# Citibank Europe plc
# &
# Citibank Holdings Ireland Ltd

## Pillar 3 Disclosures

## 31 December 2015

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# Forward Looking Statements

This document contains certain forward-looking statements. Citigroup cautions readers that no forward-looking statement is a guarantee of future performance. Citigroup's actual results may differ materially from those included in any forward-looking statements, which are indicated by words such as "believe," "expect," "anticipate," "intend," "estimate," "may increase," "may fluctuate," and similar expressions, or future or conditional verbs such as "will," "should," "would," and "could."

Any forward-looking statements are based on management's current expectations and involve external risks and uncertainties including, but not limited to: levels of activity and volatility in the capital markets, global economic and business conditions, including the level of interest rates and exchange rates, the credit environment, unemployment rates, and political and regulatory developments in the U.S. and around the world, as well as the outcome of legal, regulatory and other proceedings.

For a more detailed discussion of potential risk factors the reader is directed to Citigroup's 2015 Annual Report. Except as required by any competent regulator or applicable law, Citigroup expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in Citigroup's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Citigroup has made or may make in documents it has filed or may file with the SEC, including Citigroup's 2015 Annual Report and CHIL's 2015 financial statements.

# 1. Introduction

## 1.1. Background and context

This document contains the Pillar 3 disclosures for Citibank Europe plc (CEP) and Citibank Holding Ireland Limited (CHIL) (consolidated), collectively “the Companies”.

The Capital Requirements Directive (CRD IV) package, which came into effect on 1 January 2014 and implements the provisions of the Basel Capital Accord in the EU, mandates a framework of capital adequacy regulation for banks and investment firms incorporating three distinct pillars:

• Pillar 1 prescribes the minimum capital requirements for such firms;

• Pillar 2 addresses the associated supervisory review process; and

• Pillar 3 specifies further public disclosure requirements in respect of their capital and risk profile.

The disclosures in this document have been made in accordance with the Pillar 3 requirements laid out in the EU prudential rules for banks, building societies and investment firms, as set out in Part 8 of the Capital Requirements Regulations No. 575/2013 (CRR) – Disclosures by Institutions.

The following disclosures have been made purely for explaining the basis on which the Companies have prepared and disclosed information about capital requirements and the management of certain risks and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any investment or judgement on the entity.

## 1.2. Areas Covered

In accordance with Pillar 3 requirements, the areas covered by the Companies’ Pillar 3 disclosures include CRD IV capital requirements and resources, credit risk, market risk, operational risk, liquidity risk, leverage ratio, encumbered /unencumbered assets and remuneration disclosures. Information on the Companies’ CRD IV capital ratios are included also.

Some of the areas covered are also dealt within the Companies’ Annual Report 31 December 2015. In other areas more detail is provided in these Pillar 3 disclosures. For instance, the section on capital requirements includes additional information on the amount of capital held against various risks and exposure classes, and the section on capital resources provides details on the composition of the Companies’ own funds as well as a reconciliation of accounting equity to regulatory capital.

It should be noted that while some quantitative information in this document is based on financial data contained in the Companies’ Annual Report 31 December 2015, other quantitative data is sourced from the Companies’ prudential returns and is calculated according to regulatory requirements. The difference between the accounting data and information sourced from the Companies’ regulatory reporting platform is most evident for credit risk disclosures. Pillar 3 quantitative data is thus not always directly comparable with the quantitative data contained in the Companies’ Annual Report 31 December 2015.

## 1.3. Basis of Consolidation & Disclosure

Citibank Europe plc (CEP) is a licenced credit institution regulated by the Central Bank of Ireland (CBI). CEP is 100% owned by Citibank Holdings Ireland Limited (CHIL). CHIL is subject to consolidated supervision by the CBI.

CEP produce individual and CHIL produce consolidated regulatory returns for submission to the CBI relating to capital adequacy and balance sheet information.

Both CEP and CHIL's Capital Resources have been disclosed for transparency.

CEP prepares standalone financial statements and CHIL prepares consolidated financial statements under International Financial Reporting Standards (IFRS).

The financial information reported in the consolidated financial statements and consolidated regulatory returns are largely similar, other than presentation.

The disclosures in this document are reported at the consolidated level in accordance with the CRD requirements. These disclosures are updated annually in line with the accounting year end as at 31 December and will be assessed for more frequent disclosures should market and business conditions so warrant. Unless otherwise stated, all tables are as at 31 December 2015, with prior year comparatives as at 31 December 2014.

The disclosures have been published on the Investor Relations section of Citi's website and complement the group level materials included in the Citigroup 2015 and 2014 Annual Reports.

The Pillar 3 document is subject to a robust governance process including a review and approval by the Pillar 3 Working Group which includes the local CFO and CRO. It receives final approval by the CEP Audit Committee and subsequently by the Board of Directors.

## 1.4. Operation, Structure and Organisation

Citigroup Inc. (Citi) is a global diversified financial services holding company incorporated under the laws of the state of Delaware, and whose businesses provide consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, trade and securities services and wealth management. Citi has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions.

Citi currently operates, for management reporting purposes, via two primary business segments: Citicorp, consisting of Citi's Global Consumer Banking (GCB) and Institutional Clients Group (ICG) businesses; and Citi Holdings, consisting of businesses and portfolios of assets that Citi has determined are not central to its core Citicorp businesses.

Citi's principal banking (depository institution) subsidiary is Citibank, N.A., a national banking association, with offerings encompassing consumer finance, credit cards, mortgage lending and retail banking products and services; investment banking, commercial banking, cash management, trade finance and e-commerce products and services; and private banking products and services.

Significant Citi legal entities other than Citibank N.A. include Citigroup Global Markets Limited (CGML), the primary UK broker dealer (non-banking) subsidiary, and CEP, Citi's pan-European bank.

CEP is headquartered in Dublin, with branches in the Czech Republic, Hungary, Romania, Slovakia, Bulgaria and Poland. See Figure 1 below for the Organisation Chart.

On 1 January 2016, CEP acquired Citibank International Limited (CIL) and created an entity with branches in 21 jurisdictions across EMEA. This is in addition to three Citi Service Centres (CSC's) which operate in Ireland, Hungary and Poland that provide support services to the businesses across the branch as well as to other Citi affiliates.

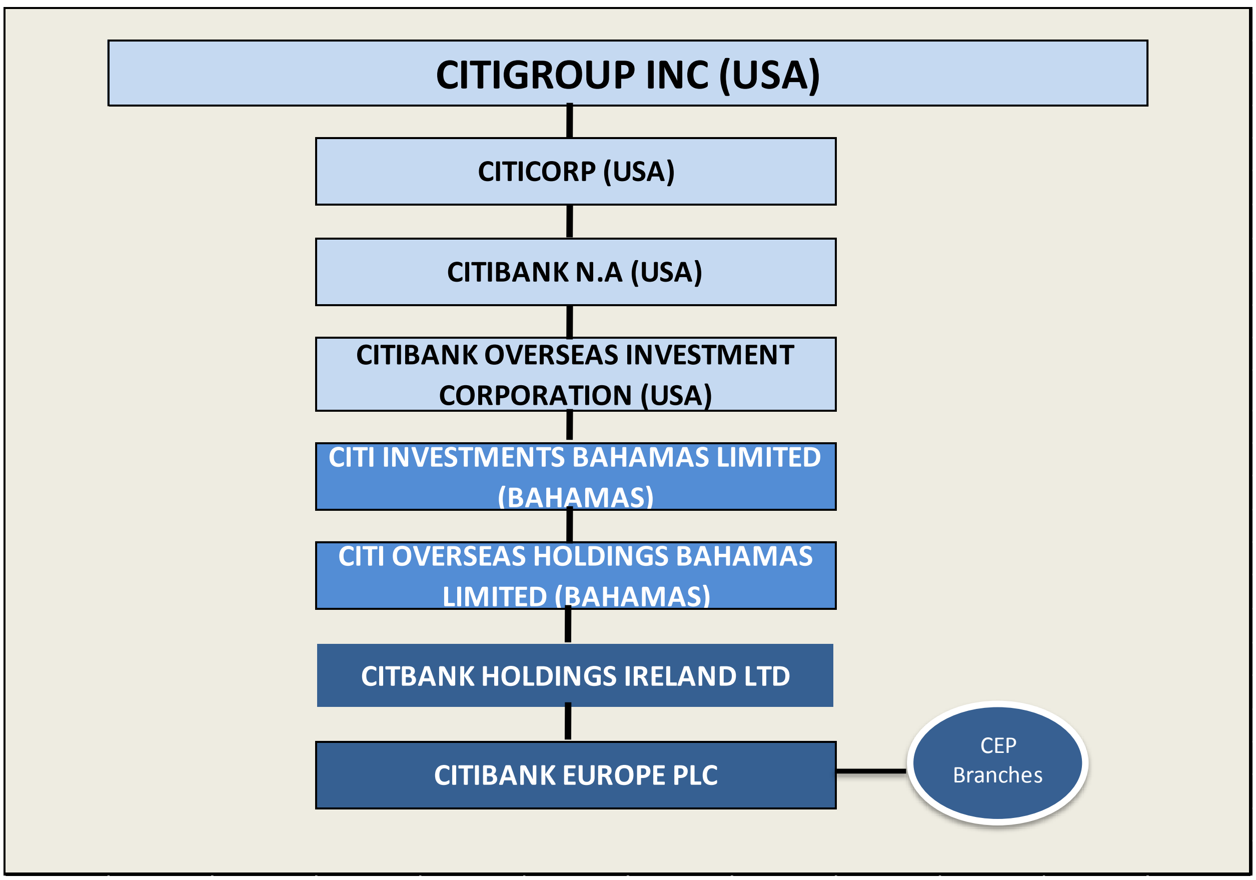
This acquisition was made as part of Citi's continued effort to simplify and rationalise its legal entity structure.

CEP offers a wide range of banking products and services to its Institutional Client Group (ICG) client base, augmented by Global Consumer Bank (GCB) services in the UK Branch.

The principal ICG businesses are Treasury and Trade Services (TTS), Markets and Securities Services and Banking, servicing a wide range of target market clients including Governments, Public Sector clients, Multinational Corporations and their subsidiaries, large Local Corporates, Financial Institutions and Fund Managers.

The principal GCB businesses are UK Consumer Bank and Private Bank which services high net worth clients.

**FIGURE 1: HIGH LEVEL ORGANISATION CHART**



## 1.5. CHIL & CEP's Capital Position at 31 December 2015

Figure 2 (a) and (b) illustrates CHIL and CEP's key capital metrics. Both CHIL and CEP's Capital resources consist predominantly of Tier 1 capital and continue to maintain capital ratios and resources in excess of minimum regulatory requirements.

**FIGURE 2A: SUMMARY OF CHIL'S KEY METRICS AS AT 31 DECEMBER 2015 (€BN)**

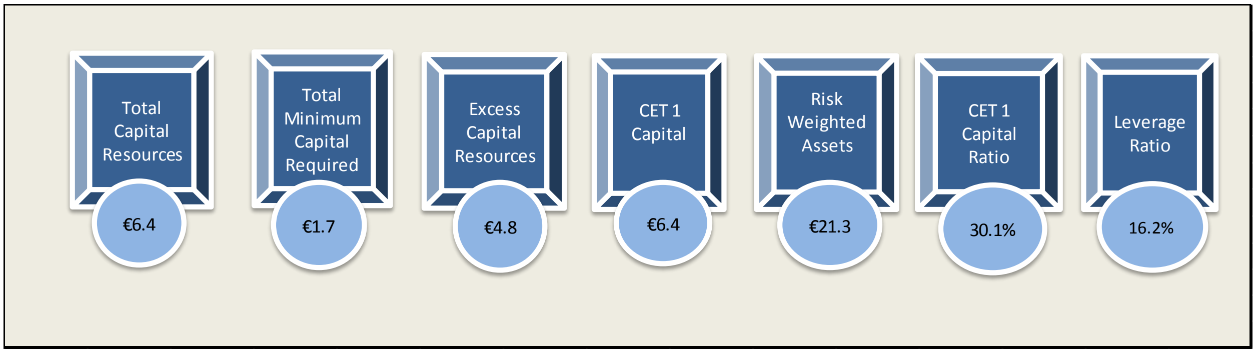
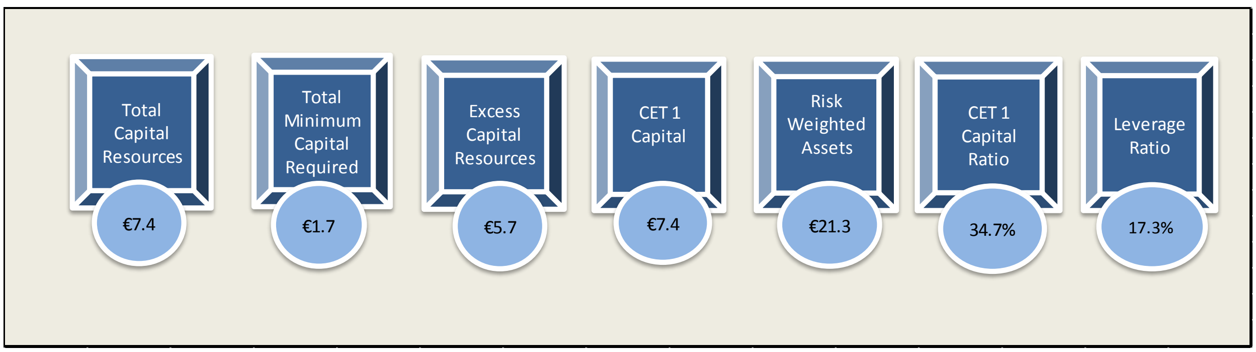



**FIGURE 2B: SUMMARY OF CEP'S KEY METRICS AS AT 31 DECEMBER 2015 (€BN)**



# 2. Capital Resources and Minimum Capital Requirement

## 2.1. Capital Resources

The CRD requires that CHIL and CEP comply with minimum capital standards and maintain a prescribed excess of total capital resources over Pillar I capital requirement.

Capital resources are measured and reported in accordance with the CRD.

CHIL and CEP's regulatory capital resources comprise of the following distinct elements:

- Common Equity Tier 1 Capital, which includes ordinary share capital, share premium, retained earnings and capital reserves;
- Deductions from capital include:
  - Intangible assets, including goodwill
  - Prudent valuation
  - Deferred tax relying of future profitability

Table 1 shows the regulatory capital resources of CHIL and CEP as at 31 December 2015 and 31 December 2014. Tables 2 (a) and (b) show a reconciliation between the balance sheet values and the regulatory capital values of the items included in CHIL and CEP's Capital Resources as at 31 December 2015. Further details on the composition of CHIL and CEP's Capital resources are shown in Table 3.

## Table 1a: Own Funds CHIL & CEP at 31 December 2015

| | Own funds Disclosure | At 31 Dec 2015 CHIL | At 31 Dec 2015 CEP | REGULATION (EU) No 575/2013 ARTICLE |
|---|---|---|---|---|
| 1 | Capital instruments and the related share premium accounts | 1,985,352 | 2,230,000 | 26 (1), 27, 28, 29, EBA list 26 (3) |
| | of which: Share Premium | 631,359 | 1,473,021 | |
| | of which: Capital Reserves | 1,353,993 | 756,979 | EBA list 26 (3) |
| 2 | Retained earnings | 4,555,502 | 5,293,700 | 26 (1) (c) |
| 3 | Accumulated other comprehensive income (and any other reserves) | -20,825 | -38,044 | 26 (1) |
| 6 | Common Equity Tier 1 (CET1) capital before regulatory adjustments | 6,520,029 | 7,485,656 | |
| | ***Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments*** | | | |
| 7 | Additional value adjustments (negative amount) | -3,667 | -3,667 | 34, 105 |
| 8 | Intangible assets (net of related tax liability) (negative amount) | -91,360 | -91,360 | 36 (1) (b), 37, 472 (4) |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | -2,468 | -2,468 | 36 (1) (c), 38, 472 (5) |
| 19 | Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | -1,266 | 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11) |
| 28 | **Total Regulatory Adjustments to Common Equity Tier 1 (CET1)** | -97,496 | -98,761 | |
| 29 | **Common Equity Tier 1 (CET1) capital** | 6,422,534 | 7,386,895 | |
| | ***Additional Tier 1 (AT1) Capital: Instruments*** | | | |
| 45 | **Tier 1 capital (T1 = CET1 + AT1)** | 6,422,534 | 7,386,895 | |
| 58 | **Tier 2 (T2) Capital** | - | - | |
| 59 | **Total Capital (TC = T1 + T2)** | 6,464,930 | 7,429,291 | |
| 60 | **Total Risk-Weighted Assets** | 21,313,907 | 21,313,907 | |
| | ***Capital Ratios and Buffers*** | | | |
| 61 | **Common Equity Tier 1** (as a percentage of total risk exposure amount | 30.13% | 34.66% | 92 (2) (a), 465 |
| 62 | **Tier 1** (as a percentage of total risk exposure amount | 30.13% | 34.66% | 92 (2) (b), 465 |
| 63 | **Total capital** (as a percentage of total risk exposure amount | 30.13% | 34.66% | 92 (2) (c) |

## Table 1b: Own Funds CHIL & CEP at 31 December 2014

| | Own funds Disclosure | At 31 Dec 2014 CHIL | At 31 Dec 2014 CEP | REGULATION (EU) No 575/2013 ARTICLE |
|---|---|---|---|---|
| 1 | Capital instruments and the related share premium accounts | 2,122,149 | 2,341,528 | 26 (1), 27, 28, 29, EBA list 26 (3) |
| | of which: Share Premium | 566,149 | 1,320,878 | |
| | of which: Capital Reserves | 1,556,000 | 1,020,650 | EBA list 26 (3) |
| 2 | Retained earnings | 3,840,876 | 4,044,292 | 26 (1) (c) |
| 3 | Accumulated other comprehensive income (and any other reserves) | -62,300 | -73,120 | 26 (1) |
| 6 | Common Equity Tier 1 (CET1) capital before regulatory adjustments | 5,900,726 | 6,312,700 | |
| | ***Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments*** | | | |
| 7 | Additional value adjustments (negative amount) | -3,451 | -3,451 | 34, 105 |
| 8 | Intangible assets (net of related tax liability) (negative amount) | -277,517 | -277,517 | 36 (1) (b), 37, 472 (4) |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | -6,483 | -6,483 | 36 (1) (c), 38, 472 (5) |
| 19 | Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | -2,495 | 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11) |
| 28 | **Total Regulatory Adjustments to Common Equity Tier 1 (CET1)** | -287,452 | -289,947 | |
| 29 | **Common Equity Tier 1 (CET1) capital** | 5,613,274 | 6,022,753 | |
| | ***Additional Tier 1 (AT1) Capital: Instruments*** | | | |
| 45 | **Tier 1 capital (T1 = CET1 + AT1)** | 5,613,274 | 6,022,753 | |
| 58 | **Tier 2 (T2) Capital** | - | - | |
| 59 | **Total Capital (TC = T1 + T2)** | 5,613,274 | 6,022,753 | |
| 60 | **Total Risk-Weighted Assets** | 19,211,927 | 19,211,927 | |
| | ***Capital Ratios and Buffers*** | | | |
| 61 | **Common Equity Tier 1** (as a percentage of total risk exposure amount | 29.22% | 31.35% | 92 (2) (a), 465 |
| 62 | **Tier 1** (as a percentage of total risk exposure amount | 29.22% | 31.35% | 92 (2) (b), 465 |
| 63 | **Total capital** (as a percentage of total risk exposure amount | 29.22% | 31.35% | 92 (2) (c) |

