Citibank UK Limited
Pillar 3 Disclosures

31 December 2021

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Introduction

Citibank UK Limited ("CUKL" or "the Company") is a wholly owned subsidiary of Citibank Overseas Investment Corporation, which is a subsidiary of the banking entity Citibank NA ("CBNA"), a subsidiary of Citigroup Inc. ("Citi"). Its core activities are the offering of consumer banking products principally to high net worth individuals, both onshore and offshore and CUKL providing Trustee and Fiduciary services to collective investment schemes primarily in the UK.

The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and Financial Conduct Authority ("FCA").

During 2021 Citi operated via two primary business segments, the Institutional Clients Group ("ICG") and the Global Consumer Banking ("GCB").

Global Consumer Bank

The Company's Consumer business falls within the GCB segment of Citi's operations. GCB offers consumer banking products and services, principally to high net worth individuals, both onshore and offshore. The onshore UK business focuses on domestic clients while the offshore business is part of Citi's International Personal Bank focusing on target market international clients. Offshore clients are primarily referred through Citi's global network. The product offering includes multi-currency deposits, investments, foreign exchange ("FX") solutions and other wealth management services.

Institutional Clients Group

In September 2021 the Company purchased a Trustee and Fiduciary Business from a Citi subsidiary which operates under the ICG segment.

ICG businesses also utilise the excess liquidity generated from the GCB business to fund high quality loans, bonds and securitised notes considering, among other factors, the Liquidity, Risk and Governance framework of the entity.

As part of Citi's strategic refresh its operating segments are changing in 2022. The primary segments will be ICG, Personal Banking and Wealth Management ("PBWM") and Legacy Franchises. The Company's GCB activities will be aligned to PBWM and the Trustee and Fiduciary business will continue to be under ICG.

Overview of Pillar 3 Disclosures

The Capital Requirements Directive ("CRD IV") package, which came into effect on 1 January 2014 and implements the provisions of the Basel Capital Accord in the European Union ("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.

These disclosures are made in accordance with Part 8 of the Capital Requirements Regulation ("CRR") within the CRD IV package. In addition, we have implemented the European Banking Authority ("EBA") final guidelines on revised Pillar 3 disclosures (EBA/GL/2016/11), amended in June 2017, which bring into force the disclosure of new quantitative tables to further enhance comparability and consistency across the industry. The CUKL Pillar 3 disclosures are prepared on a stand-alone basis.

Frequency of disclosure

CUKL as a non-Global Systemically Important Bank publishes Pillar 3 disclosures annually in line with the CRR and EBA requirements. CUKL publishes its Pillar 3 disclosures at: **https://www.citigroup.com/citi/investor/reg.htm**

The Pillar 3 disclosures complement both the group level materials included in Citi's Annual Report, and CUKL's 2021 financial statements, both available at the same location.

Quantitative Disclosure

Where disclosures are not relevant or deemed immaterial to the activities of CUKL, these have been omitted and detailed in Appendix 4. In addition, those rows and columns not relevant or reportable as nil have been omitted from prescribed tables.

Please note there may be instances where tables do not sum due to rounding.

Policy and verification

In accordance with Article 431 (3) of the CRR, CUKL's Pillar 3 disclosures are governed under Citi's Basel Public Disclosures Policy and associated Pillar 3 Standard, which together outline the principles and standards to be applied for preparing CUKL's Pillar 3 disclosures. The firm operates within a framework of internal controls and procedures for assessing the appropriateness of this disclosure.

These disclosures are governed and approved by the CUKL Board of Directors.

Regulatory Outlook

The UK's withdrawal from the EU

Post the UK's full withdrawal from the EU, it has on-shored relevant existing EU financial services legislation into UK law, including the CRR, CRD, Regulatory Technical Standards ("RTS") and Implementing Technical Standards ("ITS"). Additionally, during the period of reporting, the UK regulatory authorities used a temporary transitional power to delay or phase-in onshoring changes to UK regulatory requirements arising at the end of the transition period for a period of 15 months that ended 31 March 2022.

Regulatory Developments

As the external regulatory environment continues to evolve, the most significant developments expected to impact CUKL stem from:

- Onshoring of EU legislation and regulatory requirements;
- Basel Reforms;
- Operational Resilience and Third Party Risk Management;
- Sanctions;
- Environmental, Social and Governance; and
- Consumer Duty.

