Citibank UK Limited

Pillar 3 Disclosures

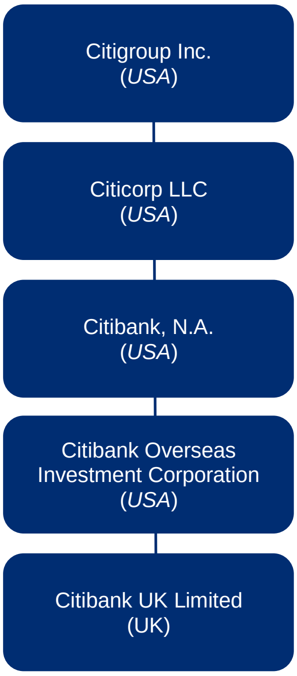
December 2019

Contents

Tables

Introduction

Citibank UK Limited (formerly Citi Marble Arch Limited) was incorporated on 29 March 2018. Until 24 January 2019, the Company was a wholly owned subsidiary of Citi Overseas Holdings Bahamas Limited (‘COHBL’). On 24 January 2019, COHBL transferred its ownership in the Company to Citibank Overseas Investment Corporation (‘COIC’), which became its immediate parent company and remains so, as at the date of this Pillar 3 disclosure. Citigroup Inc. (‘Citi’) is the ultimate parent undertaking.



Citi currently operates via two primary business segments, the Institutional Clients Group (‘ICG’) and the Global Consumer Bank (‘GCB’). The Company’s principal business falls within the GCB segment of Citi’s operations. GCB offers consumer banking products and services, principally to high net worth individuals (‘HNWI’), both onshore and offshore. Offshore clients are primarily referred through Citi’s global network. The product offering includes multi-currency deposits, investments, foreign exchange solutions and other wealth management services. ICG businesses utilise the excess liquidity generated in the entity to fund high quality loans, bonds and securitised notes taking into account, among other factors, the Liquidity, Risk and Governance framework of the entity.

Effective the 17 May 2019, the Company was authorised by the Prudential Regulation Authority (‘PRA’) and is further regulated by the Financial Conduct Authority (‘FCA’). All costs incurred associated with the legal and regulatory establishment of the Company were borne and paid by Citibank National Association, UK branch (‘CBNA London’).

Pursuant to above, the existing GCB clients formerly serviced out of Citi affiliates, Citibank Europe Plc UK branch (‘CEP UK’) and CBNA London were transferred to the Company, on the 16 September 2019, in line with High Court approvals received on 26 July 2019.

Overview of Pillar 3

This document contains the Pillar 3 disclosures, qualitative and quantitative, for CUKL, for 2019. The disclosures are made in accordance with Part 8 of the Capital Requirements Regulation (‘CRR’) within the Capital Requirements Directive (‘CRD IV’) package. In addition, we have implemented the European Banking Authority (‘EBA’) final guidelines on revised Pillar 3 disclosures (EBA/GL/2016/11), issued in December 2016, which bring into force the disclosure of new quantitative tables to further enhance comparability and consistency across the industry. Where not relevant to the activities of CUKL, specific rows and columns have been deleted from templates.

CUKL’s Pillar 3 disclosure is produced and published annually. All information deemed as immaterial, proprietary and confidential to CUKL has been omitted. The CRD IV package, which came into effect on 1 January 2014 and implements the provisions of the Basel Capital Accord in the EU, mandates a framework of capital adequacy regulation for banks and investment firms incorporating three distinct pillars:

- Pillar 1 prescribes the minimum capital requirements for such firms
- Pillar 2 addresses the associated supervisory review process; and
- Pillar 3 specifies further public disclosure requirements in respect of their capital and risk profile

In accordance with the requirements set out in CRD IV, the focus of the disclosures is on European Economic Area (EEA) parent institutions and firms which are significant subsidiaries of EEA parent institutions.

The disclosures complement both the group level materials included in the Citigroup Annual Report, and CUKL’s own 2019 financial statements.

Policy and verification

In accordance with Article 431 (3) of the CRR, CUKL's Pillar 3 disclosure is covered under the Citi internal EU Pillar 3 Standard, which outlines the principles and minimum standards to be applied when developing a set of Pillar 3 disclosures for legal entities within the EU. The firm has operated within a framework of internal controls and procedures for accessing the appropriateness of this disclosure.

The basis of the disclosures for CUKL is on a solo basis. As 31 December 2019 represents CUKL's first Pillar 3 disclosures, no comparatives are included.

This Pillar 3 disclosure have been subject to review from appropriate senior management within Finance, Risk and HR functions. The document was approved in the UK Asset and Liability Committee ('ALCO'), CUKL Management Committee ('CUKL ManCo'), CUKL Risk and Audit Committee ('RAC') and subsequently approved by the CUKL Board.

Transitional Arrangements for the Adoption of IFRS 9

CUKL has chosen not to apply the transitional arrangements introduced by regulation (EU) 2017/2395 for mitigating the impact of IFRS 9 on own funds and the treatment of certain large exposures.

Future Outlook

The UK's withdrawal from the EU

Citibank UK Limited does not expect the UK's withdrawal from the EU to have a material impact on its business model, though there maybe changes once the UK-EU agreed transition period ends on 31 December 2020 in how CUKL is able to operate for the relatively small EU based portfolio of clients. The Company continues to engage with regulators during this time of change in order to minimize the impact on clients.

Market Outlook

Looking forward, the Company is likely to be impacted by a number of developments with specific significance for its operations and strategy:

- **The UK's withdrawal from the EU** and its associated economic, political, legal and regulatory ramifications will continue to be a source of uncertainty during 2020 as the exact nature of UK's future relationship with EU remains unclear.

- **The impact of Coronavirus** ('COVID-19'): The global spread of COVID-19 has resulted in governments taking varied actions towards stemming its spread and also bolstering economies. Consequently, the global economy has seen a slowdown of economic activity in many sectors and increased volatility in the financial markets including the UK. The impact of COVID-19 is expected to continue for the coming months with likely adverse effects on the operations and financial position of the business. The company is closely monitoring the spread of COVID-19, the actions and reactions of governments and the potential effects it will have on its business.

- **Uncertainties with respect to global growth** both in advanced and emerging-market economies may have an impact on confidence and financial activity.

- **Political uncertainty** is expected to continue through 2020.

- **Technological Developments** within the finance industry have the potential to significantly change the current technological and operational infrastructure across financial institutions.

Citi and CUKL will continue to monitor and assess these developments in order to mitigate any impact to services offered to clients and to take advantage of any opportunities that they may create. The Company is open to new opportunities to expand the businesses it offers within its risk appetite.

Board's Declaration

CUKL has an established management and governance framework incorporating all of its businesses and functions. Its Board of Directors ('the Board') consists of executive and non-executive directors, including the Head of the UK Consumer Banking (the Company's CEO) and the Citi Country Officer ('CCO') for the UK.

We confirm that CUKL's Pillar 3 disclosures, to the best of our knowledge, comply with Part Eight of the CRR and have been prepared in compliance with CUKL's internal control framework.

Key Metrics

Table 1: Key Metrics (KM1)

		31 Dec 2019 £ million
	Available capital (amounts)	
1	Common Equity Tier 1 ('CET1') capital	**291.8**
2	Tier 1 capital	**343.8**
3	Total capital	**395.8**
	Risk-weighted assets (amounts)	
4	Total risk-weighted assets ('RWA')	**873.2**
	Risk-based capital ratios as a percentage of RWA	
5	Common Equity Tier 1 ratio (%)	**33.4%**
6	Tier 1 ratio (%)	**39.4%**
7	Total capital ratio (%)	**45.3%**
	Additional CET1 buffer requirements as a percentage of RWA	
8	Capital conservation buffer requirement (%)	**2.5%**
9	Countercyclical buffer requirement (%)	**0.49%**
10	Bank G-SIB additional requirements (%)	**-**
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	**2.99%**
12	CET1 available after meeting the bank's minimum capital requirements (%)	**13.06%**
	Basel III Leverage Ratio	
13	Total Basel III leverage ratio measure	**4,773.6**
14	Basel III leverage ratio (%)	**7.2%**
	Liquidity Coverage Ratio	
15	Total HQLA	**3,474.2**
16	Total net cash outflow	**436.6**
17	LCR ratio (%)	**795.8%**

Risk Management

Risk Culture and Mission

Effective risk management is of primary importance to CUKL (the Company) and its operations. Accordingly, CUKL's risk management process is built to monitor, evaluate and manage the risks it assumes in conducting its activities in accordance with Citi's mission and value proposition, the key principles that guide it, and CUKL's risk appetite.

Citi's mission and value proposition, developed by Citi's senior leadership and distributed throughout the organisation, is to serve its clients as a trusted partner by responsibly providing financial services that enable growth and economic progress while earning and maintaining the public's trust by constantly adhering to the highest ethical standards.

Citi asks all employees to ensure that their decisions pass three tests: they are in our clients' interests, create economic value, and are always systemically responsible. Additionally, Citi evaluates employees' performance against behavioural expectations set out in Citi's leadership standards, designed in part to effectuate Citi's mission and value proposition. Other culture-related efforts in connection with conduct risk, ethics and leadership, escalation, and treating clients fairly help Citi to execute its mission and value proposition.

Risk Governance Framework

CUKL's risk governance framework consists of the policies, standards, and processes through which CUKL identifies, assesses, measures, monitors, and controls risks across the Company. It also emphasises CUKL's risk culture and lays out standards, procedures and programs that are designed to set, reinforce and enhance the Company's risk culture, integrate its values and conduct expectations into the organisation, and provide employees with tools to assist them in making prudent and ethical risk decisions and to escalate issues appropriately.

Three Lines of Defence Approach

The risk governance framework at 2019 is based on a three lines of defence model; the lines collaborate with each other in structured forums and processes to bring together various perspectives and lead the organisation to outcomes consistent with its culture and mission.

- Each of the Company's businesses (first line of defence) owns and manages the risks inherent in or arising from their business, and is responsible for identifying, assessing and controlling those risks, establishing and operating controls to mitigate those risks, performing manager assessments of the design and effectiveness of internal controls, implementing appropriate procedures to fulfil its risk governance responsibilities, and promoting a culture of compliance and control.

- CUKL Independent Risk Management ('IRM') and other control functions (second line of defence), including Independent Compliance Risk Management ('ICRM'), Finance, Human Resources and Legal, set standards by which CUKL and its businesses and products are required to adhere to in order to manage and oversee risks, including compliance with applicable laws, regulatory requirements, policies and other relevant standards of ethical conduct. A number of these control functions provide credible challenge to first line units in their assessment and management of risk.

- CUKL Internal Audit function (third line of defence) independently reviews activities of the first two lines of defence, based on a risk-based audit plan.

Risk Appetite Framework

CUKL's risk appetite framework, approved by the CUKL Board of Directors, includes both a risk appetite statement, which articulates the aggregate level and types of risk that CUKL is willing to accept in order to achieve its business objectives, as well as the overall approach through which risk appetite is established, communicated and monitored. It is built on quantitative boundaries, which include risk limits or thresholds, and qualitative principles to guide behaviour.

Risk Organisation

CUKL's Risk Management Framework, approved by the CUKL Board of Directors, codifies its risk governance and appetite frameworks and sets responsibilities across the three lines of defence. The Board Risk and Audit Committee ('RAC') and the CUKL Management Committee ('CUKL ManCo') perform an oversight role for risk related items at the legal entity level with support of the following committees at the product and/or business level such as the New Product Approval Committee ('NPAC'), Consumer Products Approval Committee (CPAC), Business Risk Compliance and Control Committee ('BRCC'), UK Risk Committee, and Asset and Liability Committee ('ALCO'). The Chief Risk Officer is responsible for second line of defence oversight and management of the various risk portfolios of the Company. Further details of the CUKL Governance Forums and Committees are detailed in Appendix 5.

Material Risks

The Company has a formalised process for the identification and assessment of material risks consistent with the three lines of defence model and comprised of both a top down and bottom up assessment of risks to the Company. The process provides the Company with the opportunity to consider the risks to its business, raises awareness of those risks through broad participation from within the Company, and ensures that the Company's view of the risks evolves in conjunction with changes in the Company's strategy, risk profile and market conditions. It further informs the Company's Strategic Plan and, in turn, Risk Appetite setting and other formal processes, which includes the Internal Capital Adequacy Assessment Process ('ICAAP'), Internal Liquidity Adequacy Assessment Process ('ILAAP'), and Recovery and Resolution Planning ('RRP').

CUKL has identified the following risks as material to its business: credit risk, liquidity risk, market risk, operational risk, and reputational risk as a second order risk.

Climate Change

Climate change and its consequences to the global economy represent a range of key emerging risks, with the scope growing beyond reputation-related risks to financial risk. Financial risks from climate change arise through two primary channels: physical risk from abrupt unplanned disruption to businesses and transitional risk from a shift to low carbon and climate resilient policies and technologies. Citigroup continues to assess the risks to our business emerging from climate change.

Citi has addressed climate risks in project related financings and corporate-level reviews in select sectors for the past many years. In 2019, a global multi-disciplined cross functional Climate Risk Working Group (CRWG) was established charged with the build out our capabilities for managing financial risks associated with climate change at Citi. The CRWG is closely monitoring climate risk management industry and regulatory developments in the UK, and globally, to ensure local expectations are taken into consideration as Citi builds out its global climate risk management capabilities.
In 2020, Citi appointed a Global Head of Climate Risk Management supported by dedicated Risk Management staff to spearhead Citi's overall efforts. Within the UK, the Senior Management Function (SMF) with a specific climate-based Statement of Responsibilities is supported by the wider Citi risk management infrastructure, including a formal Senior Manager delegate. Progress is being made to integrate climate risk into Citi's risk management frameworks and policies. Climate related considerations will be embedded into the firm's risk appetite and client strategy in due course. A more granular assessment of CUKL's portfolio and its vulnerability to climate change scenarios is being progressed considering the entity's businesses and risk profile.

Stress Testing

CUKL defines stress testing as an internal risk management tool and a key regulatory requirement used to perform forward-looking capital and liquidity adequacy assessments i.e. the ICAAP and the ILAAP. The stress testing processes are designed to assess the resilience of the Company's balance sheet, capital and funding plans to adverse economic or financial scenarios on a forward-looking basis.

Regulatory Framework for Disclosure

The tables presented in this section outline the differences in the accounting balance sheet and carrying values under the scope of regulatory consolidation, with the latter broken down by risk category.

Table 2: Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (LI1)

			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Assets							
Cash and balances at central banks	410.7	410.7	410.7	-	-	-	-
Derivative financial instruments	31.3	31.3	-	31.3	-	31.3	-
Treasury bills and other eligible bills	1,625.3	1,625.3	1,625.3	-	-	-	-
Loans and advances to banks	1,852.3	1,852.3	405.9	1,446.4	-	-	-
Loans and advances to customers	578.9	578.9	578.9	-	-	-	-
Debt securities	280.0	280.0	-	-	280.0	-	-
Intangible fixed assets	7.6	7.6	-	-	-	-	7.6
Other assets	24.5	24.5	22.0	-	-	-	2.5
Total Assets	4,810.6	4,810.6	3,042.8	1,477.7	280.0	31.3	10.1
Liabilities							
Deposits by banks	(5.8)	(5.8)	-	-	-	-	(5.8)
Customers accounts	(4,345.6)	(4,345.6)	-	-	-	-	(4,345.6)
Derivative financial instruments	(31.5)	(31.5)	-	(31.5)	-	-	-
Other liabilities	(8.8)	(8.8)	-	-	-	-	(8.8)
Accruals and deferred income	(4.1)	(4.1)	-	-	-	-	(4.1)
Provisions for liabilities	(0.1)	(0.1)	-	-	-	-	(0.1)
Subordinated liabilities	(52.1)	(52.1)	-	-	-	-	(52.1)
Called up share capital	0.0	0.0	-	-	-	-	0.0
Reserves	(356.3)	(356.3)	-	-	-	-	(356.3)
Profit and loss account	(6.3)	(6.3)	-	-	-	-	(6.3)
Total Liabilities	(4,810.6)	(4,810.6)	-	(31.5)	-	-	(4,779.1)

Table 3: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

		Items subject to		
	Total	Credit risk framework	CCR framework	Securitisation framework
	£ million	£ million	£ million	£ million
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	4,810.6	3,042.8	1,477.7	280.0
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(31.5)	-	(31.5)	-
Total net amount under the regulatory scope of consolidation	4,779.1	3,042.8	1,446.2	280.0
Off-balance-sheet amounts	20.6	20.6	-	-
Differences due to different netting rules and collateral usage	(1,442.6)	(13.1)	(1,429.5)	-
Other	(10.0)	-	-	0.1
Exposure amounts considered for regulatory purposes	3,347.1	3,050.3	16.7	280.1

The above 'Total' column does not sum directly to the 'Items subject to' as this table excludes those items subject to the market risk framework and items not subject to capital requirements or subject to deduction from capital (per table 2).

