the 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. In the event of subdued or reduced performance, the bonus pool will be reduced accordingly.
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 (c) subject to claw-back provisions.
4. From 2010, all deferred stock awarded under the Capital Accumulation Program are subject to clawback. Non-vested amounts may be forfeited if the PCC determines that:
 - The staff received the award based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;
 - The staff engaged in providing inaccurate information (including knowingly failing to timely correct inaccurate information) relating to financial statements or performance metrics; or

- 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.
5. The departure of employees from Citi does not trigger any accelerated payout of deferred remuneration that is still within the deferral period.
 6. As mentioned above, All Sales Incentive Plans (SIPs) have to be approved by the CIC.

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 general 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 directors and the top 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. In May 2011, external consultants were engaged to conduct a benchmarking exercise on the fees to be paid to the non-executive directors. Based on the consultant's recommendations, moderate increases in directors' fees and Board Committee fees were approved by the Board and the shareholder for 2011 onwards. Each of Mr Daniel Ee, Prof Tan Chin Tiong, Mr Robert Kwan Wai Meng and Ms Amy Tan received directors' fees of S\$60,000 (2010: S\$50,000). Non-executive independent directors serving on the Audit Committee, Risk Management Committee and Nominating Committee received fees of S\$35,000 (2010: S\$25,000), S\$35,000 (2010: S\$25,000) and S\$15,000 (2010: S\$10,000) respectively for 2011. 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 (2010: S\$20,000). The Audit Committee Chairman and the Risk Management Committee Chairman are entitled to fees of S\$55,000 (2010: S\$40,000) 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 2010.

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

Responsibility for internal audit duties is primarily undertaken by the Compliance function and the Control and Emerging Risk function. The Compliance function for CSL is under the supervision of Ms Goh Siew Lian, who is the Principal Audit Officer for the Bank. As Principal Audit Officer, Ms Goh co-ordinates reports on the compliance and control functions to the Audit Committee and the Board. These 2 functions work closely with Audit Risk and Review, a Citigroup resource independent of the Bank's management reporting directly to the Audit Committee and Citigroup.

The charter, role, responsibilities, standards of conduct for ARR, as well as audit methodology (including specific metrics on internal timelines and quality) are set by Citigroup. As ARR is a Citigroup resource, the Audit Committee does not approve the appointment, resignation or dismissal of the regional ARR head. The Audit Committee reviews the appointment, resignation and dismissal

of the Principal Audit Officer for the Bank.

Compliance, Control and Emerging Risk and ARR 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

The internal audit, compliance and control, legal and risk functions are all responsible for overseeing and managing various aspects of internal controls. Ms Goh Siew Lian, the Principal Audit Officer of the Bank, reports to the Audit Committee and Citigroup. She is also the head of the Bank's compliance function. The Audit Committee will review and discuss the audit findings of both Compliance, Control and Emerging Risk and ARR 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.

The Audit Committee has reviewed the adequacy of the Bank's control environment and has made its report 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, compliance function and internal auditors, 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.