Pillar III Disclosures

Citibank Nigeria Limited

31 December 2022

Table of contents

1 Overview

The Central Bank of Nigeria (CBN) released revised guidelines in June 2015 on the implementation of Basel II, establishing a framework of capital adequacy regulation for banks incorporating three distinct pillars. Pillar 1 prescribes the minimum capital requirements, Pillar 2 addresses the associated supervisory review process and Pillar 3 specifies market disclosure requirements in respect of the capital and risk profile of the institution.

Citibank Nigeria Limited ("CNL" or "the bank") was incorporated in Nigeria under the Companies Act as a private limited liability company on May 2, 1984. It was granted a license by the Central Bank of Nigeria on September 14, 1984 to carry on the business of commercial banking and commenced business on September 14, 1984.

The audited financial statements consolidate the financial statements of the bank and its wholly owned subsidiary company, NIB Nominees Limited. The computation of the minimum capital adequacy under Basel II for the bank has however been calculated on the basis of non–consolidation and deduction made from capital for the unconsolidated subsidiary and associate in compliance with the capital adequacy requirements limits set out in the guidelines.

The disclosures in this document have been made in accordance with the Pillar 3 requirements based on CBN guidelines and CNL updates these disclosures annually as at its accounting year end of December 31, and will assess the need for more frequent disclosures should market and business conditions so warrant. Unless otherwise stated, all disclosures are for Citibank Nigeria Limited and figures are as at December 31, 2022.

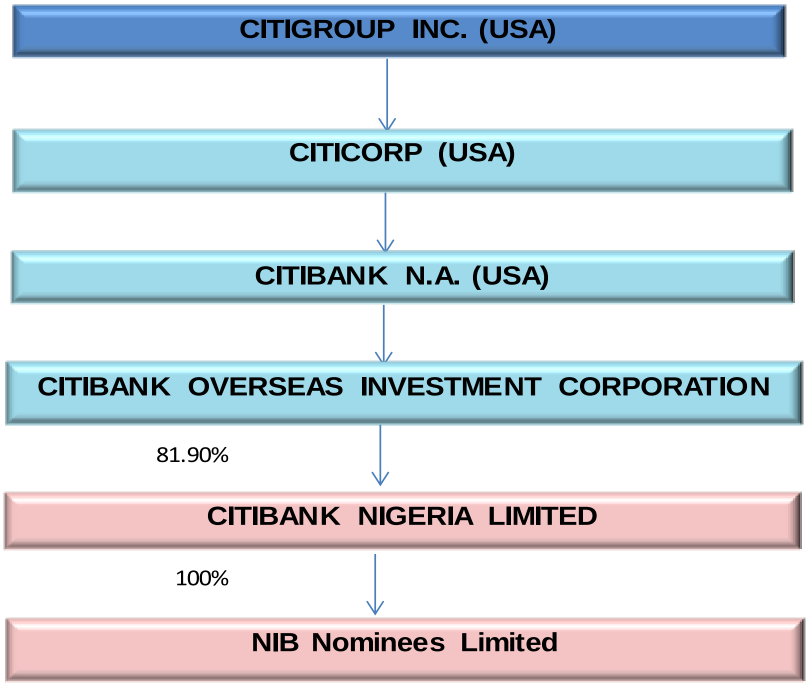
The following disclosures have been published in the company's website (http://www.citigroup.com/citi/about/countrypresence/nigeria.html) and have been prepared purely to explain the basis on which the bank has prepared and disclosed information about capital requirements and the management of certain risks and for no other purpose. They do not constitute any form of financial statements and must not be relied upon in making any investment or judgement on the bank.

1.1 Group Structure

CNL is a locally incorporated subsidiary regulated by the Central Bank of Nigeria and is owned (81.9% shareholding) by Citibank Overseas Investment Corporation. The ultimate parent of CNL is Citigroup Inc. which is incorporated in the United States of America. Citi is a global financial services group providing a broad range of financial products and services to consumers, corporations, governments and institutions across more than 160 jurisdictions. The parent company of the Citi organisation is Citigroup Inc. CNL has been doing business in Nigeria since 1984. The Bank formerly operated under the name Nigeria International Bank Limited, but was renamed to Citibank Nigeria Limited in 2008 to fully align with Citi's global brand and identity. CNL's headquarter is in Lagos, Nigeria.

Our Global Organisation structure by Legal vehicle is as follows:

Table 1: CNL Global structure



CNL operates as a commercial bank and has the following product offering

I. Markets

- FX
- Equity
- Fixed Income
- Commodities
- Derivatives

II. Securities

- Custody

III. Treasury and Trade Solutions

- Cash and Liquidity Management
- Trade and Post-trade Services

IV. Issuer Services

- Provides corporate trust, issuing and paying agent and escrow services

V. Corporate Portfolio Management

- Corporate Portfolio Management (CPM) activity on CNL primarily caters to the borrowing needs of institutional clients across all tenors and focusing on its target market clients, ensuring asset growth is of the best quality.

VI. Corporate Finance and Investment Banking

- Merger and Acquisitions (M+A) Sellside/Buyside Advisory
- Capital Markets Origination
  - o Debt Capital Markets (DCM)
  - o Equity Capital Markets (ECM)
- Loan Syndications
- Project Finance
- Structured Finance

1.2 Capital Transferability

1.2.1 US Federal Reserve Bank

Section 211.9 of U.S. Regulation K, issued by the Board of Governors of the Federal Reserve System, prevents investments in non-U.S. subsidiaries, such as CNL, of a U.S. national bank, such as Citibank, N.A., without screening by the Federal Reserve. Investments covered by this regulation include equity investments, contributions to capital or purchase of the subsidiary's subordinated debt. The process of applying for, and receiving, approval for additional capital contributions can take up to 6 months and considerable advanced planning is therefore essential.

1.2.2 Contingency capital plans

The bank maintains a significant capital ratio and it is anticipated that this will continue into the future. In addition internal trigger limits on capital adequacy ratio have been approved by the Board to ensure appropriate management actions are taken to ensure sufficient capital for the level of risk carried by the bank at any time. Should a need for additional capital arise, we will manage the balance sheet, risk weighting and risk element to optimise existing capital which may include risk defeasance, netting or asset sales and any other action. If there is still a need for additional capital we will request a capital injection from the bank’s parent company. This contingency plan has been actioned in the past, when the Central Bank of Nigeria in 2005 increased the minimum capital requirements.

2 Capital Resources

CNL's regulatory capital is held to ensure that sufficient loss-absorbing capital is available to meet unexpected losses and to meet minimum capital standards as set by the Central Bank of Nigeria (CBN). Under the CBN's minimum capital standards, the regulated legal vehicles are required to maintain an excess of total capital resources over their regulatory capital resources requirements. Capital resources are measured and reported in accordance with Capital Requirements Regulation. CNL is required to maintain a minimum total capital ratio of 10.0% as per CBN guidelines. CNLs total capital adequacy ratio as at Dec 2022 was 18.6%.

Since the issuance of the last ICAAP, the company's minimum regulatory capital requirements have been consistently covered by its available capital resources.

Table 2 shows the regulatory capital resources of the bank as at December 31, 2022.

Table 2: Regulatory capital resources as at December 31, 2022

NGN Million	Actual
	31-Dec-22
Opening Qualifying Tier 1 capital	**124,288**
Current Year Profit	31,505
Dividend paid	(27,959)
Regulatory Risk reserve	(3,786)
Sub-total Tier 1 capital	**124,048**
Deductions:	
a) 50% Investment in unconsolidated banking and financial subsidiary/ associate companies	(124)
b) Deferred Tax Assets	(552)
Net Tier 1 capital	**123,371**
Tier 2 Capital Adjustments - additions:	-
a) Impairment Provisions	-
a) Fair value reserve	(1,196)
Tier 2 Capital Adjustments - deductions:	-
a) 50% Investment in unconsolidated banking and financial subsidiary/ associate companies	(123)
Other Comprehensive Income (OCI)	-
Tier 2 capital	**(1,320)**
Total Qualifying Capital (Net T1 + T2 capital)	**122,052**
Dividend payable	**(26,779)**
Total Qualifying Capital (adjusted with dividend payable)*	**95,273**
Credit Risk	374,543
Market Risk	24,837
Operational Risk	113,442
Risk Weighted Assets	**512,822**
Tier 1 Capital Ratio	**24.1%**
Total Capital Ratio	**23.8%**
Total Capital Ratio (adjusted with dividend payable)	**18.6%**
Minimum Capital requirement (RWA 10%)**	**51,282**
Excess capital over Pillar 1 requirements	**70,770**

**Year-end regulatory capital adjusted for dividend payable from profits for the year*

***Minimum capital required given the level of risk weighted assets*

3 Capital Adequacy

Pillar 1 of Basel II sets out detailed rules for risk-weighting the various exposures held by an institution. The Central Bank of Nigeria (in its circular BSD/DIR/CON/LAB/07/026) requires that all Deposit Money Banks maintain the minimum capital requirement at 10% for regional and national banks and 15% for internationally active and Domestic Systemically Important Banks (D-SIB). In addition, SIBs in Nigeria would be required to set aside Higher Loss Absorency (HLA) or additional capital surcharge of 1% to their respective minimum required CAR. CNL being a national bank has a 10% minimum capital requirement.

In assessing the adequacy of capital to support current and expected future activities, the bank produces capital forecasts, taking into account both normal business conditions and stress scenarios. As part of this process, the bank maintains an Internal Capital Adequacy Assessment Process (ICAAP).