## Table 2a: Regulatory Capital Resources Reconciliation to Audited Financial Statements CHIL

| *EUR Thousands* | Balance per Audited Financial Statements | Adj to Balance Sheet Items for Regulatory Capital Resources | | | Balance per Regulatory Capital Resources |
|---|---|---|---|---|---|
| | | Intangible Assets | Deferred Tax | Prudent Valuation | |
| **Tier 1 Capital** | | | | | |
| Share Premium | 631,359 | | | | 631,359 |
| Capital Reserves | 1,333,168 | | | | 1,333,168 |
| Eligible Reserves | 4,555,502 | | | | 4,555,502 |
| **Tier 1 Capital Before Deductions** | 6,520,029 | | | | 6,520,029 |
| Intangible Assets | | (91,360) | | | (91,360) |
| Deferred Tax Asset | | | (2,468) | | (2,468) |
| Prudent Valuation | | | | (3,667) | (3,667) |
| **Tier 1 Capital After Deductions** | 6,520,029 | (91,360) | (2,468) | (3,667) | 6,422,534 |
| **Total Capital Resources** | 6,520,029 | (91,360) | (2,468) | (3,667) | 6,422,534 |

## Table 2b: Regulatory Capital Resources Reconciliation to Audited Financial Statements CEP

| *EUR Thousands* | Balance per Audited Financial Statements | Adj to Balance Sheet Items for Regulatory Capital Resources | | | | Balance per Regulatory Capital Resources |
|---|---|---|---|---|---|---|
| | | Intangible Assets | Deferred Tax | Prudent Valuation | Significant Investment | |
| **Tier 1 Capital** | | | | | | |
| Share Capital | 9,250 | | | | | 9,250 |
| Share Premium | 1,463,771 | | | | | 1,463,771 |
| Capital Reserves | 718,935 | | | | | 718,935 |
| Eligible Reserves | 5,293,700 | | | | | 5,293,700 |
| **Tier 1 Capital Before Deductions** | 7,485,656 | | | | | 7,485,656 |
| Intangible Assets | | (91,360) | | | | (91,360) |
| Deferred Tax Asset | | | (2,468) | | | (2,468) |
| Prudent Valuation | | | | (3,667) | | (3,667) |
| Significant Investment | | | | | (1,266) | (1,266) |
| **Tier 1 Capital After Deductions** | 7,485,656 | (91,360) | (2,468) | (3,667) | (1,266) | 7,386,895 |
| **Total Capital Resources** | 7,485,656 | (91,360) | (2,468) | (3,667) | (1,266) | 7,386,895 |

## Table 3: Capital Instruments Features

| Capital Instruments Main Features | | CET1 | CET1 |
|---|---|---|---|
| 1 | Issuer | Citibank Holding Ireland Limited | Citibank Europe Plc |
| 2 | Unique identifier (eg. CUSIP, ISIN or Bloomberg identifier for private placement) | Private placement | Private placement |
| 3 | Governing law (s) of the instrument* | Irish | Irish |
| | ***Regulatory treatment*** | | |
| 4 | Transitional CCR rules | CET 1 | CET 1 |
| 5 | Post-transitional CRR rules | CET 1 | CET 1 |
| 6 | Eligible at solo/(sub-) consolidated/ solo & (sub-)consolidated | Consolidated | Solo |
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary issed shares with full voting rights | Ordinary issed shares with full voting rights |
| 8 | Amount recognised in regulatory capital (as of most recent reporting date) | €493,900 comprising nominal and premium | €1,444,494,686 comprising nominal and premium |
| 9 | Nominal amount of instrument | €1 | €1 |
| 9a | Issue price | €2 30/10/2003<br>€1 31/12/2009 | €22,192 15/03/2001<br>€6,348,689 17/04/2001<br>€180,703 28/09/2001<br>€908,846 01/01/2008<br>€1,857,824 31/12/2009 |
| 9b | Redemption price | N/A | N/A |
| 10 | Accounting classification | Share holders equity | Share holders equity |
| 11 | Original date of issuance | €2 30/10/2003<br>€1 31/12/2009 | €22,192 15/03/2001<br>€6,348,689 17/04/2001<br>€180,703 28/09/2001<br>€908,846 01/01/2008<br>€1,857,824 31/12/2009 |
| 12 | Perpetual or dated | Perpetual | Perpetual |
| 13 | Original maturity date | No maturity | No maturity |
| 14 | Issuer call subject to prior supervisory approval | No | No |
| 15 | Optional call date, contigent call dates and redemption amount | N/A | N/A |
| 16 | Subsequent call dates, if applicable | N/A | N/A |
| | ***Coupons / dividends*** | | |
| 17 | Fixed or floating dividend/coupon | N/A | N/A |
| 18 | Coupon rate and any related index | N/A | N/A |
| 19 | Existence of a dividend stopper | No | No |
| 20a | Fully discretionary, partially or mandatory (in terms of timing) | Fully discretionary | Fully discretionary |
| 20b | Fully discretionary, partially or mandatory (in terms of amount) | Fully discretionary | Fully discretionary |
| 21 | Existence of step up or other incentive to redeem | No | No |
| 22 | Noncumulative or cumulative** | Non comulative | Non comulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger(s) | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A |
| 30 | Write-down features | N/A | N/A |
| 31 | If write-down, features, write down trigger(s)*** | N/A | N/A |
| 32 | If write-down, full or partial | N/A | N/A |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-down mechanism | N/A | N/A |
| 35 | Positionin subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | All subordinated liabilities | All subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No |
| 37 | If yes, specify non-compliant features | N/A | N/A |

## 2.2. Minimum Capital Requirement

The Minimum Capital Requirement is the amount of Pillar 1 capital that Capital Requirement Regulation (CRR) requires an entity to hold at all times. The total Capital Resources must be greater than its Minimum Capital Requirement, allowing for a capital excess to cover any additional obligations, for example, Pillar 2. CHIL (consolidated) and CEP have the same minimum capital requirement.

CEP applies Standard Position Risk Rules (PRR) for Market Risk and has adopted the Standardised Approach for calculating Credit Risk, Counterparty Risk and Operational Risk Capital Requirements. Table 4 shows CEP's Pillar 1 Minimum Capital Requirements, which as stated above, is the same as the Minimum Capital Requirements for CHIL.

CEP uses external ratings from External Credit Assessment Institutions (ECAIs), in the calculation of its credit risk capital requirements.

To assess the adequacy of its capital to support current and expected future activities, CEP produces regular capital forecasts, taking into account both normal business conditions and stress scenarios. As part of this process, CEP maintains an ICAAP (Internal Capital Adequacy Assessment Process) which documents CEP's risk appetite, regulatory capital requirement and associated policies and procedures.

The ICAAP document includes the following key elements:

- Summary of Pillar 1 capital requirement
- Summary of Pillar 2 capital requirement
- A three year capital plan
- Analysis of the impact of stress testing on Profit and Loss, Balance Sheet and regulatory capital.

A key feature of the ICAAP is to identify those risks which are not captured in the Pillar 1 capital adequacy calculation and to assess an appropriate additional capital requirement to be included as Pillar 2.

## 2.3 Capital Resources vs Minimum Capital Requirement

Tables 5 (a) and (b) illustrates that CHIL and CEP's Total Capital Resources are significantly in excess of its Pillar 1 Total Minimum Capital Requirement.

Capital Resources and Minimum Capital Requirement for CHIL and CEP are monitored and analysed on a daily basis. CHIL and CEP continuously maintain a surplus over its Minimum Capital Requirement.

## Table 4: CEP & CHIL Minimum Pillar 1 capital requirements

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| *EUR Thousands* | | Capital Requirement | Risk Weighted Assets | Capital Requirement | Risk Weighted Assets |
| **Credit Risk and Counterparty Risk** | | 1,441,141 | 18,014,257 | 1,273,779 | 15,922,231 |
| of which | Central governments or central banks | 8,109 | 101,358 | 14,303 | 178,789 |
| | Regional governments or local authorities | 46 | 569 | 4,145 | 51,817 |
| | Public sector entities | 3,468 | 43,346 | 4,270 | 53,372 |
| | Multilateral Development Banks | 4,240 | 52,996 | - | - |
| | International Organisations | 12 | 152 | 2 | 24 |
| | Institutions | 462,688 | 5,783,599 | 296,689 | 3,708,617 |
| | Corporates | 878,710 | 10,983,876 | 812,820 | 10,160,253 |
| | Retail | 29,754 | 371,921 | 31,834 | 397,925 |
| | Secured by mortgages on immovable property | 63 | 792 | 77 | 964 |
| | Exposures in default | 11,506 | 143,822 | 1,561 | 19,510 |
| | Items associated with particular high risk | - | - | - | - |
| | Covered bonds | - | - | - | - |
| | Claims on institutions and corporates with a short-term credit assessment | 39,352 | 491,902 | 102,176 | 1,277,195 |
| | Collective investments undertakings (CIU) | 123 | 1,540 | 353 | 4,409 |
| | Equity | - | - | - | - |
| | Other items | 3,071 | 38,383 | 5,549 | 69,357 |
| | Securitisation Positions | - | - | - | - |
| **Market Risk** | | 49,158 | 614,469 | 43,699 | 546,243 |
| of which | Interest Rate Risk | 34,446 | 430,573 | 37,162 | 464,528 |
| | FX Risk | 14,712 | 183,897 | 6,537 | 81,715 |
| **Operational Risk** | | 214,076 | 2,675,955 | 215,649 | 2,695,615 |
| | | | | | |
| **Credit Value Adjustment** | | 738 | 9,225 | 3,827 | 47,838 |
| | | | | | |
| **Total Capital Requirements** | | 1,705,113 | 21,313,907 | 1,536,954 | 19,211,927 |

**Table 5a: Capital Surplus over Minimum Capital Requirement and Tier 1 Ratio CHIL**

| *EUR Thousands* | 2015 | 2014 |
|---|---|---|
| Total Capital Resources | 6,422,534 | 5,613,274 |
| Total Minimum Capital Requirement | 1,705,113 | 1,536,954 |
| **Surplus over Requirement** | **4,717,422** | **4,076,320** |
| Tier 1 Capital Resources | 6,422,534 | 5,613,274 |
| Risk Weighted Assets | 21,313,907 | 19,211,927 |
| **Tier 1 Capital Ratio** | **30.13%** | **29.22%** |

**Table 5b: Capital Surplus over Minimum Capital Requirement and Tier 1 Ratio CEP**

| *EUR Thousands* | 2015 | 2014 |
|---|---|---|
| Total Capital Resources | 7,386,895 | 6,022,753 |
| Total Minimum Capital Requirement | 1,705,113 | 1,536,954 |
| **Surplus over Requirement** | **5,681,782** | **4,485,799** |
| Tier 1 Capital Resources | 7,386,895 | 6,022,753 |
| Risk Weighted Assets | 21,313,907 | 19,211,927 |
| **Tier 1 Capital Ratio** | **34.66%** | **31.35%** |

## 2.4. Leverage Ratio

The leverage ratio is a measure of Tier 1 capital as a percentage of exposure as defined under the CRR rules.

The requirement for the calculation and reporting of leverage ratios was introduced as part of CRD IV in 2014 as an additional capital requirement. The purpose of monitoring and managing this metric is to enable regulators to constrain the build-up of excessive leverage.

Implementation of the leverage ratio becomes effective from 2018, with the proceeding years used to refine the requirement.

Amendments were made to the leverage ratio calculation methodology following the EU adoption of the Commission Delegated Regulation (EU) 2015/62, which became effective during the year. The amendments resulted in an increase in the leverage ratio exposure as the balance sheet asset value for securities financing transactions and an additional exposure for credit derivatives being brought into the calculation of the leverage ratio exposure

The leverage ratio minimum requirement at this time is 3%. CHIL (consolidated) and CEP's ratio is in excess of this at 16.2% and 18.7% respectively at 31 December 2015.

On 6 April 2016 the Basel Committee on Banking Supervision (BCBS) published a consultation paper on the Leverage Ratio, with final comments due by 6 July 2016. Among the areas subject to proposed revision in this consultative document are:

- measurement of derivative exposures;
- treatment of regular-way purchases and sales of financial assets;
- treatment of provisions
- credit conversion factors for off-balance sheet items; and
- additional requirements for global systemically important banks

The final design and calibration of the proposals will be informed by a comprehensive quantitative impact study and as such no account has been taken of these proposed revisions in these ratios.

### 2.4.1 Management of Leverage Risk

The following points describe CEP's approach to managing the risk of excessive leverage.

- Daily Capital Monitoring: this is conducted for the Companies capital ratios (Common Equity Tier 1 and total capital ratios). The excess capital over Pillar1 and Pillar 2 requirements (including the Individual Capital Guidance and Capital Planning Buffer) and over the internal Capital Action Trigger, are also monitored daily. The latter is an internal trigger set to ensure that the entity holds enough of a capital excess to permit timely management decisions in case of unforeseen short term circumstances.

- Legal Entity Capital Limits: There are legal entity capital usage limits. These limits are subject to detailed monitoring and review by both business and finance subject matter experts and reported to senior management on a weekly basis.

- Balance Sheet and Regulatory Capital Quarterly Reforecasts: There are quarterly reforecasts of the Pillar 1 requirements for all businesses. These forecasts are owned by the businesses and are vetted by the regional Markets head.

- All the above tools are monitored and controlled through the monthly ALCO process. The ALCO is the primary governance committee for the management of CEP's balance sheet. Amongst the responsibilities of the ALCO are the provision of balance sheet oversight of trends and mix, ensuring prudent legal entity balance sheet management and overseeing the local regulatory requirements related to the balance sheet.

The following disclosure templates provide additional detail on the Leverage Ratio:

### Table 6: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures for CHIL & CEP

| Eur Thousands | 2015<br>Applicable Amounts |
|---|---|
| Total assets as per published financial statements | 24,456,909 |
| Adjustments for derivative financial instruments | 24,138 |
| Adjustments for securities financing transactions "SFTs" | 137,365 |
| Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 15,060,832 |
| Other adjustments | (138,934) |
| **Leverage Ratio Exposure** | 39,540,309 |

### Table 7: Leverage Ratio Common Disclosure for CHIL and CEP

| | 2015 | |
|---|---|---|
| | CHIL | CEP |
| **Eur Thousands** | **CRR Leverage Ratio Exposures** | |
| **On-Balance Sheet Exposures (excluding derivatives and SFTs)** | | |
| On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 23,994,380 | 23,994,380 |
| Asset amounts deducted in determining Tier 1 capital | (99,963) | (99,963) |
| **Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)** | 23,894,416 | 23,894,416 |
| **Derivative Exposures** | | |
| Replacement cost associated with derivatives transactions | 45,199 | 45,199 |
| Add-on amounts for PFE associated with derivatives transactions | 95,414 | 95,414 |
| **Total Derivative Exposures** | 140,613 | 140,613 |
| **Securities financing transaction exposures** | | |
| SFT Exposure | 444,448 | 444,448 |
| **Total Securities Financing Transaction Exposures** | 444,448 | 444,448 |
| **Off-Balance Sheet Exposures** | | |
| Off-balance sheet exposures at gross notional amount | 18,113,981 | 18,113,981 |
| Adjustments for conversion to credit equivalent amounts | (3,053,149) | (3,053,149) |
| **Total Off-Balance Sheet Exposures** | 15,060,832 | 15,060,832 |
| **Capital and Total Exposures** | | |
| **Tier 1 capital** | 6,422,534 | 7,386,895 |
| **Total Leverage Ratio Exposures** | 39,540,309 | 39,540,309 |
| **Leverage ratio** | | |
| Leverage ratio | 16.24% | 18.68% |
| **Choice on transitional arrangements and amount of derecognised fiduciary items** | | |
| Choice on transitional arrangements for the definition of the capital measure | Fully Phased In | Fully Phased In |

## Table 8: Split of On Balance Sheet Exposures (excluding derivatives and SFTs) for CHIL and CEP

| Eur Thousands | 2015<br>CRR Leverage Ratio Exposures |
|---|---|
| Total On-Balance Sheet Exposures (excluding derivatives and SFTs), of which: | 23,994,380 |
| Trading Book Exposures | 895,871 |
| Banking Book Exposures, of which: | 23,098,509 |
| Exposures treated as sovereigns | 4,686,905 |
| Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns | 80,181 |
| Institutions | 9,508,752 |
| Secured by mortgages of immovable properties | 2,264 |
| Retail exposures | 424,168 |
| Corporate | 6,941,922 |
| Exposures in default | 99,284 |
| Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 1,355,033 |

# 3. Risk Management Objectives and Policies

## 3.1. Risk Overview

As part of its business strategy, CEP selectively takes on board risks with the goal of achieving its objectives and business plan.

Following a robust risk identification and assessment process, CEP has identified Credit Risk, Market Risk, Operational Risk (which includes Legal Risk and Reputational Risk) and Liquidity Risk as material to its business.

An overview of CEP's capital requirements for Credit Risk, Market Risk and Operational Risk are provided in the following sections.

The CEP Board supported by CEP senior management consider the risk management infrastructure as described in the following sections of this report as being adequate to capture and measure the risks taken as a result of CEP's risk profile and strategy.

**Risk Governance Framework**

CEP has a robust risk governance framework in place commencing with the CEP Board. The CEP Board is responsible for identifying, qualifying and quantifying the risk profile of CEP and for ensuring key risks are well documented and managed. As part of the CEP Governance Framework, the Board delegates responsibility to the CEP Risk Committee for all risk related matters. This includes overseeing the CEP Risk Plan which captures all tasks for the year, and all processes and controls to support the plan. The CEP Risk Plan is ultimately produced and managed by the CEP Risk Management function. The CEP Risk Committee convenes at least quarterly, and in 2015 met 5 times.