The following table shows CUKL's Own Funds as at 31 December 2019, against the Accounting Balance Sheet, per Annex I of the final 'Implementing technical standards with regard to disclosure of own funds requirements for institutions' (Commission implementing regulation- EU 1423/2013).

Table 4: Reconciliation of Balance Sheet to Regulatory Capital

	Accounting balance sheet	Own Funds
	£ million	£ million
Shareholders' Funds		
Other Reserves	363.0	363.0
Accumulated Other Comprehensive Income ('AOCI')	(7.2)	(7.5)
Retained Earnings	(0.8)	-
Profit & Loss (i)	7.1	-
Other	0.6	-
Total Shareholders' Funds	362.6	355.5
Subordinated Liabilities	52.1	52.0
Regulatory Adjustments		
Additional Valuation Adjustments		(1.7)
Intangible Assets		(7.6)
Deferred Tax Assets		(2.5)
Total		395.8

Additional Notes

(i) As at 31 December 2019, CUKL was unable to recognise the 2019 Profit & Loss in its capital per article 26(2) of the CRR.

Own funds & Risk Weighted Assets (RWA)

CUKL complies with the CRD IV minimum capital requirements to ensure that sufficient capital is maintained to cover all relevant risks and exposures. For this purpose, the firm calculates capital charges for market risk, counterparty risk and operational risk based upon standardised approaches, as well as recognising a number of credit risk mitigation techniques.

CUKL monitors its capital position on a daily basis, calculating its excess over both Pillar 1 and Pillar 2 minimum requirements. These excesses are subject to internal Capital Action Triggers, an internal limit to ensure that the entity holds a sufficient capital excess to permit timely management decisions in case of short-term stresses.

To assess the adequacy of capital to support current and expected future activities, the firm produces regular capital forecasts for CUKL, taking into account both normal business conditions and a variety of stressed scenarios. On at least an annual basis CUKL prepares an Internal Capital Adequacy Assessment Process ('ICAAP') document, setting out its risk appetite, capital requirements and associated policies and procedures. Through its Supervisory Review and Evaluation Process, the PRA has set CUKL's minimum Total Capital Requirement (Pillar 1 + Pillar 2a) at 14.67%.

The afore mentioned tools are monitored and controlled through the UK ALCO and CUKL ManCo.

Additionally, CUKL is required to hold additional capital buffers under CRD IV including the institution specific countercyclical capital buffer (see Appendix 2 for further details) and the capital conservation buffer of 2.5% of RWA.

Effective 1 January 2020, Minimum Requirements for Eligible Liabilities ('MREL') introduced an internal MREL requirement for CUKL. The Bank of England has set CUKL's MREL requirement as equal to its minimum capital requirement. No MREL eligible debt has been issued.

Own Funds

The following table details CUKL's own funds as at December 31 2019. CUKL's regulatory capital comprises of three distinct elements, Common Equity Tier 1 ('CET1') capital, Additional Tier 1 ('AT1') and Tier 2 capital ('T2'). Regulatory adjustments detailed include intangible assets, deferred tax assets and additional value adjustments. The main features of CUKL's capital instruments can be found in Appendix 4.

As at 31 December 2019, CUKL's CET1 ratio was 33.4%.

Table 5: Own funds disclosure template (CC1)

		31 Dec 2019 £ million
	Common Equity Tier 1 (CET1) capital: Instruments and reserves	
1	Capital Instruments and the related share premium accounts	**311.0**
2	Retained earnings	**-**
3	Accumulated other comprehensive instruments (and other reserves)	**(7.5)**
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	**-**
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**303.5**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	
7	Additional value adjustments (negative value)	**(1.7)**
8	Intangible assets (net of related tax liabilities) (negative amount)	**(7.6)**
15	Defined-benefit pension fund assets (negative amounts)	**-**
20a	Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative	**-**
20c	of which: securitisation positions (negative amount)	**-**
20d	of which: free deliveries (negative amount)	**-**
24	CET1 capital elements or deductions - other	**(2.5)**
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(11.8)**
29	**Common Equity Tier 1 (CET1) capital**	**291.8**
	Additional Tier 1 (AT1) capital: instruments	
30	Capital instruments and the related share premium accounts	**52.0**
31	of which: classified as equity under applicable accounting standards	**-**
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**52.0**
	Additional Tier 1 (AT1) capital: regulatory adjustments	**-**
43	**Total Regulatory Adjustments to Additional Tier 1 (AT1) Capital**	**-**
44	**Additional Tier 1 (AT1) capital**	**52.0**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**343.8**
	Tier 2 (T2) capital: instruments and provisions	**-**
46	Capital instruments and the related share premium accounts	**52.0**
51	**Tier 2 (T2) capital before regulatory adjustments**	**52.0**
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**
58	**Tier 2 (T2) capital**	**52.0**
59	**Total capital (TC = T1 + T2)**	**395.8**
60	**Total risk weighted assets**	**873.2**
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**33.4%**
62	Tier 1 (as a percentage of total risk exposure amount)	**39.4%**
63	Total capital (as a percentage of total risk exposure amount)	**45.3%**
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	**2.99%**
65	of which: capital conservation buffer requirement	**2.50%**
66	of which: countercyclical buffer requirement	**0.49%**
67	of which: systemic risk buffer requirement	**-**
67a	of which: Global Systemically Important Institution (G-811) or Other Systemically Important Institution (0-811) buffer	**-**
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**1.31%**
	Amounts below the thresholds for deduction (before risk weighting)	

72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) [1]	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions) [1]	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
80	- Current cap on CET1 instruments subject to phase out arrangements	-
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	- Current cap on AT1 instruments subject to phase out arrangements	-
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	- Current cap on T2 instruments subject to phase out arrangements	-
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Risk Weighted Assets

The following table provides an overview of RWAs, calculated in accordance with article 92 of Capital Requirements Regulation, by risk type and calculation approach.

Table 6: Overview of RWA (OV1)

		RWAs	Minimum capital requirements
		£ million	£ million
1	**Credit risk (excluding counterparty credit risk)**	**668.2**	**53.5**
2	Of which the standardised approach	**668.2**	**53.5**
6	**Counterparty credit risk (CCR)**	**8.3**	**0.7**
7	Of which mark-to-market	**8.3**	**0.7**
12	Of which CVA	-	-
13	**Settlement Risk**	-	-
14	**Securitisation exposures in the banking book (after the cap)**	**28.0**	**2.2**
14a	Of which subject to revised securitisation framework	**28.0**	**2.2**
19	**Market Risk**	-	-
20	Of which the standardised approach	-	-
22	**Large Exposures**	-	-
23	**Operational risk**	**168.7**	**13.5**
25	Of which standardised approach	**168.7**	**13.5**
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-
28	**Floor adjustment**	-	-
29	**Total as at 31 December 2019**	**873.2**	**69.9**

Credit & Counterparty 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 honour its financial or contractual obligations.

Credit risk arises in many of CUKL's business activities and is categorised into wholesale and retail credit exposures. CUKL's wholesale credit exposures are classifiably-managed (individually risk rated) and arise from activities in corporate lending through commercial real estate (CRE) loans; structured finance through investments in residential mortgage backed securities (RMBS); and in Treasury through securities held in high quality liquid assets (HQLA) and cash held at the Bank of England and with other Citi affiliates. CUKL's retail exposures are delinquency managed (portfolio-based) and arise from activities in consumer lending through unsecured overdrafts and margin and securities backed finance (MSBF) loans.

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. It arises from over-the-counter (OTC) derivatives contracts, securities financing transactions (SFTs) such as repo-style transactions, and settlement exposure. For CUKL, counterparty credit risk is immaterial due to very limited activity in these products.

Credit and Counterparty Risk Management

Wholesale credit risk

CUKL's wholesale credit risk exposures are to corporate, institutional, and public sector clients. CUKL's credit risk management framework establishes standards for measuring, managing, monitoring, and controlling credit risk. Obligors are assigned risk ratings and facilities are approved in accordance with Citi level and business level risk policies. The risk policies require a comprehensive analysis of each obligor and all proposed credit exposures to that obligor on an annual basis, at a minimum. The business and risk share responsibility for the accuracy of the ratings and re-approving the ratings process every three years unless specified otherwise.

Retail credit risk

CUKL extends credit to retail clients based on the client's willingness and ability to repay, CUKL's stated risk appetite, and underwriting guidelines. Depending on a client's standing and type of product, facilities may be provided on an unsecured basis.

Credit risk management (and jointly with Operational Risk Management, Fraud Risk Policies) is responsible for establishing consumer credit risk policies, approving business-specific policies and procedures, monitoring business risk management performance, providing ongoing assessment of portfolio credit risk, ensuring the appropriate level of credit reserves, and approving new products and new risks.

Credit and Counterparty Risk Measurement

Wholesale credit risk

For CUKL's wholesale exposures, internal credit ratings are inputs into determining approval levels, risk capital and reserves. Each wholesale obligor is assigned an obligor risk rating (ORR) that reflects the one-year probability of default (PD) of the obligor. Each wholesale facility is assigned a facility risk rating (FRR) that reflects the expected loss rate of the facility, the product of the one-year PD and the expected loss given default (LGD) associated with the facility characteristics.

The process for approving a counterparty's credit risk exposure limit is guided by core credit policies, procedures and standards, experience and judgment of credit risk professionals, and the amount of exposure and risk capital at risk. Credit risk analysts conduct daily monitoring versus limits and any resulting issues are escalated to credit officers and business management as appropriate. Usage against the credit limits may reflect netting agreements and collateral.

While internal ratings are the starting point in establishing credit assessments, a range of factors, such as quality of management and strategy, nature of industry, and regulatory environment, among others, is also taken into consideration for obligor limits and approval levels.

Retail credit risk

CUKL's retail banking operations use credit models in assessing and managing risk in their businesses. Models used include PD models, primarily in the form of scoring models that empirically or judgmentally derive a numeric value based on the key characteristics of a prospect, applicant, client, broker, affiliate, product, transaction, or other entity that rank orders the likelihood or likely magnitude of a particular behaviour or outcome of interest.

Credit risk regulatory capital requirements

CUKL has adopted the Standardised Approach for calculating credit and counterparty risk capital requirements. Under this approach, external credit ratings, assigned by External Credit Assessment Institutions (ECAIs), are used in the calculation of risk-weighted assets. Risk weights reduce with increasing credit quality of the obligor. For all on-balance sheet items, the exposure value is measured as the on-balance sheet carrying, or accounting, value. For off-balance sheet items, a Credit Conversion Factor (as defined in CRR, Art 111) is used to transform the nominal value into an exposure-at-default. CUKL uses ratings assigned by Standard and Poor's, Moody's and Fitch, assigning risk weights per the following table:

Table 7: Risk weightings by credit quality step

Credit Quality Step	Standard & Poor's	Moody's	Fitch	Corporates	Governments and central banks	Institutions: Sovereign method	Institutions: Maturity > 3 months	Institutions: Maturity ≤ 3 months
1	AAA to AA-	Aaa to Aa3	AAA to AA-	20%	0%	20%	20%	20%
2	A+ to A-	A1 to A3	A+ to A-	50%	20%	50%	50%	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	100%	50%	100%	50%	20%
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	100%	100%	100%	100%	50%
5	B+ to B-	B1 to B3	B+ to B-	150%	100%	100%	100%	50%
6	CCC+ and below	Caa1 and below	CCC+ and below	150%	150%	150%	150%	150%

For OTC Derivatives, CUKL uses the Current Exposure Method (CEM) approach to measure the replacement cost in the case of a counterparty default. CEM assigns to each transaction a regulatory stipulated exposure based on the mark-to-market value and a measure of potential future exposure which is a percentage of notional exposure driven by residual maturity and the type of contract.

CUKL leverages the Financial Collateral Comprehensive Method (as defined in CRR1, Article 223) to determine the appropriate haircuts for liquid and marketable collateral and, in doing so, calculates a net exposure-at-default (e.g. for SFTs).

Internal credit risk capital assessment

Wholesale credit risk is assessed using a Monte Carlo simulation model that estimates defaults and economic losses during a 1-year time horizon. The model estimates a range of loss scenarios based on simulated distributions for Probabilities of Default (PD), Loss Given Defaults (LGD), facility usage/Exposure at Default (EAD) and credit rating migration loss estimates. The internal risk capital assessment for credit risk also considers both Single Name and Sectorial credit concentration risk.

Stress Testing

Stress testing is performed on expected credit losses conditional on a given macroeconomic scenario, and includes the projection of credit losses for all facilities in the credit risk portfolio and all businesses. CUKL Independent Risk Management, in conjunction with the businesses, develops stress scenarios, reviews the output of periodic stress testing exercises and uses the information to make judgements as to the ongoing appropriateness of exposure levels and limits.

The stress testing process includes bottom-up, top-down, and reverse stress-testing. Reverse stress testing assesses business model vulnerabilities and is appropriate to the nature, size and complexity of the business and the risk it bears. Stress tests are conducted across business lines and risk types drawing data from across the organisation as needed. Stress scenarios are dynamic, forward looking, and designed to appropriately impact all material risk types, risk factors and specific vulnerabilities relevant to CUKL.

Scope and Nature of Credit Risk Reporting and Measurement Systems

CUKL leverages a Citi global risk exposure warehouse and monitoring system to manage, monitor and report credit exposure to its wholesale obligors and counterparties. Retail exposures are booked in local systems specific to local credit risk regulations. However all retail exposures and performance information are captured and reported centrally at the portfolio level for monitoring and managing the risks.

Credit and Counterparty Risk Mitigation

CUKL uses various risk mitigants for credit risk in its portfolios, in addition to outright asset sales. Credit risk mitigation, including netting, collateral and other techniques, is important to CUKL in the effective management of its credit risk exposures. Netting agreements and margin collateral may be recognised as credit risk mitigants provided they meet certain eligibility criteria.

Generally, in consultation with legal counsel, CUKL determines whether collateral documentation is legally enforceable and gives CUKL the right to liquidate or take possession of collateral in a timely manner in the event of the default, insolvency, bankruptcy or other defined credit event of the obligor. Also in consultation with legal counsel, CUKL approves relevant jurisdictions and counterparty types for any netting purposes.

Wholesale exposures

- **Collateral management and valuation**
  CUKL adopts Citi's global policies and procedures that govern the management of financial assets, including securing and valuing collateral utilised for the purpose of mitigating the credit risk of real estate loans, RMBS, OTC derivatives, and repo-style transactions.

  Collateral assets taken as credit risk mitigants in the wholesale banking book receive initial and subsequent periodic valuations. This is part of the facility approval process and is aimed at ensuring a comprehensive understanding of the potential recovery value of the pledged collateral asset in an event of obligor default.