3.1 Internal Assessment of Capital

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This framework includes a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) conducted annually which determines the adequate level of capitalisation for the bank to meet regulatory requirements, current and future business needs, including under stress scenarios. The ICAAP encompasses capital planning for a period of 3 years and sets internal capital targets consistent with the banks' risk profile, business plans and operating environment.

The capital management process aims to achieve several objectives – exceed regulatory requirements and maintain a cost-effective capital structure that balances strong capital ratios with adequate returns to the Bank's shareholders. This process is complemented by the risk management framework, which includes a comprehensive assessment of material risks.

The Bank's ICAAP framework is based on quantitative capital goals to ensure that it has sufficient capital to meet its strategic goals and all stakeholders are adequately protected from stress events. Stress testing, which is a key aspect of the ICAAP and the risk management framework provides an insight on the impact of extreme but plausible scenarios on the bank's risk profile and capital position. The bank conducts stress tests on its portfolio and assesses the possible negative impact on its capital ratios and capital buffers for current and future periods. The bank periodically assesses and refines, as well as reflects possible extreme market moves that could arise as a result of market conditions. The business and capital plans and the stress testing results of the bank are integrated into the ICAAP.

The bank's capital as at December 31, 2022 is mainly based on capital and reserves, total qualifying capital shown below reflects the impact of regulatory deductions and fair value adjustment from AFS portfolio.

Table 3: Summary of Internal Capital Assessment as at December 31, 2022

SUMMARY OF INTERNAL CAPITAL ASSESSMENT	
Total Capital Requirements & Ratios - Base Case	
Citibank Nigeria Limited (CNL)	Actual
NGN in Millions if not stated otherwise	2022
Total RWA	**512,822**
Credit Risk RWA	374,543
Market Risk RWA	24,837
Operational Risk RWA	113,442
Total Regulatory Capital Requirement (TCR %)	**10.0%**
Non-Pillar 1 (NP1) Capital Requirement as % of RWA (NP1 %)	**7.5%**
Credit Risk	0.0%
Concentration Risk	0.0%
Counterparty Credit Risk	0.3%
Traded Market Risk	0.6%
Interest Rate Risk in Banking Book (IRRBB)	6.7%
Operational Risk	0.0%
Regulatory Buffers as % of RWA (Buffer %)	**0.0%**
TCR % + NP1 % + Buffer %	**17.5%**
Internal BAU Total Capital target (%)	12.0%
Total Eligible Capital	**95,273**
Total Eligible Capital as % of RWA	**18.6%**
Surplus/ shortage of eligible capital over TCR (%)	8.6%
Surplus/ shortage of eligible capital over TCR (%) + NP1 (%)	1.1%
Surplus/ shortage of eligible capital over TCR (%) + NP1 (%) + Buffer (%)	1.1%

Total risk weighted assets closed at N512.8 Bn.

Table 4: Minimum Capital requirements in respect of credit risk, market risk and Operational risk as at December 31, 2022

Risk	2022 Naira Million
Credit Risk	374,543
Market Risk	24,837
Operational Risk	113,442
Minimum Capital Requirement	**51,282**

Daily Capital Adequacy Monitoring

CNL's capital planning arrangements are underpinned by a daily monitoring process to ensure that variations in the entity's capital adequacy position are fully understood and appropriately communicated.

On a daily basis the Capital Adequacy Ratio is calculated and compared with the 10% regulatory threshold and Internal trigger limit of 12%. A report is produced and distributed to ALCO and senior management; this is managed through a traffic light based early warning system as detailed below. Upon entering each zone below green, management action is required for necessary corrective measures to be taken. The zones are calibrated to give management enough time to take appropriate action to avoid a regulatory breach.

Regulatory Capital Escalation Procedures

The following actions are necessary if CNL's Capital Adequacy Ratio falls below the internal trigger limit of 12%:

GREEN (Capital adequacy ratio greater than or equal to 12%)

No Action

AMBER (Capital adequacy ratio greater than 11% but less than 12%)

- Finance to investigate root cause for breach and check calculations to ensure that this is a 'real' decrease
- Finance to send details to responsible department for explanation
- Finance to escalate by sending a separate email to relevant distribution list (ORM, ALCO, MANCOM, MEA Reporting Lead)
- ALCO to observe the situation and ensure that there is no further deterioration of Capital Adequacy Ratio

RED (Capital adequacy ratio greater than or equal to 10% but less than 11%)

- Finance to investigate root cause for breach and check calculations to ensure that this is a 'real' decrease
- Finance to send details to responsible department for explanation
- Finance to escalate by sending a separate email to relevant distribution list (ORM, ALCO,MANCOM, MEA Reporting Lead)
- Treasurer to call for special ALCO to discuss the situation and how to ensure that there is no further deterioration of Capital Adequacy Ratio.

- All internal breaches to be discussed in the RRGC meeting and documented as part of minutes.

BLACK (Capital adequacy ratio less than 10%– Regulatory Breach)

- Regulator to be informed immediately. Management to immediately put in place action to ensure that share capital is restored to the required minimum level.
- Finance to escalate by sending a separate email to relevant distribution list (ORM,ALCO, MANCOM, MEA Reporting Lead, MEA CFO)
- Treasurer to call for special ALCO to discuss the situation and how to ensure that there is no further deterioration of capital adequacy ratio.
- All internal breaches to be discussed in the RRGC meeting and documented as part of minutes.

In addition to above, the following further actions may be required;

1. Formal escalation of the current capital position to the Board of Citibank Nigeria and other senior officers in Citi.
2. Agreement on a capital remediation plan which may include:

    - injecting additional capital into the legal entity; and / or

    - reduction of business risk through closing out positions.

In practice, the capital is actively monitored on a daily basis by the regulatory reporting team and internal trigger limit has been set to give management enough time to ensure appropriate steps are taken to mitigate or reduce the exposure.

4 Governance and Management

4.1 Governance Structure and Reporting Lines

Board of Directors

Profile and Experience of the Board

The Board of Citibank comprises of an appropriately diverse group of Directors which collectively possess the technical skills, competencies and experience to deliver the best outcomes for the Bank. The Non-Executive Directors provide a broad perspective from different backgrounds and also possess an in-depth knowledge of Citibank's operations and the various factors affecting the local and international business landscape. The Board has in place a charter which states the procedures and requirements for the appointment of Directors to the Board in line with regulatory stipulations.

The Board Charter clearly states the roles, functions and powers of the board, its members and committees in accordance with the law. The Board has the power to make any decision in respect of Citibank which has not been specifically reserved for decision making by the shareholders or the Managing Director. It has the authority to fill vacancies and oversee its committees and management. It is also responsible for the Bank's compliance with applicable laws and regulations of the CBN and principles of best practice in corporate governance.

Board Composition

As of 31 December 2022, the Board of Directors consisted of twelve members comprising the Chairman, the Managing Director, six Non-Executive Directors and four Executive Directors. Two of the Non-Executive Directors are Independent Directors, appointed based on criteria laid down by the Central Bank of Nigeria.

The Independent Directors have no shareholding interest or business relationship with the Bank. The Directors and their shareholdings are listed in the Directors' report. The Board meets at least once every quarter and is chaired by Mr. Olayemi Cardoso.

The Board consist of the following individuals:

- Dr. Shamsudeen Usman - Chairman

- Mrs. Ireti Samuel-Ogbu

- Mrs. Ngozi Omoke - Enyi

- Mrs. Nneka Enwereji
- Mr. Oluwole Awotundun
- Mrs Esther Chibesa (Kenya)
- Mr David Walker (British)
- Mr. Oyesoji Oyeleke, SAN
- Dr. Daphne Dafinone
- Mrs Adebola Adefope
- Mr. Oladipo Adebo

The Board is supported by Mrs Olusola Fagbure, the Company Secretary.

Oversight of Management by the Board

The Board monitors the execution of the strategic objectives of the Bank on a continuous basis. The Board receives quarterly updates on the performance of the Bank against set quantitative and qualitative KPIs. Board members are updated with information about the Bank's regulatory and economic environment and these are taken into consideration when discussing opportunities and threats faced by the Bank. The Board charter provides that one of the responsibilities of the Board is the formulation of policies and oversight of Management. The Board has delegated the review of Executive Management performance to the Board Nomination and Governance Committee.

Board Evaluation

The Board of Citibank is evaluated annually by an independent consultant in accordance with the provisions of Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance (CCG) 2014. The Code mandates an annual Evaluation of the Board and individual directors of Financial Institutions with specific focus on the Board structure and composition, responsibilities, processes, relationships, individual director's competences and respective roles in the performance of the Board. The Board Evaluation for the year ended 31st December 2022 was conducted by DCSL Corporate Service. DCSL's report confirmed that the Board of Citibank has complied with the requirements of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance (CCG) 2014 during the year ended 31st December 2022. The report was presented at the Annual General Meeting of Citibank on March 31, 2023, and a copy sent to the CBN.

Board Committees

The Citibank Board has four (4) Board Committees which meet regularly. The Board has delegated some of its responsibilities to the Committees. All Committees have charters which guide their activities. These charters define the roles and responsibilities of

Committee members, structure, obligations and proceedings. The charters of the committees have been approved by the Board and relevant regulators. The composition and mandate for all the Board Committees fulfil the requirements of the CBN Code of Corporate Governance. Committees are all chaired by Non-Executive Directors as specified by the Code. In accordance with the provisions of section 2.5.3 of the Code, the Chairman of the Board does not sit on any of the Board Committees.