The Board is supported by the following key Committees which ensure all risks are being identified, assessed, monitored and managed within CEP:

- CEP Risk Committee
- ICG Credit Risk Committee
- Consumer Risk Committee
- Operational Risk & Outsourcing Committee (OROC)
- CEP Product Review Committee (PRC)
- Assets & Liability Committee (ALCO)

**Products Overview**

The principal activities of CEP include the provision of Treasury and Trade Services to its Institutional, Corporate and Public Sector client base across EMEA. CEP also operates Citi Service Centres (CSCs) in Ireland and Poland that provide key operational and technology support services to other Citi affiliates. CEP also has a Consumer business and Markets Trading in its branches (Czech Republic, Hungary, Romania, Slovakia & Bulgaria).

**Scope and Nature of Risk Reporting and Measurement Systems (Credit)**

CEP uses a global risk reporting system to manage credit exposure to its wholesale obligors and counterparties.

**Scope and Nature of Risk Reporting and Measurement Systems (Market Risk)**

CEP uses a global risk reporting system to manage market exposure, which aggregates exposure for reporting purposes.

## 3.2. Risk Mission

In line with Citi's Global Risk mission statement, CEP's Risk Management mission is to take intelligent risk with shared responsibility, without forsaking individual accountability.

In pursuit of its mission, CEP Risk Management acts as a strong independent partner of the business to actively manage market, credit, and operational risk in a manner consistent with CEP's risk appetite.

CEP leverages Citi's global policies and guidelines for risk assessment and risk management, that aim to ensure the appropriate controls and tools are in place to manage, measure and actively mitigate risks taken by CEP.

**CEP's Risk Appetite**

CEP's risk tolerance is expressed as its risk appetite. CEP's risk appetite represents the amount of risk that the Board is willing to assume in order to support business objectives and business strategy. This approach aims to manage business growth and to restrict excessive growth within CEP's risk profile. The Risk Appetite Statement is approved by the Board annually or more frequently as required

**Three Lines of Defence**

The management of risk is the collective responsibility of all CEP employees. CEP risk management, as part of Citi's overarching risk management processes, is based on three lines of defence:

- **First line of defence:** The business owns all of its risks, and is responsible for the identification and management of those risks.
- **Second line of defence:** CEP's control functions (e.g., Risk, Compliance, etc.) establish standards for the management of risks and the effectiveness of controls.
- **Third line of defence:** Citi's Internal Audit function independently provides assurance, based on a risk-based audit plan approved by Citi's Board of Directors that processes are reliable, and governance and controls are effective.

**Risk Management Objectives and Policies**

CEP Risk Management is an independent function within the CEP legal vehicle. The CEP Chief Risk Officer (CRO) reports directly to both the Citi EMEA Chief Risk Officer and the CEP CEO. The CEP CRO has frequent, direct and independent access to the CEP Board of Directors and the CEP Risk Committee. CEP Risk Management ensures appropriate representation on all CEP management committees and other governance forums as appropriate. Risk Management approval is always required for decisions concerning CEP's risk profile. CEP Risk Management aims to:

- Establish clear lines of authority and responsibility, including roles and membership of both management and risk committees, with the responsibility to monitor adherence to policies.

- Ensure Risk Management staff possesses the appropriate talent, skills, and experience, and are in the right roles to perform the duties required of them.

The CEP CRO leverages the Citi Global Risk Management structure to assist in the effective management of risk across the various CEP business lines and product groups. The Global Risk Management Structure comprises Regional, Business and Product risk lines, which are managed by Citi senior risk officers.

CEP Risk Management's objectives are fully aligned with those of Citi in that effective risk management is of primary importance to its success. Accordingly, Citi has in place, a comprehensive risk management process with appropriate policies to monitor, evaluate and manage the risks it assumes in conducting its activities.

The relationship between business risk and regional risk, supported by product risk officers and a business management group (which includes a group-wide operational risk approach) ensures consistent risk focus across the entire organisation, at regional level and legal entity level.

CEP Risk Management ensures full identification and transparency of risks, including aggregation, synthesis, and communication across business lines by frequently reviewing, discussing & reporting:

- CEP's Risk Appetite Statement and ensuring CEP risk taking adheres to the limits set by the CEP Board.
- Stress & concentration testing and ensuring appropriate shocks and models are being leveraged to assess the risk to CEP.
- Key exposures, concentrations and positions that are identified as the most significant risks to CEP.
- Major credit, market, liquidity and operational risk exposures and the steps taken to monitor and control such exposures, including risk assessment and Risk Management policies.
- CEP's Risk Plan to ensure CEP Risk Management remains on track with plan.
- CEP's Risk Management Managers' Control Assessment (MCA), to ensure it remains fit for purpose and appropriately captures operational risk within the business.
- The CEP branch network and reporting lines to ensure all branches are operating in line with the CEP Risk Management Framework.

# 4. Credit Risk

## 4.1. Credit Risk Overview

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit risk arises in many of CEP's business activities, including:

- Wholesale and retail lending;
- Capital markets derivative transactions;
- Structured finance; and
- Repurchase agreements and reverse repurchase transactions.

The ICG Risk Manual guides credit risk management practices for CEP and Citi globally and has been approved by the CEP Board for the legal entity.

Credit risk also arises from settlement and clearing activities, when CEP transfers an asset in advance of receiving its counter-value or advances funds to settle a transaction on behalf of a client. Concentration risk, within credit risk, is the risk associated with having credit exposure concentrated within a specific client, industry, region or other category.

### 4.1.1 Sources of Credit Risk

There are number of credit risk sources throughout CEP, these include Wholesale Credit Risk, Available for Sale (AFS) and Consumer Credit Risk.

**Wholesale Credit Risk**:

- Direct risk,
- Contingent risk,
- Pre settlement risk (PSR),
- Clearing risk,
- Settlement risk,

**Available For Sale (AFS)**

AFS financial assets are those financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

**Consumer Credit Risks**

Cards & Personal Instalment Loans (PIL):

- Cards: The consumer cards portfolio includes all revolving and non-revolving Citi-branded, Co-branded, Private Label cards issued to consumers.
- PIL: The consumer PIL portfolio includes all types of loans provided to individuals – secured or unsecured, term/instalment or revolving, and direct or indirect.

### 4.1.2 Counterparty Credit Risk Capital Calculations

For regulatory purposes, CEP uses the standardised approach in determining counterparty credit risk capital requirements. These are based on External Credit Assessment Institutions ("ECAIs") ratings for calculating Risk Weighted Assets (RWA). The measure of Exposure at Default (EAD) used to determine these requirements is described later in the document.

For OTC (Over-the-Counter) Derivatives, CEP uses the CEM approach. CEM assigns to each transaction, a regulatory stipulated exposure based on the mark-to-market value and a measure of potential future exposure which is a percentage of notional exposure driven by residual maturity and the type of contract, i.e. interest rate, equities etc.

Netting and margin collateral may be recognised as credit risk mitigants provided that they meet certain eligibility criteria.

For securities financing transactions (SFTs), CEP applies a supervisory volatility adjustment under the financial collateral comprehensive method for calculating EAD.

The calculation equals the exposure less collateral after applying regulatory haircuts for security volatility adjustments and applicable currency mismatches. The EAD is then used to calculate RWAs using the standardised approach.

**4.1.3 Impairment of Financial Assets**

CEP assesses impairment on an individual and collective basis. Financial assets are assessed for the exhibition of objective evidence of impairment whether or not they are individually significant. A financial asset is considered impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the exposure (a ‘loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

## 4.2. <u>Credit Risk Management</u>

Credit Risk is deemed a material risk to CEP as detailed in the CEP ICAAP and is captured as part of CEP approved Risk Appetite Framework. Credit Risk is also comprehensively assessed from a Risk Capital and Stress perspective.

- The CEP ICAAP outlines how all material risks within CEP are measured, managed, mitigated and monitored by CEP Risk.

**4.2.1 Methodology Used to Assign Credit Limits**

The process for approving a counterparty’s credit risk exposure limit is guided by:

- core credit policies;
- procedures and standards;
- experience and judgment of credit risk professionals; and
- the amount of exposure at risk.

The process applies to all counterparty credit risk products - OTC derivative contracts, repo-style transactions and eligible margin loans. The process includes the determination of maximum potential exposure after recognition of netting agreements and collateral as appropriate.

While internal ratings are the starting point in establishing credit assessments, a range of factors, such as quality of management and strategy, nature of industry, and regulatory environment, among others, are also taken into consideration for obligor limits and approval levels. Exposure to credit risk on derivatives is also impacted by market volatility, which may impair the ability of clients to satisfy their obligations to Citi. Credit risk analysts conduct daily monitoring versus limits and any issues are escalated to credit officers and business management as appropriate. Usage against the credit limits may reflect netting agreements and collateral.

### 4.2.2 Derivative Master Netting Agreements

Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Citi policy requires all netting arrangements to be legally documented. ISDA (International Swaps and Derivative Association) master agreements are Citi's preferred manner for documenting OTC derivatives. The agreements provide the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Citi considers the level of legal certainty regarding enforceability of its offsetting rights under master netting agreements and credit support annexes to be an important factor in its risk management process.

Table 9 summarises the counterparty credit risk exposures arising from OTC derivatives held by CEP as at 31 December 2015 and 31 December 2014, after application of legally enforceable netting agreements and collateral arrangements.

**Table 9: Derivative financial assets**

| *EUR thousands* | 2015 | 2014 |
|---|---|---|
| **Derivative Financial Assets** | | |
| Net credit exposure after application of legally enforceable netting agreements | 140,613 | 216,158 |

#### 4.2.3 Policies for Securing, Valuing and Managing Collateral

Citi's policies and procedures cover management and governance of financial assets (including securing and valuing collateral) utilised for the purpose of mitigating the credit risk of OTC derivatives, repo-style transactions and eligible margin loans. Specifically, businesses are required to establish standard eligibility criteria for collateral usage and review processes for approving non-standard collateral.

Industry standard legal agreements combined with internal reviews for legal enforceability are used to achieve a perfected security interest in the collateral.

Additionally, Risk Management establishes guidelines on appropriate collateral haircuts related to repo-style transactions and eligible margin loans. A haircut is the percentage of reduction in current market value applicable to each type of collateral and is largely based on liquidity and price volatility of the underlying security. Potential correlations between the exposure and the underlying collateral are reflected through the netting of appropriately greater haircuts.

The current market value of collateral is monitored on a regular basis. Margin procedures are established for managing margin calls for which daily margining is considered best practice, in order to maintain an appropriate level of collateral coverage reflecting market value fluctuations. Trades are reconciled on a regular basis that is consistent with regulatory and industry best practice guidelines and margin dispute processes are in place.

Procedures are established surrounding collateral substitution and collateral re-use/re-hypothecation. Limits and concentration monitoring are utilised to control Citi's collateral concentrations to different types of asset classes.

Additionally, for eligible margin loans, procedures are established to ensure an appropriate level of allowance for credit losses.

#### 4.2.4 Primary Types of Collateral

Cash collateral and security collateral in the form of G10 (Group of Ten) government debt securities are generally posted to secure the net open exposure of OTC derivative transactions, at a counterparty level, whereby the receiving party is free to co-mingle or re-hypothecate such collateral in the ordinary course of business. Non-standard collateral, such as corporate bonds, municipal bonds, U.S. agency securities and mortgage-backed securities, may also be pledged as collateral for OTC derivative transactions. Security collateral posted to open and maintain a master netting agreement with a counterparty in the form of cash and securities may from time to time be segregated in an account at a third-party custodian pursuant to a tri-party account control agreements.

### 4.3. Credit Risk Exposure

The total and average amounts of exposures after accounting offsets and without taking into account the effects of credit risk mitigation as at 31 December 2015 are set out below in Table 10. These exposures include both banking book and trading book activities and have been calculated in accordance with the regulatory requirements (CRR)

**Table 10: Exposure to Credit risk**

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| *Eur Thousands* | | Total Exposure | Average Exposure* | Total Exposure | Average Exposure |
| **Credit Risk and Counterparty Risk** | | | | | |
| of which | Central governments or central banks | 4,903,432 | 4,483,620 | 4,294,456 | 3,722,583 |
| | Regional governments or local authorities | 6,160 | 38,246 | 87,960 | 89,581 |
| | Public sector entities | 70,398 | 76,511 | 84,383 | 79,439 |
| | Multilateral Development Banks | 64,412 | 34,761 | - | 0 |
| | International Organisations | 575 | 595 | 42 | 45,430 |
| | Institutions | 11,646,554 | 8,476,729 | 7,026,431 | 6,774,761 |
| | Corporates | 22,250,777 | 21,470,690 | 21,272,872 | 20,995,345 |
| | Retail | 1,191,623 | 1,215,592 | 1,300,915 | 1,298,169 |
| | Secured by mortgages on immovable property | 2,264 | 2,448 | 2,754 | 2,818 |
| | Exposures in default | 120,448 | 64,718 | 18,552 | 18,736 |
| | Items associated with particular high risk | - | - | - | - |
| | Covered bonds | - | - | - | - |
| | Claims on institutions and corporates with a short-term credit assessment | 1,361,033 | 2,016,961 | 3,249,844 | 3,042,501 |
| | Collective investments undertakings (CIU) | 1,027 | 1,289 | 2,939 | 2,874 |
| | Equity | - | - | - | - |
| | Other items | 63,137 | 68,063 | 88,982 | 87,400 |
| | Securitisation Positions | - | - | - | - |
| **Total Standardised Approach** | | 41,681,839 | 37,950,222 | 37,430,129 | 36,159,636 |

*Average of quarter-end balances for 2015

## Geographic Analysis of Exposures

Under CRD IV, geographical analysis of credit exposures is required based on the exposures in the member states in which the institution has been authorised and member states or third countries in which institutions carry out activities through a branch or subsidiary. The geographical distribution is reported by analysing where the counterparty is based and further analysed to show the breakdown by exposure. The majority of CEP's exposure sits within EMEA and Americas, reflecting its global business activities.

## Table 11: Geographical Analysis of Exposures

| *EUR Thousands* | 2015 | | | |
|---|---|---|---|---|
| **Exposure Class** | **EMEA** | **The Americas** | **Asia-Pac** | **Total Gross Exposures** |
| **Standardised Approach** | | | | |
| Central governments or central banks | 4,847,897 | 55,305 | 231 | 4,903,432 |
| Regional governments or local authorities | 2,841 | 3,318 | - | 6,160 |
| Administrative bodies and non-commercial undertakings | 50,148 | 20,246 | 5 | 70,398 |
| Multilateral Development Banks | 63,611 | 514 | 286 | 64,412 |
| International Organisations | 552 | 23 | - | 575 |
| Institutions | 10,670,395 | 792,646 | 183,513 | 11,646,554 |
| Corporates | 15,785,899 | 5,930,289 | 534,589 | 22,250,777 |
| Retail | 1,191,622 | - | - | 1,191,622 |
| Secured by real estate property | 2,264 | - | - | 2,264 |
| Past due items | 120,448 | - | - | 120,448 |
| Items belongning to regulatory high-risk categories | - | - | - | - |
| Covered bonds | - | - | - | - |
| Short-term claims on institutions and corporate | 1,192,377 | 167,739 | 918 | 1,361,033 |
| Collective investments undertakings (CIU) | 1,027 | - | - | 1,027 |
| Other items | 63,137 | - | - | 63,137 |
| **Total** | **33,992,218** | **6,970,079** | **719,542** | **41,681,839** |

| *EUR Thousands* | 2014 | | | |
|---|---|---|---|---|
| **Exposure Class** | **EMEA** | **The Americas** | **Asia-Pac** | **Total Gross Exposures** |
| **Standardised Approach** | | | | |
| Central governments or central banks | 4,155,028 | 139,131 | 297 | 4,294,456 |
| Regional governments or local authorities | 85,750 | 2,211 | - | 87,960 |
| Administrative bodies and non-commercial undertakings | 58,213 | 26,165 | 4 | 84,383 |
| International Organisations | 38 | 4 | - | 42 |
| Institutions | 5,827,585 | 1,022,974 | 175,872 | 7,026,431 |
| Corporates | 14,435,162 | 6,309,498 | 528,212 | 21,272,872 |
| Retail | 1,300,915 | 0 | 0 | 1,300,915 |
| Secured by real estate property | 2,754 | - | - | 2,754 |
| Past due items | 18,552 | 0 | - | 18,552 |
| Items belongning to regulatory high-risk categories | - | - | - | - |
| Covered bonds | - | - | - | - |
| Short-term claims on institutions and corporate | 3,138,425 | 108,538 | 2,881 | 3,249,844 |
| Collective investments undertakings (CIU) | 2,939 | 0 | - | 2,939 |
| Other items | 88,968 | 13 | 1 | 88,982 |
| **Total** | **29,114,329** | **7,608,532** | **707,268** | **37,430,129** |

## Industry Analysis of Exposures

Table 12 shows the balances by industry classification and by exposure class as at 31 December 2015 and on the following page as at 31 December 2014.

