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**REPORT OF FACTUAL FINDINGS,**  
**TO THE MANAGEMENT OF CITIBANK N.A. – COLOMBO BRANCH**

We have performed the procedures agreed with you and enumerated in an annexure to this report, with respect to the corporate governance direction issued by the Central Bank of Sri Lanka (CBSL). Our engagement was undertaken in accordance with the principles set out in Sri Lanka Standards on Related Service 4750 (SLSRS 4750) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you to meet the compliance requirement of the corporate governance directive only at Branch level and did not cover the items which have been identified as “Not applicable at Branch level” by you, and referred to Head Office documentation.

We report our findings in the Annexure, along with the relevant agreed procedures as per Sri Lanka Standard on Related Service 4750 (SLSRS 4750).

Because the above procedures do not constitute an audit or review made in accordance with Sri Lanka Auditing Standards, we do not express any assurance on the compliance with the directives of corporate governance issued by CBSL. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Sri Lanka Auditing Standards, other matters might have come to our attention that would have been reported to you. Our report is solely for the purpose set forth in the first paragraph of this report and for your information and may be submitted to CBSL, and is not to be used for any other purpose or to be distributed to any other parties.

This report relates only to the items specified above and does not extend to any financial statements of Citibank N.A – Colombo Branch, taken as a whole or to the procedures carried out at Head Office level.

CHARTERED ACCOUNTANTS  
30 May, 2018  
Colombo

Corporate Governance Principal	CBSL Rule Reference	Compliance Status	Level of Applicable Compliance at Branch level in 2017
<b>3 (1) The responsibilities of the Board</b>  1. Strengthening the safety and Soundness of the Bank	Rule 3(1)(i)	Not Applicable to Branch as Branch does not have Board	a. Not applicable at Branch level, since functioning as a Branch Office, there is no board of directors. Branch Management is responsible for maintaining appropriate control environment and for ensuring compliance with internal controls and regulatory compliance.  e. Branch management is responsible in maintaining appropriate control environment and ensuring compliance with internal controls. Branch management signs off a Statement of Accountability (SOA) every quarter.  l. The Branch also has an independent compliance and an Independent Internal Audit who reports outside the country.
2. Chairman and CEO	Rule 3 (1)(ii)		Not Applicable at Branch level
3. Board Meetings	Rule 3 (1)(iii)		Not Applicable at Branch level
4. Inclusion of proposals by all Directors in the Agenda	Rule 3 (1)(iv)		Not Applicable at Branch level
5. Notice of Meetings	Rule 3 (1)(v)		Not Applicable at Branch level
6. Non attendance of Directors	Rule 3 (1)(vi)		Not Applicable at Branch level
7. Board Secretary	Rule 3 (1)(vii)		Not Applicable at Branch level
8. Minutes of the Meetings	Rule 3 (1)(viii)		Not Applicable at Branch level
9. Independent professional Advice	Rule 3 (1)(ix)		Not Applicable at Branch level
10. Conflict of Interests	Rule 3 (1)(x)		Not Applicable at Branch level
11. Formal schedule of matters	Rule 3 (1)(xi)		Not Applicable at Branch level
12. Situation of Insolvency	Rule 3 (1)(xii)		Not Applicable at Branch level
13. Capital adequacy	Rule 3 (1)(xiii)		Branch management through Asset Liability Committee (ALCO) manages the balance sheet and liquidity and ensure compliance with internal and external directions including risk limits and regulatory ratios. No such situation has arisen during the year.  Branch ALCO meets monthly and review the status of the capital adequacy of the branch to ensure compliance with prudential requirements. IRMC meets quarterly to review all the material risks impacting the business and Capital adequacy is reviewed. The Branch has complied with the Capital Adequacy Ratio as at balance sheet date. Branch also has a robust Internal Capital Adequacy Assessment Process (ICAAP) to assess projected Capital Adequacy over a 3 year time horizon under normal and extremely stress (1 in 25) scenario.