The four Board Committees are as follows:

- Risk Management Committee

- Audit Committee

- Credit Committee

- Board Governance and Nominations Committee

The Risk Management Committee

The Risk Management Committee consists of seven directors, four of whom, including the Chairman of the Committee, are Non- Executive Directors. One of the members of the Committee is an Independent Director. 'The Committee is responsible inter alia, for overseeing the Bank's Risk Management strategies, policies, frameworks, and procedures, periodically reviewing changes in the economic and business environment including emerging trends and other factors relevant to the Bank's risk profile, reviewing risk related financial disclosures, reviewing reports on significant litigation, customer complaints, Information Technology (IT) data protection and information security.

The Credit Committee

The Credit Committee consists of seven directors, four of whom, including the Chairman of the Committee are Non- Executive Directors. The Committee is responsible for approving credits above such limits as may be prescribed by the Board of Directors from time to time and for approving loans to staff of Assistant General Manager grade and above.

The Audit Committee

The Audit Committee consists of four non-executive directors, one of whom is an Independent Director. The Chairman of the Committee is an Independent Director.

The Committee's responsibilities include the review of the integrity of the Bank's financial reporting, oversight of the independence and objectivity of the external auditors, the review of the reports of external auditors and regulatory agencies and management responses thereto, and the review of the effectiveness of the Bank's system of accounting, and internal control. The committee also approves

the internal audit plan and reviews internal audit reports. Members of the Committee have unrestricted access to the Bank's external auditors.

Board Governance and Nominations Committee

The Committee is made up of four non-executive directors. One of the members of the Committee is an Independent Director. The Committee's responsibilities include recommending the criteria for the selection of new directors to serve on the Board, identifying and evaluating individuals qualified to be nominated as directors of the Bank, or any of the Board's committees, evaluating and making recommendations to the Board regarding compensation for non-executive directors, and approving the remuneration of executive directors.

The Committee also reviews the charter of each board committee, succession plans and the Board performance evaluation report. The Committee met five times during the year.

General Overview

The directors of CNL receive regular reports on any risk matters that need to be brought to their attention via the framework outlined above. There are well established management reporting procedures in place and reports are presented regularly to the directors detailing business results and performance.

The effectiveness of CNL’s internal control system is reviewed regularly by its directors and the Audit Committee, which receives reports of assessments undertaken by the Internal Audit function. Certain aspects of the internal controls system are also subject to regulatory supervision, the results of which are monitored closely by the directors and senior management.

CNL has also established a Global Risk and Control programme to help managers self-assess key operational risks and controls and identify and address weaknesses in the design and/or effectiveness of internal controls that mitigate significant operational risks.

Management Committees

CNL’s management team consists of; Ogbu Ireti (CCO/Managing Director), Umukoro, Emmanuel (TTS Head), Adeyemo, Adebayo (Country Treasurer and Markets Head), Muhammed, Sharafadeen (Chief

Finance Officer), Enwereji, Nneka (Global Subsidiary Group Head), Fagbure, Olusola (Company Secretary), Ogunlesi, Funmi (Head of Government Affairs for Sub-Sahara Africa) Awotundun Oluwole

(Country Risk Manager), Masood Faisal (Corporate Bank Head) Oloyede, Gboyega (Country Human Resources Officer), Omoke-Enyi, Ngozi (Senior Country Operations Officer), Adetoro Aderonke (Securities Services Head), Adojutelegan Opeyemi (Country Chief Compliance Officer).

The following are the key management committees: Country Co-Ordinating Committee (CCC), Business

Risk Compliance and Control Committee (BRCC), Assets and Liabilities Committee (ALCO), Legal Entity Management Committee (LEMC), Regulatory Reporting Governance Committee (RRGC), Country Senior Human Resources Committee (CSHRC), Information Technology Steering Committee (ITSC), Management Credit Committee (MCC), and Third-Party Management Committee (TPMC).

4.2 Excessive risk concentration

Concentration Risk arises from a collection of exposures to independent or correlated risk factors or events, including known and emerging material risks. These may appear non-material, diverse or manageable when viewed in isolation but, in aggregate across legal entities (LE's) diverse businesses and geographic presence they have the potential to produce an impact large enough to threaten:

- CNL's ability to maintain core operations to serve its customers, or
- CNL's Earnings, Liquidity, Capital or Operating Model, or
- CNL's risk profile

Concentration risk can manifest itself across risk categories, customer segments, business lines, products, countries/regions, including within Credit, Market Risk Trading and Non-Trading, Liquidity and Operational processes.

The bank's target market of top-rated obligors naturally predisposes the bank to concentration risk, and the strategy is to diversity across industries and sub-sectors, using the Standard Industry Classification prescribed by the Central Bank of Nigeria. The bank continuously reviews its Sectoral Concentration Limits, necessitated by the changes in our portfolio mix, and the need to position the portfolio for potential portfolio diversification in the near term.

The limits have been set in line with the bank's portfolio strategy and target market parameters, consistent with the bank's risk appetite.

4.3 Risk and Controls

As CNL business strategy is inextricably linked to Citigroup's set strategy, CNL management leverages on Citigroup's global risk and control infrastructure which it supplements with local governance and risk management in the normal course of business.

In executing its strategy, CNL leverages a common framework with the rest of Citi, which ensures clear and transparent control and risk management structures and processes, whilst mapping between the whole group and its constituent parts. It also uses management information systems and governance structures designed for this purpose at a legal entity level. Its control structures have thresholds calibrated at a legal entity level to control risk in aggregate, with the use of transaction-level controls used in circumstances where:

- new activities are taking the legal entity into unfamiliar areas of risk, or

- the legal entity is approaching its resource limits in terms of risk management triggers, risk appetite, risk concentration or management span.

Amongst other risk and control infrastructure tools and governance committee used by CNL is the Managers Control Assessment (MCA), Business Risk, Compliance and Control (BRCC) Committee, Compliance and control unit, Internal Audit and Operational Risk Management.

4.4 Whistle Blowing Procedures

In line with the Bank's commitment to instill best corporate governance practices, the Bank has established a robust whistle blowing procedure that ensures anonymity for whistle-blowers. The procedures provide a clear framework for reporting suspected breaches of laws, regulations and the Bank's internal policies.

The Bank has instituted a strong whistle blowing culture among staff and also published a copy of the whistleblowing policy on its website with the aim of ensuring that all cases of irregularities are made known and addressed by the Bank. The Bank has a dedicated whistle blowing hotline and e-mail address through which stakeholders can anonymously report suspected wrong-doing. The whistle blowing platforms are accessible to all. The Chief Compliance Officer forwards quarterly returns to the Central Bank of Nigeria on all all whistle-blowing reports. All whistleblowing reports are reported to the Board Audit Committee

5 Credit Risk

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

• A deterioration in creditworthiness of an obligor or an unwillingness to pay on an individual basis;

• Large losses from exposures to multiple obligors within a single (or related) industry or sub-industry, product, segment and/or country or region;

• Ineffective credit enhancements (e.g., collateral), which includes wrong way risk; or

• Specific conditions in a product or structure or converging risk elements.

Credit risk arises in many of Citigroup's business activities in the Markets and Corporate Portfolio Management divisions, including:

- wholesale lending;
- derivative transactions;
- structured finance; and
- repurchase agreements and reverse repurchase transactions.

Credit risk also arises from settlement and clearing activities, when Citi 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 of a large loss from exposures to multiple obligors within a single (or related) industry, product, segment, region and or other category.

5.1 Counterparty risk

The risk that a counterparty will not fulfil either present or future financial obligations is fundamental to the bank's management of counterparty credit risk. The process for approving a counterparty's risk exposure limits is two-fold: guided by the core credit policies, procedures and standards and the experience and judgment of credit risk professionals.

Credit Risk Principles, Policies and Procedures typically require a comprehensive analysis of the proposed credit exposure or transaction, financial and corporate due diligence including support, management profile and qualitative factors. The responsible credit officer completes a review of the financial condition of the counterparty to determine the client's business needs and compare that to the risk that Citi might be asked to extend. During consideration of a credit extension, the credit officer will assess ways to mitigate the risk through legal documentation, support or collateral.

Once the analysis is completed and the product limits are determined, anti-tying and franchise risk is reviewed, then the approval process takes place. The total facility amount, including direct, contingent and pre-settlement exposure, is aggregated and the credit officer reviews the approved tables within policy that appoints the appropriate level of authority that needs to review and approve the facility.

Credit Risk Monitoring analysts conduct daily exception monitoring versus limits and any resulting issues are escalated to credit officers, and potentially to business management.

5.2 Management of Credit Risk

Credit risk is one of the most significant risks Citi faces as an institution. As a result, Citi has a well-established framework in place for managing credit risk across all businesses. This includes defined risk appetite, credit limits and credit policies, both at the business level as well as at the firm-wide level. Citi's credit risk management also includes processes and policies with respect to problem recognition, including "watch lists," portfolio reviews, stress tests, updated risk ratings and classification triggers.

With respect to Citi's settlement and clearing activities, intra-day client usage of lines is closely monitored against limits, as well as against "normal" usage patterns. To the extent a problem develops, Citi typically moves the client to a secured (collateralized) operating model. Generally, Citi's intra-day settlement and clearing lines are uncommitted and cancellable at any time.