## Table 12: Industry Analysis of Exposures

*Eur in Thousands*

| Exposure Class | Business and Administrative Services | Construction | Education | Electricity, Gas, Steam and Air Conditioning Supply | Extra-Territorial Organisations and Bodies | Financial Intermediation (Excl. Monetary Financial Institutions) | Hotels and Restaurants | Human Health and Social Work | Information and Communication | Manufacturing | Other Community, Social and Personal Services |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | - | - | - | - | 748 | - | - | - | - | - | - |
| Regional governments or local authorities | - | - | - | 1 | - | - | - | - | - | - | - |
| Public sector entities | - | 50,098 | - | 20,246 | - | - | - | - | 5 | 33 | - |
| Multilateral Development Banks | - | - | - | - | 64,412 | - | - | - | - | - | - |
| International Organisations | - | - | - | - | 575 | - | - | - | - | - | - |
| Institutions | - | - | - | - | - | 12,440 | - | - | - | - | - |
| Corporates | 423,653 | 120,901 | 55 | 872,968 | 3 | 12,578,142 | 1,654 | 47,059 | 1,374,847 | 4,284,129 | 37,711 |
| *of which SME* | *28,408* | *12,381* | *4* | *2,552* | | 77 | *1,265* | *1* | *9,873* | *211,895* | *1,888* |
| Retail | 11,217 | 5,199 | 113 | 803 | - | 17 | 500 | - | 2,437 | 25,121 | 708 |
| *of which SME* | *2,259* | *3,999* | *113* | *321* | | | *500* | | *1,899* | *16,385* | *233* |
| Secured by mortgages on immovable property | 0 | - | - | - | - | 1 | - | - | - | - | - |
| Exposures in default | 76,650 | 38 | - | - | - | 33,661 | - | - | - | 326 | 12 |
| *of which SME* | | *38* | | | | | | | | *307* | *12* |
| Items associated with particular high risk | - | - | - | - | - | - | - | - | - | - | - |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - |
| Claims on institutions and corporates with a short-term credit assessment | - | - | - | 28 | - | 352 | - | - | 62,913 | 464,587 | - |
| Collective investments undertakings (CIU) | - | - | - | - | - | 1,027 | - | - | - | - | - |
| Equity | - | - | - | - | - | - | - | - | - | - | - |
| Other items | - | - | - | - | - | - | - | - | - | - | - |
| Securitisation Positions | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **511,521** | **176,235** | **169** | **894,045** | **65,737** | **12,625,639** | **2,154** | **47,059** | **1,440,202** | **4,774,196** | **38,431** |

| Exposure Class | Personal (Private Households) | Primary Industries | Public Administration and Defence | Transportation and Storage | Water Supply, Sewerage, Waste Management and Remediation Activities | Credit Instituitions | Central Banks | Wholesale/ Retail Trade & Repairs | Real Estate, Land and Development Activities | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | - | - | 2,330,025 | - | - | 1 | 2,572,659 | - | - | - | 4,903,432 |
| Regional governments or local authorities | - | - | 6,158 | 1 | - | - | - | - | - | - | 6,160 |
| Public sector entities | - | - | - | 17 | - | - | - | - | - | - | 70,398 |
| Multilateral Development Banks | - | - | - | - | - | - | - | - | - | - | 64,412 |
| International Organisations | - | - | - | - | - | - | - | - | - | - | 575 |
| Institutions | - | - | - | - | - | 11,633,941 | - | - | - | 173 | 11,646,554 |
| Corporates | 29 | 240,109 | 38 | 805,232 | 258 | 41,897 | - | 1,385,697 | 1,874 | 34,522 | 22,250,777 |
| *of which SME* | | *11,333* | | *15,566* | *43* | 68 | | *220,681* | | 3,115 | *519,150* |
| Retail | 1,106,885 | 58 | - | 7,652 | - | - | - | 30,742 | 170 | 0 | 1,191,623 |
| *of which SME* | 235 | 58 | | 7,192 | | | | *27,545* | 170 | | *60,909* |
| Secured by mortgages on immovable property | - | - | - | - | - | - | - | - | - | 2,263 | 2,264 |
| Exposures in default | 1,320 | 2 | - | - | - | 5,557 | - | 1,599 | - | 1,283 | 120,448 |
| *of which SME* | | | | | | | | *1,527* | | | *1,884* |
| Items associated with particular high risk | - | - | - | - | - | - | - | - | - | - | - |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - |
| Claims on institutions and corporates with a short-term credit assessment | - | - | - | - | - | 833,153 | - | - | - | - | 1,361,033 |
| Collective investments undertakings (CIU) | - | - | - | - | - | - | - | - | - | - | 1,027 |
| Equity | - | - | - | - | - | - | - | - | - | - | - |
| Other items | 1,726 | - | - | - | - | - | - | - | - | 61,411 | 63,137 |
| Securitisation Positions | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **1,109,960** | **240,169** | **2,336,220** | **812,902** | **258** | **12,514,548** | **2,572,659** | **1,418,037** | **2,044** | **99,652** | **41,681,839** |

## Table 12 Cont'd: Industry Analysis of Exposures 2014

*Eur in Thousands*

| Exposure Class | Business and Administrative Services | Construction | Education | Electricity, Gas, Steam and Air Conditioning Supply | Extra-Territorial Organisations and Bodies | Financial Intermediation (Excl. Monetary Financial Institutions) | Hotels and Restaurants | Human Health and Social Work | Information and Communication | Manufacturing | Other Community, Social and Personal Services |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | - | - | - | - | 2,477 | - | - | - | - | - | - |
| Regional governments or local authorities | - | - | - | 45,909 | - | - | - | - | - | 39,175 | - |
| Public sector entities | - | 50,065 | - | 26,165 | - | - | - | - | 5,564 | 2,583 | - |
| Multilateral Development Banks | - | - | - | - | - | - | - | - | - | - | - |
| International Organisations | - | - | - | - | 42 | - | - | - | - | - | - |
| Institutions | - | - | - | - | 2,047 | 10,553 | - | - | - | - | - |
| Corporates | 591,282 | 102,353 | 51 | 727,702 | - | 11,464,595 | 1,469 | 22,286 | 1,954,370 | 3,478,761 | 23,638 |
| *of which SME* | *51,267* | *4,599* | - | *6,103* | - | - | - | *2,159* | *6,686* | *221,036* | *2,214* |
| Retail | 3,183 | 5,603 | 129 | 348 | - | 92 | 509 | - | 2,230 | 34,898 | 193 |
| *of which SME* | - | - | - | - | - | - | - | - | *41* | *950* | - |
| Secured by mortgages on immovable property | - | - | - | - | - | - | - | - | 0 | - | - |
| Exposures in default | 471 | 114 | - | - | - | 9,820 | - | - | 20 | 1,758 | - |
| *of which SME* | *401* | *4* | - | - | - | - | - | - | - | - | - |
| Items associated with particular high risk | - | - | - | - | - | - | - | - | - | - | - |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - |
| Claims on institutions and corporates with a short-term credit assessment | 18,825 | - | - | - | - | 1,780 | - | - | 84,040 | 341,236 | - |
| Collective investments undertakings (CIU) | - | - | - | - | - | 2,939 | - | - | - | - | - |
| Equity | | | | | | | | | | | |
| Other items | - | - | - | - | - | 6 | - | - | 1 | - | - |
| Securitisation Positions | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **613,761** | **158,136** | **180** | **800,124** | **4,567** | **11,489,785** | **1,978** | **22,286** | **2,046,224** | **3,898,412** | **23,831** |

| Exposure Class | Personal (Private Households) | Primary Industries | Public Administration and Defence | Transportation and Storage | Water Supply, Sewerage, Waste Management and Remediation Activities | Credit Instituitions | Central Banks | Wholesale/ Retail Trade & Repairs | Real Estate, Land and Development Activities | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | - | - | 1,817,682 | - | - | - | 2,474,296 | - | - | - | 4,294,456 |
| Regional governments or local authorities | - | - | 2,875 | 1 | - | - | - | - | - | - | 87,960 |
| Public sector entities | - | - | - | 5 | - | - | - | - | - | - | 84,383 |
| Multilateral Development Banks | - | - | - | - | - | - | - | - | - | - | - |
| International Organisations | - | - | - | - | - | - | - | - | - | - | 42 |
| Institutions | - | - | - | - | - | 7,013,831 | - | - | - | - | 7,026,431 |
| Corporates | 13 | 510,138 | 28 | 872,060 | 3,033 | 43,622 | - | 1,451,013 | 1,521 | 24,939 | 21,272,874 |
| of which SME | 13 | 19,437 | - | 2,750 | 81 | - | - | 194,391 | 36 | - | 510,772 |
| Retail | 1,194,809 | 58 | - | 8,669 | - | - | - | 34,584 | 202 | 15,408 | 1,300,913 |
| of which SME | - | - | - | - | - | - | - | 2,970 | - | - | 3,962 |
| Secured by mortgages on immovable property | - | - | - | - | - | 2,744 | - | - | - | 9 | 2,753 |
| Exposures in default | - | 108 | - | 54 | - | 1,986 | - | 2,237 | - | 1,983 | 18,552 |
| of which SME | - | 19 | - | - | - | - | - | 2,161 | - | - | 2,585 |
| Items associated with particular high risk | - | - | - | - | - | - | - | - | - | - | - |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - |
| Claims on institutions and corporates with a short | - | 98,356 | - | - | - | 2,705,607 | - | - | - | | 3,249,844 |
| Collective investments undertakings (CIU) | - | - | - | - | - | - | - | - | - | | 2,939 |
| Equity | | | | | | | | | | | - |
| Other items | 2,753 | - | 720 | - | - | 2,783 | 18,647 | - | - | 64,073 | 88,982 |
| Securitisation Positions | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **1,197,575** | **608,661** | **1,821,304** | **880,789** | **3,033** | **9,770,573** | **2,492,943** | **1,487,834** | **1,723** | **106,412** | **37,430,129** |

## Credit exposures by maturity

The residual maturity distribution of credit exposures for CEP is broken down by sector as follows:

### Table 13: Residual Maturity of Credit Exposures

| *Eur Thousands* | 2015 | | | |
|---|---|---|---|---|
| **Exposure Class** | **< 1 year Total Exposure** | **1-5 years Total Exposure** | **> 5 years Total Exposure** | **Total Exposure** |
| Central governments or central banks | 3,393,539 | 1,426,005 | 83,889 | 4,903,432 |
| Regional governments or local authorities | 6,160 | - | - | 6,160 |
| Public sector entities | 55 | 70,344 | - | 70,398 |
| Multilateral Development Banks | 64,412 | - | - | 64,412 |
| International Organisations | 575 | - | - | 575 |
| Institutions | 7,915,734 | 3,697,796 | 33,023 | 11,646,554 |
| Corporates | 8,008,110 | 12,215,773 | 2,026,894 | 22,250,777 |
| Retail | 1,174,678 | 15,998 | 946 | 1,191,623 |
| Secured by mortgages on immovable property | 2,264 | - | - | 2,264 |
| Exposures in default | 31,639 | 4,257 | 84,552 | 120,448 |
| Short-term claims on institutions and corporate | 1,361,033 | - | - | 1,361,033 |
| Collective investments undertakings (CIU) | 1,027 | - | - | 1,027 |
| Other items | 63,082 | 55 | - | 63,137 |
| **Total** | **22,022,307** | **17,430,228** | **2,229,304** | **41,681,839** |

| *Eur Thousands* | 2014 | | | |
|---|---|---|---|---|
| **Exposure Class** | **< 1 year Total Exposure** | **1-5 years Total Exposure** | **> 5 years Total Exposure** | **Total Exposure** |
| Central governments or central banks | 3,679,266 | 157,987 | 457,203 | 4,294,456 |
| Regional governments or local authorities | 3,480 | 84,481 | - | 87,960 |
| Public sector entities | 6,966 | - | 77,416 | 84,383 |
| International Organisations | 42 | - | - | 42 |
| Institutions | 6,897,316 | 63,242 | 65,872 | 7,026,431 |
| Corporates | 8,820,803 | 4,598,050 | 7,854,019 | 21,272,872 |
| Retail | 1,277,698 | 13,301 | 9,916 | 1,300,915 |
| Secured by mortgages on immovable property | 2,754 | - | - | 2,754 |
| Exposures in default | 10,354 | 8,136 | 62 | 18,552 |
| Short-term claims on institutions and corporate | 3,249,844 | - | - | 3,249,844 |
| Collective investments undertakings (CIU) | 2,939 | - | - | 2,939 |
| Other items | 88,982 | 0 | 0 | 88,982 |
| **Total** | **24,040,444** | **4,925,196** | **8,464,489** | **37,430,129** |

## 4.4. Impairment of Financial Assets

CEP assesses whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired on an ongoing basis (including at each balance sheet date).

**Performing Facilities**

Performing facilities are facilities that are:

- deemed not impaired as there is no objective evidence that a loss event has occurred;
- are not more than 90 days past due;
- are assessed on an accrual basis;
- have been assessed with the risk that the debtor is likely to pay in full without collateral realisation

**Non-Performing Exposures**

Non-Performing Exposures relates to facilities that are:

- deemed impaired as there is objective evidence that a loss event has occurred;
- more than 90 days past due;
- assessed on a non-accrual basis;
- assessed as carrying the risk that the debtor is likely not to pay back in full without collateral realisation

### 4.4.1 Wholesale Impairment (Individual)

Classifiably-managed (individual) credit portfolios are typically made up of larger exposures, where the underwriting process is more judgmental, rather than score-based or rules- based.

The appropriate level of credit reserves for a classifiably-managed portfolio is estimated based on:

- A statistical incurred loss model on all exposures in the performing portfolio and smaller exposures in the non-performing portfolio; and
- Name-specific loss forecasts for the larger exposures in the non-performing portfolio.

Rather than measuring delinquency for a wholesale customer or for a facility to that customer by the number of days past due, impaired wholesale credit exposures are classified as either substandard or doubtful.

### 4.4.2 Consumer Impairment (Collective)

Delinquency-managed credit portfolios are typically made up of smaller exposures with homogeneous credit risk characteristics, where the underwriting process is more score-based or rules- based, rather than judgmental.

The appropriate level of credit reserves for a delinquency-managed portfolio is estimated based on:

- A “base case” requirement, generally derived from a “straight-rate-to-zero” (SR-0) annualised calculation;
- Management adjustments to the base case to reflect management’s assessment of conditions or events outside the base case; and
- Portfolio loss forecasts for the troubled debt restructurings.

### 4.4.3 Recognition in the Financial Statements

For loans and advances and for assets held to maturity the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of loss is recognised using an allowance account and is included in the income statement.

Following impairment, interest income is recognised using the original effective interest rate which is used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectable, it is written off against any related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as for assets held at amortised cost; however, impairment charges are recorded as the entire cumulative net loss that has previously been recognised directly in equity. Reversals of impairment of debt securities are recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement. Increases in the fair value of equity shares after impairment are recognised directly in equity.

Where assets are held at fair value, typically in the trading book, part of the fair value movement relates to credit exposure. It is not always practicable to determine what portion of the fair value movement relates to credit exposures, and hence no such disclosure is provided for these assets.

Exposures are considered to be past due in accordance with their contractual repayment terms.

## Table 14: Impaired Exposures and Provisions – Individual & Collective

| *Eur Thousands* | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Individually Assessed<br>Impaired Exposure On & Off Balance Sheet | Past Due Items | Individually Assessed<br>Impairment Provisions Balance | Collectively Assessed<br>Impairment Provisions Balance | Individually Assessed<br>Impairment Provisions Charges for the Period | Collectively Assessed<br>Impairment Provisions Charge / Release for the Period |
| **Significant Geographical Area - EMEA** | | | | | | |
| **Counterparty Type** | | | | | | |
| Corporate | 85,548 | 117,468 | 22,472 | 42,396 | 20,225 | (3,198) |
| Retail | - | 2,981 | - | - | - | (14,111) |
| **TOTAL** | **85,548** | **120,449** | **22,472** | **42,396** | **20,225** | **(17,310)** |

| *Eur Thousands* | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Individually Assessed<br>Impaired Exposure On & Off Balance Sheet | Past Due Items | Individually Assessed<br>Impairment Provisions Balance | Collectively Assessed<br>Impairment Provisions Balance | Individually Assessed<br>Impairment Provisions Charges for the Period | Collectively Assessed<br>Impairment Provisions Charge / Release for the Period |
| **Significant Geographical Area - EMEA** | | | | | | |
| **Counterparty Type** | | | | | | |
| Corporate | 3,913 | 14,582 | 5,057 | 41,885 | 323 | (6,315) |
| Retail | - | 3,970 | - | 12,875 | 0 | (7,912) |
| **TOTAL** | **3,913** | **18,552** | **5,057** | **54,760** | **323** | **(14,227)** |

## Table 15: Types of impairment provisions

| *Eur Thousands* | 2015 | | | |
|---|---|---|---|---|
| | Charge and credit card debtors | Commercial loans | Consumer loans | Total |
| Individually assessed on-balance sheet exposures | - | 22,472 | - | 22,472 |
| Individually assessed off-balance sheet exposures | | - | | - |
| Collectively assessed on-balance sheet exposures | - | 30,526 | - | 30,526 |
| Collectively assessed off-balance sheet exposures | - | 11,870 | - | 11,870 |
| **Total** | **-** | **64,868** | **-** | **64,868** |

## Table 15 cont'd: Types of impairment provisions

| *Eur Thousands* | 2014 | | | |
|---|---|---|---|---|
| | Charge and credit card debtors | Commercial loans | Consumer loans | Total |
| Individually assessed on-balance sheet exposures | - | 5,057 | - | 5,057 |
| Individually assessed off-balance sheet exposures | | - | | - |
| Collectively assessed on-balance sheet exposures | 10,745 | 29,232 | 1,908 | 41,885 |
| Collectively assessed off-balance sheet exposures | - | 12,875 | - | 12,875 |
| **Total** | **10,745** | **47,164** | **1,908** | **59,817** |

## Table 16: Movements in impairments during 2015 and 2014

| *Eur Thousands* | 2015 | | | |
|---|---|---|---|---|
| | Charge and credit card debtors | Commercial loans | Consumer loans | Total |
| Impairments at 1 Jan 2015 | 10,745 | 47,164 | 1,908 | 59,817 |
| Increase/(Decrease) in Provisions | (11,983) | 19,362 | (2,128) | 5,251 |
| Write Offs | 0 | (2,348) | 0 | (2,348) |
| Recoveries | 0 | (648) | 0 | (648) |
| Foreign Exchange Adjustments | 1,238 | 3,674 | 220 | 5,132 |
| Off Balance Sheet Provisions | 0 | (2,336) | 0 | (2,336) |
| Impairments at 31 Dec 2015 | 0 | 64,868 | 0 | 64,868 |

| *Eur Thousands* | 2014 | | | |
|---|---|---|---|---|
| | Charge and credit card debtors | Commercial loans | Consumer loans | Total |
| Impairments at 1 Jan 2014 | 14,108 | 55,570 | 3,262 | 72,940 |
| Increase/(Decrease) in Provisions | (3,220) | (8,398) | (1,314) | (12,932) |
| Write Offs | 0 | 126 | 0 | 126 |
| Recoveries | 0 | (3,232) | 0 | (3,232) |
| Foreign Exchange Adjustments | (142) | 3,779 | (41) | 3,596 |
| Off Balance Sheet Provisions | 0 | (681) | 0 | (681) |
| Impairments at 31 Dec 2014 | 10,745 | 47,164 | 1,908 | 59,817 |

## 4.5. Credit Quality Analysis

### Standardised credit risk exposures

The nominated External Credit Assessment Institutions (ECAIs) used by CEP are Standard & Poor's, Moody's and Fitch. These are used for all credit risk exposure classes. Credit assessments applied to items in the trading book and banking book alike, are assigned in accordance with the requirements laid out in the CRD, including the use of the credit quality assessment scale. The credit quality assessment scale assigns a credit quality step to each rating provided by the ECAIs, as set out in the Table 17 below:

**Table 17: Credit Quality Assessment Scale**

| Credit Quality Step | Standard & Poor's | Moody's | Fitch |
|---|---|---|---|
| Step 1 | AAA to AA- | Aaa to Aa3 | AAA to AA- |
| Step 2 | A+ to A- | A1 to A3 | A+ to A- |
| Step 3 | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- |
| Step 4 | BB+ to BB- | Ba1 to Ba3 | BB+ to BB- |
| Step 5 | B+ to B- | B1 to B3 | B+ to B- |
| Step 6 | CCC+ and below | Caa1 and below | CCC+ and below |

Risk weightings are assigned to each exposure depending on its credit quality step and other factors, including exposure class and maturity. Exposures for which no rating is available receive the rating of the central government where the entity is incorporated or 100% if the central government is unrated. Table 18 below sets out a simplified summary of how credit quality is linked to risk weighting.