Onshoring of EU legislation and regulatory requirements

'Onshoring' was the process of amending EU legislation and regulatory requirements so that they work in a UK-only context.

The onshoring process has resulted in changes to some regulatory requirements. For most of these changes firms have until 31 March 2022 to comply. CUKL has implemented these requirements.

Basel Reforms

CUKL will be impacted by a number of regulatory rule changes introduced by the Basel Committee on Banking Supervision and other standard setters that have been legislated for in Europe by CRR II/CRD V. Following the UK's departure from the EU, the UK has on-shored certain parts of the CRR II/CRD V regulation and has published rules to implement other elements of CRR II in the UK.

Key elements in CRR II/CRD V include changes to Standardised Approach to Counterparty Credit Risk, the Large Exposures framework, the Leverage Ratio, Net Stable Funding Ratio ("NSFR"), and the Fundamental Review of the Trading Book ("FRTB").

The PRA has published final rules in policy statement PS 22/21 to implement the Basel III standards in the UK covering areas such as Counterparty Credit Risk and Large Exposures. These rules will be implemented in the UK from 1 January 2022. In conjunction with the Financial Policy Committee ("FPC"), the PRA has also published final rules in policy statement PS21/21 to change the UK leverage ratio framework under which CUKL is subject to "supervisory expectation". A firm subject to supervisory expectation should manage its leverage risk such that its leverage ratio does not fall below 3.25%, from 1 January 2023.

The final phase of the Basel III reforms includes the Standardised Approach to Credit Risk , the Standardised Approach to Operational Risk, and the new Output Floor. A consultation on the UK implementation of these rules is expected to be published in the second half of 2022. These along with FRTB are expected to become binding requirements in the future with the PRA's consultation anticipated to provide clarified implementation timelines.

Operational Resilience and Third Party Risk Management

In 2021, the FCA and PRA published their rules aimed at building the resilience of the UK financial services sector to operational disruption. Operational resilience is a relatively new regulatory framework that seeks to oversee an organisation's ability to anticipate, prevent, adapt, respond to, recover and learn from internal or external disruption assuming it will occur. For further details see Enterprise Resilience section.

In addition, new rules regarding Outsourcing and Third Party Risk Management come into force on 31 March 2022 that require firms to assess the materiality and risk of all third party arrangements, not just those that fall within the regulatory definition of outsourcing. Where agreements are material or high risk the PRA expects firms to implement effective, risk-based controls. CUKL is embedding the new rules into its control framework.

Sanctions

The Company has insignificant direct exposures in Russia or Ukraine and therefore the Company's financial risks have not been directly impacted by the geopolitical tensions or conflict in Ukraine. Because of the sanctions the Company is unable to offer its entire range of products and services to all of its customers. The Company continues to monitor the potential indirect macroeconomic and reputational impacts from the tensions and conflict in order to mitigate its exposures and risks.

Environmental, Social and Governance

The FCA and PRA are due to publish a Consultation Paper on Diversity in Financial Services during the first half of 2022 with a policy statement to follow in the second half of 2022. In the second quarter of 2022 the FCA is due to publish a consultation paper on sustainability disclosure requirements that require certain firms to disclose their management of sustainability risks, impacts and opportunities. The FCA is also working to introduce sustainable investment labels to help consumers navigate investment products based on their sustainability characteristics.

Consumer Duty

The FCA plans to introduce a new Consumer Duty that will require firms to focus on supporting and empowering their retail customers to make good financial decisions and avoid foreseeable harm at every stage of the customer relationship. The Consumer Duty will be introduced through a headline principle (that a firm must act to deliver good outcomes for retail customers) and cross cutting rules and outcomes. The cross-cutting rules require firms to:

- Act in good faith; avoid foreseeable harm; and
- Enable and support retail customers to pursue their financial objectives.

The outcomes relate to:

- The governance of products and services;
- Price and value;
- Consumer understanding; and
- Consumer support.

The FCA is due to publish its final rules in Q3 2022 and to allow firms nine months to implement following publication of the final rules. CUKL is reviewing the requirements and draft rules in preparation for implementation.