The three phases of the credit process:

- Portfolio strategy and Planning – where the Bank defines its desired financial results and the portfolio strategies to achieve these results
- Credit Origination and Maintenance – where the Bank creates and maintains transactions and portfolios with characteristics that are consistent with its strategies
- Performance Assessment and Reporting - where the Bank monitors its performance for continual improvement

To manage concentration of risk within credit risk, Citi has in place a concentration management framework consisting of industry limits, obligor limits and single-name triggers. Additionally, factors like tenors and currency are also monitored.

The Risk function reviews concentration risk in order to ensure independence and effective management of the bank's exposures.

5.3 Credit Risk Measurement

The Bank's credit facilities reflect the potential maximum credit exposure or loss to counter-party for a particular product and exposure type. In furtherance of this objective, we consistently ensure the Group's business strategy and exposure appetite are aligned. The key attributes of our credit policy are also consistent with the Citigroup Institutional Clients Group (ICG) Principles and Policy Framework. This policy framework dictates best international practices in Risk Management, including credit risk.

To enable consistent monitoring of exposure and risk:

i) All credit exposures must be captured in the credit systems - irrespective of absolute size of

exposure, duration, location, counterparty, authorization level obtained or perceived economic risk.

ii) Credit facility amounts must capture exposure (the maximum potential for loss to an obligor or

counterparty). Risk adjustments are reflected for obligor limits and in other reporting.

iii) All potential credit relationships should have a proper account opened in the name of the obligor.

For current credit system integration, the client should have a Global Finance Customer Identifier

(GFCID) created.

iv) Every business unit must maintain adequate controls to ensure compliance with all facility terms

and conditions established.

v) Single name triggers prevent excessive concentrations of loss to a single name, and together form

vi) Obligor limits are the basis for credit portfolio managers to prevent concentrations of loss to any

one obligor or relationship. Business units must escalate any potential breach of a limit as provided

for in the Citigroup ICG Risk Manual.

vii) Credit facilities and the ability to manage the exposure should be in place prior to executing any

new business.

viii) All credit relationships should be reviewed annually, at a minimum, unless otherwise duly extended, where appropriate

ix) Risk ratings must be established for all obligors and facilities using the Citigroup approved risk rating methodology

Credit risk is measured by the total facilities and exposure to an obligor which consist of outstanding and unused committed facility amounts. Financial assets and other financial facilities constitute the primary offering of the bank. The offering is based on a detailed credit review process which involves analysis of both quantitative and qualitative factors. This includes risk rating of the obligor and matching of the obligor's qualitative and quantitative attributes to pre-defined Target Market and Risk Acceptance Criteria, to determine the optimal product and credit exposure.

Once the credit transactions have been approved, there is an established process for monitoring the risk exposure and maintaining it at acceptable levels. These risk management processes include:

• Annual review of facilities which will involve revalidation of exposure limits, review of risk ratings and general account performance during the review period;

• At a minimum, quarterly credit customer calls including approving credit officers;

• Review of the monthly and quarterly portfolio trends; and

• Documentation review to ensure all required documentation is in place.

5.4 Credit Risk limit control and mitigation policies

The Bank as part of its portfolio monitoring functions routinely defines concentration limits, with the goal of establishing a well-diversified portfolio where expected return on risk capital should be commensurate with the inherent risk therein. Single name triggers prevent excessive concentrations of loss to a single name, and together form the basis for compliance with regulatory rules such as legal lending limits. Concentration limits are monitored on a monthly basis.

Other specific control and mitigation measures include i)Authorizing level approval limits; ii) Collateral and iii) Master netting agreements

The bank focuses primarily on the cash-flows of the borrower for its repayments. The general principle is that repayment should come from the transactions financed or other operating cash-flows. The bank maintains a policy of not lending in an inferior position, without proper approvals (and only in exceptional circumstances), or where it is at a disadvantage to other lenders as regards seniority of claim in a default scenario.

During the annual credit review process, searches are conducted to verify that the bank is not lending in an inferior position. In instances where pre-existing charges exist on the customer's assets, the bank generally demands a pari-passu ranking with other lenders. However, based on the credit profile assessment on a case by case basis, the Board Credit Committee may also request for additional collateral for credit enhancement.

For term loans for the acquisition of specific assets, the bank generally takes a charge over the assets financed by the term loan. As a general principle, all credits are reviewed and approved based broadly on the under listed key factors:

- The operations of the Borrower/Obligor falling within the approved target market.
- Strong financial profile with emphasis on present and future cash flow which determines the capacity of the operations to meet debt obligations.
- Review and assessment of Borrower/Obligor management and sponsors.
- Credit history track record.
- Economic/industry trends.
- For an international company where the bank has recourse to branches or subsidiaries of Citibank outside Nigeria, or where the exposure is secured against guarantees, cash or other types of collateral, the bank may reserve the right not to insist on obtaining a local security ranking pari-passu with other local lenders, in view of the superior access it maintains through its global affiliates to the parent company seniors.

The bank implements the above guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- For secured lending and reverse repurchase transactions, cash or securities;

- For commercial lending, cash or charges over real estate properties, inventory and trade receivables;

- Charges over financial instruments such as debt securities.

The bank also obtains guarantees from parent companies for loans to their subsidiaries in Nigeria.

5.5 Guarantees

The bank obtains credit enhancements in the form of guarantees from other Citi entities which can be classified as supervised institution under the Central Bank of Nigeria guidelines.

5.6 Master netting arrangements

The bank restricts its exposure to credit losses by entering into Master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

5.7 Concentration Risk

Concentration risk is the risk of material loss due to large exposures to individual counterparts or groups of counterparts whose likelihood of default is driven by common underlying factors, e.g. sector, economy, geographical location or instrument type.

There are established Obligor limits which restricts credit exposures to individual counterparts or groups of counterparts on the basis of derived internal risk ratings. At the same time, our Portfolio Management strategy defines target market industries, our focus remains on robust sectors of the economy, comprising of industries that evidence financial resilience and long-term viability.

In addition, the Country Risk Manager (CRM) approves the portfolio concentration limits presented by Risk Managers or Business Managers based on the Bank's overall risk capacity, capital considerations, and evaluation of internal and external environments. By setting and adhering to limits, CNL will avoid unapproved concentrations that can result from seemingly unrelated activities and potentially harm the overall performance of the bank. Concentration limit will typically be by Industries. Additionally, factors like tenors and currency are also monitored.

The Portfolio Manager will monitor and report outstandings and ensure that portfolios are kept within the approved limits while seeking approvals for any breach. Board Risk Committee will be provided regular update on key portfolio parameters.

Concentration risk is monitored against the limits (both internal and regulatory). The following regulatory limits are currently in place:

- Exposure to any one group of clients must not exceed 20% of shareholders’ funds.
- Large exposures of more than 10% of Capital must not, in aggregate, exceed 800% of shareholders’ funds.
- Total exposures to Government must not exceed 10% of shareholders’ funds.

Management is comfortable that the combination of the above internal and regulatory limits and suitable controls ensure that CNL does not subject itself to excessive concentration risk.

Table 5: Credit risk exposures relating to financial assets as at 31 December 2022

On Balance Sheet	N'000
Balances with Central Bank of Nigeria	589,134,600
Loans and advances to banks	-
Financial assets at fair value through profit or loss	305,374,609
Derivative financial instruments	40,756,417
Assets pledged as collateral	40,761,747
Loans and advances to customers	203,581,696
Fair value through other comprehensive income	163,537,921
Other assets	31,770,329
	1,374,917,319
Credit risk exposures relating to other credit commitments at gross amounts are as follows:	
Bonds and guarantees	20,514,615
Loan commitments	15,012,769
Other credit related obligations	92,387,259
	127,914,643
As at 31 December 2022	**1,502,831,962**

The following table analyses the bank's credit exposure (without taking into account any collateral held or other credit support) by geographical region based on the country of domicile of its counterparties.

Table 6: Credit risk exposure by Geography of counterparty

Dec-2022	Note	Nigeria N'000	USA N'000	Europe/Other N'000	Total N'000
Balances with Central Bank of Nigeria and Other Banks	16.1	534,084,193	36,398,401	18,652,006	589,134,600
Financial assets at fair value through profit or loss	18.	305,374,609	-	-	305,374,609
Derivative financial instruments - assets	19.	40,594,091	-	162,326	40,756,417
Assets pledged as collateral	20.	40,761,747	-	-	40,761,747
Loans and advances to customers	21.	203,581,696	-	-	203,581,696
Fair value through other comprehensive income	22.	163,537,921	-	-	163,537,921
Other assets	23.	31,770,329	-	-	31,770,329
		1,319,704,586	36,398,401	18,814,332	1,374,917,319
Bonds and guarantees	33.2	20,514,615	-	-	20,514,615
Loan commitments	33.2	15,012,769	-	-	15,012,769
Other credit related obligations (note 33.2)	33.2	92,387,259	-	-	92,387,259
		127,914,643	-	-	127,914,643
At 31 December 2022		1,447,619,229	36,398,401	18,814,332	1,502,831,962
Collateral held as at 31 December 2022		14,833,886	-	-	14,833,886.00

Table 7: Analysis of financial assets and liabilities by remaining contractual maturities

Dec-2022	Up to 1 month N'000	1 – 3 months N'000	3 – 12 months N'000	1 – 5 years N'000	Over 5 years N'000	Carrying amount N'000	Gross nominal amount N'000
Assets:							
Cash and cash equivalent less restricted cash	247,390,613	-	-	-	-	247,390,613	258,105,835
Derivative financial instruments-assets	2,934,464	1,340,707	31,221,324	5,259,922	-	40,756,417	40,756,417
Financial assets at fair value through profit or loss	14,845,804	15,265,694	256,431,303	1,208,595	17,623,213	305,374,609	326,397,012
Loans and advances to customers	30,419,129	50,039,991	94,632,008	28,490,568	-	203,581,696	213,103,645
Other assets	21,723,540	-	-	10,046,789	-	31,770,329	31,770,329
Fair value through other comprehensive income	38,724,605	74,630,378	50,182,938	-	-	163,537,921	166,360,058
Restricted balance	-	-	-	342,802,314		342,802,314	342,802,314
Assets pledged as collateral	-	40,761,747	-	-	-	40,761,747	40,761,747
Total financial assets	356,038,155	182,038,517	432,467,573	387,808,188	17,623,213	1,375,975,646	1,420,057,357

Table 8 – The following table analyses the Group's credit exposure (without taking into account any collateral held or other credit support), as categorised by industry sectors of the Group's counterparties.