  Collateral must be realisable and have either (1) a value capable of being established on the open market or (2) a value that can be provided by a recognised external market source or independent valuer. Valuations must also take into account the environment, the relevant market, and the type of collateral. Different asset types, collateral types, and borrowers' risk profiles may require different processes with respect to valuation, the frequency of evaluation (and re-evaluation), inspection, and verification.

  For OTC derivatives and repo-style transactions, businesses are required to establish standard eligibility criteria for collateral usage and review processes for approving non-standard collateral.

  The current market value of collateral is monitored on a regular basis. Counterparties may be required to post cash or securities as margin.

Margin procedures are established for managing margin calls, and daily margining maintains an appropriate level of collateral coverage reflecting market value fluctuations. Trades are reconciled on a regular basis and margin dispute processes are in place. Procedures are established surrounding collateral substitution and collateral reuse/rehypothecation. Limits and concentration monitoring are utilised to control CUKL's collateral concentrations to different types of asset classes.

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

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

- **Primary Types of Collateral**
  The main types of credit risk mitigants utilised for CUKL's wholesale banking book exposures are cash, real estate collateral, and government bonds. Only cash is collected, posted, or exchanged as eligible margin collateral on OTC derivative transactions, at a counterparty level.

- **Collateral concentrations**
  CUKL's collateral concentrations are within the entity's risk limit framework. CUKL has a high concentration in the public sector due to investments in government securities for HQLA purposes and balances with the Bank of England and a concentration in real estate due to its CRE loan portfolio and investment in UK RMBS notes. There are no other material collateral concentrations as of 31 December 2019.

Retail exposures

- **Collateral management and valuation**
  Collateral assets taken as credit risk mitigants in the consumer business receive initial and subsequent periodic valuations. CUKL uses lower standard loanable values for common financial assets. The collateral is monitored weekly for eligibility. For MSBF loans, collateral valuations are performed daily.

- **Primary types of collateral**
  Loans to wealth management clients may be made against the pledge of eligible marketable securities and cash. Acceptable collateral for MSBF loans include cash, fixed income securities, structured notes, mutual funds, exchange traded funds, and equities.

Risk Concentrations

A concentration of risk refers to an exposure with the potential to produce losses large enough to threaten a covered bank's financial condition or its ability to maintain its core operations. To manage concentration risk, Citi uses a risk concentration management framework consisting of industry limits, product limits and single-name triggers. Independent Risk Management reviews concentrations of risk across Citi's regions and businesses to assist in managing this type of risk. Independent Risk Management periodically reviews exposures across all portfolios to ensure compliance with various limit and concentration constructs.

Wrong Way Risk

Wrong-way risk (WWR) occurs when movement in a market factor causes an increase in CUKL's exposure to a counterparty at the same time as the counterparty's capacity to meet its obligations decreases – the exposure to a counterparty is negatively correlated with the credit quality of the counterparty.

Specific WWR arises when the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty. General WWR is less definite than specific WWR and occurs where the credit quality of the counterparty is subject to impairment due to changes in macroeconomic factors. CUKL is not exposed to any form of Wrong Way Risk.

Credit Risk Adjustments

CUKL is required to calculate estimated credit losses (ECLs) for all credit exposures (such as deposits, loans, and debt securities) recorded at amortised cost or at fair value through other comprehensive income under the IFRS 9 impairment model.

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. The proportion recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition of the asset, and financial assets are classified in three stages depending on the extent of credit deterioration.

For a detailed description of CUKL's accounting policies and risk management practices, please refer to Note 1G, "Impairment of financial assets" in the CUKL Annual Report and Financial Statements 2019.

Definitions of Past Due and Impairment

Exposures are considered to be past due if contractually agreed payments of principal and/or interest remain unpaid by due date.

CUKL recognises exposures as being past due in accordance with section 4 of the EBA Guidelines on the application of the definition of default and Commission Delegated Regulation (EU) 2018/171 on the materiality threshold for credit obligations past due. An exposure can only be past due if there is a legal obligation to make a payment and the payment is compulsory. In the event there is no legal obligation or payment is not compulsory, non-payment does not constitute a breach. Once the legal obligation for a mandatory payment has been established, the counting of days past due starts as soon as any amount of principal, interest, or fee has not been paid at the date when it was due.

In line with the default definition under Article 178 of the Capital Requirements Regulation (CRR), exposures which are 90 days past due are treated as defaulted and classified as Stage 3 from an IFRS9 perspective.

Financial assets are deemed to be credit-impaired when a credit loss event has occurred. Credit-impaired assets are classified as Stage 3 and in default. A loss allowance equal to the full lifetime expected credit losses is recognised. Credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

For a detailed description of CUKL's accounting policies and risk management practices, please refer to Note 1G, "Impairment of financial assets" in the CUKL Annual Report and Financial Statements 2019.

Credit & Counterparty Credit Risk Profile

Credit Risk

Table 8: Credit quality of exposures by exposures class and instrument (CR1-A)

		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net carrying values
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
	Standardised approach							
16	Central governments or central banks	-	**2,030.3**	-	-	-	-	**2,030.3**
19	Multilateral development banks	-	**5.0**	-	-	-	-	**5.0**
21	Institutions	-	**413.8**	-	-	-	-	**413.8**
22	Corporates	-	**110.3**	-	-	-	-	**110.3**
23	Of which: SMEs	-	-	-	-	-	-	-
26	Secured by mortgages on immovable property	-	**471.3**	-	-	-	-	**471.3**
27	Of which: SMEs	-	-	-	-	-	-	-
35	**Total standardised approach**	-	**3,030.7**	-	-	-	-	**3,030.7**
36	**Total**	-	**3,030.7**	-	-	-	-	**3,030.7**
37	Of which: Loans	-	**581.6**	-	-	-	-	**581.6**
38	Of which: Debt Securities	-	**2,448.2**	-	-	-	-	**2,448.2**
39	Of which: Off-balance sheet exposures	-	**0.9**	-	-	-	-	**0.9**

Table 9: Credit quality of exposures by industry and counterparty types (CR1-B)

		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net carrying values
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	Financial and insurance activities		**934.1**					**934.1**
2	Real estate activities		**471.3**					**471.3**
3	Public administration and defence, compulsory social security		**1,625.3**					**1,625.3**
4	**Total as at 31 December 2019**	-	**3,030.7**	-	-	-	-	**3,030.7**

Table 10: Credit quality of exposures by geography (CR1-C)

		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net carrying values
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	**Europe**	-	**2,546.2**	-	-	-	-	**2,546.2**
2	United Kingdom	-	**1,856.3**	-	-	-	-	**1,856.3**
3	Luxembourg	-	**186.9**	-	-	-	-	**186.9**
4	Russian Federation	-	**64.9**	-	-	-	-	**64.9**
5	Germany	-	**394.5**	-	-	-	-	**394.5**
6	Other Europe	-	**43.5**	-	-	-	-	**43.5**
7	**Asia**	-	**1.7**	-	-	-	-	**1.7**
8	**United States**	-	**467.6**	-	-	-	-	**467.6**
9	**Middle East and Africa**	-	**15.0**	-	-	-	-	**15.0**
10	**Central/South America**	-	**0.2**	-	-	-	-	**0.2**
11	**Total as at 31 December 2019**	-	**3,030.7**	-	-	-	-	**3,030.7**

Table 11: Total and average net amount of exposures (CRB-B)

		Net carrying values	Average net carrying values	RWAs	Capital requirement	RWA density
		£ million	£ million	£ million	£ million	£ million
	Standardised Approach					
16	Central governments or central banks	2,030.3	1,772.1	-	-	0%
19	Multilateral development banks	5.0	2.5	-	-	0%
21	Institutions	413.8	209.3	86.6	6.9	21%
22	Corporates	110.3	56.4	110.3	8.8	100%
24	Retail	-	63.2	-	-	0%
26	Secured by mortgages on immovable property	471.3	497.1	471.3	37.7	100%
35	**Total standardised approach as at 31 December 2019**	3,030.7	2,600.6	668.2	53.5	22%

Table 12: Geographical breakdown of exposures (CRB-C)

		Net Value										
		Europe	Of which: United Kingdom	Of which: Germany	Of which: Luxembourg	Of which: Russian Federation	Of which: Other Europe	United States	Middle East and Africa	Asia	Central/ South America	Total
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
7	Central governments or central banks	1,562.7	1,173.0	389.7	-	-	-	467.6	-	-	-	2,030.3
10	Multilateral development banks	5.0	-	-	5.0	-	-	-	-	-	-	5.0
12	Institutions	413.8	413.8	-	-	-	-	-	-	-	-	413.8
13	Corporates	93.4	15.1	4.8	-	64.9	8.6	-	15.0	1.7	0.2	110.3
15	Secured by mortgages on immovable property	471.3	254.5	-	181.9	-	34.9	-	-	-	-	471.3
23	**Total standardised approach**	2,546.2	1,856.3	394.5	186.9	64.9	43.5	467.6	15.0	1.7	0.2	3,030.7
24	**Total**	2,546.2	1,856.3	394.5	186.9	64.9	43.5	467.6	15.0	1.7	0.2	3,030.7

Table 13: Concentration of exposures by industry or counterparty types (CRB-D)

		Public administration and defence, compulsory social security	Financial and insurance activities	Real estate activities	Total
		£ million	£ million	£ million	£ million
7	Central governments or central banks	1,620.3	410.0	-	2,030.3
10	Multilateral development banks	5.0	-	-	5.0
12	Institutions	-	413.8	-	413.8
13	Corporates	-	110.3	-	110.3
15	Secured by mortgages on immovable property	-	-	471.3	471.3
23	**Total standardised approach**	1,625.3	934.1	471.3	3,030.7
24	**Total as at 31 December 2019**	1,625.3	934.1	471.3	3,030.7

Table 14: Maturity of exposures (CRB-E)

		On demand	Less than 1 year	Between 1 and 5 years	More than 5 years	Undated	Total
		£ million	£ million	£ million	£ million	£ million	£ million
7	Central governments or central banks	-	3.2	778.2	1,248.9	-	2,030.3
10	Multilateral development banks	-	-	5.0	-	-	5.0
12	Institutions	-	-	400.9	-	12.9	413.8
13	Corporates	-	-	-	-	110.3	110.3
15	Secured by mortgages on immovable property	-	181.9	289.4	-	-	471.3
23	**Total standardised approach**	-	185.1	1,473.5	1,248.9	123.2	3,030.7
24	**Total as at 31 December 2019**	-	185.1	1,473.5	1,248.9	123.2	3,030.7

Table 15: Standardised Approach – Credit Risk exposure and CRM effects (CR4)

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
		£ million	£ million	£ million	£ million	£ million	%
	Exposure classes						
1	Central governments or central banks	2,030.3	-	2,030.3	-	-	0%
4	Multilateral development banks	5.0	-	5.0	-	-	0%
6	Institutions	413.8	-	413.8	-	86.6	20.9%
7	Corporates	110.3	15.9	110.3	-	110.3	100.0%
9	Secured by mortgages on immovable property	470.3	4.7	470.3	0.9	471.3	100.0%
17	**Total as at 31 December 2019**	3,029.7	20.6	3,029.7	0.9	668.2	22.0%

Table 16: Standardised approach (CR5)

		Risk weight								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
	Exposure classes									
1	Central governments or central banks	2,030.3	-	-	-	-	-	-	-	-
4	Multilateral development banks	5.0	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	400.9	-	12.9	-	-
7	Corporates	-	-	-	-	-	-	-	-	-
9	Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-
17	**Total as at 31 December 2019**	**2,035.3**	-	-	-	**400.9**	-	**12.9**	-	-

		Risk weight								
		100%	150%	250%	370%	1250%	Others	Deduc-ted	Total	Of which: unrated
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
	Exposure classes									
1	Central governments or central banks	-	-	-	-	-	-	-	2,030.3	-
4	Multilateral development banks	-	-	-	-	-	-	-	5.0	-
6	Institutions	-	-	-	-	-	-	-	413.8	-
7	Corporates	110.3	-	-	-	-	-	-	110.3	-
9	Secured by mortgages on immovable property	471.3	-	-	-	-	-	-	471.3	-
17	**Total as at 31 December 2019**	**581.6**	-	-	-	-	-	-	**3,030.7**	-

Table 17: Credit quality of performing and non-performing exposures by past due dates

		Gross carrying amount/nominal amount											
		Performing Exposures			Non-performing exposures								
			Of which: Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due >90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	Loans and advances	580.7	580.7			-	-	-	-	-	-	-	-
6	Non-financial corporations	580.7	580.7			-	-	-	-	-	-	-	-
9	Debt Securities	2,449.1	2,449.1			-	-	-	-	-	-	-	-
11	Central governments	2,030.3	2,030.3			-	-	-	-	-	-	-	-
12	Credit institutions	418.8	418.8			-	-	-	-	-	-	-	-
15	Off-balance-sheet exposures	0.9											-
20	Non-financial corporations	0.9											-
22	**Total as at 31 December 2019**	**3,030.7**	**3,029.8**			-	-	-	-	-	-	-	-

Table 18: Performing and Non-performing exposures and related provisions

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value cue to credit risk and provisions			Accumul-ated partial write-off	On perfo-rming expos-ures	On non-perfo-rming expo-sures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	Loans and advances	580.7	580.7	-	-	-	-		-	-	-	-	-	-		-
6	*Non-financial corporations*	580.7	580.7	-	-	-	-		-	-	-	-	-	-		-
9	*Debt Securities*	2,449.1	2,449.1	-	-	-	-		-	-	-	-	-	-		-
11	*Central governments*	2,030.3	2,030.3	-	-	-	-		-	-	-	-	-	-		-
12	*Credit institutions*	418.8	418.8	-	-	-	-		-	-	-	-	-	-		-
15	Off-balance-sheet exposures	0.9	0.9	-	-	-	-		-	-	-	-	-			-
20	*Non-financial corporations*	0.9	0.9	-	-	-	-		-	-	-	-	-			-
22	**Total as at 31 December 2019**	3,030.7	3,030.7	-	-	-	-		-	-	-	-	-	-		-

Counterparty Credit Risk

Table 19: Analysis of CCR exposure by approach (CCR1)

		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
		£ million	£ million	£ million	£ million		£ million	£ million
1	Mark to market	-	0.4	8.7	-	-	9.1	4.5
9	Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	7.6	3.8
11	**Total as at 31 December 2019**	0.0	0.4	8.7	-		16.7	8.3

CUKL's counterparty credit risk exposures are exempt from the Credit Valuation Adjustment (CVA) capital charge due to intracompany, per article 382 of the CRR.

The below table provides a breakdown of Counterparty Credit Risk exposures and risk-weighted by exposure class and applicable risk weight according to the standardised approach.

Table 20: Standardised approach – CCR exposures by regulatory portfolio and risk (CCR3)

		Risk Weight									
		0%	2%	4%	20%	50%	100%	150%	Others	Total	Of which: unrated
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
6	Institutions	-	-	-	-	16.7	-	-	-	16.7	-
11	**Total as at 31 December 2019**	-	-	-	-	16.7	-	-	-	16.7	-

Table 21: Impact of netting and collateral held on exposure values (CCR5-A)

		Gross positive fair value or net carrying amount	Netting benefits	Netted current exposure	Collateral held	Net credit exposure
		£ million	£ million	£ million	£ million	£ million
1	Derivatives	31.9	-	31.9	-	31.9
2	SFTs	1,446.4	-	1,446.4	1,451.5	-
4	**Total as at 31 December 2019**	1,478.3	-	1,478.3	1,451.5	31.9

Table 22: Composition of collateral for exposures to CCR (CCR5-B)

		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of collateral received		Fair value of collateral received	Fair value of collateral posted
		Segregated	Unsegregated	Segregated	Unsegregated		
		£ million	£ million	£ million	£ million	£ million	£ million
1	Derivatives	-	-	-	-	-	-
2	SFTs	-	-	-	-	**1,451.5**	-
4	**Total as at 31 December 2019**	-	-	-	-	**1,451.5**	-

Securitisation

The regulatory capital framework for securitisation exposures is a risk sensitive framework that focuses on credit risks that have been transferred and repackaged. CUKL is only exposed to this securitisation framework as an investor in highly rated RMBS. CUKL holds the highest quality tranche of debt, externally AAA-rated and with material credit enhancements to protect CUKL.