**Table 18: Simplified Summary of Risk Weightings by Credit Quality Step**

| Credit Quality Step | Governments and central banks | Corporates | Institutions < 3 months maturity | Institutions > 3 months maturity |
|---|---|---|---|---|
| Step 1 | 0% | 20% | 20% | 20% |
| Step 2 | 20% | 50% | 20% | 50% |
| Step 3 | 50% | 100% | 20% | 50% |
| Step 4 | 100% | 100% | 50% | 100% |
| Step 5 | 100% | 150% | 50% | 100% |
| Step 6 | 150% | 150% | 150% | 150% |

The following table sets out, for the bank, the exposure values as at 31 December 2015 and 31 December 2014 (before and after credit risk mitigation) associated with each credit quality step, as well as those exposures deducted from capital resources.

## Table 19: CQS analysis of Exposure before and after Credit Risk Mitigation

| *Eur Thousands* | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| Exposure Class | Credit Quality Step | Gross Total Exposure | Net Total Exposure | Gross Total Exposure | Net Total Exposure |
| Central governments or central banks | 1 | 2,273,315 | 2,273,315 | 1,512,912 | 1,512,912 |
| | 2 | 75,906 | 75,906 | 112,756 | 40,651 |
| | 3 | 1,149,623 | 1,149,623 | 548,642 | 548,642 |
| | 4 | 1,153,786 | 1,153,786 | 1,435,291 | 1,435,291 |
| | 5 | 47,403 | 47,403 | 52,394 | 52,394 |
| | 6 | 6 | 6 | 5 | 5 |
| | Unrated | 203,395 | 33,676 | 632,456 | 632,456 |
| | | 4,903,432 | 4,733,714 | 4,294,456 | 4,222,351 |
| Regional governments or local authorities | 1 | 3,567 | 3,567 | 2,373 | 2,373 |
| | 3 | - | - | 45,909 | 45,909 |
| | Unrated | 2,593 | 2,593 | 39,678 | 39,678 |
| | | 6,160 | 6,160 | 87,960 | 87,960 |
| Public sector entities | 1 | 1 | 1 | 1 | 1 |
| | 3 | - | - | 5,560 | 5,560 |
| | 4 | - | - | 50,065 | 50,065 |
| | 5 | 50,098 | 50,098 | | |
| | Unrated | 20,300 | 20,300 | 28,756 | 28,756 |
| | | 70,398 | 70,398 | 84,383 | 84,383 |
| Multilateral Development Banks | 1 | 9,979 | 9,979 | - | - |
| | 2 | 5,497 | 5,497 | - | - |
| | 3 | 15,592 | 15,592 | - | - |
| | 4 | 33,343 | 33,343 | - | - |
| | | 64,411 | 64,411 | - | - |
| International Organisations | Unrated | 575 | 575 | 42 | 42 |
| | | 575 | 575 | 42 | 42 |
| Institutions | 1 | 48,764 | 48,764 | 35,848 | 35,848 |
| | 2 | 9,132,127 | 9,132,127 | 4,320,070 | 4,218,796 |
| | 3 | 514,624 | 514,624 | 127,367 | 127,367 |
| | 4 | 272,370 | 272,370 | 343,912 | 343,912 |
| | 5 | 195,709 | 176,830 | 426,152 | 357,834 |
| | 6 | 4 | 4 | 264 | 264 |
| | Unrated | 1,482,955 | 1,467,846 | 1,772,817 | 1,752,513 |
| | | 11,646,554 | 11,612,565 | 7,026,431 | 6,836,535 |
| Corporates | 1 | 2,498,196 | 660,546 | 2,100,556 | 708,976 |
| | 2 | 3,995,974 | 1,539,717 | 3,816,478 | 1,062,691 |
| | 3 | 1,414,999 | 1,309,122 | 1,293,614 | 1,222,475 |
| | 4 | 866,601 | 866,601 | 435,158 | 435,158 |
| | 5 | 99,989 | 99,989 | 104,139 | 104,139 |
| | 6 | 0 | 0 | 0 | 0 |
| | Unrated | 13,375,018 | 9,623,488 | 13,522,927 | 8,815,834 |
| | | 22,250,777 | 14,099,463 | 21,272,872 | 12,349,273 |
| Retail | Unrated | 1,191,623 | 1,191,623 | 1,300,915 | 1,300,915 |
| | | 1,191,623 | 1,191,623 | 1,300,915 | 1,300,915 |
| Secured by mortgages on immovable property | Unrated | 2,264 | 2,264 | 2,754 | 2,754 |
| | | 2,264 | 2,264 | 2,754 | 2,754 |
| Exposures in Default | 4 | 18,011 | 18,011 | - | - |
| | 5 | 2,502 | 2,502 | - | - |
| | Unrated | 99,936 | 78,772 | 18,552 | 16,105 |
| | | 120,448 | 99,284 | 18,552 | 16,105 |
| Short-term claims on institutions and corporates | 1 | 1,030,997 | 1,030,997 | 2,571,492 | 2,571,492 |
| | 2 | 159,033 | 159,033 | 137,153 | 137,153 |
| | 3 | 41,028 | 41,028 | 7,833 | 7,833 |
| | 4 | 129,975 | 127,480 | 533,366 | 524,093 |
| | | 1,361,033 | 1,358,538 | 3,249,844 | 3,240,571 |
| Collective investments undertakings (CIU) | Unrated | 1,027 | 1,027 | 2,939 | 2,939 |
| | | 1,027 | 1,027 | 2,939 | 2,939 |
| Other items | 1 | - | - | 200 | 200 |
| | 2 | - | - | 67 | 67 |
| | 3 | - | - | 0 | 0 |
| | Unrated | 63,137 | 63,137 | 88,714 | 88,714 |
| | | 63,137 | 63,137 | 88,982 | 88,982 |
| **Total** | | **41,681,839** | **33,303,159** | **37,430,129** | **28,232,810** |

## 4.6. Credit Risk Mitigation

Credit risk mitigation is of vital importance to CEP in the effective management of its counterparty and credit risk exposures. As indicated elsewhere in this disclosure, netting, collateral and other techniques have a material beneficial impact on the level of such risks borne by the organisation. CEP's credit risk mitigation processes are governed by the ICG Risk Management Manual. The following paragraphs contain more information on our policies and procedures in this area.

**Valuation**

Collateral haircuts may be applied in the form of instrument margins and foreign exchange margins where appropriate. With regards to instrument margins, the level of haircut is driven by asset type and duration to maturity whereas a foreign exchange margin arises when there is a currency mismatch between the credit exposure and the collateral. CEP has sound and well managed systems and procedures for requesting and promptly receiving additional collateral for transactions whose terms require maintenance of collateral values at specified thresholds as documented in the respective legal agreements.

**Reporting**

CEP has procedures in place to ensure that appropriate information is available to support the collateral process and that timely and accurate margin calls feed correctly into the margin applications from upstream systems. Key to the process is a daily credit exposure report as well as reports identifying counterparties that have not met their requirement for additional collateral to satisfy specified initial margin amount and variation margin thresholds. In addition, there is firm wide risk reporting of counterparty exposures at an individual and an aggregated level.

**Collateral Concentrations**

Apart from the concentration of cash and high grade liquid bonds such as AAA Rated U.S. Treasury, OECD Government or U.S. Agency bonds, there were no other material concentrations of collateral as at 31 December 2015.

Table 20 sets out the exposure value that is covered by eligible financial collateral and guarantees as at 31 December 2015 and 31 December 2014.

**Wrong Way Risk**

An integral aspect of portfolio management is overseeing concentrations. Portfolio management is further complicated when the assumption of independence between potential exposure and potential default proves not to be true. The interdependence between the exposure and any underlying collateral can exacerbate and magnify the speed in which a portfolio deteriorates. For this reason, a best practice of portfolio management includes an assessment of correlated or "wrong way risks".

For CEP, primarily the Insurance Letter of Credit (ILOC) product may incur general wrong way risk. Obligors are not permitted to post their own security as collateral, and therefore specific wrong way risk is not applicable. In general, ILOC's are predominately issued by insurers and reinsurers. The performance of these obligors is not generally linked to capital market factors or in country economic issues.

Should general wrong way risk arise, in a circumstance where there was material correlation between the credit quality of the counterparty and either the value of the collateral or any significant degree of dependence between the risk to the counterparty and that of the collateral, then this aspect of general wrong way risk could be reflected through the acceptable collateral, which ensures that the quality and liquidity value of the collateral received is in excess of the credit extended. Other aspects of wrong way risk are monitored by credit and other analysis, such as the use of stress tests conducted on at least a bi-annual basis for the ILOC product.

General wrong way risk will be applied for pledged securities only within the ILOC portfolio with the collateral comprising of approximately 95% Securities and 5% Cash

**Credit Ratings Downgrade**

A downgrade in CEP's credit rating could have the effect of reducing the market value threshold for margin calls on some of the Credit Support Annexes (CSAs). This would result in a potential increase in the amount of collateral CEP would have to provide against the derivatives within the CSAs. This is currently not deemed a significant risk for CEP, due to the very small number of CSAs with downgrade triggers.

**Table 20: Exposure values covered by eligible financial collateral and guarantees**

| | 2015 | |
|---|---|---|
| EUR Thousands | Gross Value | Exposure covered by eligible collateral |
| Central governments or central banks | 4,903,432 | 169,718 |
| Regional governments or local authorities | 6,160 | - |
| Public sector entities | 70,398 | - |
| Multilateral Development Banks | 64,412 | - |
| International Organisations | 575 | - |
| Institutions | 11,646,554 | 33,988 |
| Corporates | 22,250,777 | 8,150,825 |
| Retail | 1,191,623 | - |
| Secured by real estate property | 2,264 | - |
| Exposures in Default | 120,448 | - |
| Short-term claims on institutions and corporates | 1,361,033 | 2,495 |
| Collective investments undertakings (CIU) | 1,027 | - |
| Other items | 63,137 | - |
| **Total** | **41,681,839** | **8,357,027** |

**Table 20 cont'd: Exposure values covered by eligible financial collateral and guarantees**

| *EUR Thousands* | 2014 | |
|---|---|---|
| | **Gross Value** | **Exposure covered by eligible collateral** |
| Central governments or central banks | 4,294,456 | 72,105 |
| Regional governments or local authorities | 87,960 | - |
| Public sector entities | 84,383 | - |
| International Organisations | 42 | - |
| Institutions | 7,026,431 | 189,896 |
| Corporates | 21,272,872 | 8,922,356 |
| Retail | 1,300,915 | - |
| Secured by real estate property | 2,754 | - |
| Exposures in Default | 18,552 | - |
| Short-term claims on institutions and corporates | 3,249,844 | 9,273 |
| Collective investments undertakings (CIU) | 2,939 | - |
| Other items | 88,982 | - |
| **Total** | **37,430,129** | **9,193,629** |

# 5. Market Risk

Market risk relates to adverse movements in market rates or prices, such as interest rates, foreign exchange rates, credit spreads or equity prices.

## 5.1 Trading Book Risk Management

Price risk in trading portfolios is monitored by Citigroup using a series of measures, including:

- Factor Sensitivities
- VaR
- Stress Testing

**Factor sensitivities** represent the change in the value of a position for a defined change in a market risk factor, such as a change in the value of a Treasury bill for a one-basis-point change in interest rates. Citigroup's independent market risk management ensures that factor sensitivities are calculated, monitored and, in most cases, limited, for all relevant risks taken in a trading portfolio.

**Value at Risk (VaR)** estimates the potential decline in the value of a position or a portfolio under normal market conditions. Citigroup's VaR methodology incorporates the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors and is expressed as the risk to the firm over a one-day holding period, at a 99% confidence level. Citigroup's VaR is based on the volatilities of and correlations between a multitude of market risk factors, as well as factors that track the specific issuer risk in debt and equity securities.

**Stress testing** is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements. It is performed on both individual trading portfolios, as well as on aggregations of portfolios and businesses. Citigroup's independent market risk management, in conjunction with the businesses, develops stress scenarios, reviews the output of periodic stress testing exercises and uses the information to make judgements as to the ongoing appropriateness of exposure levels and limits.

Each trading portfolio has its own market risk limit framework encompassing these measures as well as other controls, including permitted product lists and a new product approval process for complex products.

The VaR model, as described above, is designed to capture potential market losses at a 99% confidence level over a one day time period. The key components of the VaR model are the variance/covariance matrix of market variables and the sensitivity of Citi's trading portfolio to those variables. The variance/covariance matrix is calibrated using three years of market data, with volatilities adjusted to capture fat tail effects at a 99% confidence level over a one day period. Market variables simulated from the matrix by a Monte Carlo methodology are applied to a set of factor sensitivities to generate a forecast distribution of one day profit or loss, from which the VaR can be computed. The factor sensitivities are designed to capture all material market risks on each trading asset, including the non-linear risks associated with derivative portfolios.

The highest, lowest, mean and year end level of the daily VaR measure during 2015 and 2014 were as follows:

**Table 21: Portfolio VaR**

| *EUR Thousands* | 2015 | | | | *EUR Thousands* | 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Highest** | **Lowest** | **Mean** | **Year end** | | **Highest** | **Lowest** | **Mean** | **Year end** |
| **Portfolio VaR** | 4,592 | 1,698 | 3,346 | 3,833 | **Portfolio VaR** | 9,566 | 1,882 | 5,931 | 5,087 |

CEP employs top-down systemic stresses. Systemic stresses are designed to quantify the potential impact of extreme market movements on a firm-wide basis, and are constructed using both historical periods of market stress and projections of adverse economic scenarios.

CEP maintains the necessary systems, controls and documentation to demonstrate appropriate standards in respect of valuation, reporting, reserving and valuation adjustments.

### 5.1.1 Trading Book Risk Capital

To assess the trading book from a risk capital perspective, the current risk capital calculation is based on a 60 business day average of the 1 day combined VaR, which estimates the potential decline in the value of a position or a portfolio, under normal market conditions. This is then scaled to a 99.9% confidence level over a 1 year horizon.

## 5.2 Non-Trading Book Risk Management

One of CEP's primary business functions is providing financial products that meet the needs of its customers. Loans and deposits are tailored to the customer's requirements with regard to tenor, index and rate type. Net Interest Revenue (NIR) is the difference between the yield earned on the non-trading book portfolio assets (including customer loans) and the rate paid on the liabilities (including customer deposits or company borrowings). The NIR is affected by changes in the level of interest rates. For example:

- At any given time, there may be an unequal amount of assets and liabilities which are subject to market rates due to maturity or repricing. Whenever the amount of liabilities subject to repricing exceeds the amount of assets subject to repricing, a company is considered "liability sensitive." In this case, a company's NIR will deteriorate in a rising rate environment.
- The assets and liabilities of a company may reprice at different schedules or mature at different times, subjecting both "liability sensitive" and "asset sensitive" companies to NIR sensitivity from changing interest rates. For example, a company may have a large amount of loans that are subject to repricing this period, but the majority of deposits are not scheduled for

repricing until the following period. That company would suffer from NIR deterioration if interest rates were to fall.

NIR in the current period is the result of customer transactions and the related contractual rates originated in prior periods as well as new transactions in the current period; those prior period transactions will be impacted by any changes in rates on floating rate assets and liabilities in the current period.

Due to the long-term nature of many of the firm's portfolios, NIR will vary from quarter to quarter even assuming no change in the shape or level of the yield curve as the assets and liabilities re-price.

**Interest rate risk governance**

The risks in CEP's non-traded portfolios are estimated using a common set of standards that define, measure, limit and report the market risk. Each business is required to establish, with approval from independent market risk management, a market risk limit framework that clearly defines approved risk profiles and is within the parameters of CEP's overall risk appetite. In all cases, the businesses are ultimately responsible for the market risks they take and for remaining within their defined limits. These limits are monitored by independent market risk management and CEP's Asset and Liability Committees (ALCOs).

**Interest rate risk measurement**

CEP's principal measure of risk to NIR is Interest Rate Exposure (IRE). IRE measures the change in expected NIR in each currency resulting solely from unanticipated changes in forward interest rates. Factors such as changes in volumes, spreads, margins and the impact of prior-period pricing decisions are not captured by IRE. IRE assumes that businesses make no additional changes in pricing or balances in response to rate changes.

The IRE measures the potential change in expected net interest earnings over an accounting horizon of 12 months and 5 years and has been broken down into the main currencies on CEP's balance sheet.

The following table shows the IRE measures at 31 December 2015 and 31 December 2014 assuming a parallel upward shift of interest rates by 100 bps. A positive IRE indicates a potential increase in earnings while a negative IRE indicates a potential decline in earnings. IRE is calculated on a monthly basis.

**Table 22**: **Sensitivity of net interest income**

| *EUR thousands* | 2015 | | 2014 | |
|---|---|---|---|---|
| Currency | 12 Month +100bps shock in $M | 24 Month +100bps shock in $M | 12 Month +100bps shock in $M | 24 Month +100bps shock in $M |
| CZK | (1,556) | (1,692) | 2,074 | 4,608 |
| EUR | (3,665) | (3,939) | (3,502) | (3,552) |
| GBP | (586) | (590) | (392) | (403) |
| HUF | (4,507) | (8,905) | (4,005) | (7,457) |
| RON | (3,178) | (4,867) | (1,397) | (1,433) |
| USD | (1,680) | (1,381) | (593) | (321) |
| Other | (313) | (298) | (437) | (605) |
| *EUR thousands* | 2015 | | 2014 | |
| Currency | 12 Month - 100bps shock in $M | 24 Month - 100bps shock in $M | 12 Month - 100bps shock in $M | 24 Month - 100bps shock in $M |
| CZK | 46 | 46 | (20) | (51) |
| EUR | 12 | 82 | 88 | 218 |
| GBP | 307 | 310 | 205 | 214 |
| HUF | 3,956 | 8,278 | 4,005 | 7,457 |
| RON | 2,869 | 4,558 | 1,421 | 1,457 |
| USD | 1,574 | 1,285 | 424 | 242 |
| Other | (57) | (80) | (122) | (237) |

### 5.2.1 Non Trading Book Risk Capital

CEP calculates risk capital based on a stochastic interest rate simulation for a one year holding period. The model covers essentially all non-traded positions related to interest rate risks in compliance with Citigroup Market Risk Management's Accrual Portfolio Policy.

The model generates 100,000 P&L scenarios, and then Risk Capital is estimated as the 99.9% percentile of the one-year P&L distribution.

# 6. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events. It includes the reputation and franchise risk associated with business practices or market conduct in which Citi is involved.

**Operational Risk Management**

Citi's operational risk is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework is consistent with Citi's Three Lines of Defence approach to Risk Management.