Dec-2022	Manufacturing	Financial Institutions	Government	Transport and Communication	Oil and Gas	General commerce	Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balances with Central Bank of Nigeria	-	589,134,600	-	-	-	-	-	589,134,600
Loans and advances to customers	137,310,035	-	-	19,632,767	18,597,558	14,447,807	13,593,529	203,581,696
Financial assets at fair value through profit or loss	-	17,623,213	287,751,396	-	-	-	-	305,374,609
Derivative financial instruments-assets	3,472,110	33,462,406	-	3,597,294	-	211,620	12,987	40,756,417
Fair value through other comprehensive income	-	-	163,537,921	-	-	-	-	163,537,921
Assets pledged as collateral	-	-	40,761,747	-	-	-	-	40,761,747
Other assets	-	-	-	-	-	31,770,329	-	31,770,329
	140,782,145	640,220,219	492,051,064	23,230,061	18,597,558	46,429,756	13,606,516	1,374,917,319
Bonds and guarantees	2,148,666	14,888,408	-	43,122	1,858,540	926,619	649,260	20,514,615
Loan commitments	1,985,555	195,094	-	631,677	11,666,030	186,456	347,957	15,012,769
Other credit related obligations (note 33.2)	60,147,957	928,076	-	5,224,040	-	23,556,690	2,530,496	92,387,259
	64,282,178	16,011,578	-	5,898,839	13,524,570	24,669,765	3,527,713	127,914,643
At 31 December 2022	205,064,323	656,231,797	492,051,064	29,128,900	32,122,128	71,099,521	17,134,229	1,502,831,962

5.8 Impairment

The IFRS 9 impairment standard applies to any debt instruments measured at amortised cost or at fair value through other comprehensive income and also to off balance sheet loan commitments and financial guarantees, including:

• Investments in debt instruments measured at amortized cost. Such investments will include:

- Corporate and commercial loans

- Deposits with banks; and

- Reverse repurchase agreements and securities borrowing transactions

• Investments in debt instruments measured at fair value through other comprehensive income (FVOCI)

• All irrevocable loan commitments that are not measured at FVTPL

• Written financial guarantee contracts to which IFRS 9 is applied and that are not accounted for at FVTPL

• Lease receivables recognized , acting as the lessor, that are within the scope of IFRS 16 (Leases)

• Trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 (Revenue contracts with customers); and

• Any other receivables (e.g.brokerage receivables)

Expected credit loss impairment model

Credit loss allowances will be measured on each reporting date according to a three-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.

Stage 2 – Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognized equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.

The credit losses for financial assets in Stage 1 and Stage 2 are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognized. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Evidence that a financial asset is impaired includes observable data that comes to the attention of the Company such as:

• Significant financial difficulty of the issuer or obligor;

• A breach of contract, such as a default or delinquency in interest or principal payments;

• It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

• The disappearance of an active market for that financial asset because of financial difficulties; or

• Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio;

- national or local economic conditions that correlate with defaults on the assets in the portfolio.

Loans are written off when there is no realistic probability of recovery.

The estimation of an expected credit loss (ECL) is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

The measurement of an ECL is primarily determined by an assessment of the financial asset's probability of default (PD), loss given default (LGD) and exposure at default (EAD) where the cash shortfalls are discounted to the reporting date. For a financial asset in Stage 1, the Group will utilise a 12-month PD, whereas a financial asset within Stage 2 and Stage 3 will utilise a lifetime PD in order to estimate an impairment allowance.

Wholesale Classifiably Managed Exposures

An impairment allowance will be estimated for Corporate loans utilising sophisticated models depending on the relative size, quality and complexity of the portfolios.

Delinquency Managed Exposures

In particular, for Consumer loan portfolios, where the Group does not have access to detailed historical information and/or loss experience, the Group will adopt a simplified approach using backstops and other qualitative information specific to each portfolio.

Other Financial Assets Simplified Approaches

For other financial assets, being short term and simple in nature, the Group will apply a simplified measurement approach that may differ from what is described above. This approach leverages existing models currently used globally for stress-testing and regulatory capital reporting purposes, but incorporates specifically developed components to make the estimates compliant with IFRS 9.

Table 9: Breakdown of Loans and Advances

Group Dec-2022	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000
Loans and advances customers	204,847,316	-	33,642	204,880,958
Impairment allowance	(1,265,620)	-	(33,642)	(1,299,262)
Net Loans and advances	203,581,696	-	-	203,581,696

5.9 Credit Risk Weighted Assets

The Standardised Approach has been used in assessing the bank's capital requirement and all corporate exposures were classified as unrated in line with regulatory guidelines. Credit assessments applied to items in the banking book and trading book are assigned in accordance with the regulatory guidelines, including the use of credit quality assessment scale as applicable with External Credit Assessment Institutions (ECAIs) namely, Fitch, S&P and Moody's.

Table 10a: Risk-weighted assets for credit risk: Standardized Approach

					Substitution of Credit Risk Mitigation under Standardised Approach			edit Risk Mitigation using Comprensive Appro			
Exposure class	Risk Weights	Exposures Before CRM	Amount Eligible for On-BS Netting	Total Exposure After Netting	Guarantees by Eligible Guarantors	Non-colateralised exposure	Exposure After Treatment of CRM (guarantee & credit derivatives)	Collateralised exposure using Comprehensive Approach	Exposure after CRM	RWA of exposure after CRM	Total RWA
	1	2	3	4 = 2 - 3	5	7 = 6 + 5	9= 4- 7	15= Sum 10 to 1	16 = 9 - 15	17=16* 1	18 = 17 + 8
Central Governments and Central Banks		852,101,545,100	0	852,101,545,100	0	0	852,101,545,100	0	852,101,545,100	0	0
AAA - AA-	0%	852,101,545,100		852,101,545,100		0	852,101,545,100	0	852,101,545,100	0	0
State Govt and Local Authorities		0	0	0	0	0	0	0	0	0	0
Public Sector Entities (PSEs)		0	0	0	0	0	0	0	0	0	0
Multilateral Development Banks (MDB)		0	0	0	0	0	0	0	0	0	0
Supervised Institutions		222,185,267,691	0	222,185,267,691	0	0	222,185,267,691	0	222,185,267,691	47,535,644,959	47,535,644,959
AAA - AA-	20%	211,898,077,082		211,898,077,082		0	211,898,077,082	0	211,898,077,082	42,379,615,416	42,379,615,416
A+ to A-	50%	10,262,322,132		10,262,322,132		0	10,262,322,132	0	10,262,322,132	5,131,161,066	5,131,161,066
BBB+ to BBB-	100%	0		0		0	0	0	0	0	0
BB+ to B-	100%	23,309,927		23,309,927		0	23,309,927	0	23,309,927	23,309,927	23,309,927
Below B-	150%	0		0		0	0	0	0	0	0
Unrated	100%	1,558,549		1,558,549		0	1,558,549	0	1,558,549	1,558,549	1,558,549
Corporate and Other Persons		204,949,703,757	1,335,751,710	203,613,952,047	36,331,720,038	36,331,720,038	167,282,232,009	5,377,040	167,276,854,969	167,276,854,969	167,276,854,969
Unrated	100%	204,949,703,757	1,335,751,710	203,613,952,047	36,331,720,038	36,331,720,038	167,282,232,009	5,377,040	167,276,854,969	167,276,854,969	167,276,854,969
Regulatory Retail Portfolio		652,820,280	0	652,820,280	0	0	652,820,280	0	652,820,280	489,615,210	489,615,210
Exposures satisfying specified	75%	652,820,280		652,820,280		0	652,820,280	0	652,820,280	489,615,210	489,615,210
Secured by Mortgages on Residential Properties		0	0	0	0	0	0	0	0	0	0
Exposures Secured by Mortgages on Commercial Real Estates		0	0	0	0	0	0	0	0	0	0
Past Due Exposures		33,642,413	0	33,642,413	0	0	33,642,413	0	33,642,413	33,642,413	33,642,413
Other than Qualifying Residential Real	100%	33,642,413	0	33,642,413		0	33,642,413	0	33,642,413	33,642,413	33,642,413
High Risk Exposures		0	0	0	0	0	0	0	0	0	0
Unsettled and Failed Transactions		0	0	0	0	0	0	0	0	0	0
Other Assets		116,130,914,787	0	116,130,914,787	0	0	116,130,914,787	0	116,130,914,787	115,072,587,804	115,072,587,804
Cash and gold bullion held in bank's	0%	1,058,326,983		1,058,326,983		0	1,058,326,983	0	1,058,326,983	0	0
Cheques and other items in transit	20%	0		0		0	0	0	0	0	0
Any other assets not specified above	100%	115,072,587,804		115,072,587,804		0	115,072,587,804	0	115,072,587,804	115,072,587,804	115,072,587,804
Total		1,396,053,894,027	1,335,751,710	1,394,718,142,317	36,331,720,038	36,331,720,038	1,358,386,422,280	5,377,040	1,358,381,045,240	330,408,345,355	330,408,345,355