Key Metrics

Table 1: Key Metrics (KM1)

		31 December 2021	30 September 2021	30 June 2021	31 March 2021	31 December 2020
	Available capital	**£ million**	£ million	£ million	£ million	£ million
1	Common Equity Tier 1 (CET1)	**304.2**	312.8	320.8	293.0	316.7
2	Tier 1	**356.2**	364.8	372.8	345.0	368.7
3	Total capital	**408.2**	416.8	424.8	397.0	420.7
	Risk-weighted assets					
4	Total risk-weighted assets (RWA)	**805.3**	874.6	860.4	940.0	961.6
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	**37.8%**	35.8%	37.3%	31.2%	32.9%
6	Tier 1 ratio (%)	**44.2%**	41.7%	43.3%	36.7%	38.3%
7	Total capital ratio (%)	**50.7%**	47.6%	49.4%	42.2%	43.7%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (%)	**2.50%**	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	**0.04%**	0.04%	0.04%	0.04%	0.02%
10	Bank G-SIB and/or D-SIB additional requirements (%)	**-**	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%)	**2.54%**	2.54%	2.54%	2.54%	2.52%
12	CET1 available after meeting the bank's minimum capital requirements (%)	**27.4%**	28.5%	30.0%	23.9%	25.7%
	Basel III Leverage Ratio [1]					
13	Total Basel III leverage ratio measure	**6,818.1**	6,608.4	6,217.4	5,816.1	5,424.1
14	Basel III leverage ratio (%)	**5.2%**	5.5%	6.0%	5.9%	6.8%
	Liquidity Coverage Ratio [2]					
15	Total HQLA	**4,219.7**	3,928.9	3,542.2	2,772.6	3,069.7
16	Total net cash outflow	**639.8**	624.6	560.9	463.8	434.5
17	LCR ratio (%)	**659%**	629%	632%	598%	707%

[1] Leverage ratio exposure is disclosed on a fully phased-in basis in accordance with the EU delegated act.
[2] The LCR is based on daily averages and high quality liquid assets ("HQLA") calculation does not include Pillar 2 add on.

As at 31 December 2021, CUKL's Common Equity Tier 1 ("CET1") ratio was 37.8%, an increase of 4.8% year on year. The primary driver is the decrease of £156.3 million in Total Risk Weighted Assets ("RWAs") to £805.3 million, mainly due to lower Commercial Real Estate ("CRE") exposure and a reduction in intercompany placements, partially offset by decrease in CET1 capital by £12.5 million, primarily driven by unrealised mark to market losses on available for sale ("AFS") bonds due to increase in interest rates.

CUKL's leverage ratio decreased 1.6% over the year to 5.2%. This results from the aforementioned slight decrease in CUKL's Tier 1 capital, while leverage exposures rose due to new reverse repo Securities Financing Transactions ("SFTs") and increase in reserves with the Central Bank.

Risk Management

Citi's culture drives a strong risk and control environment and is at the core of Citi's approach to risk management, underpinning the way Citi conducts business, and in turn CUKL. It consists of the shared attitudes, values and expected behaviours that promote open discussions and decisions in line with Citi's strategy, mission, value proposition, leadership principles and risk appetite.

Every employee of Citi and its consolidated subsidiaries, including other persons performing services for Citi that may be subject by contract or other agreement, are accountable for risk management and must identify, escalate, and mitigate or accept risk-taking activities that exceed Citi's risk appetite, in a timely manner.

CUKL's objective is to serve as a trusted partner to its clients by responsibly providing financial services that enable growth and economic progress and to ensure that the risks taken are within CUKL's risk appetite as determined by the CUKL Executive Management Team and as reviewed and approved by the CUKL Board of Directors.

Risk Governance Framework

CUKL has a comprehensive Risk Management Framework in place to ensure all CUKL's risks are managed appropriately and consistently across the entity and at an aggregate level. The CUKL Risk Management Framework (the "Framework) details the principles used to support effective entity-wide risk management across the end-to-end risk management lifecycle. It covers the risk management roles and responsibilities of the CUKL Board of Directors, CUKL Senior Management, and employees who execute activities on behalf of CUKL across the lines of defence. The Framework applies to CUKL and all its businesses and functions operating within CUKL. CUKL's Framework is aligned to Citi's Enterprise Risk Management Framework.

The risk governance framework refers to the implementation of the Framework in conjunction with the underlying set of risk policies, standards, procedures, and processes within Citi, as adopted by CUKL. CUKL's risk governance framework has been developed in consideration of the entity's size, complexity, and risk profile, and supports the breadth of CUKL's product offerings and geographies that give rise to risk exposure.

