**Email to the Manager**

**To**: Joe (Manager at Citi Finance)

**From**: Shaghayegh Haghbin

**Date**: 05/04/2025

**Subject:** Verification of risk-weighted assets provided by operating units

Dear Joe,

As part of the annual capital adequacy exercise, I have tried to verify the risk-weighted assets and capital adequacy ratio for each of the operating units.

Operating units A, B, C, and D have supplied the following key information:

**Operating units ($'m) A B C D**

Risk-Weighted Assets (RWA) 70.25 59.5 244 200.2

10.0

Capital Adequacy Ratio (CET1/RWA) 14.2% 25.2% 8.2% %

I have independently verified risk-weighted assets and capital adequacy ratios for each of the units. I have found the following concerning issues:

* As evident Unit C’s capital adequacy ratio has dropped below the minimum requirement of 10.5% and thus requires urgent remedial action.
* It appears that Unit D’s RWA has been incorrectly calculated. Based on the information provided, the correct RWA should be $447.5m (instead of $200m) against Common Equity Tier 1 Capital of $20m which gives a capital adequacy ratio of 4.5%. The revised RWA has been calculated by multiplying asset value by its corresponding risk weight as detailed below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset** | **Asset**  **Value**  **($'m)** | **Risk Weight** | **RWA**  **($'m)** |
| Loans for Cards | 20.0 | 25% | 5.0 |
| Consumer Mortgages | 50.0 | 55% | 27.5 |
| Retail Banking | 350.0 | 90% | 315.0 |
| Unsecured Retail Lending | 100.0 | 100% | 100.0 |
|  | **520.0** |  | **447.5** |

The revised ratio is significantly below the minimum requirement of 10.5% and thus requires urgent remedial action.

Capital adequacy ratios for units C and D need to be improved urgently either by increasing CET1 and/or reducing RWAs. Please let me know if you would like to discuss this further or would prefer me to flag it with the respective operating units.

Many thanks,

Shaghayegh Haghbin

Financial Analyst,

Citi Finance