PART A: RISK-WEIGHTED AMOUNTS (OFF-BALANCE SHEET EXPOSURES)	Notional Amount	CCF	Credit Equivalent Amount (CEA) (Before Collateral)	Collateral Value (After Haircut)	Credit Equivalent Amount (CEA) (After Collateral)	Risk weight (%)	Risk Weighted Asset
Commitments with original maturity of up to one year.	4,156,658,412		831,331,682	0	831,331,682		675,044,303
Supervised Institutions (DMBs, Discount Houses, etc)	976,796,121	20%	195,359,224		195,359,224	20%	39,071,845
Corporate and Other Persons	3,179,862,291	20%	635,972,458		635,972,458	100%	635,972,458
Commitments with original maturity of more than one year.	10,856,110,623		5,428,055,311	0	5,428,055,311		5,428,055,311
Corporate and Other Persons	10,856,110,623	50%	5,428,055,311		5,428,055,311	100%	5,428,055,311
Short-term self-liquidating trade letters of credits.	87,626,990,736		17,525,398,147	0	17,525,398,147		17,525,398,147
Corporate and Other Persons	87,626,990,736	20%	17,525,398,147		17,525,398,147	100%	17,525,398,147
Direct credit substitute e.g. general guarantees of indebtedness (including stand-by letter of credit serving as financial guarantees for loans and securities) and acceptance.	2,689,192,623		2,689,192,623	0	2,689,192,623		2,689,192,623
Corporate and Other Persons	2,689,192,623	100%	2,689,192,623		2,689,192,623	100%	2,689,192,623
Certain transaction-related contigent items such as performance bonds, bid bonds, warrantees and stand by letters of credit related to particular transactions	20,517,615,123		10,258,807,561	0	10,258,807,561		10,258,807,561
Supervised Institutions (DMBs, Discount Houses, etc)	15,626,601,139	50%	7,813,300,569		7,813,300,569	100%	7,813,300,569
Corporate and Other Persons	4,891,013,984	50%	2,445,506,992		2,445,506,992	100%	2,445,506,992
Sub Total	125,846,567,517		36,732,785,326	0	36,732,785,326		36,576,497,946

PART B: OTC DERIVATIVE TRANSACTIONS	Notional Amount		Credit Equivalent Amount (CEA) (Before Collateral)	Collateral Value (After Haircut)	Credit Equivalent Amount (CEA) (After Collateral)	Risk weight (%)	Risk Weighted Asset
	1		2	3	4	5	6 = 4 x 5
Forwards	557,124,670,205		11,142,493,404	0	11,142,493,404		11,059,966,047
Supervised Institutions (DMBs, Discount Houses, etc)	5,157,959,814		103,159,196		103,159,196	20%	20,631,839
Corporate and Other Persons	551,966,710,391		11,039,334,208		11,039,334,208	100%	11,039,334,208
Swaps	651,907,993,423		13,038,159,868	0	13,038,159,868		0
Soverign and Central Banks	651,907,993,423		13,038,159,868		13,038,159,868	0%	0
Sub Total	1,209,032,663,628		24,180,653,273	0	24,180,653,273		11,059,966,047

Obligor type-wise Summary of all off-Balance Sheet Transactions including OTC derivative transactions		Credit Equivalent Amount (CEA) (Before Collateral)		Credit Equivalent Amount (CEA) (After Collateral)		Risk Weighted Asset
Soverign and Central Banks		13,038,159,868		13,038,159,868		0
Supervised Institutions (DMBs, Discount Houses, etc)		8,111,818,990		8,111,818,990		7,873,004,253
Corporate and Other Persons		39,763,459,740		39,763,459,740		39,763,459,740
Total		60,913,438,598		60,913,438,598		47,636,463,993

Table 10b: Computation Risk Weighted Assets

Summary of on-balance sheet and off-balance sheet exposure	Exposures before CRM			Risk weighted assets (RWA)		
	On-Balance Sheet	Off-Balance Sheet	Total	On-balance sheet	Off-Balance Sheet	Total RWA
	1	2	3 = 1 + 2	4	5	6 = 4 + 5
Sovereigns and Central Banks	852,101,545,100	13,038,159,868	865,139,704,968	0	0	0
Supervised Institutions	222,185,267,691	8,111,818,990	230,297,086,680	47,535,644,959	7,873,004,253	55,408,649,212
Corporate and Other Persons	204,949,703,757	39,763,459,740	244,713,163,497	167,276,854,969	39,763,459,740	207,040,314,709
Regulatory Retail Portfolio	652,820,280	0	652,820,280	489,615,210	0	489,615,210
Past Due Exposures	33,642,413		33,642,413	33,642,413		33,642,413
Other Assets	116,130,914,787	0	116,130,914,787	115,072,587,804	0	115,072,587,804
Regulatory Adjustment (*Post IFRS 9 Impact Adjustment*)						-2,780,915,456
	1,396,053,894,027	60,913,438,598	1,456,967,332,626	330,408,345,355	47,636,463,993	375,263,893,893

6 Market Risk

6.1 Definition and Scope for Capital Planning

Market risk is the risk to earnings or capital from adverse changes in market factors such as interest rates, foreign exchange rates, equity and commodity prices, as well as their implied volatilities and other higher order factors.

Market risk is measured through a complementary set of tools, including factor sensitivities, Value at Risk (VaR), and stress testing. Market risk is usually undertaken by the Markets and Corporate Portfolio Management divisions in CNL.

6.2 Citi Market Risk Management

Each business is required to establish, with approval from Citi’s market risk management, a market risk limit framework for identified risk factors that clearly defines approved risk profiles and is within the parameters of Citi’s overall risk tolerance. These limits are monitored by independent market risk. In all cases, the businesses are ultimately responsible for the market risks taken and for remaining within their defined limits.

Price risk losses arise from fluctuations in the market value of trading and non-trading positions resulting from changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and in their implied volatilities.

Price risks are measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk. Price risk in Citi’s trading portfolios is monitored using a series of measures, including but not limited to:

- Value at risk (VAR)
- Stress testing
- Factor sensitivity

Each trading portfolio across Citi’s business segments (Citicorp, Citi Holdings and Corporate/Other) has its own market risk limit framework encompassing these measures and other controls, including trading mandates, permitted product lists and a new product approval process for complex products. All trading positions are marked to market, with the results reflected in earnings.

6.3 Factor Sensitivities

Factor sensitivities are expressed as 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. Citi's independent market risk management ensures that factor sensitivities are calculated, monitored, and in most cases, limited, for all material risks taken in a trading portfolio.

6.4 Stress Testing

Citi performs stress testing on a regular basis to estimate the impact of extreme market movements. It is performed on individual positions and trading portfolios, as well as in aggregate inclusive of multiple trading portfolios. Citi's independent market risk management organization, after consultations with the businesses, develops both systemic and specific stress scenarios, reviews the output of periodic stress testing exercises, and uses the information to assess the ongoing appropriateness of exposure levels and limits.

For the ICAAP exercise, a scenario adequacy assessment is carried out by the IWG and presented to the Management for adoption of a final scenario. Forecasts are then provided in line with the chosen scenario which are used to stress the risk exposures.

Systemic stresses are designed to quantify the potential impact of extreme market movements on a firmwide basis and are constructed using both historical periods of market stress and projections of adverse economic scenarios. Business specific stresses are designed to probe the risks of particular portfolios and market segments, especially those risks that are not fully captured in VaR and systemic stresses.

6.5 CNL - Market Risk Management

Citibank Nigeria Limited traded market risk business is only in FX and Rates as it facilitates client trades in these asset classes. The primary currency pair traded in FX is NGN/USD and interest rates exposure is primarily to sovereign bonds.

The trading desk is a primary dealer and as such engages in active risk taking in fixed income government debt trading.

The FX trading desk engages in various FX products such as Spot, Forwards, OTC FX Futures and FX Swaps with the sole purpose of facilitating client flows. The desk does not actively take on FX risk positions.

Pillar 1 Market Risk calculation covers risk of exposure to interest rates and exchange rates in the trading portfolio. By regulation, the bank is required to provide capital for market risk as a pillar 1 risk, hence it is considered material. Also, changes in PnL from stress events have a direct impact on CAR.

The bank's CAR is also exposed to impacts from FX fluctuations on the bank's foreign currency risk asset as LCY depreciation in the forecast years would lead to higher risk weighted assets. The currency mix on total assets is 81% to 19% for LCY and FCY respectively. The balance sheet forecast has taken into consideration the effect of FX rate conversion on the FCY assets.

Market risk is governed, measured, and monitored in accordance with Global Market risk policy. Limits are set and reviewed annually (or more frequently if deemed appropriate by risk manager). All limits are required to be within the risk appetite ratio as per the market risk limit framework. Limits are monitored and reported on daily basis to senior management. Any breaches in VaR, FXDL or IRDL limits are investigated, classified and escalated by the risk manager. As CNL trades in highly liquid currency pairs and in sovereign bonds only, they can easily liquidate positions when needed.