Citi has defined policies for risk management at an enterprise-wide level and by risk category. As a part of Citi, CUKL adopts Citi level policies, wherever possible. Citi's policies reflect the core principles and regulatory requirements that Citi must follow to ensure that all business operations are conducted in accordance with applicable laws, rules, regulations, principles of safety and soundness and Citi's commitment to Responsible Finance. Citi's policies are critical to maintaining a culture of compliance and control and effectively managing risk within CUKL. The Framework highlights where processes are aligned to Citi-wide risk management policies, standards, procedures, and processes, and describes the applications of these processes for managing risk within the Company.

Risk Appetite Framework

Risk appetite is the aggregate level and types of risk CUKL is willing to accept in order meet its strategic objectives. CUKL's Risk Appetite Framework sets boundaries for risk taking and consists of a set of risk appetite statements as well as the governance processes through which the risk appetite is established, communicated, cascaded, and monitored. The Risk Appetite Framework considers capital, earnings, liquidity, and other franchise risks.

Risk Management reviews and reports CUKL's Risk Appetite usage against the established limits and thresholds on a regular basis to the CUKL Risk and Audit Committee. The CUKL Risk and Audit Committee recommends the approval of risk appetite limits in the form of the Risk Appetite Statement to the CUKL Board, at least annually.

Three Lines of Defence Approach

CUKL uses a three lines of defence construct to manage its risk, bringing risk taking, risk oversight, and risk assurance under one umbrella and providing an avenue for the (i) accountability of the first line units that create risk, (ii) effective challenge from the second line units that independently assess risk, and (iii) independent assurance from the third line units. Control and support functions are units tasked with maintaining a strong control environment.

The lines of defence construct is an important component of the risk governance structure. It assigns distinct roles and responsibilities to each line to support risk management. The lines of defence and control and support functions coordinate with each other in support of the common goal of identifying, measuring, monitoring, and controlling risk taking activities so they remain consistent with the Company's strategy and risk appetite. The lines of defence and control and support functions also play a critical role in the governance and execution of the framework.

Principal Risks

The Company has a formalised process for the identification and assessment of material risks across the Company, 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 Material Risk Identification and Assessment 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 Company's strategy, risk profile and market conditions. The Material Risk Identification and Assessment process further informs the Company's Strategic Plan and, in turn, Risk Appetite setting and other formal processes such as Internal Capital Adequacy Assessment Process ("ICAAP").

Citi's Group-wide Risk Taxonomy is a classification of the risks associated with Citi's business. The Risk Taxonomy comprehensively defines key categories and types of risk across Citi using a systematic approach and common structure. The taxonomy includes both risk categories and risk types. CUKL applies the same taxonomy and has identified the following risks as material to its business: Credit risk, Liquidity risk, Market risk, Operational risk, Compliance risk, Strategic risk, and Reputation risk.
CUKL Senior Management consider the risk management infrastructure as described in this document as being adequate to capture and measure the risks taken on a business as usual basis as a result of the entity's business profile and strategy. In October 2020, Citi and Citibank entered into consent orders with the Federal Reserve Board and Office of the Comptroller of the Currency that require Citi and Citibank to make improvements in various aspects of enterprise-wide risk management, compliance, data quality management and governance and internal controls. These improvements will result in continued significant investments by Citi during 2022 and beyond, as an essential part of Citi's broader transformation efforts to enhance its infrastructure, governance, processes and risk and controls. As CUKL utilises Citi's overarching systems for risk management purposes, CUKL is also expected to benefit from the improvements programme.