Securitisation Risk Management

CUKL's risk management organisation plays an active role in the review and oversight of securitisation exposures. Securitisations are subject to a robust review process with controls and oversight. CUKL manages its securitisation positions within an established risk management policy framework whereby the business and Independent Risk Management monitor changes in the securitisation portfolio structure.

Credit risk management is responsible for determining the overall risk appetite for securitisation transactions, approving extensions of credit, ensuring data capture associated with those extensions of credit is accurate and within CUKL's risk appetite and limits, and ensuring that the transactions meet EU regulations under the CRR. Securitisation positions are subject to an established limit monitoring framework to ensure diversification in CUKL's portfolio.

Securitisation Risk Measurement

CUKL calculates its risk based capital requirements using the revised securitisation standardised approach (SEC-SA). The SEC-SA approach uses a supervisory formula and the following inputs to calculate regulatory capital requirements:

- Attachment Point: the point at which the collateral losses from underlying assets backing a securitisation will have reached an amount that those losses will be applied to the tranche in the form of principal write-downs;
- Detachment Point: the point at which the tranche will be completely written-down by losses from the collateral backing the tranche;
- Weighted Average Capital: the weighted average capital charge of the assets in the deal;
- Seriously Delinquent: the percentage of the collateral that is seriously delinquent in the deal (e.g., 90+ days past due, in foreclosure, in bankruptcy); and
- Calibration Parameter: a parameter that increases the riskiness of a tranche for re-securitisations.

As at 31 December 2019, CUKL as an investor has £280 million in securitisations on its books. There are currently no re-securitisation exposures and no assets awaiting securitisation. In addition, there was no instance of CUKL acting as a sponsor for third party securitisation deals.

Accounting Policies

The Company holds investments in asset backed securities. Such debt instruments are classified and subsequently measured at amortised cost as both of the following conditions are met:

- Business Model test: the debt security is held under a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (the 'SPPI' criterion).

IFRS 9 'expected credit loss' impairment requirements are applied to debt instruments measured at amortised cost.

Table 23: Securitisation exposures in the banking book (SEC1)

		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	**Retail (total), of which;**	-	-	-	-	-	-	280.1	-	280.1
2	Residential mortgage	-	-	-	-	-	-	280.1	-	280.1
12	**Total as at 31 December 2019**	-	-	-	-	-	-	280.1	-	280.1

Table 24: Securitisation exposures in the banking book – bank acting as investor (under the new framework) (SEC4)

		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)	RWA (by regulatory approach)	Capital charge after cap
		≤20% RW	>20% to <50% RW	>50% to <100% RW	>100% to <1250% RW	1250% RW	SEC-SA	SEC-SA	SEC-SA
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	**Total exposures as at 31 December 2019**	280.1	-	-	-	-	280.1	28.0	2.2
2	**Traditional securitisation**	280.1	-	-	-	-	280.1	28.0	2.2
3	Of which securitisation	280.1	-	-	-	-	280.1	28.0	2.2
4	Of which retail underlying	280.1	-	-	-	-	280.1	28.0	2.2

Market Risk

Market risk is the risk of loss arising from changes in the value of assets and liabilities resulting from changes in market variables, such as interest rates, exchange rates or credit spreads. Losses can be exacerbated by the negative convexity of positions, as well as the presence of basis or correlation risks.

A bank's trading portfolio comprises positions held for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in profits. However, CUKL considers all of its business activities and exposures to be non-trading book in nature, and positions giving rise to market risk are held within the non-trading portfolio.

The non-trading portfolio comprises positions which are not held with trading intent and mainly arise from the deployment of the firm's deposit base. The primary products in the non-trading portfolio include debt securities measured at fair value through Other Comprehensive Income. The main sources of market risk within the non-trading portfolio, include, but are not limited to:

- Interest rate changes giving rise to a potential pre-tax impact on Net Interest Margin ('NIM').
- Fair value changes to the instrument due to changes in underlying market risk factors.

The non-trading portfolio consists primarily of Available for Sale ('AFS') securities and Held to Maturity ('HTM') portfolios. The principal risk on the non-trading portfolio is Interest Rate Risk in the Banking Book ('IRRBB').

Non-trading Book Risk Management

CUKL's risk management framework establishes standards for measuring, managing, monitoring, and controlling market risk. It sets responsibilities across the three lines of defence.

Non-trading Book Risk Measurement

The risks arising through CUKL's non-traded portfolios are estimated using a common set of standards that define, measure, limit and report market risk.

Interest rate risk

The Company measures interest rate risk using both income and valuation metrics. These metrics provide complementary views of the impact of interest rate risk on the balance sheet over varying time horizons.

Interest Rate Exposure ('IRE') is an income metric which measures the potential pre-tax impact on Net Interest Revenue (NIR) for banking book positions due to defined shifts in interest rates over a specified reporting period. NIR is the difference between the accrued interest income earned on assets (e.g. client loans) and the interest expense paid on liabilities (e.g. client deposits). Factors such as changes in volumes, margins and the impact of prior-period pricing decisions are not captured by this measure and it assumes that businesses make no additional changes in pricing or balances in response to unanticipated rate changes.

The following are valuation metrics:

- Economic Value of Equity ('EVE'): The net of the economic value of all relevant on and off balance sheet assets, less the economic value of all relevant on and off balance sheet liabilities, using present value calculations that discount cash flows derived from the current positions.
- Economic Value Sensitivity ('EVS'): The change in EVE for a pre-defined change in the yield curve.

The following table shows the IRE and EVS measures as of 31 December 2019 assuming a 100bp up/down parallel shift in the yield curve. A positive IRE/EVS indicates a potential increase in earnings/economic value while a negative IRE/EVS indicates a potential decline in earnings/economic value. IRE and EVS are calculated on a monthly basis.

Table 25: Sensitivity of Economic Value and Net Interest Revenue

£ millions	Economic Value Sensitivity		Interest Rate Exposure	
Currency	**+100bps**	**-100bps**	**+100bps**	**-100bps**
GBP	(7.4)	(6.0)	2.3	(1.7)
EUR	6.8	(1.1)	2.7	1.2
USD	8.6	(8.6)	4.4	(5.1)
Other	3.3	(1.6)	0.2	(0.1)
Total as at 31 December 2019	**11.2**	**(17.3)**	**9.5**	**(5.7)**

Currency risk

It is the policy of the Company to reduce foreign currency risk that may arise in the normal course of business. The Company deals in financial instruments denominated in a number of currencies, and open currency positions arise from funding mismatches and accruals of interest and expense provisions in currencies other than GBP. Treasury monitors open foreign currency positions on a daily basis ensuring exposures are kept within agreed allocated limits.

Market Risk Capital

CUKL uses the standardised approach to calculate its market risk capital requirements. Due to the banking book nature of the entity, the primary risk is foreign exchange risk. As at December 31 2019, CUKL's market risk was nil in accordance to de Minimis guidance under article 351 of the Capital Requirements Regulation.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events. It includes risk of failing to comply with applicable laws and regulations, but excludes strategic risk. Operational risk includes the reputation and franchise risk associated with business practices or market conduct in which CUKL is involved, as well as compliance, conduct and legal risks. Operational risk is inherent in CUKL's business activities, as well as related support functions, and can result in losses arising from events associated with the following, among others:

- fraud, theft and unauthorized activity
- employment practices and workplace environment
- clients, products and business practices
- physical assets and infrastructure and
- execution, delivery and process management.

The objective is to keep operational risk at appropriate levels relative to the characteristics of Citi's businesses, the markets in which it operates, its capital and liquidity, and the competitive, economic and regulatory environment.

Operational Risk Management is an independent, second line function within Citi's global risk management function and has reporting lines covering legal entities, geographies and businesses. Operational Risk Management actively participates in various CUKL governance forums to ensure the Operational Risk Framework is fully embedded in CUKL's day-to-day management activities and provides independent risk challenge across the entity.

Operational Risk Framework

To anticipate, mitigate and control operational risk, Citi maintains a system of policies and standards and has established a consistent framework for monitoring, assessing and communicating operational risks and the overall effectiveness of the internal control environment across Citi. CUKL follows Citi's global framework and has defined its operational risk appetite and established a manager's control assessment ('MCA') process, through which CUKL identifies, monitors, measures, reports on and manages risks and the related controls. CUKL assesses its risks according to Citi's risk taxonomy, covering:

- Customer or Client Conduct Risk
- Market Integrity Conduct Risk
- Fraud Risk
- Processing Risk
- Technology Risk (incl. Cyber)
- Third Party Risk
- Reporting Risk
- Data Management Risk
- Money Laundering Risk
- Bribery & Corruption Risk
- Sanctions Risk
- Human Capital Risk
- Model Risk
- Physical Damage Risk
- Governance and Risk Oversight

The process established by the ORM Framework is expected to lead to effective anticipation and mitigation of operational risk and improved operational risk loss experience and includes the following steps:

- Identify and assess the risks it undertakes
- Design controls to mitigate identified risks
- Establish Key Risk Indicators ('KRIs')
- Implement a process for early problem recognition and timely escalation
- Produce comprehensive operational risk reporting; and
- Ensure that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks

As new products and business activities are developed, processes are designed, modified or sourced through alternative means and operational risks are considered.

Measurement of Operational Risk

Operational risk is measured and assessed through a rigorous ICAAP process to determine whether any additional capital is required over and above the levels resulting from applying the Standardised Approach to calculating regulatory operational risk capital. CUKL's operational risk capital requirement is shown in the below table:

Table 26: Operational Risk RWA

	RWA	Capital requirement
	£ million	£ million
Basic Indicator approach	-	-
Standardised approach	168.7	13.5
Advanced measurement approach	-	-
Total as at 31 December 2019	**168.7**	**13.5**

Leverage

Leverage risk is the risk that excessive growth in exposure or a decrease in capital will lead to an entity becoming more vulnerable to leverage or contingent leverage that may require unintended corrective measures, including distressed selling of assets, which might result in losses or in valuation adjustments to its remaining assets.

CUKL's leverage ratio is calculated in accordance with Capital Requirements Regulation and CRD IV, with the final ratio as at 31 December 2019 of 7.4%. The following tables set out the components of the leverage ratio calculation in accordance with the CRR definitions on a fully phased in basis:

Table 27: Leverage ratio common disclosure (LRCOM)

		31 December 2019 £ million
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**3,325.7**
2	(Asset amounts deducted in determining Tier 1 capital)	**(10.1)**
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**3,315.6**
	Derivative exposures	
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	**0.4**
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark- to-market method)	**8.7**
11	**Total derivatives exposures**	**9.1**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions [1]	**1,446.4**
14	Counterparty credit risk exposure for SFT assets	**-**
16	**Total securities financing transaction exposures**	**1,446.4**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	**20.6**
18	(Adjustments for conversion to credit equivalent amounts)	**(18.0)**
19	Other off-balance sheet exposures (sum of lines 17 and 18)	**2.5**
	Capital and total exposure measure	
20	Tier 1 capital	**343.8**
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**4,773.6**
	Leverage ratio	
22	Leverage ratio	**7.2%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	**Fully phased-in**

The following tables display the reconciliation of the total assets per the published financial statements and the total leverage ratio exposures, with further breakdown the on-balance sheet leverage exposures, split by asset class:

Table 28: Summary reconciliation of accounting assets and leverage ratio exposures (LRSUM)

		31 December 2019 £ million
1	Total assets as per published financial statements	**4,812.6**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	**-**
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	**-**
4	Adjustments for derivative financial instruments	**(16.7)**
5	Adjustment for securities financing transactions (SFTs)	**-**
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**(2.5)**
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	**-**
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	**-**
7	Other adjustments	**(19.8)**
8	**Leverage ratio total exposure measure**	**4,773.6**

Table 29: Split up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (LRSPL)

		31 December 2019 £ million
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**3,325.7**
EU-2	Trading book exposures	**-**
EU-3	Banking book exposures, of which:	**3,325.7**
EU-4	Covered bonds	**-**
EU-5	Exposures treated as sovereigns	**2,035.3**
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	**-**
EU-7	Institutions	**413.8**
EU-8	Secured by mortgages of immovable properties	**470.3**
EU-9	Retail exposures	**-**
EU-10	Corporate	**126.2**
EU-11	Exposures in default	**-**
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**280.1**

Liquidity

Strategies and Processes of Liquidity Risk Management

Adequate and diverse sources of funding and liquidity are essential to CUKL. Funding and liquidity risks arise from several factors, many of which are mostly or entirely outside CUKL's control, such as disruptions in the financial markets, changes in key funding sources, credit spreads, changes in Citi's credit ratings and macroeconomic, geopolitical and other conditions.

CUKL's funding and liquidity management objectives are aimed at (i) funding its existing asset base, (ii) growing its core businesses, (iii) maintaining sufficient liquidity, structured appropriately, so that CUKL can operate under a variety of adverse circumstances, including potential Company-specific and/or market liquidity events in varying durations and severity, and (iv) satisfying regulatory requirements.

CUKL's liquidity risk appetite is set by the Company's Liquidity Risk Management Framework ('LRMF'). Liquidity is the ability of a financial institution to fund increases in assets and meet obligations as they come due, at a reasonable cost, under normal and stress circumstances. 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.

The key aspects of CUKL's liquidity risk framework used to ensure an appropriate overall liquidity risk profile include:

- minimum liquidity coverage ratio ('LCR') requirement;
- minimum internal liquidity metrics including both a short-term (30 day) and long term (12 months) requirement
- high quality liquidity asset framework including limits to ensure that CUKL's liquid assets remain appropriately diversified by currency, issuer and geographic location of the issuer.

The CUKL Board of Directors approves this Framework and any material amendments to this Framework at least annually.

Structure and Organisation of Liquidity Risk Management

Citigroup operates a centralised treasury model, whereby Citi Treasury, through its Global Franchise and Regional Treasurers, will manage the overall balance sheet. The UK Treasurer, in addition to the CUKL treasurer, is responsible for the application of the CUKL's Liquidity Risk Management Framework.

The Liquidity Risk Management Framework provides a holistic outline of how liquidity risk is managed, establishes standards for measuring, managing, monitoring and controlling risk in the Company and set responsibilities across all three lines of defence.

As part of the Liquidity Risk Management Framework, the following Committees perform an oversight role for liquidity risk related items:

- Board
- Board Risk and Audit Committee ('RAC')
- CUKL Management Committee ("CUKL Manco')
- Asset & Liability Committee ('ALCO')
- Executive Committee

Management of liquidity is the responsibility of CUKL's Treasurer who aims to ensure that all funding obligations are met when due.

The forum for liquidity issues is the Asset and Liability Committee, which includes senior executives within the Company. The ALCO reviews the current and prospective funding requirements for the Company, as well as the capital position and statement of financial position. The ultimate responsibility for liquidity rests with the Board.

A liquidity plan is prepared annually and the liquidity profile is monitored on an on-going basis and reported daily.

CUKL's CRO is responsible for second line of defence oversight and independent review and challenge of liquidity management.

Reporting and Measurement of Liquidity Risk

The internal Liquidity Risk Management framework includes indicators enabling the assessment of CUKL's resilience to liquidity risk.

CUKL is required to comply with the liquidity requirements of the Regulator, by monitoring and reporting the liquidity metrics, namely the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Requirement ('NSFR') as defined in the Capital Requirements Directive IV ('CRDIV'"). LCR measures the stock of liquid assets against net cash outflows arising in a 30 day stress scenario. NSFR, which will be implemented in the EU through the Capital Requirements Regulation 2 ('CRR2') in June 2021, is intended to ensure that a firm has an acceptable amount of stable funding to support its assets and activities over the medium term (one year period).