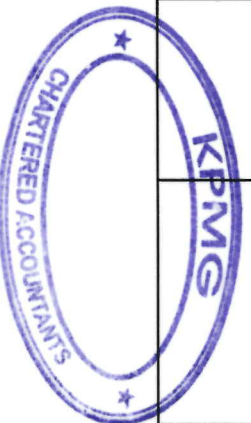


Corporate Governance Principal	CBSL Rule Reference	Compliance Status	Level of Applicable Compliance at Branch level in 2017
14. Corporate Governance Report	Rule 3 (1)(xvi)		Branch Management shall endure to publish the annual accounts and summary of the Group Corporate governance report.
15. Annual self assessment by the Directors	Rule 3 (1)(xvii)		Not Applicable at Branch level
<b>3 (2) The Board's Composition</b>			
16. Number of Directors	Rule 3 (2)(i)		Not Applicable at Branch level
17. Period of service of a Director	Rule 3 (2)(ii)		Not Applicable at Branch level
18. Appointment of an Employee as a Director	Rule 3 (2)(iii)		Not Applicable at Branch level
19. Independent Non Executive Director	Rule 3 (2)(iv)		Not Applicable at Branch level
20. Alternative Director	Rule 3 (2)(v)		Not Applicable at Branch level
21. Credibility, skills and Experience of Non Executive Directors	Rule 3 (2)(vi)		Not Applicable at Branch level
22. Presence of Non Executive Directors In Board Meetings	Rule 3 (2)(vii)		Not Applicable at Branch level
23. Details of Directors	Rule 3 (2)(viii)		Not Applicable at Branch level
24. Appointment of new Directors	Rule 3 (2)(ix)		Not Applicable at Branch level
25. Appointment to fill a casual Vacancy	Rule 3 (2)(x)		Not Applicable at Branch level
26. Resignation / removal of a Director	Rule 3 (2)(xi)		Not Applicable at Branch level
27. Appointments to other Banks	Rule 3 (2)(xii)		Not Applicable at Branch level
<b>3 (3) Criteria to assess the fitness and propriety of Directors</b>		Not Applicable to Branch as Branch does not have Board	Branch management have signed off an affidavit confirming to be fit and proper person to hold office.
28. Directors over 70 Years of age	Rule 3 (3)(i)		Not Applicable at Branch level
29. Holding of office in more 20 Companies	Rule 3 (3)(ii)		Not Applicable at Branch level
<b>3(4) Management function delegated by the Board</b>			
30. Delegation of work to the Management	Rule 3 (4)(i)		Branch comply and operate within the delegations given by the region. CCO has a Power of Attorney to operate the branch
31. Extent of Delegation	Rule 3 (4)(ii)		Not Applicable at Branch level

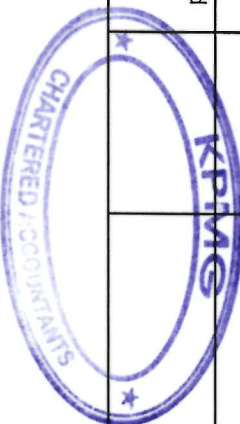




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32. Evaluation of the delegated	Rule 3 (4)(iii)		Not Applicable at Branch level
<b>3(5) The Chairman and Chief Executive Officer</b>			
33. Division of Responsibilities of the Chairmen and MD/CEO	Rule 3 (5)(i)		Chief Country Officer functions as the branch CEO and reports to a regional executive.
34. Chairman preferably be an independent Director and if not designate a Senior Director	Rule 3 (5)(ii)		Not Applicable at Branch level
35. Relationship between Chairmen and CEO and other Directors	Rule 3 (5)(iii)		Not Applicable at Branch level
36. Role of the Chairman	Rule 3 (5)(iv) to 3(5)(xi)		Not Applicable at Branch level
<b>3(6) Board appointed Committees</b>			
37. Board appointed four sub Committees	Rule 3 (6)(i)		Branch Structure has many committees to ensure branch is managed as per global policies, comply with regulatory directions, review internal controls, and address staff issues. These Committees are: <b>Country Coordinating Committee (CCC)</b> -Meets monthly to review/discuss franchise issues. <b>Asset Liability Committee (ALCO)</b> -To manage the balance sheet and liquidity and ensure compliance with internal and external directions including risk limits and regulatory ratios. Meets monthly <b>Business Risk, Compliance and Control Committee (BRCC)</b> To highlight and follow up control issues. Meets quarterly. <b>Country Human Resource Committee (CHRC)</b> - Meets as and when required to discuss issues relating branch staff. <b>Local Regulatory Reporting Governance Committee (LRRGC)</b> comprising the all senior management and unit heads was established in 2012 to oversee the compliance of all regulatory reporting by the Branch. <b>Citi Third Party Management Steering Committee (CTPMSC)</b> comprising all senior management and relevant stakeholders was established in 2014 to provide oversight and governance to all activities outsourced by the branch to ensure compliance with both regulatory and internal requirements. <b>Integrated Risk Management Committee (IRMC)</b> set up as a part of regulatory directive and meeting held quarterly.