Conclusion

The Pillar 1 capital requirement for Market Risk calculated using standardized approach as prescribed by the CBN was N1,987 million as of 31 December 2022.

6.6 Market Risk Pillar 2 Scope and Stress testing

Based on estimated regulatory risk appetite (10% of RWA) and internal risk appetite (12% of RWA), we have computed the required capital for Market Risk for CNL as follows:

NGN in Millions	2022 Actual
Market Risk Capital Allocation of Eligible Capital Resources	3,691
Market Risk Internal Capital Allocation - Market Risk Appetite	3,000
Market Risk minimum allocation - Regulatory	1,987
Excess capital over regulatory minimum	1,704
Excess capital over Internal CAR	691

6.8 Interest Rate Risk in the Banking Book (IRRBB)

IRRBB also referred to as non-Traded Market Risk is the risk of loss arising from changes in the value of assets and liabilities within the non-trading businesses resulting from changes in market variables, such as interest rates or credit spreads. Losses can also result from the presence of Basis and Optionality Risks.

IRRBB Portfolio is governed by the Non-trading Market Risk Policy which sets the standards for defining, measuring, limiting, managing and reporting Non-trading Market Risk to ensure the transparency, consistency, and comparability of risk-taking activities.

The Asset and Liability Committee (ALCO) is the primary governance committee for the balance sheet.

The Country ALCO manages the Non-trading Market Risk in accordance with Citi ALCO standards for defining, measuring, limiting and reporting of non-trading Market Risk. The oversight for managing Nontrading Market risk is provided by Treasury Risk Management.

Non trading limits are set and reviewed annually (or more frequently if deemed appropriate) by the risk manager and approved by ALCO.

Limit monitoring of IRR in the banking book are reported to ALCO on a quarterly basis for both IRE and EVS measures for 1% and 2% shocks as well stress results for the balance from historical and hypothetical shocks. In addition to the above, DV01 limits are set for the accrual and AFS portfolios. The utilization of these limits is monitored daily. Utilization of AFS limits (position / DV01) are monitored daily by the desk.

Indicators monitored include Interest Rate Exposure (IRE), Economic Value of Equity/Economic Value Sensitivity (EVE/EVS), and Risk to Other Comprehensive Income (“OCI”).

The non-trading book comprises of mainly loans, investments, deposits and in some instances, borrowings.

The total asset size as at December 2022 was NGN 1,381,852 million with cash and government

securities making up about 77%. Mandatory cash reserves with the Central Bank account for 25% of total assets and are non-interest bearing. The duration of the government securities is less than 1 year.

Customer deposits and borrowed funds make up 65% and 20% of total liabilities respectively. Over 90% of the bank’s deposits are non-interest bearing. The deposits are a combination of funds from client's current account, short term money market deposits which are then supplemented by time and call deposits. These deposits are deployed into lending activates and investments. The loan contribution to total assets hovers around 15%.

The internal vulnerabilities which relate to non-trading market risks arise from the duration of the assets

/ liabilities, the interest rate pricing benchmarks, and the nature (sensitivity of the customers to interest rate shifts) of the deposits put onto the balance sheets.

External events that could cause a material loss are but not limited to a sovereign rating downgrade, political turmoil in other regions such as the Russia Ukraine war, global inflationary pressure and policy rate hikes/cuts. The Russia Ukraine war triggered a massive shock to the global economy, especially to energy and food markets, squeezing supply and pushing up prices to unprecedented levels. To combat rising prices, as well as to tackle inflation stemming from monetary and fiscal stimulus provided during COVID period the US Fed raised rates which led to a capital flight from emerging markets.

In 2022 on the back of both Fed rate hike and Russia/Ukraine war, the Central Bank hiked rates by 500 bps. Inflation peaked at 21.47 in November 2022. In early 2022, the desk repositioned its portfolio by reducing the duration on its investment portfolio to less than 4 months in anticipation of rate hikes by the CBN.

(IRRBB) risk capital methodology looks at interest rate risk profile over the lifetime of the portfolio considering the mismatch between the economic value of assets and liabilities. IRRBB has been assessed using an internal model approach, which is based on 200,000 scenarios of swap curves, calculating the 99.97th percentile. IRRBB risk capital calculation looks at all future cash flows throughout the lifetime of the portfolio and assumes the balance sheet structure runs off as per contractual/modelled schedule over the forecast period.

Pillar 2 capital requirement related to IRRBB was NGN 34,269 million in 2022 accounting for 6.7% of the total risk weighted assets.

IRRBB exposures are driven by the large increase in NIB deposits which have an assumed longer duration. As of December 2022, LCY deposits grew by NGN 270,611 million from the previous financial year end. A large portion of these deposits are held overnight by the Central Bank in the form of mandatory reserves which are non-earning, the rest are held in investment securities which are of shorter duration due to the rising interest rate environment and the loan portfolio. These deposits are forecasted to continue to grow in year 1 due to the worsening FX scarcity leading to increased trapped liquidity and is expected to reduce in year 2 and 3 following an improvement in the supply of FX.

Per regulatory requirement, CNL is required to monitor the maximum ΔEVE, under the six prescribed interest rate shock scenarios versus 15% of its Tier 1 capital. The six prescribes shocks by the regulator are parallel up, parallel down, steepener, flattener, short rate up and short rate down. Entities exceeding this threshold are considered outlier banks and are subject to further review and may require pillar 2 IRRBB capital add-on. For the period ended 31 December 2022, the bank had a maximum exposure of $42mm from the parallel down scenario. This was 19% of total tier 1 capital.

The risk of this loss crystalizing in the near future is low given the current overarching global and macro environment. This risk to earnings is expected to crystallize in a decreasing interest rate environment which is not currently expected in Nigeria over the forecast period. Currently, CNL has positive IRE and EVS for a rising interest rate scenario. CNL will implement a deposit cap whilst intensifying efforts to generate risk assets (loans). The Central Bank has indicated its willingness to release a portion of the cash reserve requirement if a bank demonstrates that it has grown its risk assets base. A release of cash by the Central Bank allows CNL to invest in longer term assets which would offset the EVS exposures arising from the NIB deposits.

Basis Risk occurs when risk mitigation transactions do not substantially match the risk profile of the underlying exposure. Basis Risk on accrual positions is the risk to earnings or capital arising from interest rates movement due to changing rate relationships between different yield curves. For example, the impact of relative changes in interest rates for financial instruments that have

- Either similar tenors but are priced using different interest rate reference curves (reference rate

basis risk); or

- Different tenors but the same reference curve (tenor basis risk or short-term non-parallel gap risk); or

- Similar tenors and reference curves but in different currencies (currency basis risk).

CNL doesn’t have material basis risk.

6.9 Liquidity Risk

Liquidity is the ability of an institution to fund increases in assets and meet obligations as they fall due at a reasonable cost. Liquidity risk is the risk that the institution will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without adversely affecting either daily operations or the financial condition of CNL.

Sources of liquidity risk may include, among other things, reduced access to sources of funding, or increased demands on the available funding of CNL.

Liquidity Risk Management

CNL maintains consistently strong liquidity, takes a conservative approach to liquidity risk management and mitigates liquidity risk through the use of conservative ratios and a comprehensive monitoring and control framework.

Citi’s liquidity management objective is to ensure that CNL has adequate access to liquidity to meet all obligations as and when due, including under extreme but plausible conditions. CNL is integrated into the overall Citi and liquidity and funding process and liquidity-monitoring framework. It adheres to internal liquidity policies as set out in the Citi Liquidity Risk Management Policy. Liquidity risk management includes liquidity planning, balance sheet stress reporting (TLST and RLAP) and the use of limits, triggers, key metrics, and stress testing. Liquidity is measured, monitored and managed within a robust framework that includes review by ALCO, Management Committee, Board, Independent Riskand both EMEA and Global Treasury.

CNL monitors liquidity risk on an ongoing basis through well-established processes as described in CNL’s liquidity policy and outlined above. This monitoring includes formal reviews through its committeestructure including ALCO and subsequently to the CNL Management Committee.

The CNL Assets & Liabilities Committee (ALCO) monitors liquidity risk topics including the following:

- Limit monitoring reports, usage and trends

- Balance Sheet Stress Reporting (TLST and RLAP) and

- Projected cash flows arising from assets, liabilities over an appropriate set of time horizons

- Central Bank Liquidity Ratios

- Liquidity Coverage Ratio (LCR).

Liquidity Risk for CNL is subject to and operate in line with the Citigroup Liquidity & Risk Management

Policy ("LRMP") which is co-owned by the Global Liquidity Oversight and Analytics ("GLOA") team and Treasury Market Risk. GLOA is responsible for oversight and the development of global operating models for all liquidity reporting and metrics as well as liquidity oversight and providing assumptions guidance.

The LRMP establishes standards for defining, measuring, limiting, and reporting liquidity risk to ensure the transparency and comparability of liquidity risk-taking activities and establishment of appropriate risk appetite. Per the LRMP, CNL is required to:

- Produce annually a balance sheet Funding and Liquidity Plan ("FLP"). The FLP will address

strategic liquidity issues and establish the parameters for identifying, measuring, monitoring and limiting liquidity risk including intraday and sets forth key assumptions for liquidity risk management. This will be approved by the CNL Asset and Liability Committee (ALCO) and

Independent Market Risk Management, Citi Treasurer and Treasury CRO.