CUKL also measures and manages to internal liquidity metrics, which compare liquidity reserves with liquidity deficits. These metrics are assessed according to a variety of scenarios, in the major currencies, with an intention to quantify the likely impact of an adverse event on CUKL's balance sheet and liquidity position and to identify viable alternatives in such an event.

The two main internal scenario-based liquidity risk metrics are:

- S2 ratio is a stress metric used to assess the liquidity to meet all maturing obligations within 12 months under the Highly Stressed Market Disruption stress scenario
- Resolution Liquidity Adequacy & Positioning ('RLAP') ratio is the stress metric used to measure the short-term (30 days) survival horizon under a severe market disruption stress scenario.

Hedging and Mitigating Liquidity Risk

CUKL predominantly uses government bonds held as HQLA to hedge the liabilities and mitigate interest rate exposure (IRE). CUKL's HQLA can be monetised in a stress scenario to generate cash or alternatively used in a repo in exchange for cash. In this event, the resultant interest rate risk could be hedged with MTM banking book interest rate swaps.

Stress Testing

CUKL's liquidity adequacy is determined on the entity's adherence to the internal liquidity risk appetite as well as conformance with the regulatory LCR ratio set by the CRDIV Delegated Act and the PRA's policy statement.

Liquidity stress testing is also performed for CUKL. Stress testing and scenario analyses are intended to quantify the potential impact of an adverse liquidity event on the balance sheet and liquidity position, and to identify viable funding alternatives that can be utilized. These scenarios include assumptions about significant changes in key funding sources, market triggers (such as credit ratings), potential uses of funding and macroeconomic, geopolitical and other conditions. These conditions include expected and stressed market conditions as well as Company-specific events.

Liquidity stress tests are performed to ascertain potential mismatches between liquidity sources and uses over a variety of time horizons and over different stressed conditions. Liquidity limits are set accordingly. To monitor the liquidity of an entity, these stress tests and potential mismatches are calculated with varying frequencies, with several tests performed daily.

Given the range of potential stresses, CUKL maintains a contingency funding plan. This plan includes a wide range of readily available actions for a variety of adverse market conditions or idiosyncratic stresses.

Overall Liquidity Risk Profile

CUKL sets out the Company's approach to liquidity and funding as part of the annual Internal Liquidity Adequacy Assessment Process. The ILAAP includes multiple components highlighting how CUKL identifies, measures, manages and monitors liquidity and funding risks across different time horizons and stress scenarios, consistent with the risk appetite established by the Company's management body. The ALCO is the primary forum to review, challenge and approve the ILAAP. The UK ALCO includes senior members from different business units and functions. As such, the UK ALCO acts as a primary approver of CUKL's ILAAP before final approval from the Board and submission to the PRA.

Concentration of funding and liquidity sources

CUKL's primary source of funding include retail consumer deposits, which are Citi's most stable and lowest cost source of long-term funding. CUKL's funding and liquidity framework ensures that the tenor of these funding sources are of sufficient term in relation to the tenor of its asset base. Also, CUKL's client base is diverse and spans across multiple geographies.

Derivative exposures and potential collateral calls

Derivative contracts are highly leveraged financial products and therefore may require additional liquidity support in a stressed environment. Such requirements are typically in the form of additional margin/collateral requirements. The nature of additional margin/collateral requirements depend upon the nature of stress (i.e. idiosyncratic vs. market-wide). CUKL's derivative positions are over the counter ('OTC') and full margined through intercompany derivative contracts.

CUKL employs FX swaps to manage cross-currency liquidity risks. In addition, CUKL may employ interest rate swaps ('IRS') to manage interest rate exposure ('IRE').

Currency mismatch in the LCR

Cross-currency liquidity risk arises when there is a mismatch between the currency cash inflows and outflows. FX markets may be constrained in a crisis meaning that conversion from one currency to another cannot be guaranteed. This risk is common for international banks due to their cross border operations and multicurrency approach to business.

CUKL minimises currency-related liquidity risk by matching assets and liabilities, by currency, where applicable.

Liquidity Coverage Ratio

CUKL received its UK banking license in May 2019 and business operations commenced August 2019. The third quarter ended 2019 LCR components included the average of the business activities that occurred in August and September. August activities included the initial capital injection, unsecured debt issuances and collateralized loans. Therefore, there were minimal outflows, which contributed to an elevated LCR ratio at month end. September activities included the migration of the businesses, including the UK retail banking business. Given the establishment and activities which took place in the third quarter ended 2019, the average LCR ratio was greater than 1,000%.

Table 30: LCR disclosure template and the template on qualitative information on the LCR (LIQ1)

		Quarter ended 30/09/2019		Quarter ended 31/12/2019	
		Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
		£ million	£ million	£ million	£ million
	Number of data points used in the calculation of averages	2	2	5	5
	High-quality liquid assets				
1	Total high-quality liquid assets (HQLA)		1,874.3		2,914.2
Cash outflows					
2	**Retail deposits and deposits from small business customers, of which:**	2,048.6	240.3	3,174.9	363.5
3	Stable deposits	1,528.9	38.2	1,650.2	66.0
4	Less stable deposits	1,284.1	202.1	1,854.8	297.5
5	**Unsecured wholesale funding**	-	-	-	-
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-	-
8	Unsecured debt	-	-	-	-
9	**Secured wholesale funding**		-		-
10	**Additional requirements**	-	-	1.8	1.8
11	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	1.8	1.8
14	**Other contractual funding obligations**	6.4	-	13.9	7.6
15	**Other contingent funding obligations**	51.1	-	20.4	-
16	**Total cash outflows**		240.3		372.8
Cash inflows					
17	**Secured lending (e.g. reverse repos)**	1,625.0	5.0	1,605.3	2.6
18	**Inflows from fully performing exposures**	6.9	6.9	7.3	7.3
19	**Other cash inflows**	-	-	0.0	0.0
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		-		-
EU-19b	(Excess inflows from a related specialised credit institution)		-		-
20	**Total cash inflows**	1,631.9	12.0	1,612.6	9.9
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	1,631.9	12.0	1,612.6	9.9

			Total Adjusted Value		Total Adjusted Value
21	Liquidity Buffer		1,874.3		2,914.2
22	Total net cash outflows		235.3		365.7
23	Liquidity coverage ratio (%)		8,830,023%		3,532,489%

Asset Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Encumbered assets have been defined consistently with CUKL's reporting requirements under Article 100 of the CRR. Securities and commodities assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use.

As of December 2019, the quarterly median carrying value since origination in September 2019 of assets on CUKL were £5.1 billion which included approximately 9.0% loans on demand, 30.8% debt instruments, 59% loans and advances other than loans on demand and 1.2% other assets.

CUKL received securities collateral from reverse repo transactions which had a carrying amount of collateral received of £3.0 billion. The collateral received was in the form of debt securities. Approximately 0.2% or £12 million of the total securities collateral received were considered encumbered. Asset encumbrance was not significant for CUKL as its funding and liquidity model was based on funding through retail deposits and unsecured borrowings as opposed to secured financing. The main source of encumbrance related to OTC derivative margining with other entities within the group. CUKL primarily used standard collateral agreements such as Credit Support Annexes ('CSA') and Global Master Repurchase Agreements ('GMRA') and collateralised at appropriate levels in line with industry standards.

Table 31: A - Encumbered and Unencumbered Assets

		Carrying amounts of encumbered assets		Fair value of encumbered assets		Carrying amounts of unencumbered assets		Fair value of unencumbered assets	
		Total	of which: notionally eligible EHQLA and HQLA	Total	of which: notionally eligible EHQLA and HQLA	Total	of which: EHQLA and HQLA	Total	of which: EHQLA and HQLA
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
010	Assets of the reporting institution	-	-			5,051.9	3,545.0		
030	Equity instruments	-	-			-	-		
040	Debt securities	-	-	-	-	1,553.8	1,399.1	-	-
050	*of which: covered bonds*	-	-	-	-	-	-	-	-
060	*of which: asset-backed securities*	-	-	-	-	152.2	-	-	-
070	*of which: issued by general governments*	-	-	-	-	1,399.1	1,399.1	-	-
080	*of which: issued by financial corporations*	-	-	-	-	5.0	-	-	-
090	*of which: issued by non-financial corporations*	-	-	-	-	-	-	-	-
120	Other assets	-	-			408.8	285.2		

Table 32: B - Collateral Received

				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
		Total	Of which notionally eligible EHQLA and HQLA	Total	Of which EHQLA and HQLA
		£ million	£ million	£ million	£ million
130	Collateral received by the reporting institution	11.5	-	2,158.9	2,158.9
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	11.5	-	2,158.9	2,158.9
170	*of which: covered bonds*	-	-	-	-
180	*of which: asset-backed securities*	-	-	-	-
190	*of which: issued by general governments*	11.5	-	2,158.9	2,158.9
200	*of which: issued by financial corporations*	-	-	-	-
210	*of which: issued by non-financial corporations*	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	Own debt securities issued other than own covered bonds or asset-backed securities	-	-	-	-
241	Own covered bonds and asset-backed securities issued and not yet pledged	-	-	-	-
250	Total Assets, Collateral received and Own Debt Securities Issued	11.5	-	-	-

Remuneration Statement

Citi's Compensation Philosophy

Employee compensation is a critical tool in the successful execution of Citi's corporate goals.

Citi's compensation policies and practices are designed to support achievement of business strategy whilst ensuring an effective risk management framework and incentivising appropriate behaviours.

The Compensation Philosophy describes Citi's approach to balancing the five primary objectives that Citi's compensation programs and structures are designed to achieve and is available online at: https://www.citigroup.com/citi/investor/data/comp_phil_policy.pdf?ieNocache=805

Citi's Compensation Philosophy is closely linked to the ongoing work on embedding culture, including through the Citi Mission and Values Proposition and the Citi Leadership Standards. The Compensation Philosophy also sets out Citi's commitment to managing risk, and management receives clear direction from the Personnel and Compensation Committee (P&C Committee) of the Board of Directors of Citigroup Inc. to use discretion in awarding incentive compensation consistently with risk mitigation principles. Citi's Compensation Philosophy applies to all of its foreign subsidiaries and branches, save where exceptions are required by local law.

There were no significant changes introduced to Citi's Compensation Philosophy in 2019.

Remuneration Governance

Global Remuneration Committee

The P&C Committee oversees Citi's global remuneration policies and practices. It annually reviews the compensation structures for members of senior management and a number of highly compensated and/or regulated individuals, in accordance with guidelines established by the Committee, and provides oversight of the design and structure of incentive programs globally in the context of risk management.

The P&C Committee's terms of reference are documented in the P&C Committee Charter, which establishes the scope and mandate of the P&C Committee's responsibilities and the general principles governing the remuneration policy of the firm globally. The latest Charter is available online at: https://www.citigroup.com/citi/investor/data/percompcharter.pdf. There were no significant changes introduced to the Charter in 2020.

P&C Committee members are all independent non-executive directors, selected and appointed factoring in their background and experience in business generally and in compensation, corporate governance and/or regulatory matters specifically, and their capability to fulfil their responsibilities as P&C Committee members. For the 2019 performance year, the P&C Committee members were: Duncan Hennes (Chair), Diana Taylor, Gary Reiner and Lew (Jay) Jacobs, IV, as well as John Dugan who joined the P&C Committee as of 1 January 2019 replacing Michael O'Neill. Biographies and details of compensation paid to P&C Committee members for 2019 are available in the Citigroup 2020 Proxy Statement. The P&C Committee met 15 times in 2019 and each Director attended at least 75% of all meetings.

The P&C Committee is supported by Citi's Global Functions, including Human Resources, Independent Compliance and Risk Management and Legal.

The P&C Committee utilises the experience of the Non-Executive Directors of the Board of Citigroup Inc. gained from their other Non-Executive Director undertakings. For example, the P&C Committee includes cross-membership with the Risk Management Committee, the Ethics & Culture Committee and the Audit Committee. It is also empowered to draw upon internal and external expertise and advice as it determines appropriate and Citi pays the fees of any such external advisors. In 2019, the P&C Committee appointed Frederic W Cook & Co ('FW Cook') to provide it with independent advice on Citi's compensation programs for senior management. FW Cook reports solely to the P&C Committee, conducts no other work for Citi other than providing advice to the Citigroup Board and the independence is reviewed annually by the P&C Committee.

The P&C Committee meets regularly with Citi's Chief Risk Officer (CRO) and other members of senior management to discuss and evaluate risk associated with Citi's compensation programs, thereby further integrating Citi's Independent Risk Function into compensation governance and oversight. The CRO reviews the key terms of Citi's overall compensation framework to help ensure that, consistent with Citi's Compensation Philosophy, it is aligned with long-term performance in a manner that does not encourage imprudent risk-taking.

CUKL Board

The CUKL Board fulfils Remuneration Committee responsibilities under the PRA and FCA Remuneration Codes. In fulfilling its remuneration responsibilities, the CUKL Board takes into account, where applicable, relevant guidance and the long-term interests of shareholders, investors and other stakeholders in CUKL.

The CUKL Board's remuneration responsibilities within its Terms of Reference includes the following:

- To review and approve remuneration awards to Material Risk Takers of the Company;
- To review the achievement of performance targets and recommendations for ex post risk adjustment, including the application of malus and clawback arrangements (as appropriate);
- To review the mechanisms and systems adopted to ensure that the remuneration system applicable properly takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is consistent with and promotes sound and effective risk management in line with business strategy, objectives, corporate culture and values and the long-term interest of the Company;
- To oversee the remuneration policies, practices and processes and compliance with the remuneration policy applicable to the Company and that the remuneration policy is up to date;
- To review scenarios to test how remuneration policies and practices applicable to the Company react to external and internal events, and back-test the criteria used for determining remuneration awards and ex ante risk adjustment based on the actual risk outcomes;

- To review the appointment of any external remuneration consultants that may be engaged by the Board, including establishing the selection criteria, appointing and setting the terms of reference for any consultation work to be undertaken; and

- To ensure the adequacy of information provided to Company shareholder(s) in respect of remuneration policies and practices, in particular on a proposal to increase the maximum level of the ratio between fixed and variable remuneration.

The CUKL Board is comprised of Executive Directors and Independent Non-Executive Directors. Jo Dawson is the Chair of the CUKL Board and Senior Management Function (SMF9). For 2019, the Executive Directors were James Bardrick, Susan Shakespeare, Anoop Ghai and David Chubak. The Independent Non-Executive Directors were Jo Dawson and James Rawlingson. Jo Dawson is also a member of the CUKL Risk and Audit Committee and James Rawlingson is Chair of the Risk and Audit Committee.

The CUKL Board met to discuss remuneration issues once in 2019 and all Directors attended that meeting.

Material Risk Takers

In accordance with the PRA and FCA Remuneration Codes, Citi annually identifies its Material Risk Takers ('MRTs'). This process comprises the categories of staff whose professional activities are determined as having a material impact on the firm's risk profile, and maintains a record of such staff.

Citi identifies MRTs principally using Citi's understanding of the criteria for identifying staff as set out in Commission Delegated Regulation (EU) No 604/2014. Citi made a number of enhancements to the identification approach for 2019.

Design and Structure of Remuneration

Ratio of Fixed to Variable Remuneration

Citi seeks to balance the components of reward between fixed and variable and short- and long-term. Where required, an annual review of the balance between fixed and variable compensation takes place and, where required, adjustments are made to the fixed element of pay to ensure that an appropriate balance continues to be maintained. The aggregate of fixed remuneration paid to Material Risk Takers for 2019 is set out in the "Remuneration awarded to CUKL MRTs for 2019 performance year" table 32.