Stress Testing

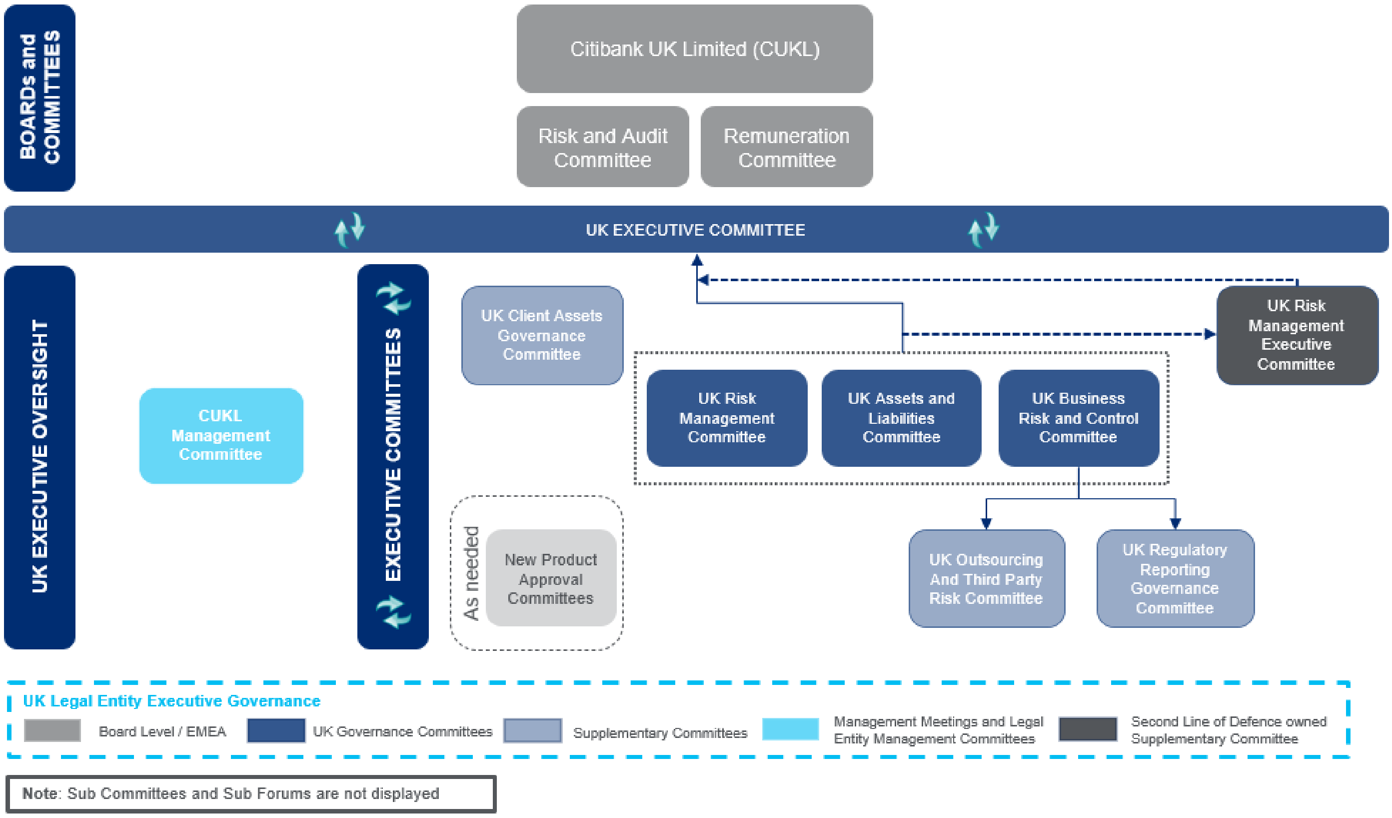
CUKL defines stress testing as an internal risk management tool and a key regulatory requirement used to perform forward-looking capital and liquidity adequacy assessments i.e. the ICAAP and the Internal Liquidity Adequacy Assessment Process ("ILAAP"). The stress testing processes are designed to assess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

Governance Forums and Committees

CUKL's 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.

Committees of the Board include the CUKL Risk and Audit Committee and the CUKL Remuneration Committee (further detailed on page 38), which functions as a committee of the Board regarding the remuneration of the Company's employees and material risk takers.

There are a number of governance and control committees that escalate issues to the CUKL Board and CUKL Risk and Audit Committee. Members of CUKL management sit on all of these committees. The following chart highlights the main components of CUKL's governance structure, within Citi's regional and UK management and governance framework during 2021.



CUKL Risk and Audit Committee

The CUKL Risk and Audit Committee (the "Committee") is a standing committee of the Board of Directors (the "Board") and operates within its charter approved by the Board. 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 responsibilities

- The financial and non-financial risks the Company faces in managing its credit, market, liquidity, operational, compliance, reputational, strategic, culture and conduct risks;
- Alignment of the Company's risks with the strategy, capital adequacy and the macroeconomic environment;
- Development of a strategy to manage these risks and monitoring the effectiveness of risk management activities; and
- CUKL's compliance with Citi's risk management framework including the policies and practices adopted by Citi for the management of its risks.