- Develop a Contingency Funding Plan, detailing the "playbook" for addressing liquidity and

funding challenges in crisis situations.

- Monitor TLST and RLAP (highly stressed scenario with a one year and one-month horizons

respectively) on a daily basis. The basic objective and goal of Citi's liquidity risk management is that each CLE be stress tested and proven to be self-sufficient (i.e., no "Stress Funding

Shortfall") under its designated stress scenarios.

CNL's Funding and Liquidity Plan is formally presented and approved by the ALCO, Regional Treasury Risk Manager, Citi Treasurer and Treasury CRO annually.

In addition to internal requirements, CNL adheres to external requirements as defined by the local regulator. Liquidity rules and regulations continue to evolve and therefore CNL needs to continue to monitor and manage liquidity with reference to these on a forward-looking basis

Conclusion

As of 31 December 2022, CNL was in compliance with its internal TLST and local liquidity requirements:

TLST and RLAP surplus was at NGN 232,856mm and NGN 367,958 million respectively against a Management Action Trigger of NGN 54,410 million, while regulatory liquidity ratio was at 113.0% against the limit of 30%.

CNL maintains consistently strong liquidity and mitigates liquidity risk using conservative ratios and a comprehensive monitoring and control framework. CNL monitors its liquidity position on an ongoing basis, with formal reviews across its committee structure, including ALCO. No incremental capital isdeemed to be required for this risk.

Table 11: Market risk weighted equivalent: Standardised Approach

	N'000
Total interest Rate Risk	1,952,496.39
Total Foreign Exchange Risk	34,462.98
Total Market Risk Capital	**1,986,959.37**
Calibrated Risk-weighted Equivalent Amount (A*12.5)	**24,836,992.07**

7 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from external events. This definition of operational risk includes legal risk — which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of the bank to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the bank's business — but excludes strategic and reputation risks. Citi also recognizes the impact of Operational Risk on the reputation risk associated with Citi's business activities.

An Operational Risk Event is an incident related to operational risk that leads directly to the occurrence of an Operational Risk Event Effect. An Operational Risk Event Effect is the direct impact, either favourable ("Gain") or unfavourable ("Loss"), on Citibank Nigeria Limited's P&L (including reserves) recognized in the resolution of an Event. The impact of Operational Risk Events must be captured utilizing the Operational Risk Event categories and other required data fields as defined within the Loss Capture System.

The ORM Framework establishes taxonomies for the consistent identification, assessment, and reporting of Operational Risk across the First and Second Lines of Defence, including the Governance, Risk, and Compliance Risk Taxonomy and the Event Category Types. Citibank Nigeria Limited uses Event Category Types to classify Operational Risk Events. Event Category Types represent a description of "what happened," not "why it happened."

7.1 Operational Risk Management (ORM) Framework

The Operational Risk Management Framework collectively enables effective operational risk management, and consists of:

- The Operational Risk Management Policy Framework, which codifies the principles, the minimum requirements, and prescribes the "how-to" for operational risk management that Businesses and Functions within CNL must comply with.
- Operational Risk Definitions, Appetite and Governance
- Prescribed activities in the management of Operational Risk. This includes:
    - The operational risk management cycle, which includes the identification, measurement, monitoring, management and reporting of operational risks; and
    - The operational risk events cycle, which includes the escalation, capture, management, and analysis of operational risk events.
- Requirements for Operational Risk Capital Measurement

Lines of Defense

The roles and responsibilities of the lines of defence for operational risk management can be summarized as follows:

- The 1st Line of Defence is responsible for implementing and maintaining effective controls to reduce the operational risks they are exposed to within acceptable levels

- The 2nd Line of Defence is responsible for setting requirements around operational risk management, challenging the implementation of the overall ORM Framework, and challenging the quality and outcomes of 1st Line of Defence operational risk management activities; and

- The 3rd Line of Defence is responsible for providing senior management with independent opinions on the effectiveness of the Operational Risk Management Framework as a whole.

7.2 Operational Risk Management (ORM) Governance

The Operational Risk Management (ORM) Function drives comprehensive and consistent practices designed to identify, measure, monitor, report and manage operational risks while promoting the implementation of actions to address root causes which may lead to unintended operational risk losses.

CNL manages its operational risk through local in-business risk and Compliance & Control resources supported by a centralized team of Operational Risk specialists in the Region. Localized governance is achieved through CNL's Business Risk, Compliance & Control ("BRCC") Committee and the local Board Risk Management Committee.

The Business Risk Compliance and Control Committee (BRCC), a management committee, is a key risk and control committee in Citibank Nigeria Limited. The BRCC provides governance and oversight for compliance and operational risks. The mandate of the Citibank Nigeria BRCC is to govern and oversee that all compliance and operational risks material to its scope and mandate are adequately identified, monitored, reported, managed, and escalated, and appropriate action is taken in line with the firm-wide strategic objectives, risk appetite thresholds, and regulatory expectation, while promoting the culture of risk awareness and high standards of culture and conduct.

It also provides a three Line of Defence cross line of business / functional forum for escalation and reporting of material operational and compliance risks and related control issues that could have a significant impact on Citi Nigeria Limited's strategic objectives, clients' best interests or markets in which the bank operates.

The Citibank Nigeria Limited BRCC provides a channel to inform Senior Management about operational risk exposures, breaches of operational risk appetite, and operational risk events, allowing Senior Management to transparently take and document conscious decisions around the mitigation, remediation, or acceptance of operational risk exposures.

7.3 Measurement and Basel II

The Basic Indicator Approach (BIA) has been adopted for calculation of operational risk capital. The bank assesses its capital requirements using the regulatory prescribed calculation method.

Table 12: Risk-weighted amount for operational risk: Basic Indicator Approach

Line no.	Nature of item	Capital Charge Factor	First Year	Second Year	Third Year	Aggregate Gross Income (years 1 to 3)	Capital Charges
			SUM	SUM	SUM		
1	**Basic Indicator Approach (BIA)**						
2	Gross Income [see Note 1]	15%	**57,788,959,396**	**64,044,017,615**	**59,674,274,134**	181,507,251,145	27,226,087,672
3	Number of years with positive annual gross income						3
4	Mean Average of Aggregate Capital Charge						9,075,362,557
5	**Calibrated Risk-weighted Amount (BIA)**						**113,442,031,966**

8 Banking Book Equity Exposures

The bank determines that financial assests fair value through other comprehensive income (equity investments) are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the bank evaluates among other factors, the deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using valuation models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Table 13: Equity securities at fair values as at 31 December 2022

	N'000
Unlisted	14,908,143

9 Interest Rate Risk Position – Banking Book

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

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 changes in rates on floating-rate assets and liabilities in the current period.

Due to the long-term nature of the 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 reprice. These repricings are a function of implied forward interest rates, which represent the overall market's unbiased estimate of future interest rates and incorporate possible changes in the overnight rate as well as the shape of the yield curve.

9.1 Interest Rate Risk Governance

The risks in the Group'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 the Group'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, country and business ALCOs and financial control.

9.2 Interest Rate Risk Measurement

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities.

The Group's principal measure of risk to net interest revenue is interest rate exposure (IRE). IRE measures the change in expected net interest revenue in each currency resulting solely from unanticipated changes in 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 the unanticipated rate changes.

IRE measures the potential impact on net interest revenue over a specified period, for the accrual positions, from a defined parallel shift in the yield curve. It is a forward-looking measure, analogous to factor sensitivity on the trading portfolios. The IRE measures the potential change of interest rate margin of the Bank for 100 basis points parallel change of interest rate curve in the horizon.

The impact of changing prepayment rates on loan portfolios is incorporated into the results. For example, in the declining interest rate scenarios, it is assumed that mortgage portfolios have a faster repayment period and income is reduced. In addition, in a rising interest rate scenario, portions of the deposit portfolio are assumed to experience rate increases that may be less than the change in market interest rates.

9.3 Sensitivity analysis interest rate risk

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to specific interest rate scenarios. The sensitivity analysis is the effect of the assumed changes in interest rates on the profit or loss for the period, based on the floating rate non– trading financial assets and financial liabilities held at 31 December 2022. The sensitivity analysis on the non-trading portfolio is measured by the change in DV01(Dollar value of 01) that measures the change in value of the non-trading accrual portfolio due to a 100 basis point parallel move in the interest rates.

9.4 Mitigation of Risk

All financial institutions' financial performance is subject to some degree of risk due to changes in interest rates. In order to manage these risks effectively, the Group may modify pricing on new customer loans and deposits, enter into transactions with other institutions or enter into forward exchange contracts that have the opposite risk exposures. Therefore, the Group regularly assesses the viability of strategies to reduce unacceptable risks to earnings and implements such strategies when the Group believes those actions are prudent. As information becomes available, the Group formulates strategies aimed at protecting earnings from the potential negative effects of changes in interest rates.

The Group employs additional measurements, including stress testing on the impact of non-linear interest rate movements on the value of the balance sheet; the analysis of portfolio duration, volatility and the potential impact of the change in the spread between different market indices.

10 Forward-Looking Statements

This document contains certain forward-looking statements. The bank cautions readers that no forward-looking statement is a guarantee of future performance. CNL'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 Nigeria 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 Citibank Nigeria Limited's 2022 Annual Report. Except as required by any competent regulator or applicable law, CNL 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 Citibank'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 made in Citibank Nigeria Limited's 2022 Annual Report.