Operational Risk Management proactively assists the businesses, operations, technology and other functions in enhancing the effectiveness of controls and managing operational risks across products, business lines and regions. Furthermore, operational risks are considered as new products and business activities are developed and processes are designed, modified or sourced through alternative means.

Citi maintains a system of policies to anticipate, mitigate and control operational risk. A consistent framework has been established for monitoring, assessing and communicating both operational risk and the overall operating effectiveness of the internal control environment.

**Measurement**

Information regarding CEP's operational risk management and measurement, historical losses and the control environment is reported and summarised for Senior Management and Governance Forums.

Operational risk is measured and assessed through risk and regulatory capital requirements. CEP has adopted the "Standardised Approach" for calculating CEP's operational risk capital requirement. Under this approach, CEP's business activities are divided into business lines as prescribed in the CRR and a beta factor (12%, 15% or 18%) is applied to a 3-year rolling average of gross revenues. See Table 24.

**Risk Governance and Management**

CEP Operational Risk and Outsourcing Committee (OROC) is a sub-committee of the Risk Committee and is responsible for maintaining oversight over the adequacy and effectiveness of the operational risk framework and for the appropriate management of all outsourcing across CEP. It assesses the operational risks and channels relevant information to both the Risk and Audit Committees to which it reports.

**Operational Risk Capital**

To calculate internal risk capital, CEP leverages a standalone legal entity estimate calibrated at a 99.9% confidence level. The model is based on fitting available internal and external data to generalised Pareto distributions, leading to a capital estimation formula that entails the annual frequency of losses at ≥$1million, the tail (i.e. severity) parameter derived from the fitted distribution and the confidence level.

**Table 23: Minimum capital requirements in respect of operational risk by business line**

| *EUR Thousands* | | 2015 | 2014 |
|---|---|---|---|
| Business Lines | Beta Factor Applied | **Capital Requirement** | |
| Trading and Sales | 18% | 92,690 | 89,291 |
| Retail Brokerage | 12% | 1,071 | 840 |
| Commercial Banking | 15% | 42,108 | 42,234 |
| Retail Banking | 12% | 12,982 | 15,370 |
| Payment and Settlement | 18% | 57,750 | 60,575 |
| Agency Services | 15% | 7,476 | 7,339 |
| **Total** | | **214,076** | **215,649** |

# 7. Liquidity Risk

### Liquidity Risk Management

Liquidity risk represents the possibility that a financial institution might not be able to meet its obligations in a timely manner. Management of liquidity risk at the global level is the responsibility of the Citigroup Treasurer with oversight from senior management through Citi's Asset and Liability Committee (ALCO).

Citi operates under a centralised treasury model where the overall balance sheet is managed by Citigroup Treasury through Global Franchise Treasurers and Regional Treasurers.

Day-to-day liquidity and funding are managed by treasurers at the country and business level and are monitored by Citigroup Treasury and Independent Risk Management.

In CEP, Treasury and the ALCO manage the liquidity of CEP, with ultimate responsibility resting with the Board of Directors, by monitoring balance sheet composition, liquidity, funding and capital structure under business as usual and modelled stress conditions.

### Key Internal Metrics

Citi uses multiple measures to monitor its liquidity. Key metrics for managing liquidity risk include:

- Stress Testing;
- Liquidity Ratios;
- Concentration Exposures;
- Large Funds Providers;
- Internal and External Market Triggers;
- Cross-Currency Funding Limits; and
- Daily Deposit Reporting.

Liquidity stress testing is used to determine the liquidity risk appetite of each legal entity and is approved by their respective boards of directors. The resulting liquidity risk appetite forms the basis for legal entity and business liquidity limits. Utilisation against those limits is monitored daily. Assumptions used to develop stress testing are reviewed periodically and any changes are approved through the internal governance framework including the ALCO.

Numerous reports on the above mentioned metrics are produced on a regular basis to enable management to monitor the liquidity and funding position of the legal entity. These include management information packs used for the ALCO to monitor liquidity, including under stress conditions.

A number of market indicators are monitored and reported daily to indicate any decline in liquidity conditions across the wider market place. These market indicators are also reviewed in ALCO meetings.

### Key External Metrics

The CBI requires minimum liquidity ratios to be maintained. A stock of liquidity assets must be held to meet short term liquidity requirements. Qualifying liquid assets and net cash flows in tenors sight to 8 days and 8 days to one month must be must be equal to or greater than 100% and 90%. This is monitored on a daily basis.

The CRD IV package requires CEP to report a Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR is designed to promote short term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid assets to survive an acute stress scenario lasting 30 days. The NSFR has a time horizon of one year and has been developed to promote a sustainable maturity structure of assets and liabilities. The Delegated Regulation Act which supplements the LCR section of the CRR requires CEP to maintain a 60% LCR from October 2015, which will increase to 100% by 2018. The Net Stable Funding Ratio (NSFR) is one of the Basel Committee's key reforms to promote bank's long term structural liquidity which requires banks to maintain a stable funding profile in relation to the composition of their on-balance sheet assets and off-balance sheet activities. The measurement aims to limits over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off balance sheet items. NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The ratio should be equal to least 100% on an on-going basis. The deadline for NSFR is still being discussed and the proposed timeframe is January 2018.

Disclosures relating to Asset Encumbrance in CEP can be found in Appendix 2.

**Table 24: LCR Breakdown as at 31st December 2015**

| Eur Thousands | Liquidity Value Weighted |
|---|---|
| **High quality liquid assets** | 5,219,452 |
| Gross inflows | 3,483,836 |
| Gross outflows | 7,762,535 |
| **Net outflows** | 4,278,699 |
| LCR ratio in % | **121.99%** |

# 8. 2015 Remuneration Statement

## 8.1. Citi's Compensation Philosophy

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

Citi's compensation objectives for 2015, as outlined below, have been specifically crafted to encourage prudent risk-taking, while attracting, motivating and retaining world class talent necessary to see CEP through to success. Citi Remuneration information is provided for the regulated operating company, CEP.

**Shareholder Alignment**

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

**Ethics and Culture**

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

tolerance environment for unethical conduct, through appropriate compensation and employment decisions.

**Risk Management**

- Develop and enforce risk management controls that reduce incentives to create imprudent risks for Citi and its businesses, and that reward a thoughtful balance of risk and return.

- Exercise discretion within a framework designed to make appropriate trade-offs between risk and reward.

- Encourage prudent risk-taking through multiple incentive compensation program processes for all employees who manage or influence material risks, including (a) rigorous performance management processes, (b) bonus pool funding and individual bonus determination processes that reflect risk-adjusted performance, and (c) deferrals that keep a meaningful portion of incentives at risk for future performance outcomes.

- Evaluate incentive compensation program results on an iterative basis, recognizing that validation and monitoring may result in future changes.

- Communicate clearly to all employees that poor risk management practices and imprudent risk-taking activity will lead to an adverse impact on incentive compensation, including the loss of incentive compensation and the reduction or elimination of previously awarded incentive compensation.

- Differentiate compensation decisions based on demonstrated risk management behaviours.

- Appoint a majority of independent directors to the Remuneration Committee, to provide independent review and approval of the firm's overall compensation philosophy.

- Set expectations of management regarding risk balancing in incentive compensation programs engaging, where appropriate, independent advisors to assist the Committee. Such advisors should provide no other services to Citi.

- Involve Citi's control functions, including Independent Risk, Compliance and Internal Audit, in compensation governance and oversight.

**Regulatory Guidance**

- Design incentive compensation programs with the recognition that global regulation of bank incentive compensation is evolving and that Citi's programs must be responsive to emerging trends and best practices.

- Where appropriate, develop innovative and industry-leading approaches that reconcile regulatory considerations and other stakeholder interests in compensation structures and designs.

- Promote understanding of the design and implementation of incentive compensation programs by outlining compensation policies, procedures and practices in public disclosures.

**Attract and Retain Talent**

- Compensate employees based on ability, contributions and risk-adjusted performance demonstrated over time, balanced with appropriate recognition for short-term results and contributions.

- Provide compensation programs that are competitive within global financial services to attract the best talent to successfully execute the company's strategy.

- Differentiate individual compensation to reflect employees' current or prospective contributions, based on both financial and non-financial performance such as risk and compliance behaviour, and to reward those employees who demonstrate ingenuity and leadership.

- Provide discretionary incentive compensation, including equity awards, that is variable within guidelines prescribed by management and the Committee using a rigorous objective framework of goal-setting and performance evaluation for all highly paid professionals.

- Clearly and consistently communicate Citi's approach to compensation throughout the year, cascading such communications broadly to employees through key value statements such as Citi's Code of Conduct and the statements and actions of senior management and managers generally.

## 8.2. Remuneration Governance

**Global Remuneration Committee**

The Personnel and Compensation Committee (P&C Committee) of the Board of Directors of Citigroup Inc., oversees Citi's global remuneration policies and practices. It annually reviews the compensation structures for members of senior management and other highly compensated or regulated individuals. The P&C Committee, with the assistance of the Chief Risk Officer, also reviews the design and structure of compensation programs relevant to all employees in the context of risk management.

The P&C Committee's terms of reference are documented in the P&C Committee Charter, which establishes the scope and mandate of the P&C Committee's responsibilities and the general principles governing the remuneration policy of the firm globally. The Charter (updated for 2016) is available online at: http://www.citigroup.com/citi/investor/data/percompcharter.pdf?ieNocache=248

The P&C Committee members are all independent non-executive directors, selected and appointed on account of their background and experience in business and their capability to fulfil their responsibilities as P&C Committee members. For the performance year 2015, the P&C Committee members were: William S. Thompson, Jr. (Chairman), Dr Judith Rodin, Diana L. Taylor and Michael E. O'Neill. Biographies and details around the compensation paid to P&C Committee members are in the 2016 Proxy Statement. The P&C Committee met 12 times in 2015 and each Director attended at least 75% of all meetings.

The P&C Committee is supported by Human Resources and Citi's control functions, including Independent Risk and Legal.

The P&C Committee also draws on considerable experience of the other non-executive directors of the Board of Citigroup Inc. It is also empowered to draw upon internal and external expertise and advice as it determines appropriate and in its sole discretion and Citi pays the fees of any such external advisors. The Committee appointed Frederic W Cook & Co ("Cook & Co") in 2012 to provide the Committee with independent advice on Citi's compensation programs for senior management. Cook & Co reports solely to the Committee and the Committee has sole authority to retain, terminate, and approve the fees of Cook & Co. Cook & Co does no other work for Citi.

**CEP Remuneration Committee**

In September 2014, the CEP Remuneration Committee (RemCo) was formed per Regulation 83 (1) of SI 158 European Union (Capital Requirements) Regulations 2014.

The RemCo has responsibility for the preparation of decisions regarding remuneration, including those which have implications for risk and risk management of CEP and which are to be taken by the Board of Directors of CEP (Board). When preparing such decisions, the RemCo shall take into account the long-term interest of CEP's shareholders, investors and other stakeholders in CEP and the public interest. The role and responsibilities of the RemCo are set out in the Terms of Reference for the RemCo as approved by the Board.

The 2015 CEP RemCo comprised the EMEA Head of Corporate Banking, Global CRO for Public Sector and Independent Non-Executive Director.

**EMEA Remuneration Committee**

Prior to the formation of the RemCo and in accordance with applicable Irish law requirements, CEP operated a derogation, then available under the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2010. Such that during this time, CEP operated under the remit of the EMEA Remuneration Committee for the purpose of enabling CEP to discharge its obligations under applicable laws and regulations regarding remuneration.

In 2010, Citi established the EMEA Remuneration Committee ("EMEA RemCo"), in order to provide regional oversight on remuneration matters for the EMEA region. The EMEA RemCo is a sub-committee of the EMEA Governance Committee. The P&C Committee retains ultimate oversight of Citi's remuneration matters. In 2011, Citi appointed an Independent Non-Executive Director of the P&C Committee and EMEA Governance Committee to the EMEA RemCo.

The 2015 EMEA RemCo comprised the EMEA Chief Executive Officer and EMEA Chief Administrator Officer, and EMEA Heads of Risk, Compliance, Human Resources, Legal, and Finance, and a member of the P&C Committee who is an Independent Non-Executive Director.

**Material Risk Takers**

In accordance with the EBA Guidelines on Remuneration Policies and Practices, Citi maintains a record of its Remuneration for Material Risk Takers, which comprises the categories of staff whose professional activities are determined as having a material impact on the firm's risk profile.

For the 2015 performance year, Material Risk Takers were identified principally using Citi's understanding of the European Banking Association's criteria for identifying staff as set out in the Commission Delegated Regulation (EU) No 604/2014.

## 8.3 Design and Structure of Remuneration

**Fixed Remuneration – Salary and Benefits**

Citi's fixed remuneration is set to appropriately attract, retain and motivate employees, in line with market practices, and is benchmarked against market data by role.

Role Based Allowances have been assigned to roles, not employees, on the basis of the following, non-exhaustive list of factors: a)the size and complexity of the role, b) the breath of responsibility and territory covered by the role and, c) the strategic importance of the role, territory or market to the business.

Pension and other non-cash benefits are offered to Citi EMEA employees as part of an overall reward package which is designed to be sufficiently competitive to attract, retain and motivate employees. Citi EMEA aims to provide common pension and other benefits across all units/business groups, which are competitive against the external market.

**Variable Compensation**

**Discretionary Incentive and Retention Award Plan**

Citi's Discretionary Incentive and Retention Award Plan (DIRAP) is Citi's main discretionary variable compensation plan, and applies globally. It is designed to incentivise, reward and retain employees based on their current and prospective performance and contribution. Awards made under the DIRAP are typically awarded in the form of cash and/or Citi stock.

Immediate Cash awarded for the 2015 performance year to Material Risk Takers under DIRAP is included under "2015 Cash" in Table 25

**Use of Stock and Deferred Cash as Deferred Compensation**

Citi operates a mandatory deferral policy, where total annual variable compensation of an individual awarded under DIRAP exceeds globally set thresholds. For Material Risk Takers, 2015 variable compensation subject to deferral was typically awarded in the form of Citi stock and deferred cash. Citi believes that awarding deferred stock and deferred cash are effective means of aligning employee interests with those of stockholders and other stakeholders.

**Deferred Equity Awards**

The Capital Accumulation Program (CAP) is the main programme under which Citi may make awards of deferred Citi stock to selected employees. Deferred stock awards are subject to the terms of the CAP plan.

Deferred equity awarded under CAP to Material Risk Takers for the 2015 performance year is included in "2015 Equity" and EU Short Term Awards made to Material Risk Takers are included in "2015 Vested Outstanding" in Table 25**.** Prior years unvested CAP awards are included in the "Outstanding Deferred – Unvested" amounts in Table 25**.**

**Short Term Equity Awards**

Material Risk Takers receive a portion of their "immediate" variable incentive compensation in the form of an immediately vesting stock award (EU Short Term Award or "EUSTA"), which is subject to a 6-month retention period on vesting. EUSTA awarded for the 2015 performance year to Material Risk Takers under DIRAP is included under "2015 Vested Outstanding" in Table 25.

**Deferred Cash Awards**

A portion of 2015 deferred remuneration was awarded to Material Risk Takers in the form of a deferred cash award. Deferred Cash awarded for the 2015 performance year to Material Risk Takers is outlined in Table 25 as '2015 Deferred Cash'.

**Deferrals and Retention Periods**

Citi EMEA operates a standard or "default" deferral policy period of four years for non-Material Risk Takers, which it considers captures the duration of most risks in a proportionate manner.

Deferred variable compensation awarded to Material Risk Takers is awarded in the form of deferred stock and deferred cash. In accordance with EBA Guidelines, Material Risk Takers were subject to deferral rates of 40% to 100% depending on their level of total variable compensation. Deferred awards for Material Risk Takers vest over at least three years, subject to a further minimum six-month retention period once vested. In regards to the remaining portion of variable compensation, 10-30% is paid as immediately vesting stock (EUSTA) subject to a minimum six-month sales restriction and the remainder is paid in immediate cash.

**Claw-back**

At Citi's discretion, for Material Risk Takers, the unvested deferred portion of the 2015 awards may be subject to adjustment based on the following:

- There is reasonable evidence of employee misbehaviour or material error; or
- There is reasonable evidence that an employee was involved with or responsible for conduct, which resulted in significant losses in connection with their employment or failed to meet appropriate standards of fitness and probity; or
- The firm or the relevant business unit suffers a material downturn in its financial performance; or
- The firm or the relevant business unit suffers a material failure of risk management; or
- The participant received the award based on materially inaccurate audited publicly reported financial statements; or
- The participant knowingly engaged in providing materially inaccurate information relating to audited publicly reported financial statements; or
- The participant materially violated any risk limits established or revised by senior management and/or risk management; or
- The participant engaged in gross misconduct.

In addition, following the introduction of new rules around claw-back, all vested cash and stock amounts related to variable remuneration awarded to Material Risk Takers are subject to claw-back for a period of at least seven years from date of award.

**Performance Based Vesting Condition**

Deferred equity awards made to Material Risk Takers are subject to a formulaic performance based vesting condition that may result in the cancellation of all or part of unvested amounts in the event of losses in their relevant business.

Deferred cash awards made to Material Risk Takers are subject to discretionary performance based vesting, which may result in cancellation of unvested awards where an employee has significant responsibility for a material adverse outcome, such as events which lead to serious financial or reputational harm to Citi.

## 8.4 Key Remuneration Policies

**Guarantees, Buyouts and Retention Payments**

Guaranteed incentive awards for Citi EMEA employees can generally be made only in exceptional circumstances, where there is a strong capital base and by reference to the first year of service.

Guaranteed awards which buy out equity or similar instruments which are forfeited as a result of resigning employment with another employer and joining Citi EMEA are generally permitted but must not be more generous in either amount or terms than that provided by the former employer. Table 25 includes guaranteed and buy out awards made to Material Risk Taker hires.

Guaranteed awards made for the purposes of retaining employees can only generally be made in exceptional circumstances, for example, during major restructuring, during a merger process; or where a business is winding down, such that particular staff need to be retained on business grounds. No guaranteed retention awards were made to Material Risk Takers in 2015.

**Severance**

Severance pay is generally discretionary unless otherwise required by local law or workplace agreements. Payments related to the termination of employment are designed in a way that does not reward failure.

**Ratio of Fixed to Variable Remuneration**

Citi seeks to balance the components of reward between fixed and variable, and between short term and long-term components. Annual fixed remuneration for senior employees is regularly reviewed by the P&C Committee. Citi operates a fully flexible remuneration policy, including the possibility to pay zero variable remuneration. For relevant employees, an annual review of the balance between fixed and variable compensation takes place and, where required, adjustments are made to the fixed element of pay to ensure that an appropriate balance of fixed versus variable continues to be maintained on an ongoing basis. The aggregate of fixed remuneration paid to Material Risk Takers for 2015 is set out in Table 25.