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38. Audit Committee	Rule 3 (6)(ii)		Branch auditors are as selected by the Group.Branch will follow group policy on Engagement of external auditor for non audit assignment. This will require prior regional approval. Any audit issues are raised in the BRCC. Auditors Management letter is discussed in the CCC and tabled in the BRCC for follow up action and closure. Branch CCO and CFO would meet the external auditor to discuss any audit issues. Citi Group has enable Ethics hotline and escalation process where any employee can raise issues in a confidential manner. This is applicable to the branch office also.
39. Human resources /Remuneration Committee	Rule 3 (6)(iii)		Branch has a Human Resource Committee (CHRC) comprising Branch CCO, CFO, HR and 6 senior officers to discuss staff related issues. However this committee is not empowered to determine remuneration to any employee as such decisions needs to follow Global/Regional directions
40. Nomination Committee	Rule 3 (6)(iv)		Not Applicable at Branch level.
41. Integrated Risk Management Committee	Rule 3 (6)(v)		Country Risk Manager has been designated for Sri Lanka. IRM committee has been set up as per the guidelines. Branch risk management is handled at different levels. Region has set risk limits for treasury and the credit risk are managed centrally by the region with country input. Treasury risk limits are monitored locally and regionally. Credit exposures are assessed annually or as and when necessary.
<b>3 (7) Related Party Transactions</b>			
42. Avoiding conflict of interest in related party transactions	Rule 3 (7)(i)to Rule 3 (7)(iii)		Local CCC members of the branch has been identified as the Key Management Personnel (KMP) of the branch. However Citibank Colombo is a branch office of Citibank N.A New York and the authority of these personnel are as per the delegations given for the job roles by the head office. Hence may not strictly meet the definition a KMP as specified under section 2(1)(ii)b and 2(1)(ii)d of the corporate governance directive. Details of all transactions with the KMP's are disclosed under related party transactions in the audited annual accounts. Branch management is required to ensure no favorable treatment is given to any party when doing business. All pricing needs to follow the standard pricing model
43. Accommodations to Directors/Close Relatives	Rule 3 (7)(iv)		Not Applicable at Branch level.
44. Appointment of Director Subsequent to approval of facilities	Rule 3 (7)(v)		Not Applicable at Branch level.
45. Accommodation to employees	Rule 3 (7)(vi) Rule 3 (7)(vii)		Apart from the schemes applicable to all employees, no other accommodation is provided to employees at favourable conditions
<b>3(8) Disclosures</b>			
46. Financial reporting, statutory and regulatory reporting			Branch's Financial Statements for the year ended 31st December 2017 are in conformity with all rules and regulatory requirements and for the quarters then ended have been published in all three languages





Corporate Governance Principal	CBSL Rule Reference	Compliance Status	Level of Applicable Compliance at Branch level in 2017
47. Minimum disclosure in the Annual Report			<p>a. Compliance with applicable accounting standards and regulatory requirements has been included in the filing with CBSL.</p> <p>b. statement on "Management's Report on the Internal Controls Over Financial Reporting" by Country CCO's is included in filing.</p> <p>c. The Bank has obtained an Assurance Report on the internal controls over financial reporting based on the auditing framework issued by ICASL for this engagement. The recommendations made by the Auditors where relevant, will be dealt with in 2018</p> <p>d. Since a Branch office, not applicable</p> <p>e. Related party transactions will be disclosed in annual audited accounts.</p> <p>f. Local Members of CCC are named as key management personnel of the branch.</p> <p>g. The Bank has obtained the a Factual Findings Report from the Auditors on annual Corporate Governance Report, based on the auditing framework issued by ICASL for this engagement, any recommendations made by the Auditors where relevant will be dealt with in 2018.</p> <p>h. Apart from regulatory issues reported to Central Bank of Sri Lanka, there were no material non compliance to prudential requirements, regulations, laws and internal Controls affecting the Bank. Please refer to certification filed.</p> <p>i. Statutory Examination of the branch was conducted during 2Q 2017 and the final report on findings was issued on 17th October 2017 by the Director of Bank Supervision, highlighting Regulatory and Supervisory concerns on lapses and non-compliance with directions. Bank has taken action to meet the regulatory concerns and is providing periodic reports of the progress.</p>
48. Transitional and other general provisions annual Report			Summary of groups annual corporate governance report together with Groups summary financials and branch's audited accounts will be published in May 2018



*Ravin Basnayake*  
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Citi Country Officer

*Asanga De Silva*  
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Chief Financial Officer

*Dulani De Silva*  
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Country Compliance Officer

30/5/18