Following the introduction of CRD IV, CUKL annually seeks formal shareholder approval to apply a fixed-to-variable ratio of up to 1:2 for MRTs in all relevant business areas, with the most recent approval being granted on 23 October 2019 for the 2019 performance year. Approval of the ratio was sought from P&C Committee, which is the Board Committee of the parent company.

Fixed Remuneration – Salary, Role-Based Allowances and Benefits

Fixed remuneration primarily reflects an employee's professional experience and organisational responsibilities as set out in the employee's job description and terms of employment, and includes the following elements:

- Salary
- Standard Citi benefits including pension
- Role Based Allowances ('RBAs') for a limited number of roles

Pension and other non-cash benefits are offered to employees as part of an overall reward package. CUKL aims to provide pension and other benefits across all units/business groups, which are competitive against the local external market.

RBAs have been assigned to a limited number of roles to reflect organisational responsibilities. The decision of whether a particular role is eligible for a RBA is subject to the approval of the appropriate Remuneration Committee (i.e. for CUKL employees, the CUKL Board). The rationale for granting a RBA is clearly articulated by reference to eligibility criteria, including specific details on the duties and responsibilities of the role.

Variable Compensation – Citi's Discretionary Incentive and Retention Award Plan

Citi's Discretionary Incentive and Retention Award Plan (DIRAP) is Citi's variable discretionary incentive and retention plan. It is designed to incentivise, reward and retain employees based on their current and prospective performance and contribution. Citi operates a fully flexible remuneration policy, including the possibility to pay zero variable remuneration.

Deferrals and Retention Periods

Awards made under the DIRAP may be awarded in cash, deferred cash, Citi equity and/or deferred Citi equity.

Awards under DIRAP are subject to mandatory deferral where the individual's total annual variable compensation awarded under DIRAP exceeds globally-set thresholds. The Citi standard deferral policy period is four years. Typically, at least 50% of deferred awards are made in the form of Citi equity and are therefore inherently performance-based. Citi believes that awarding deferred equity and deferred cash are effective means of aligning employee interests with those of stockholders and other stakeholders.

MRTs are subject to deferral rates of between 40% to 100% of total variable compensation, with 60% deferral when total variable compensation is equal to or above £500k / €500K / or the local currency equivalent in line with regulatory requirements. The proportion of upfront and of deferred variable remuneration delivered in deferred equity is at least 50%[1].

[1] MRTs are eligible for a supplemental cash award.

Deferred awards to MRTs vest over at least three years; deferred awards to Risk Manager MRTs[2] vest over five years and deferred awards to UK-designated Senior Managers vest over seven years.
Deferred awards for MRTs are subject to a further retention period post-vesting. This is six months for deferred cash awards and typically twelve months for deferred equity awards; deferred equity awards to Risk Manager MRTs and UK-designated Senior Managers are subject to a six-month retention period (awards to MRTs identified under Regulatory Technical Standards criteria 3.1 (i.e. member of management body) and 3.3 (i.e. member of senior management) are subject to retention for 12 months).

In line with the EBA Guidelines, Citi has discontinued payment of dividends on deferred equity and of interest on deferred cash to Material Risk Takers.

Material Risk Takers who fall within *de-Minimis*[3] thresholds are subject to Citi's mandatory deferrals.

Total variable remuneration to CUKL MRTs and the composition between cash, equity and deferred elements are included in the "Remuneration awarded to CUKL MRTs for the 2019 performance year" table 32.

Performance Based Vesting

Deferred awards for MRTs and Covered Employees are subject to Performance Based Vesting ('PBV') conditions as an additional ex-post adjustment mechanism. This structure further balances for risk and aligns the actual payout to employees with business performance.

The PBV for deferred equity awards is formulaic with the payout contingent on future performance. The trigger for application of a payout reduction is the emergence of pre-tax losses in the "reference business" for the calendar year ending immediately prior to the vesting date of a given tranche of deferred equity.

Deferred cash awards are subject to discretionary PBV, which may result in a reduction of unvested awards where an employee has significant responsibility for a material adverse outcome, such as events which lead to serious financial or reputational harm to Citi.

Malus and Clawback

Deferred remuneration is subject to pre-vesting adjustment provisions ("malus"). In line with requirements under the PRA and FCA Remuneration Codes, Citi's award documentation also provides that Citi can require the vested portion of awards made to MRTs to be repaid or otherwise recover an amount corresponding to some or all of awards received for up to seven years from the date of the award for affected MRTs (or potentially up to ten years for UK-designated Senior Managers).

Malus and clawback provisions capture circumstances outlined in the PRA and FCA Remuneration Codes, such as if there is reasonable evidence that an MRT was responsible for, or participated in, misconduct that resulted in significant losses to Citigroup or the business unit suffered a material failure of risk management.

Link between Pay and Performance

Remuneration is determined by a combination of factors which include firm, business and individual performance. Individual performance ratings reflect both 'what' outcomes have been achieved and 'how' they were achieved. Performance ratings then guide bonus decision-making.

Bonus pool decisions are based on many factors such as:

- Year over year business performance
- Performance compared with plan for the current year
- Performance against key risks (including conduct risk, operational risk) and controls objectives
- Performance relative to peers

Individual Performance

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

The performance assessment of employees is based on individually tailored goals (the "What") and on how these have been achieved based on an assessment against Citi's Leadership Standards (the "How"). Employees receive two performance ratings, one for each of the 'What' and the 'How'.

Citi's Leadership Standards outline behavioural expectations for each employee to demonstrate leadership, reinforcing the work that Citi has done to create a culture that serves and protects clients and other shareholders in the economies and communities in which Citi operates:

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

[2] MRTs are eligible for a supplemental cash award.

[3] De-Minimis MRTs for 2019 were identified in line with UK regulation requirements, or otherwise local legislation

Leadership Standards	
Drives value for clients	Enables economic value and positive social impact for clients, companies, governments, and communities • Puts clients first by anticipating, understanding, and exceeding their expectations and needs • Acts as a trusted partner to clients by delivering superior advice, products and services • Brings the best of Citi and knowledge of global issues and market trends to create value and good will with clients • Drives innovation, competitive differentiation and speed to market by actively learning from others
Works as a partner	Works collaboratively across the firm and encourages others to achieve the best results for Citi and our clients • Exemplifies global leadership by embracing unique perspectives from across Citi to achieve the best solutions • Challenges self and colleagues to higher levels of performance by actively listening and engaging in constructive dialogue • Treats people with respect and assumes the intentions of others are based on common goals and shared purpose
Champions progress	Champions a culture of high standards, pushes for progress, embraces change and challenges the status quo in support of Citi's vision and global strategy • Communicates a vision that is forward looking and responsive to changes in the environment • Inspires enthusiasm and mobilizes resources for productive and innovative change • Exhibits confidence and agility in challenging times • Sets a positive tone when implementing Citi-wide change initiatives
Lives our values	Ensures systemically responsible outcomes while driving performance and balancing short and long term risks • Sets the standard for the highest integrity in every decision • Leads by example; willing to make difficult choices in support of Citi and our stakeholders • Makes Citi better for all by putting the clients' and Citi's interests ahead of individual or team interests • Has the courage to always do what's right and the humility to learn from mistakes
Delivers results	Sets high standards and achieves performance objectives by creating a clear path toward ethical and sustainable results • Translates Citi's strategy into effective business plans while proactively overcoming obstacles • Prioritizes and provides a clear line of sight to the most critical work • Sets goals and measures progress to ensure the organization is focused on ethics, execution, and results • Expects self and team to consistently meet/exceed expectations

In 2019, Citi enhanced its ability to consider conduct and risk performance in the performance process, including strengthening the approach to identification, documentation and the alignment with performance compensation decisions.

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

UK-designated Senior Managers are also subject to an enhanced performance assessment approach capturing, for example, Voice of Employee scores and achievement of goals relating to regulatory priorities.

Remuneration of function employees

In terms of remuneration for employees in Independent Compliance and Risk Management, Finance, Human Resources and Legal, whilst remuneration levels are influenced by Citi's overall performance, individual compensation is determined within the function and pay decisions are based on assessments against measurable goals and targets which are set by each function.

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

Other Key Remuneration Policies

Guarantees, Buyouts and Retention Payments

Citi has guidelines in place with respect to guarantees that apply to all employees across the EMEA region, including employees of all UK-regulated entities. Citi's guidelines on guarantees provide that guaranteed incentive awards for employees can only be made in exceptional circumstances, in the context of recruitment, and with to reference the first year of service and provided the legal entity has a sound and strong capital base.
As part of the governance framework, HR regularly monitors the number of guarantees that are awarded by the business to new hires and the award of guarantees for CUKL MRTs require CUKL Board review and approval.

Awards which buyout equity or similar instruments which are forfeited as a result of resigning employment with another employer and joining Citi EMEA are generally permitted but must not be more generous in either amount or terms than that provided by the former employer, and be subject to appropriate retention, deferral, performance and clawback arrangements.

Retention awards can only be made in exceptional circumstances, for example, during major restructuring, during a merger process, or where a business is winding down, such that particular staff need to be retained on business grounds.

Severance

Severance payments are subject to appropriate governance and approvals. Citi's severance payment guidelines are in line with the EBA Guidelines, and provide that severance:

- Should not provide for a disproportionate reward but should represent appropriate compensation for early termination of employment.
- Should not reward failure, misconduct or be paid where immediate termination of the employment contract is permitted.
- Are not paid to employees transferring between legal entities, unless required by law.

Stockholding Requirements

Awards to certain members of Citigroup senior management are subject to an equity ownership commitment. In addition, executives' interests remain aligned with those of shareholders even after termination of employment. Vesting of deferred awards does not accelerate upon termination of employment except in the case of death.

Personal Hedging

Citi has trading policies that limit hedging strategies that might otherwise undermine the risk alignment effects of their remuneration arrangements. Citi's Code of Conduct applies to all Citi employees, executive officers and directors and states that, when considering personal investments in Citi securities, an individual must avoid any personal trade or investment in a security, derivative, futures contract, commodity, or other financial instrument if the trade or investment might affect or appear to affect the individual's ability to make unbiased business decisions for Citi.

Further, employees subject to the PRA and FCA Remuneration Codes are prohibited from engaging in personal hedging strategies or taking out remuneration or liability related contracts of insurance that undermine or may undermine any risk alignment effects of their remuneration arrangements. An annual attestation for anti-hedging is required as part of the Annual Certification process for MRTs.

In addition, Citi's Personal & Investment Trading Policy ('PTIP') prohibits "Covered Persons" (separately defined for this purpose) and related persons from hedging in any manner (other than currency hedges) unvested restricted equity or deferred equity awarded under Citi's Capital Accumulation Program.

Table 33: Remuneration awarded to CUKL MRTs for 2019 performance year (REM1)

	Management Body (iii) and Other MRTs
	£ million
Number of employees (iv)	**4**
Total fixed remuneration (v)	**1.0**
Total variable remuneration (vi)	**0.5**
Of which: cash-based	0.3
Of which: deferred	0.1
Of which: shares or other share-linked instruments (vii)	0.2
Of which: deferred	0.1
Of which: other forms	0.0
Of which: deferred	0.0
Total remuneration	**1.6**

Additional Notes

i. Remuneration figures are provided on an aggregated basis in order to maintain appropriate confidentiality of individuals data.
ii. All non-GBP awards are converted using the European Commission exchange rate for financial programming and the budget for December 2019.
iii. Management Body as defined under articles 3(1) and 3(2) of the EBA regulatory technical standard on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94(2) of Directive 2013/36/EU.
iv. Number of employees reflects CUKL employed MRTs as at 31st December 2019. The total reflects 3 members of the Management Body and 1 other Material Risk Taker in Retail Banking.
v. Fixed remuneration includes salary, role based allowance and the value of pension and benefits.
vi. Variable remuneration awarded in respect of 2019 performance year. In accordance with the shareholder approval obtained in 2019, variable component of remuneration of an MRT for any one year can be set up to a maximum of 200% of the fixed remuneration.
vii. Share-based awards are made in Citi shares and represent value at grant.

Business Conduct

Conduct Risk Management

Citi has a commitment as well as an obligation to identify, assess, and mitigate conduct risks associated with its businesses and functions. Citi has a Conduct Risk Policy (the “Policy”) to further the objectives of its enterprise-wide Conduct Risk Program (the “Program”), which was established in 2014 to enhance Citi’s culture of compliance and control through the management, minimization and mitigation of Citi’s conduct risks. Citi has developed a Conduct Risk Appetite Statement that sets forth the tolerable level of conduct risk that Citi’s senior management is prepared to take while pursuing the firm’s strategic goals consistent with Citi’s Mission and Value Proposition and the Leadership Standards with the ultimate goal of delivering better outcomes for our clients and society. Citi’s overall conduct risk appetite is “low” and is integrated into Citi business and legal entity risk appetite frameworks in accordance with the Citi Risk Appetite Policy.

The Program is overseen by the Ethics and Culture Committee of the Citigroup Inc.’s Board of Directors. Additionally, the Conduct Risk Steering Committee, which is comprised of representatives from Citi’s major businesses and global functions (including the Global Consumer Bank), is set to provide governance and strategic direction for the Program; oversee the development, review, and discussion of conduct risk-related reports and metrics; and review selected risks, behaviours, and outcomes to identify ways to enhance Citi’s culture.

Each business and function is also responsible for monitoring and reporting its significant conduct risks, issues and related trends to senior management and the appropriate governance forums. Such forums may include the Country Coordinating Committees, Business Risk Compliance and Control Committees, and/or the Business Practices Committees. Finally, the Program reports at least annually to the Ethics and Culture Committee of the Citigroup Inc. Board of Directors.

The Policy lays out the minimum requirements of the Program for each business and function as well as related roles and responsibilities across the three lines of defence. Each of Citi’s businesses (first line of defence) owns and manages the risks inherent in or arising from the business, including conduct risk, and is responsible for managing, minimising and mitigating those risks. The business – in partnership with in-business risk management – is responsible for identifying current and emerging significant conduct risks and managing those risks, in part through the implementation of mitigating controls to reduce the likelihood of harm to customers, clients, or the integrity of the markets, and thereby the integrity of the firm.

The second line of defence – comprised of Independent Compliance Risk Management, Finance, Human Resources, Legal, Risk, including Operational Risk Management, and other functions, as appropriate – takes a risk-based approach to assess, advise on, monitor and test current and emerging significant conduct risks across products, businesses, functions, countries, and regions and works to enhance the effectiveness of controls.

Internal Audit (third line of defence) provides independent risk-based assurance over the Program and Policy, based upon a risk-based audit plan and audit methodology as approved by the Citigroup Inc. Board of Directors.

All three lines of defence are also responsible for escalating significant current and emerging conduct risks, including to relevant governance or management committees or forums, consistent with the requirements of the Citi Escalation Policy and Citi Code of Conduct

Conflict of Interest Policy

Citi’s Code of Conduct (the “Code”) sets forth expectations with regards to avoiding actual or perceived Conflicts of Interest. The Code highlights some of the most common potential conflicts of interest and provides guidance on how to manage, mitigate and wherever possible, avoid the conflict.

The Code sets expectations as to personal and related-party business dealings. There are additional responsibilities for Senior Leaders. Directors and senior executives of the Citigroup Inc. legal entity must follow all additional rules regarding pre approvals of business transactions, as included in the Citi Policy on Related Party Transactions. Additionally, certain executives must adhere to disclosure requirements and limitations on lending relationships with Citi, as included in the Insider Lending Policy.

Citi’s Employment of Relatives Policy establishes minimum standards regarding the employment of immediate family members and other relatives of Citi employees throughout every phase of the employment relationship, such as recruiting, hiring, and internal transfers, unless those standards would conflict with applicable law in any country. This is in conjunction with the Anti Bribery and Policy and the Global Anti-Bribery Hiring Procedures.