Following the introduction of CRD IV, Citi has obtained shareholder approval to apply a fixed to variable ratio of 1:2 for Material Risk Takers in 2015

**Personal Hedging**

Employees subject to the EBA Guidelines on Remuneration Policies and Practices are prohibited from engaging in personal hedging strategies or taking out remuneration or liability related contracts of insurance that undermine or may undermine any risk alignment effects of their remuneration arrangements.

In addition, Citi's Corporate Personal Trading Policy and Standards prohibits “Covered Employees” (separately defined for this purpose) and related persons from hedging in any manner (other than currency hedges) unvested restricted stock or deferred stock awarded under CAP or restricted shares, or otherwise having a financial interest in having Citi securities decline in value.

Certain "Covered Employees" are subject to restrictions on specific types of trading in Citi shares. The following transactions in Citi securities are prohibited:

- Short sales
- Sales of naked calls
- Purchases of puts for speculative purposes
- Speculative option strategies (i.e. straddles, combinations and spreads) when the Covered Employee does not have an underlying position in Citigroup securities that would permit the Covered Employee to make delivery if the options were to be exercised; and
- Any transactions related to the hedging of unvested CAP or Restricted shares

### 8.5 Link between Pay and Performance

Citi is committed to responsible compensation practices and structures. Citi seeks to balance the need to compensate its employees fairly and competitively based on their performance, while assuring that their compensation reflects principles of risk management and performance metrics that reward long-term contributions to sustained profitability.

Exceptional employees, and exceptional efforts by those employees, have been required to implement Citi's strategy where there continues, despite the downturn in certain businesses, to be worldwide competition for proven talent in many parts of the financial services industry and a difficult global economic climate.

Citi's compensation practices are constantly evolving to ensure that our discretionary incentive and retention compensation programmes reduce the potential for imprudent risk-taking that may undermine Citi's business objectives and the franchise. Risk continues to be a primary consideration in designing Citi's compensation programmes. Further, Citi's performance management processes for all Citi employees is designed to ensure that discretionary pay decisions incorporate considerations of risk, as well as individual, business unit and overall Citi performance.

Citi's programmes incorporate both ex-ante and ex-post features to adjust for risk and current and future performance:

- At the Citi level, management has developed a robust process for risk-adjusting the annual discretionary incentive and retention compensation pools for which annual incentive awards are made.
- Citi enhanced its performance evaluation process to formally integrate opinions of personnel from the independent control functions in the performance evaluations of Material Risk Takers.
- As noted above, deferred awards made to Material Risk Takers include a performance-based vesting (PBV) features and claw-back provisions which may result in cancellation of unvested awards.
- A significant proportion of deferred awards is made in the form of Citi common stock and is therefore inherently performance-based. Citi has trading policies that limit hedging strategies that might otherwise

undermine the risk alignment effects of their remuneration arrangements.

- Vesting of the deferred awards does not accelerate upon termination of employment except in the case of death, so an employee's interest remains aligned with those of stockholders even after termination of employment.

**Individual Performance**

One of Citi's key compensation principles is to "promote meritocracy by recognising employee contributions".

The performance assessment of all Material Risk Takers is based on individually tailored goals, and an assessment against Citi's Leadership Standards:

**Develops our people:**

- Builds talent and teams for Citi by creating a culture of meritocracy and transparency, and celebrating excellence, initiative and courage
- Inspires and empowers the team to work collaboratively to achieve superior results
- Creates an environment where people hold themselves to the highest ethical standards
- Models personal growth and consistently provides coaching and feedback in support of ongoing development and retention
- Attracts great talent, builds a diverse talent pipeline, and recognizes, rewards, promotes based on performance

**Drives value for clients:**

- Enables economic value and positive social impact for clients, companies, governments, and communities
- Puts clients first by anticipating, understanding, and exceeding their expectations and needs
- Acts as a trusted partner to clients by delivering superior advice, products and services
- Brings the best of Citi and knowledge of global issues and market trends to create value and good will with clients
- Drives innovation, competitive differentiation and speed to market by actively learning from others

**Works as a partner:**

- Works collaboratively across the firm and encourages others to achieve the best results for Citi and our clients
- Exemplifies global leadership by embracing unique perspectives from across Citi to achieve the best solutions
- Challenges self and colleagues to higher levels of performance by actively listening and engaging in constructive dialogue
- Treats people with respect and assumes the intentions of others are based on common goals and shared purpose

**Champion's progress:**

- Champions a culture of high standards, pushes for progress, embraces change and challenges the status quo in support of Citi's vision and global strategy

- Communicates a vision that is forward looking and responsive to changes in the environment
- Inspires enthusiasm and mobilizes resources for productive and innovative change
- Exhibits confidence and agility in challenging times
- Sets a positive tone when implementing Citi-wide change initiatives

**Lives our values:**

- Ensures systemically responsible outcomes while driving performance and balancing short and long term risks
- Sets the standard for the highest integrity in every decision
- Leads by example; willing to make difficult choices in support of Citi and our stakeholders
- Makes Citi better for all by putting the clients' and Citi's interests ahead of individual or team interests
- Has the courage to always do what's right and the humility to learn from mistakes

**Delivers results:**

- Sets high standards and achieves performance objectives by creating a clear path toward ethical and sustainable results
- Translates Citi's strategy into effective business plans while proactively overcoming obstacles
- Prioritizes and provides a clear line of sight to the most critical work
- Sets goals and measures progress to ensure the organization is focused on ethics, execution, and results
- Expects self and team to consistently meet/exceed expectations

Citi conducts an annual independent review process pursuant to which the control functions: Compliance, Finance, Independent Risk, Internal Audit and Legal, provide an evaluation of risk behaviours of Material Risk Takers. The risk behaviour rating from the independent review process is included in the performance evaluation system to inform the performance review conducted by the individual's manager. The performance evaluation system includes formal risk goals for all Material Risk Takers as well as a formal manager-provided risk rating.

Whilst the appraisal system reflects performance in the current year, any compliance or risk related breach in the previous performance period that is discovered in the current performance period will be taken into account when determining the individual's rating. For Material Risk Takers material errors which occur in a previous performance period but are discovered in the current performance period may result in an adjustment of unvested deferred compensation (i.e. claw-back) and/or current year end variable compensation.

**Remuneration of Control Function Employees**

In terms of remuneration for employees in control functions, whilst remuneration levels are influenced by Citi's overall performance, individual compensation is determined within the function and pay decisions are based on assessments against measurable goals and targets which are set by each function. Compensation of control function employees is regularly benchmarked against external market data.

Citi maintains the independence of key control functions (e.g. Compliance and Risk) to minimise any scope for potential conflicts of interests. Accordingly, there should be no conflict of interest on account of any business' potential to influence individual awards in the control function. Citi ensures performance management and compensation decisions for function personnel are directed by function management, and not the business unit.

## Table 25: Fixed & Variable Compensation for Material Risk Takers in CEP 2015

Fixed & Variable Compensation for Material Risk Takers in Citibank Europe PLC. (CEP)

2015 Performance Year

| | | 2015 FIXED [i] | 2015 VARIABLE COMPENSATION AWARDED IN 2016 [i] | | | | | OTHER VARIABLE COMPENSATION [i] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Employees [ii] | Fixed Remuneration [iii] (MM EUR) | 2015 Cash [iv] (MM EUR) | 2015 Vested Outstanding [v] (MM EUR) | 2015 Equity (MM EUR) | 2015 Deferred Cash (MM EUR) | Guarantees - Recruitment [vii] (MM EUR) | Outstanding Deferred - Unvested [vi] (MM EUR) | Outstanding Deferred - Vested [vi] (MM EUR) | Buy-Out of Forfeited Deferrals from Prior Employer [ix] (MM EUR) | Severance [ii] [x] (MM EUR) |
| **Citibank Europe PLC** | **44** | **€ 9.52** | **€ 1.72** | **€ 1.31** | **€ 1.12** | **€ 1.09** | **€ -** | **€ 2.34** | **€ 1.76** | **€ 0.06** | **€ 1.17** |
| Other MRT | 30 | € 5.59 | € 1.06 | € 0.80 | € 0.65 | € 0.62 | € - | € 1.60 | € 1.10 | € 0.06 | € 1.01 |
| Senior Management [viii] | 14 | € 3.93 | € 0.66 | € 0.50 | € 0.46 | € 0.46 | € - | € 0.74 | € 0.65 | € - | € 0.16 |
| **Grand Total** | **44** | **€ 9.52** | **€ 1.72** | **€ 1.31** | **€ 1.12** | **€ 1.09** | **€ -** | **€ 2.34** | **€ 1.76** | **€ 0.06** | **€ 1.17** |

**NOTES:**

***i)*** *All non EUR payments converted to EUR using December 2015 European Comission FX Rates*

***ii)*** *Employees figure reflects 42 active MRTs as at 31st December 2015, reflected in fixed and variable compensation. Two additional 2015 MRT severances included in headcount and severance figures.*

***iii)*** *Fixed Remuneration consists of base salary, fixed benefits and pension*

***iv)*** *2015 Cash includes severance payments to MRTs active as at 31st December 2015*

***v)*** *2015 vested outstanding is as of 29th February 2016*

***vi)*** *Outstanding Deferred - consists of:*

*a). **Options** - However no outstanding options to report for 2015*

*b). **Shares** - valued using closing price 29th Feb 2016 ($38.85)*

***vii)*** *Guaranteed Amounts are included within Variable Compensation*

***viii)*** *Senior Management defined as members of Citibank Europe PLC Management Committee*

***ix)*** *Buy-Out's relate to amounts awarded in 2015*

***x)*** *Severance payment was made to four employees in 2015. The highest award to a single individual was (MM EUR) €0.6*

***xi)*** *To ensure consistency of reporting year on year the as at date has been extended to 29th February 2016 to include the later grant date of variable deferred compensation*

## Table 25: Fixed & Variable Compensation for Material Risk Takers in CEP 2014

**Table 1: Fixed & Variable Compensation for Material Risk Takers in Citibank Europe Plc. (CEP)**

**2014 Performance Year**

| | | 2014 FIXED | 2014 VARIABLE COMPENSATION AWARDED IN 2015 i). | | | | | OTHER VARIABLE COMPENSATION i). | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Employees | Base Salary (MM EUR) | 2014 Cash (MM EUR) | 2014 Vested Outstanding (MM EUR) | 2014 Equity (MM EUR) | 2014 Deferred Cash (MM EUR) | Guarantees - Recruitment iii). (MM EUR) | Outstanding Deferred - Unvested ii). (MM EUR) | Outstanding Deferred - Vested ii). (MM EUR) | Buy-Out of Forfeited Deferrals from Prior Employer v). (MM EUR) | Severance (MM EUR) |
| **CEP** | **37** | **€ 9.68** | **€ 1.34** | **€ 1.25** | **€ 1.38** | **€ 1.38** | **€ 0.00** | **€ 3.21** | **€ 1.82** | **€ 0.00** | **€ 0.39** |
| Other MRT | 34 | € 7.86 | € 1.17 | € 1.08 | € 1.17 | € 1.17 | € 0.00 | € 2.67 | € 1.31 | € 0.00 | € 0.39 |
| Senior Management iv). | 3 | € 1.82 | € 0.17 | € 0.17 | € 0.21 | € 0.21 | € 0.00 | € 0.54 | € 0.51 | € 0.00 | € 0.00 |
| **Grand Total** | **37** | **€ 9.68** | **€ 1.34** | **€ 1.25** | **€ 1.38** | **€ 1.38** | **€ 0.00** | **€ 3.21** | **€ 1.82** | **€ 0.00** | **€ 0.39** |

**NOTES:**

i). All USD Payments are converted to EUR using Dec 2014 EBA FX Rate (EUR/USD 1.248)

ii). Outstanding Deferred consists of:

a). Options -Outstanding Deferred Vested calculated by using fair value of options, fixed at grant less outstanding amortisation. Outstanding Deferred Unvested valuation equals remaining amortisation balance as at 27th February 2015

b). Shares - valued using closing price 27th Feb 2015 ($52.42)

iii). Guaranteed Amounts are included within Variable Compensation

iv). Senior Management defined as Executive members of the CEP Board

v). Buy-Out's relate to amounts awarded in 2014

vi).To ensure consistency of reporting year on year, the as at date has been extended to 27th February 2015 to include the later grant date of variable deferred compensation

**Table 26: 2015 Remuneration Banding for Annual Compensation of Individuals Earning at Least EUR 1 Million**

| Remuneration Banding for Annual Compensation of Individuals Earning at Least EUR 1 Million | |
|---|---|
| Citibank Europe Plc<br>Performance Year 2015 | |
| **Total Compensation EUR** | **Number of Individuals** |
| 1,000,000 to 1,500,000 | 1 |
| 1,500,000 to 2,000,000 | 1 |
| 2,000,000 to 2,500,000 | 0 |
| 2,500,000 to 3,000,000 | 0 |
| 3,000,000 to 3,500,000 | 0 |
| 3,500,000 to 4,000,000 | 0 |
| 4,000,000 to 4,500,000 | 0 |
| 4,500,000 to 5,000,000 | 0 |
| 5,000,000 to 6,000,000 | 0 |
| 6,000,000 to 7,000,000 | 0 |
| 7,000,000 to 8,000,000 | 0 |
| 8,000,000 to 9,000,000 | 0 |
| 9,000,000 to 10,000,000 | 0 |
| > 10,000,000 | 0 |
| Total | 2 |

# Appendix 1: CEP Senior Management and Board Disclosures

The following senior management disclosures are made in accordance with CRR Article 435.2 and pertain to the regulated operating company, CEP.

**Board Composition**

The CEP Board of Directors (Board) is comprised of fourteen directors as follows:

Three Independent non-executive directors, meaning that they are considered to meet the criteria for independence.

Eight Non-executive directors, being directors without executive management responsibility in CEP but who have executive management responsibilities within the Group.

Three Executive directors, being directors employed by CEP, with executive day to day management responsibilities.

The CEP Board is committed to identifying and appointing the best qualified people to serve on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. The selection criteria for Non-executive directors of CEP are designed to ensure that they bring an independent view point to the deliberations of the Board that is objective and independent of the activities of management and CEP. A key responsibility of the CEP Nomination Committee is to lead the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. The Board's breath of expertise is outlined in further detail in the biographical summaries later in this appendix.

All newly appointed Directors receive induction training which includes training on directors' duties under Irish law (Companies Act 2014, relevant governance provisions of Statutory Instrument No. 158 of 2014 and the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2015).

The Board is responsible for the appointment of the Chief Executive Officer and Senior Management (i.e. Pre-Approved Control Functions per the Fitness & Probity Standards issued by the Central Bank of Ireland (Standards)) with appropriate integrity and adequate knowledge, experience, skill and competence. Candidates are recruited and selected in accordance with Citi Human Resources standard recruitment policy and procedures and relevant CEP policies.

The Nomination Committee is mandated to consider the appointment of Senior Management. All Senior Management appointments are required to comply with the Standards.

**Distinction between the Roles of Executive and Non-Executive Directors**

A fundamental distinction is drawn between the roles of executive and Non-executive directors.

The Non-executive directors must have a knowledge and understanding of the business, risks and material activities of CEP to enable them to contribute effectively. The Independent non-executive directors must comprise individuals with relevant skills, experience and knowledge (such as accounting, auditing and risk management knowledge) that provide an independent challenge to the Executive directors of the Board.

CEP's Audit Committee is comprised of three Independent non-executive directors. CEP's Risk Committee is comprised of a majority of Independent non-executive directors. The Chairperson of these committees set the agenda for the committee meetings. Dedicated support is available to Independent non-executive directors on any matter requiring additional and/or separate advice to that available in the normal Board process, including:

- Full and unhindered access to the business, which involves the receipt of detailed presentations given by business or control functions;

- Administrative support in the form of an assistant for the Chairman at CEP's Registered Office; and

- Technical training in the form of Board tutorials. These regular tutorials cover a wide range of subjects including: capital and liquidity requirements, anti-money laundering rules and recovery and resolution planning.

**Table 27: Directorships held by Citibank Europe plc Board of Directors as of 31 December 2015 (including CEP)**

| Name | Total number of Directorships |
|---|---|
| **Professor Mary Lambkin** | 1 |
| **Jim Farrell** | 2 |
| **Breffni Byrne** | 8 |
| **Francesco Vanni d'Archirafi** | 11 |
| **Zdenek Turek** | 3 |
| **Rajesh Mehta** | 3 |
| **Bo Hammerich** | 2 |
| **Christopher Teano** | 4 |
| **Patrick Scally** | 2 |
| **Marc Luet** | 3 |
| **Deepak Jain** | 1 |
| **Aidan Brady** | 2 |
| **Tony Woods** | 4 |
| **Cecilia Ronan** | 3 |
| **Total** | **49** |

## Directors' Board Membership and Experience at 31 December 2015

### Executive Directors

### Aidan Brady

Aidan Brady joined Citi in Dublin in 1985. His career in Citi Dublin has involved him managing the derivatives and financial engineering business, and heading the Treasury and Corporate Bank. He was appointed Citi Country Officer for Ireland in 1992. He was a Senior Credit Officer and was the former Chief Executive Officer of Citibank Europe plc (CEP),he retired from this role in early 2016. In 2007, Aidan was appointed Citi Transaction Services Head for Western Europe with responsibility for 17 countries and in 2011 he was appointed as co-Citi Transaction Services Head of EMEA. Aidan is a Chartered Accountant, is the former President of the Institute of Bankers in Ireland and a founding Chairman of the Federation of International Banks in Ireland.

### Cecilia Ronan

In her role as Chief Administrative Officer for Citibank Europe Plc, Cecilia is responsible for all of Operations and Technology, and oversees strategic priorities, business performance, expense management, outsourcing oversight, mergers, acquisitions and divestments, stakeholder interaction, government relations and site management, including Continuity of Business, General Services, Technology, Legal, HR and Public Affairs.

In her role as Executive Director of the Board of Citibank Europe Plc, Cecilia is responsible for legal entity management, strategy and governance, product review, outsourcing, operational risk and related party lending which requires frequent interaction with the Irish Regulator and the OCC

Cecilia is also responsible for the Citi Service Centres in Poland and Hungary, and, including her role as Site Head for the Dublin Service Centre, leads a team of 6,000 Operations and Technology professionals. With an Irish expense base of US$200 million, the CSCs provide 40 services to 20 countries with approximately 800 clients. Cecilia is responsible for governance, risk and controls, client interaction, efficiency and productivity, cost optimisation, fraud management, migration over-sight, talent and culture, as well as innovation and FinTech.