There are mandatory requirements through Citi’s Gifts and Entertainment Standard, Citi Outside Directorships and Business Interests Policy, the Employee Personal Trading and Investment Policy, the Client Conflicts of Interest Management Policy, the Citi Anti-Tying Policy, the Bank Affiliate Transactions Policy and the Global Consumer Fairness Policy.

The firm has in place systems and controls concerning Information Barriers which are designed to prevent potential inside information received by workers engaged in lending, investment banking or merchant banking activities (private-side information) from those workers who trade or advise on trading in financial instruments based on publicly available information or who engage in investment management activities (public-side activities). We also use information barriers to address potential and actual conflicts of interest among business activities. Citi has established various information barriers and deal team procedures within businesses engaging in certain private-side activities to prevent confidential information from being shared with individuals who are not authorised to know such information.

Internal Alerts and Reporting of Breaches

Citi’s Code of Conduct affirms Citi’s Mission and Value Proposition and sets forth Citi’s minimum standards of ethics and professional behaviour. It provides an overview of key legal and regulatory requirements and select enterprise-wide policies that enforce those requirements, including the obligation of employees to promptly report and escalate concerns where they reasonably suspect or become aware of violations of law, regulation, rule, or breaches of internal policies as well as Citi’s Code of Conduct. In addition, Citi’s Escalation Policy explains what to escalate, when to escalate and to whom to escalate. It includes roles and responsibilities for the identification, investigation and resolution of these concerns, and for oversight of escalation requirements and processes.

Employees are encouraged to raise concerns to their managers in the first instance unless a potential conflict of interest exists. Employees may also raise concerns to any of the following:

- The appointed person under any applicable local disclosure procedure
- Human Resources (HR), employee, or labour relations representative
- Internal legal counsel
- Independent Compliance Risk Management (ICRM) Officer
- Citi Security and Investigative Services (CSIS)
- The Citi Ethics Office

The Citi Ethics Office is responsible for administering Citi's Ethics Hotline, which employees across Citi and other third-parties can use to raise concerns. Reports to the Citi Ethics Office can be made anonymously to the extent permitted by applicable laws and regulations. All contacts to the Citi Ethics Office and related investigations are treated as confidentially as possible, consistent with the need to investigate the matter, and subject to applicable laws and regulations.

Citi prohibits any form of retaliatory action against individuals who raise concerns or questions in good faith regarding ethics, discrimination, or harassment matters; request a reasonable accommodation for a disability; pregnancy, or religious belief; reports suspected violations of laws, regulations, rules, or breach of policies, procedure, or the Code; or participate in a subsequent investigation of such concerns. Employees who engage in retaliation against a colleague because he or she has raised a concern or question in good faith, asked for a reasonable accommodation, reported a violation, or has been involved in an investigation, are subject to disciplinary action, up to and including termination of employment or other relationships with Citi.

Nothing in the Code or Escalation Policy prohibits or restricts members of staff from raising a concern to any government, regulatory, or self-regulatory agency at any stage.

Business Continuity Management

Governance

In line with the requirements of the EBA Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2017/11), the following section provides an overview of CUKL's Business Continuity Management Framework.

Citi's Continuity of Business ('CoB') Policy and Standards require all Citi businesses, including those businesses under CUKL, to implement a CoB Program that includes; Assessment processes, Crisis Management Plans, Recovery Planning, Testing, Maintenance, Independent Review, Monitoring and Reporting, as well as Training and Awareness.

The Citi Business Continuity Management organisation is responsible for developing and managing the enterprise-wide CoB policy, standards, tools and guidance. The organisation reports to management on a monthly basis and provides annual reporting of the effectiveness of and business compliance with this policy to the Audit Committees of Citigroup Inc. and Citibank, N.A.

The CoB Policy (section 2.1) requires each business to define a structure of CoB Entities, or business units, for purposes of CoB documentation and testing.

As stated in the CoB Policy, "Citi's CoB program facilitates the recovery of critical elements to: (i) minimize the effects of business disruptions, (ii) ensure the continuity of service and support for its customers, and (iii) maintain its resilience and viability before, during, and after an adverse event (e.g., natural or manmade disaster, technological failure)".

The following scenarios are considered as part of the CoB planning process and must be documented in the Business Recovery plan ; Denial of Access (loss of premises), Denial of Service (loss of technology) and unavailability of staff (inclusive of external third parties).

As defined in the CoB Standards, additional analysis and assessment is performed for all in-scope locations through Threat and Vulnerability Analysis and Proximity Risk Assessments. External third parties' resilience and recovery capabilities must also be assessed.

Contingency and Business Continuity Planning

Testing

Business and technology testing must verify that processes can be recovered in line with the business's continuity objectives, as defined by the Business Impact Analysis ('BIA') process. Testing scenarios through Denial of Access ('DoA'), Denial of Service ('DoS') and the unavailability of services provided by external third-parties ensure recovery strategies are in place. Business recovery teams, crisis management teams, infrastructure teams and application teams must participate in CoB testing, as appropriate. Detailed requirements for testing are defined in the CoB Testing Standards.

Maintenance

CoB documentation, including policy, standards, as well as recovery and crisis management plans are reviewed and approved at least annually, and refreshed more frequently as needed. The specific maintenance triggers for the CoB documentation are listed in the Standards. In addition, call trees are refreshed at least semi-annually.

Recovery Planning

Business units and technology organisations must document and maintain plans for recovery of their processes in the event of a business interruption or technology service disruption.

Business Recovery Plans (BRPs) are prioritised based on their Criticality Ratings, which are determined by the Criticality Rating of the highest rated process listed in the BIA. BRPs must be executable within the Recovery Time Objective ('RTO') defined in the BIA.

Each CoB Entity must create and maintain a BRP specific to that CoB Entity. The BRPs must document recovery strategies to mitigate the effects of disruptions including DoS, DoA, and unavailability of staff (inclusive of external third parties).

The CoB Standards prescribes that the BIA must "define risk thresholds... and reflect local regulatory requirements as well as liquidity issues". The BIA must also "identify interdependencies between processes and the required resources to ensure acceptable levels of operation."

Documentation and Training

Citi's Business Continuity Planning tool – COB Trac – is the common repository used across the firm and by CUKL for the documentation of CoB Plans and, by virtue of being an online application; CoB Trac is readily accessible by users in the case of a contingency.

Citi's CoB Testing Standards defines the minimum testing required for business, application and technology recovery strategies. The resulting CoB testing programme ensures plans are regularly tested.

Citi Business Continuity Management makes available a set of core business continuity training activities and classes. All businesses must use the Corporate Training Program as a basis for providing CoB training for their staff.

All Business Recovery Coordinators ('BRCs') entitled in CoB Trac must complete a minimum of one pre-approved training activity per year.

Appendix 1: UK Senior Management and Board Disclosures

The following senior management disclosures are made in accordance with CRR.

Recruitment and Diversity Policy for the CUKL Board of Directors

Board Composition, Role and Effectiveness

The selection criteria for the Non-Executive Directors of CUKL are designed to ensure their independence and the provision of robust challenge to their executive counterparts.

CUKL has Non-Executive Directors who are UK based and independent from any of Citi's businesses. All new Non-Executive Directors receive training on the senior manager regime and Companies Act responsibilities, as well as Citi familiarisation for independent Non-Executive Directors.

The selection process for Non-Executive Directors is rigorous and consists of several interviews. The interviewers include the CEO of the relevant legal entity, the EMEA Chief Administrative Officer and the EMEA Chief Legal Officer. All Board appointments are required to be formally recommended and approved by the CUKL Board, followed by an application to the PRA and FCA ("UK Regulators") for regulatory approval.

The recruitment process aims to select Non-Executive Directors with significant financial regulatory and industry expertise. This expertise is outlined in further detail in the biographical summaries later in this appendix.

In order to meet the UK Regulators expectations for legal entity focus, Citi also appoints a Chief Executive Officer (CEO) for CUKL.

All new Executive Directors of CUKL are subject to but not limited to, the firm's interview selection criteria process pursuant to the firm's Leadership, Ethics and Culture, Competency and Technical Interview Guidelines standards. As with Non-Executive Directors of CUKL, Executive Directors of CUKL are subject to background screening pursuant to the FCA and PRA fitness and proprietary requirements.

Executive Directors of CUKL benefit from the firm's mandatory training requirements including Leadership training programs. All Directors of CUKL received induction training on the UK Accountability Regime.

There are no foreseeable changes anticipated to the composition of the management body.

Distinction between the roles of Executive and Non-Executive Directors

A fundamental distinction is drawn between the roles of Executive and Non-Executive Directors. Non-Executive Directors do not have any business line responsibility, but have oversight responsibilities consistent with the approach recommended in the UK Corporate Governance Code and the UK Regulators' Senior Managers Regime. The Non-Executive Directors chair the Board and Board Committee/s, set the agendas for those Board and Committee meetings, and determine any follow up actions. The Non-Executive Directors are also not limited in their oversight to specific business operations.

The resources used by the Non-Executive Directors in their role of challenging the business include full and unhindered access to the business, which involves the receipt of detailed presentations given by business or control functions;

Administrative support in the form of an assistant for the Chair and office facilities on the executive floor of Citigroup's London offices in Canary Wharf for UK-based Non-Executive Directors; and

Technical training in the form of Board tutorials. These regular tutorials cover a wide range of subjects including but not limited to capital and liquidity requirements, client money and assets regulations, anti-money laundering rules, regulation relating to anti-bribery and corruption, and recovery and resolution planning.

Diversity

The Board of Directors of CUKL (Board) is committed to ensuring that the Board and Management Body are comprised of individuals with diverse backgrounds, perspectives and values. Our focus on cognitive diversity fosters innovation, robust challenge, avoids group-think and also ensures we better serve our clients and stakeholders. The Board and Management Body are working towards meeting the gender representation targets agreed across Citigroup and the 30% target in the Women in Finance Charter.

CUKL has adopted the Citigroup diversity policy which is published here: https://www.citigroup.com/citi/diversity/

Table 34: Directorships held by Citibank UK Limited Board of Directors as of 31 December 2019

Name	Total Number of Directorships
Jo Dawson	4
James Rawlingson	1
James Bardrick	6
David Chubak	1
Anoop Ghai	7
Susan Shakespeare	3
Total	**22**

Table 35: Membership held by Citibank UK Limited Board of Directors as of 31 December 2019

Name	Gender	Role	Duration of Board Membership
Jo Dawson	Female	Independent Non-Executive Director – Chair	7 mths
James Rawlingson	Male	Independent Non-Executive Director	7 mths
James Bardrick	Male	Executive Director	8 mths
David Chubak	Male	Executive Director	7 mths
Anoop Ghai	Male	Executive Director	1 yr. 9 mths
Susan Shakespeare	Female	Executive Director – Chief Executive Officer	3 mths

Non-Executive Directors of CUKL

Jo Dawson (Chair)

Jo Dawson was appointed as Chair of CUKL in 2019.

In addition to chairing Citibank UK Limited, Jo also sits on the Board of Prudential Assurance Company (the life company subsidiary of M&G plc) and is also an Executive Coach. She has previously served on the Boards of St James's Place, Esure and the Association of British Insurers and was a senior adviser to the Boston Consulting Group. In her executive career, she held senior positions with Lloyds Banking, HBOS and Halifax in retail banking, wealth management, private banking, asset management and insurance.

James Rawlingson

James Rawlingson joined Citi in 2019 as Chair of the CUKL Risk and Audit Committee.

James has over 20 years' experience in the Financial Services and Banking sectors. Before joining the Board of CUKL, James was Group CFO at Arix Bioscience plc, a biotech investment group based in London and New York. Whilst at Arix Bioscience plc, he was also Chairman of Arix Capital Management, a fund management company running a Biotech fund on behalf of the Welsh Government.

Previous Executive Director roles have included Group CFO of Coutts, an international private bank; and Group CFO of Charles Stanley plc, an investment management and financial services group.

Past Non-Executive Director roles have included Adam & Co, a Scottish private bank; and RBS Collective Investments Ltd. James qualified as a chartered accountant whilst with Deloitte.

Executive Directors of CUKL

James Bardrick

James is Citi's Country Officer for the UK and Cluster Head for the UK, Jersey and Israel. He is Chief Executive Officer of Citigroup Global Markets Limited and a director of Citibank UK Limited.

In anticipation of Brexit, James has co-chaired Citi's contingency planning and implementation work. In connection with those changes, he is a supervisory board member of Citigroup Global Markets Europe AG in Frankfurt. James was Co-head of Citi's Corporate and Investment Banking business for EMEA from 2009 to 2014. James has been with the firm for 32 years and is a Senior Credit Officer.

James is a member of TheCityUK and FICC Markets Standards Board Advisory Councils and was until recently a Board member of UK Finance and the Banking Standards Board. He also sits on the Bank of England's PRA Practitioner Panel.

Prior to joining Citi, he worked as an engineer and in marketing for GKN plc.

David Chubak

David Chubak is Citi's Head of U.S. Retail Banking, where he leads all Retail channels (the branch network, wealth management, including International Personal Banking, mortgage and small business), as well as product management, segments and risk management, working in partnership with the regional and global functions to drive transformation, scale and growth.

Prior to his current role, David was Head of Retail Banking and Consumer Lending, where he worked closely with Region, business and function heads to drive a consistent strategy across products and segments, including spearheading the strategy for payments and networks, integrating global platforms, and executing plans to modernise our ATM network. David was previously the Head of Global Retail Banking and Mortgage.

David joined Citi in April 2013 as the Global Head of Productivity, working for CEO Mike Corbat. His responsibilities included setting challenging strategic goals for all of Citi's products, geographies and functions, and working closely with Citi's operating committee to deliver against its top priorities. Prior to Citi, David was a Partner at McKinsey & Company, in the New York Office, and leader in the Global Banking and Real Estate practices.

Anoop Ghai

Anoop Ghai is the Citi Country Officer for the Channel Islands and Private Bank Jersey Business Head.

Prior to moving to Jersey Anoop served as Portfolio Manager and Senior Team member in Real Estate Finance for Citi's ICG Markets business. He joined Citi 31 years ago and has held a number of roles in Citi's United Kingdom-based Consumer and Markets franchises, including Credit Director for UK Consumer, Credit Director for European Card Acquiring and Head of CMBS Conduit. Anoop has also served as a Senior Credit Officer since

2000 and led our efforts to manage a large loan portfolio through the recent crisis. Before joining Citi, he was a Corporate Banking Relationship Manager at Bank of America.

Susan Shakespeare (Director and Chief Executive Officer of CUKL)

Susan Shakespeare is Chief Executive Officer of CUKL and Head of UK Consumer Bank and International Personal Bank EMEA.

Susan was appointed Head of UK Consumer Bank and International Personal Bank EMEA in August 2019 and following regulatory approvals joined the board of CUKL as CEO on 27th September 2019. Susan is responsible for managing the Consumer franchise in UK, serving onshore UK resident clients and non-resident offshore affluent (Citigold) and High Net Worth (Citigold Private Client) clients across Europe and the Middle East. Prior to this role, Susan was the Lead Finance Officer for the Global Retail Bank providing financial support to the Global Consumer Banking Global management on all aspects of finance.

Susan has developed vast international experience during her career at Citi, holding a number of roles in Finance, including, Lead Finance Officer for the Global Retail Bank, CFO and Chief of Staff for the EMEA Global Consumer Business, Business Analytics Head EMEA Corporate Treasury and CFO for Citi's Consumer banking businesses in the UK.

Appendix 2: Additional Capital Disclosures

Countercyclical Capital Buffer

The table below disclosures the geographical breakdown of relevant credit exposures for the purposes of the countercyclical buffer capital (‘CCyB’)calculation in line with article 440 of the ‘CRR’.

Table 36: Geographical Distribution of Countercyclical Buffer

	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements					
	SA	IRB	Long and short positions for trading book exposures for SA	Trading book exposures for internal models	SA	IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirements weights	CCyB rate
Country	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	%	%
Bahrain	7	-	-	-	-	-	1	-	-	1	1%	
Cyprus	1	-	-	-	-	-	-	-	-	-	0%	
Czech Republic	1	-	-	-	-	-	-	-	-	-	0%	1.50%
Germany	5	-	-	-	-	-	-	-	-	0	1%	
Isle of Man	35	-	-	-	-	-	3	-	-	3	6%	
Israel	1	-	-	-	-	-	-	-	-	-	0%	
Luxembourg	186	-	-	-	-	-	15	-	-	15	30%	
Poland	6	-	-	-	-	-	-	-	-	-	1%	
Russian Federation	65	-	-	-	-	-	5	-	-	5	11%	
Singapore	2	-	-	-	-	-	-	-	-	-	0%	
Switzerland	1	-	-	-	-	-	-	-	-	-	0%	
United Arab Emirates	7	-	-	-	-	-	1	-	-	1	1%	
United Kingdom	270	-	-	-	280	-	22	-	2	24	49%	1.00%
Total as at 31 December 2019	**585**	**-**	**-**	**-**	**280**	**-**	**47**	**-**	**2**	**49**	**100%**	

Table 37: Countercyclical Capital Buffer

	31 December 2019
Total risk weighted assets (£ million)	873
Institution specific countercyclical buffer rate	0.49%
Institution specific countercyclical buffer requirement (£ million)	4.3

Appendix 3:Non-disclosed Tables

Please see below a list of disclosure tables not included in CUKL's Pillar 3:

Table	Rationale
Outline of the differences in the scope s of consolidation (entity by entity) (LI3)	There is no scope of consolidation for CUKL.
Changes in the stock of general and specific credit risk adjustments (CR2-A)	No general or specific credit risk adjustments applied as at 31 December 2019.
Changes in the stock of defaulted and impaired loans and debt securities (CR2-B)	There are no defaulted or no/immaterial impaired loans as at 31 December 2019.
CRM techniques – Overview (CR3)	No CRM techniques applied on CUKL's credit risk exposures as at 31 December 2019.
IRB approach – Credit risk exposures by exposure class and PD range (CR6)	CUKL calculates capital requirements using the standardised risk weight approach.
IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques (CR7)	
RWA flow statements of credit risk exposures under the IRB approach (CR8)	
IRB approach – Backtesting of PD per exposure class (CR9)	
IRB (specialised lending and equities) (CR10)	
Credit quality of forborne exposures	CUKL has no forborne exposures.
Collateral obtained by taking possession and execution process	CUKL has no non-performing loans.
CVA capital charge (CCR2)	CUKL has no Credit Valuation Adjustment capital requirements, as all in scope exposures are exempt per article 382 of the CRR.
IRB approach – CCR exposures by portfolio and risk (CCR4)	CUKL calculates capital requirements using the standardised approach.
Credit derivatives exposures (CCR6)	CUKL has no Credit Derivatives.
RWA flow statements of CCR exposures under the IMM (CCR7)	CUKL does not have IMM permission.
Exposure to CCPs (CCR8)	CUKL has no trading activity with central counterparties.
Securitisation in the Trading Book (SEC2)	CUKL does not hold any securitisation positions in the trading book.
Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3)	CUKL acts only as investor in its Securitisation book.
Market Risk under the standardised approach (MR1)	As at 31 December 2019, CUKL's standardised market risk was nil in accordance with de Minimis guidance per CRR article 351.
Market risk under the IMA (MR2-A)	CUKL does not have IMA permission.
RWA flow statements of market risk exposures under the IMA (MR2-B)	
IMA values for trading portfolios (MR3)	
Comparison of VaR estimate with gains/losses (MR4)	
Sources of Encumbrance	CUKL has immaterial sources of encumbrance as at 31 December 2019.
TLAC composition for G-SIBs (at resolution group level) (TLAC1)	CUKL is not a resolution entity and does not have any TLAC instruments.
Material subgroup entity – creditor ranking at legal entity level (TLAC2)	
Resolution entity – creditor ranking at legal entity level (TLAC3)	

Appendix 4: Capital Instruments

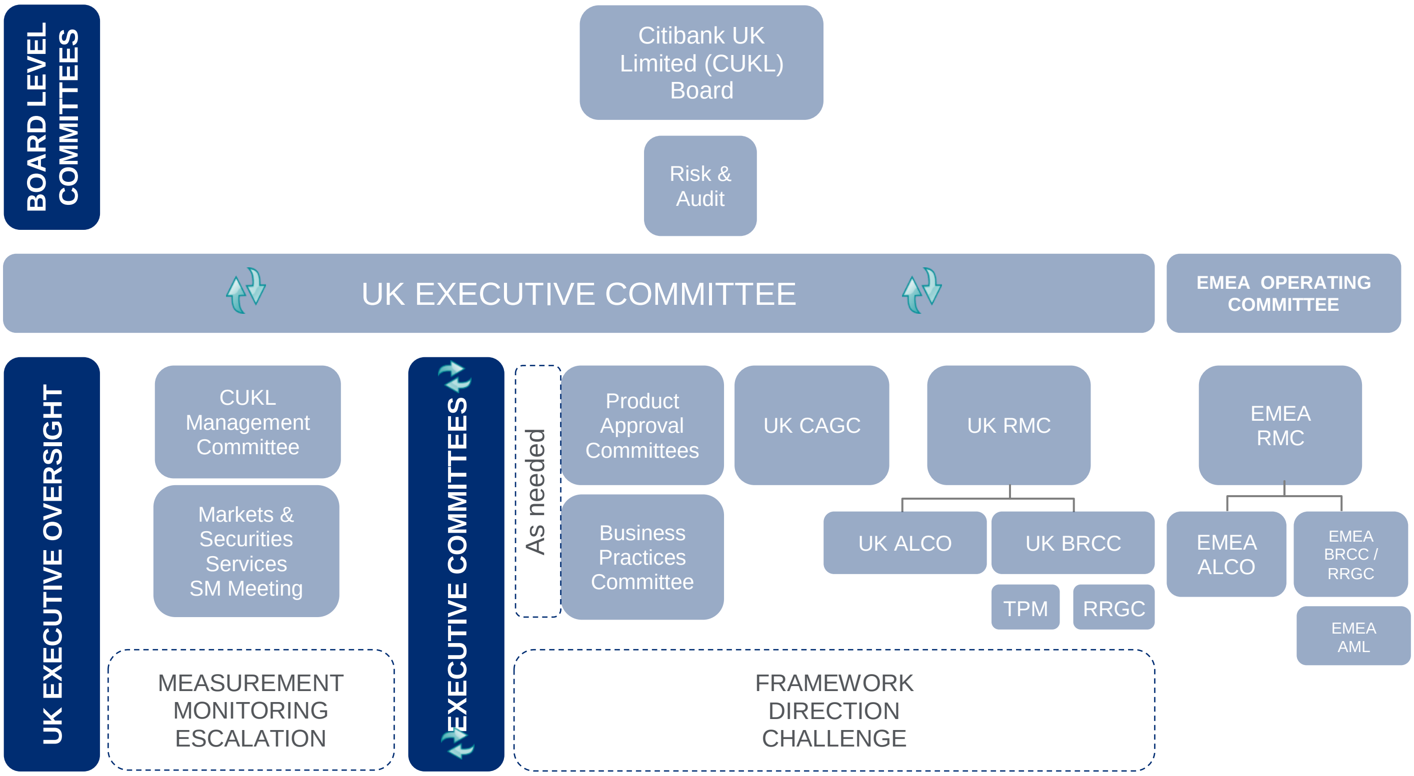
The template is prepared using the format set out in Annex II of the final 'Implementing technical standards with regard to disclosure of own funds requirements for institutions' (Commission implementing regulation – EU 1423/2013).

Table 38: Capital Instruments – Main features

		A Common Equity Tier 1	B Additional Tier 1	C Tier 2
1	Issuer	Citibank UK Limited	Citibank UK Limited	Citibank UK Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement	Private Placement	Private placement
3	Governing law(s) of the instrument	English Law	English Law	English Law
Regulatory Treatment				
4	Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Perpetual Notes	Subordinated Loans
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	GBP 311 million	GBP 52 million	GBP 52 million
9	Nominal amount of instrument	GBP 1.00	GBP 52 million	GBP 52 million
9a	Issue Price	GBP 1.00	GBP 52 million	GBP 52 million
9b	Redemption price	N/A	GBP 52 million	GBP 52 million
10	Accounting classification	Shareholder's equity	Shareholder's equity	Liability - Amortised cost
11	Original date of issuance	27/08/2019	27/08/2019	27/08/2019
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No Maturity	No Maturity	27/08/2029
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	Optional redemption date: 27/08/2024 Redemption Amount: GBP 52 million + accrued interest	Option Date: 27/08/2024 GBP 52 million + accrued interest
16	Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends				
17	Fixed or floating dividend/coupon	Floating	Fixed to floating	Floating
18	Coupon rate and related index	N/A	Fixed: 6.25% Floating: GBP 3 Month Libor + 5.6178%	GBP 3 Month Libor + 1.63%
19	Existence of a dividend stopper	No	Yes	No
20 a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory
20 b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If Convertible, conversion trigger(s)	N/A	N/A	N/A
25	If Convertible, fully or partially	N/A	N/A	N/A
26	If Convertible, conversion rate	N/A	N/A	N/A
27	If Convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If Convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If Convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	Contractual write down if CET1 Capital Ratio of CUKL falls below 7%. BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers	Bank of England as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers and if any resolution entity in Citi is under resolution.
32	If write-down full or partial	N/A	Fully or partially	Fully or partially
33	If write-down permanent or temporary	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type senior to instrument)	Perpetual Unsecured Fixed Rate Securities (Perpetual Notes – Additional Tier 1, column B)	Long-term subordinated loan facility (Subordinated Loans – Tier 2, column C)	Other Liabilities
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Appendix 5: Governance Forums and Committees

The Board of Directors has overall responsibility for the stewardship of the Company's business and, as a result, is primarily responsible for safeguarding its profitability, financial solvency and assets and for ensuring that it complies with all legal and regulatory requirements, subject to necessary delegations.



BRCC:	Business Risk, Compliance and Controls Committee
AML GBRC:	Anti-Money Laundering Governance & Business Risk Committee
CADP:	Client Assets Governance Committee
ALCO:	Assets and Liabilities Committee
RMC:	Risk Management Committee
TPM:	Third Party Management BRCC Sub-Committee
RRGC:	Regulatory Reporting Governance BRCC Sub-committee

Board Level Committees

The CUKL Risk and Audit Board Committee (the "Committee") is a standing committee of the Board of Directors (the "Board") of the Company, from which it derives its authority. The purpose of the Committee is to advise the Board on the Company's overall current and future risk appetite and to assist the Board in fulfilling its responsibility relating to oversight of:

Risk i. the financial and non-financial risks the Company faces in managing its credit, market, liquidity, operational, compliance, reputational, strategic, culture and conduct risks;
ii. their alignment of the Company's risks with the strategy, capital adequacy and the macroeconomic environment;
iii. development of a strategy to manage these risks and monitoring the effectiveness of risk management activities;
iv. CUKL's compliance with Citigroup's risk management framework including the policies and practices adopted by Citigroup for the management of its risks;

Audit v. the integrity of the Company's financial statements and financial reporting process and the Company systems of internal accounting and financial controls;
vi. the performance of Internal Audit;
vii. policy standards and guidelines for risk assessment and risk management as they relate to financial reporting;
viii. compliance by the Company with local legal and regulatory requirements as they relate to the Risk and Audit Committee, including CUKL's disclosure controls and procedures; and
ix. providing any concerns or recommendations to the Regional CEO.

The Risk and Audit Committee met twice in 2019.

Executive Committees

The UK Executive Committee is a principal governance committee responsible for Citi's activities in the United Kingdom ('UK'), including all activity on UK Legal Entities and activity of UK personnel on Legal Entities outside the UK (collectively 'UK activities'). The Committee receives its authority from the Boards of certain UK entities including Citibank UK Limited ('CUKL').

The UK Executive Committee provides appropriate senior management oversight, review of reported escalations and review of strategic franchise matters and other significant matters relating to regulatory compliance, business risks and controls, behaviour and culture, talent management, and trends arising from those matters. It also reviews the country's business performances, coordinate business strategic planning, and optimise investment and resource mobilisation within the country.

Glossary

AFS	Available For Sale
ALCO	Asset and Liability Committee
AOCI	Accumulated Other Comprehensive Income
APAC	Asia Pacific
AT1	Additional Tier 1
BIA	Business Impact Analysis
BRC	Business Recovery Co-ordinator
BRCC	Business Risk Compliance and Control Committee
BRP	Business Recovery Plan
CBNA	Citibank NA
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CCO	Citi Country Officer
CCR	Counterparty Credit Risk
CCYB	Countercyclical Capital Buffer
CEM	Current Exposure Method
CEO	Chief Executive Officer
CEP	Citibank Europe PLC
CET1	Common Equity Tier 1
CoB	Continuity of Business
COHBL	Citi Overseas Holding Bahamas Limited
COIC	Citibank Overseas Investment Corporation
CPAC	Consumer Product Approval Committee
CRD	Capital Requirements Directive
CRE	Commercial Real Estate
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CSIS	Citi Security and Investigative Services
CUKL	Citibank UK Limited
CUKL ManCo	Citibank UK Limited Management Committee
CUKL RAC	Citibank UK Limited Risk and Audit Committee
CVA	Credit Valuation Adjustment
DIRAP	Discretionary Incentive and Retention Award Plan
DoA	Denial of Access
DoS	Denial of Service
EAD	Exposure at Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ECL	Expected Credit Loss
EEA	European Economic Area
EMEA	Europe, Middle East and Africa
EU	European Union
EVE	Economic Value of Equity
EVS	Economic Value Sensitivity
FCA	Financial Conduct Authority
FCCM	Financial Collateral Comprehensive Method
FRR	Facility Risk Rating
FX	Foreign Exchange
GCB	Global Consumer Banking
GMRA	Global Master Repurchase Agreement
HNWI	High Net Worth Individuals
HQLA	High Quality Liquid Assets
HR	Human Resources
HTM	Held to Market
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Institutional Clients Group
ICRM	Independent Compliance Risk Management
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Model Approach
IMM	Internal Model Method
IRE	Interest Rate Exposure
IRM	Independent Risk Management
IRRBB	Interest Rate Risk in the Banking Book
IRS	Interest Rate Swaps
ISDA	International Swaps and Derivatives Association
KRI	Key Risk Indicator
LATAM	Latin America
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LRMF	Liquidity Risk Management Framework
MCA	Managers Control Assessment
MDB	Multilateral Development Bank
MENA	Middle East and North Africa
MREL	Minimum Requirements for Eligible Liabilities
MRTs	Material Risk Takers
MSBF	Margin and Securities Backed Finance
NIM	Net Interest Margin
NPAC	New Product Approval Committee
NSFR	Net Stable Funding Ratio

ORM	Operational Risk Management
ORR	Obligor Risk Rating
OTC	Over the Counter Derivatives
PBV	Performance Based Vesting
PD	Probability of Default
PFE	Potential Future Exposure
PRA	Prudential Regulation Authority
PSE	Public Sector entity
PTIP	Personal and Investment Trading Policy
RBAs	Role Based Allowances
RLAP	Resolution Liquidity Adequacy and Positioning
RMBS	Residential Mortgage Backed Securities
RRP	Recovery and Resolution Planning
RTO	Recovery Time Objective
RWA	Risk Weighted Asset
SEC-SA	Securitisation Standardised Approach
SFT	Securities Financing Transaction
SPPI	Solely Payments of Principal Interest
T2	Tier 2
WWR	Wrong Way Risk