### Tony Woods

Tony joined Citi in June 1997. Prior joining to Citi, Tony worked with the Central Bank of Ireland for 18 years. During this time Tony also lectured extensively on the subject of Management Accounting and Business Finance.

Tony is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Bankers in Ireland. He also holds directorships with the following Citi entities: Citibank Europe plc, Citibank Holdings Ireland Limited, Citibank Employee Benefit Plan Trustees Ireland Limited and Citibank Pensions Trustees Ireland Limited, Tony is also on the Board of the International Financial Services Institute and is also a member of the Chartered Accountants in Banking Advisory Group.

Tony is the Head of Compliance for Citi Ireland and Chief Compliance Officer for Citibank Europe plc which has a branch network across 21 countries. Prior to his current position, Tony was Head of Legal & Compliance for Citi Ireland from 2001 – 2007 and Head of Risk & Compliance from 2007 – 2015.

## Independent Non-Executive Directors

### Breffni Byrne

Breffni Byrne is currently Chairman of TEDCASTLES Holdings and a non-executive director of Hikma Pharmaceuticals plc, a FTSE 100 company and CPL Resources plc, a listed recruitment company.

He was formerly chairman of AVIVA's General and Life Insurance businesses in Ireland and chairman of NCB Stockbrokers.

Breffni was also a non-executive director of Irish Life & Permanent plc, ARC Life and COILLTE TEORANTA. He also chaired the Audit Committee for the above companies.

Prior to becoming a non-executive director, he was Managing Partner of the Audit & Business Advisory Practice Arthur Andersen in Ireland and Director of Risk Management for the Andersen practices in the Middle East, India, Africa and the Nordic countries.

Breffni holds a Bachelor of Commerce & Master of Economic Science degrees from UCD and is a fellow of the Institute of Chartered Accountants.

### Jim Farrell

Jim Farrell is an Independent Non-Executive Director of Citibank Europe plc and Chairman of the Audit Committee of the Courts Service. Jim was Chairman for the Irish Financial Services Regulatory Authority and a Board Member of the Central Bank of Ireland from 2008-2010. Jim was also a board member of the Irish Financial Services Regulatory Authority of Ireland from 2003-2008.

Prior to this Jim was Chief Executive of the National Development Finance Agency (NDFA) from 2002-2004 and a Director of the National Treasury Management Agency (NTMA) from 1991-2004. At the NTMA, Jim held two positions there as Director National Debt Management and Director of Operations.

Jim started his career with Citi in 1960. He held positions in the Accounting and Foreign Departments in New York and Jersey and the Channel Islands. During this period of time, he spent two years in the US Army. In 1969 Jim joined Citi in Ireland where he held a number of positions including Head of Corporate Banking. In 1986, he was appointed Country Corporate Officer for Citi in Ireland.

Jim studied Business Administration at City College New York and was drafted into the US army prior to graduation. He holds a Diploma in International Business Management from Columbia University and is also a Fellow of the Institute of Bankers in Ireland.

**Mary Lambkin**

Mary Lambkin is Professor of Marketing in the UCD School of Business where she teaches courses to undergraduate and postgraduate students and is involved in a range of research projects under the general heading of marketing strategy. Mary has written extensively on this subject in academic journals, and also writes commentaries on marketing topics of contemporary interest for professional publications.

Professor Lambkin has served as Head of the Marketing Group, as Dean of the UCD Business School and as a member of the Governing Authority of the university, and also holds a number of positions in companies and professional organisations outside the university.

**Non-Executive Directors**

**Francesco Vanni d'Archirafi**

Francesco Vanni d'Archirafi is the Chief Executive Officer of Citi Holdings, which comprises Citi's non-core assets and businesses. Prior to running Citi Holdings, he served as the Chief Executive Officer of Citi Transaction Services (CTS) since April 2009. Prior to being promoted to CEO of CTS, Francesco was the Global Head for Treasury and Trade Solutions (TTS), a major business division of Citi Transaction Services. He joined CTS in 2003 as the Region Head for Europe, Middle East and Africa.

Francesco began his career with Citi in 1983 as a Management Associate in New York before moving to the Corporate Bank in 1984, as a Relationship Manager in Lima, Peru, where he later took on the role of Treasury Marketing Manager. In 1986, he was appointed Country Treasurer for Peru, before moving to London in 1987 to launch Citibank's Southern Europe Structured Finance business. In 1993, he was appointed Corporate Finance Head for Italy, based in Milan. Three years later, he returned to London as the Global Co-Head for Mergers and Acquisitions. In 1998, Francesco was appointed the Market Manager for Iberia responsible for the Corporate Bank and customer relationships in Spain and Portugal. He was also appointed the Country Corporate Officer of Citigroup for Spain, based in Madrid. In 2001, he was named Chairman and CEO of Citibank International plc and the European Customer Group Executive for Citigroup's Corporate Bank headquartered in London; two years later he was asked to join CTS.

Francesco is the Chairman of Citibank Holdings Ireland Ltd and Chair of Citibank Europe plc. He serves on the Boards of the Citi Foundation, CitiFinancial Credit Company, Associates First Capital Corporation, PEFCO (Private Export Funding Corporation), Mapfre America S.A. and Business in the Community (BiTC), where he is the Vice Chair of BiTC's International Leadership Team. In addition, Francesco serves on the International Advisory Board of IESE and the Advisory Council for The Kogod School of Business at American University. He is the Chairman of Junior Achievement Worldwide, a member of its Board of Governors, and a Board member of Junior Achievement-Young Enterprise Europe.

Francesco is a Finance graduate of the American University in Washington DC where he received the Stanley I. Posner Award as the graduating senior with the highest overall academic average. He obtained his MBA in Finance and International Business from Columbia University in 1983.

**Bo J Hammerich**

Bo J Hammerich is the Portfolio Head for Global Public Sector. He is a Level 1 Senior Credit Officer and a Senior Securities Officer of the Bank. During his over 40 years with Citi he has held various management positions split equally between business/industry/marketing and risk responsibilities. In addition to his present London location, he has been based in New York, Paris, Rio de Janeiro, Stockholm, Riyadh and Tokyo. He is a Board Member of Citibank Europe Plc and Citibank Turkey. He is also a member of Citi's Climate Council.

The Public Sector Risk Group is responsible for credit and market risk exposures to Governments, Central Banks, Ministries of Finance, Ministries of Infrastructure, Government Banks and other sovereign owned enterprises, as well as supranational entities and Export Credit Finance Agencies.

Mr. Hammerich is a native of Sweden and graduated from the University of Lund (Sweden) School of Economics with a Master of Business Administration in 1970. He attended Harvard Business School.

**Deepak Jain**

In February 2014, Deepak was appointed as the Head of Operations and Technology for Citi's businesses in the Europe, Middle East and Africa Region representing approximately 18,000 direct staff in 55 countries. The O&T function incorporates operations units across the Corporate and Consumer businesses, technology including data centres, development and support, and enterprise infrastructure services such as real estate, procurement and employee services. Deepak is also the Chief Information Officer for the EMEA Region, where he is responsible for providing oversight for the delivery of technology in the Region, including application development, architecture, engineering, and infrastructure. He also represents the EMEA Region at the Citi CIO Council and works across the Region to ensure alignment with our Global Technology Strategy.

He also has direct management of the EMEA CSC Networks and is in acting interim Head of O&T for the UK. Prior to this in September 2011, Deepak moved to Australia as Head of Operations and Technology (O&T) for Citi Australia and New Zealand where his scope covered both corporate and consumer businesses. Deepak joined Citigroup Japan in 2004 as Senior Manager in Technology Infrastructure and over a period of eight years he progressed into a number of roles including CIO for Citigroup Global Markets, Country Technology Head, Co-Head of Operations & Technology and Head of Operations & Technology whilst also serving on the boards of Citigroup Services Japan and Citibank Japan.

**Marc Luet**

Marc Luet is the Cluster Head for Russia, Ukraine and Kazakhstan and Country Officer for Russia, based in Moscow. From 2014 until recently, Marc Luet was Citi Division Head for Central and Eastern Europe. He took this role after 3.5 years serving as a head of Citicorp Consumer and Commercial Banking for Europe, Middle East and Africa (EMEA) and an Interim Head for GCMIO when he re-joined Citi back in June 2010.

Marc has over 20 years of retail and cards experience. He was previously at Visa, where he served as President for CEMEA, an area covering 80 geographies, from 2008 to 2010. Marc was responsible for Strategy, Marketing, Sales, Finance, Legal, Corporate Communications, and Regulatory Affairs for the region. He was also a member of the Operating Committee of Visa Inc.

Prior to Visa, Marc was CEO of Consumer Finance and Retail International for Fortis Group from 2005 to 2008 and CEO of Egg France from 2002 to 2005. Prior to 2002, he spent 12 years at Citi where he held several Marketing, Risk and Operations positions in Europe and North America before becoming the Consumer Business Manager in Hungary and then Belgium.

Marc has a BSc in Economics from the Panthéon Sorbonne University and is a graduate of Institut d'Etudes Politiques de Paris. He also holds an MBA from the Tuck School of Business Administration at Dartmouth College.

**Rajesh Mehta**

Rajesh Mehta is Regional Head of Treasury and Trade Solutions for Citi in Europe, Middle East & Africa (EMEA). He leads a team responsible for the provision of cash management and trade solutions to a broad range of customers including multinational corporations, top local companies, small and medium enterprises, governments and financial institutions.

Rajesh has been with Citi for 30 years and has held numerous roles across the globe throughout his career. He began working for Citi in India and then moved to Audit & Risk Review in Singapore, before moving on to become Cash Management and Trade Head for Indonesia, Global Transaction Services Head for Mexico and later Regional Cash Management and Trade Head for Latin America, based in Buenos Aires. In 2002, he was appointed Global Transaction Services Head for Sub Saharan Africa, based in Johannesburg. In January 2007, Rajesh moved to London to assume the role of Regional Payments Head for EMEA assuming responsibility for Cash Management products in October 2007 and additionally Trade products in 2008. He has been in his current role since May 2013.

Rajesh sits on Citi's Operating Committee for Europe, Middle East and Africa and on the Boards of Polaris Financial Technology Limited as well as Citibank A.S, Turkey and Citibank Europe Plc.

Rajesh holds a Bachelors (Hons) degree in Economics from St. Stephen's College, Delhi University and an MBA from the Indian Institute of Management, Ahmedabad.

**Patrick Scally**

Patrick Scally is the Franchise Controller for Citi in EMEA (Europe, Middle-East and Africa).

Patrick has 22 years of banking experience. He is currently a member of the Board of Directors of both CEP and

Citibank A.S. Turkey. He serves on a number of Regional Governance Committees as well as on the Risk Committee for CEP and the Audit Committee for Citibank A.S. Turkey.

Prior to this role Patrick held a number of senior positions including Franchise Controller for CEEMEA (Central Eastern Europe, Middle East and Africa), Head of Equity Product Control, Manager of Operations Control and Head of FX and Local Markets Product Control.

Patrick has a Bachelor of Science degree and a postgraduate Diploma in Business Studies from the National University of Ireland, Galway. He is a Fellow of the Association of Chartered Certified Accountants.

**Chris Teano**

Chris Teano manages a team consisting of more than 130 country counsel located in 33 countries, (excluding the United Kingdom) supporting Citi's businesses in Europe, the Middle East and Africa. The country counsels advise the business on local legal issues relevant to the products and services that are provided to Citi's customers in EMEA. The country counsels are also responsible for corporate governance, relations with local regulators, and compliance with local and U.S. banking laws and regulations.

Prior to his current assignment, from 1998 through 2003, Chris managed a team of lawyers located in New York who supported Global Loans Capital Markets; Project and Structured Trade Finance, Asset Finance; Asset Based Finance; Capital Structuring; Securitization; the Global Relationship Bank; and Institutional Recovery Management. Chris supported IRM and Global Loans directly. In this period, Chris played a key role in the development and dissemination of the CMB Anti-tying Policy and the Structured Finance Policy.

Chris joined Citigroup in 1993 as the deputy to the Regional Counsel for Central and Eastern Europe, Middle East and Africa. From 1984 through 1993, he was an associate with Milbank, Tweed, Hadley & McCloy. Chris is a graduate of Stanford Law School (J.D.) and Brown University (A.B. in History and International Relations).

**Zdenek Turek**

Zdenek Turek oversees all of Citi's franchises in Europe and during early 2016 took over the role of Chief Executive Officer of Citibank Europe Plc (CEP). He is based in Dublin.

Until 2013 Zdenek served as CEO of Central and Eastern Europe and Citi Country Officer for Russia, based in Moscow. Citi's business in the Cluster covered eight countries across Central and Eastern Europe. From 2005 to 2008, Zdenek was Citi Country Officer for South Africa and Division Head for Africa with responsibility for the bank's business in the 16 countries where Citi has a presence.

From 2002 to 2005, Zdenek was Citi Country Officer for Hungary and also oversaw the Central European cluster of five countries including Hungary, Czech Republic, Romania, Slovakia and Bulgaria.
Zdenek joined Citi in 1991 in Prague, where he held a number of banking and corporate finance management roles

before moving to Citi Romania in 1998 as Citi Country Officer.

Prior to joining Citi, Zdenek worked for the Central Bank of Czechoslovakia and A.I.C., a management consulting company.

Zdenek graduated with an MA in Finance and Banking from University of Economics, Prague in 1986. His further studies included the Advanced Management Development Program at the Wharton School of the University of Pennsylvania in 1997 and the Executive MBA program at INSEAD, from which he graduated in 2010.

## Appendix 2: 2015 Asset Encumbrance Disclosures

Asset encumbrance is a claim against a property by another party, in the context of finance such claims have traditionally taken the form of security interests. In essence, asset encumbrance measures the level of available assets which could be used as collateral - collateral given encumbered assets. The main regulatory concern around asset encumbrance is the impact on credit risk for unsecured depositors; encumbrance reduces the level of assets available in the event of a default by a bank.

The EBA definition of Asset Encumbrance is:

*"An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn"*

The asset encumbrance disclosure has been produced in line with CEP's interpretation of the 2014 European Banking Authority ("EBA") Guidelines on disclosure of encumbered and unencumbered assets and the tables below are based on the official EBA reporting templates pertaining to Asset Encumbrance under CRD IV.

Both CHIL and CEP had an encumbrance ratio of 4.28% as at 31 December 2015.

**Table 28: Asset Encumbrance – Analysis of Assets**

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Encumbered Assets | | | Unencumbered Assets | |
| *Eur Thousands* | Carrying Amount | Fair Value | | Carrying Amount | Fair Value |
| **Assets of the Reporting Institution** | | | | | |
| Loans on Demand | 357,735 | - | - | 4,120,519 | - |
| Equity Instruments | - | - | - | - | - |
| Debt Securities | 1,219 | 1,219 | - | 2,808,743 | 2,808,743 |
| Loans and Advances other than Loans on Demand | 154,200 | - | - | 14,271,034 | - |
| Other Assets | 310,100 | - | - | 758,484 | - |
| **Total** | **823,253** | **-** | | **21,958,780** | **2,808,743** |

## Table 28 contd: Asset Encumbrance – Analysis of Assets

| *Eur Thousands* | 2014 | | | |
|---|---|---|---|---|
| | Encumbered Assets | | Unencumbered Assets | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Assets of the Reporting Institution** | | | | |
| Loans on Demand | 356,416 | - | 3,899,187 | - |
| Equity Instruments | - | - | - | - |
| Debt Securities | - | - | 2,395,325 | 2,395,325 |
| Loans and Advances other than Loans on Demand | 1,381,851 | - | 12,194,231 | - |
| Other Assets | 244,186 | - | 793,204 | - |
| **Total** | **1,982,453** | **-** | **19,281,947** | **2,395,325** |

## Table 29: Asset Encumbrance – Analysis of Collateral Received

| *Eur Thousands* | 2015 | |
|---|---|---|
| | Fair value of encumbered collateral received or own debt securities issued | Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance |
| **Collateral Received by the Reporting Institution** | | |
| Loans on Demand | | |
| Equity Instruments | | |
| Debt Securities | 163,568 | 209,162 |
| Loans and Advances other than Loans on Demand | | |
| Other Collateral Received | | |
| **Own Debt Securities Issued Other than Own Covered Bonds or ABSs** | | |
| **Total** | **163,568** | **209,162** |

| *Eur Thousands* | 2014 | |
|---|---|---|
| | Fair value of encumbered collateral received or own debt securities issued | Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance |
| **Collateral Received by the Reporting Institution** | | |
| Loans on Demand | | |
| Equity Instruments | | |
| Debt Securities | 179,966 | 192,543 |
| Loans and Advances other than Loans on Demand | | |
| Other Collateral Received | | 1,620,086 |
| **Own Debt Securities Issued Other than Own Covered Bonds or ABSs** | | |
| **Total** | **179,966** | **1,812,629** |

## Table 30: Asset Encumbrance – Encumbered Assets/Collateral Received and Associated Liabilities

| | 2015 | |
|---|---|---|
| *Eur Thousands* | Matching Liabilities, Contingent Liabilities or Securities Lent | Assets, Collateral Received and Own Debt Securities Issued other than Covered Bonds and ABSs Encumbered |
| **Carrying Amount of Selected Financial Liabilities** | **1,043,045** | **668,883** |

| | 2014 | |
|---|---|---|
| *Eur Thousands* | Matching Liabilities, Contingent Liabilities or Securities Lent | Assets, Collateral Received and Own Debt Securities Issued other than Covered Bonds and ABSs Encumbered |
| **Carrying Amount of Selected Financial Liabilities** | **1,813,710** | **2,162,418** |

**CEP EUR 31 December 2015**
**Encumbrance details**

As at 31 December 2015, the carrying value of assets on the CEP balance sheet and eligible collateral received were €25bn approximately. This can be broken down as; 12.6% debt securities, 17.7% loans on demand, 64.4% term loans and 5.3% of other assets. Of the €25bn of assets and collateral received, approximately €1.1bn or 4.28% were considered encumbered.

The collateral received portion €0.4bn was made up of €0.3bn reverse repo transactions where CEP received collateral in the form of high quality debt securities, the remainder relates to cash collateral from margining agreements with customers. Approximately 0.12bn or 30% was encumbered at the reporting date, the primary source of this encumbrance were securities re-hypothecated to fund short positions taken by CEP.

Asset encumbrance is not significant for CEP. The primary source of funding is retail/corporate deposits and unsecured borrowings from other Group entities. The main sources of encumbrance relate to; minimum reserve requirements with local Central Banks, collateral re-hypothecation and OTC derivative margining.

CEP primarily used standard collateral agreements such as Credit Support Annexes ("CSAs") and Global Master Repurchase Agreements ("GMRAs") and collateralised at appropriate levels in line with industry standards.

***The data provided represents balances at 31 December 2015. The amount reported in the quantitative tables above are median values for the reporting periods during 2015.***