Audit responsibilities

- The integrity of the Company's financial statements and financial reporting process and the Company systems of internal accounting and financial controls;
- The performance of Internal Audit;
- Policy standards and guidelines for risk assessment and risk management as they relate to financial reporting;
- 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;
- Monitoring the preparation of CUKL's financial statements, and reviewing and assessing the independence of the statutory auditor, in particular in the provision by the auditor of additional services to CUKL; and
- Providing any concerns or recommendations to the Regional Chief Executive Officer ("CEO").

The Committee shall comply with all local legal and regulatory requirements concerning membership and independence, which include:

- All relevant local legal and regulatory requirements concerning membership and independence;
- The Committee will consist of at least three members of the Board and the Chair of the Committee must be an Independent Non-Executive Director;
- Each member shall meet the independence, experience and expertise requirements of the FCA and PRA and have sufficient time to discharge the responsibilities of a Committee member;

- Unless an exception is expressly granted by the Chief Auditor of Citi, at least one member of the Committee will have significant recent and relevant financial experience and the Committee as a whole shall have relevant banking experience;
- The members of the Committee and the Committee Chair shall be appointed by, and may be removed by, the Board of CUKL;
- Committee membership and the position of Committee Chair shall be reviewed on a periodic basis and be updated as required; and
- The Chief Auditor UK (or his/her delegate), or an appropriate nominee, shall be a permanent attendee at meetings of the Committee. Other members of the Board of CUKL have the right to attend meetings of the Committee as and when required. Other non-members such as the CUKL Chief Risk Officer ("CRO"), the CUKL Chief Finance Officer ("CFO") and the Independent Audit Partner may be invited to attend all or any part of any meeting.

The Directors of CUKL receive regular reports on any risk matters that need to be brought to their attention via standing forums. In addition, ad-hoc notifications take place via the CUKL CEO or CUKL CRO where escalation is required to the Board, depending on materiality, the criteria for assessing which has been previously presented to and approved by the CUKL Risk and Audit Committee.

Own Funds

Under the PRA's minimum capital standards, CUKL is required to maintain a prescribed excess of own funds over its capital resources requirements. Own funds are measured and reported in accordance with the provisions of the CRR.

CUKL's total capital resources comprise of Tier 1 and Tier 2 Capital. Tier 1 capital comprise of CET1 and additional tier 1 ("AT1"). CET1 consist of retained earnings and other reserves in accordance with accounting standards, with adjustments for prudential filters such as additional value adjustment and regulatory deductions for intangible assets. AT1 is capital instruments and the related share premium accounts that are classified as Equity. Tier 2 is comprised of subordinated loans.

The main features, terms and conditions of CUKL's Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments are outlined in Appendix 2.

The Bank of England has set CUKL's Minimum Requirements for Eligible Liabilities ("MREL") requirement as equal to its minimum capital requirement. No MREL eligible debt has been issued.

Table 2: Own funds disclosure template (CC1)

The template is prepared 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).

		31 December 2021 £ million	31 December 2020 £ million
Common Equity Tier 1 (CET1) capital: Instruments and reserves			
1	Capital Instruments and the related share premium accounts	**-**	-
2	Retained earnings	**25.3**	3.0
3	Accumulated other comprehensive income (and other reserves)	**288.5**	323.4
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	**-**	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**313.8**	326.4
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative value)	**(2.9)**	(2.4)
8	Intangible assets (net of related tax liabilities) (negative amount)	**(6.7)**	(7.3)
15	Defined-benefit pension fund assets (negative amounts)	**-**	-
24	CET1 capital elements or deductions - other	**-**	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(9.6)**	(9.7)
29	**Common Equity Tier 1 (CET1) capital**	**304.2**	316.7
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	**52.0**	52.0
31	*- of which: classified as equity under applicable accounting standards*	**52.0**	52.0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**52.0**	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**	52.0
45	**Tier 1 capital (T1 = CET1 + AT1)**	**356.2**	368.7
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	**52.0**	52.0
51	Tier 2 (T2) capital before regulatory adjustments	**52.0**	52.0
57	Total regulatory adjustments to Tier 2 (T2) capital		
58	**Tier 2 (T2) capital**	**52.0**	52.0
59	**Total capital (TC = T1 + T2)**	**408.2**	420.7
60	**Total risk weighted assets**	**805.3**	961.6
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**37.8%**	32.9%
62	Tier 1 (as a percentage of total risk exposure amount)	**44.2%**	38.3%
63	Total capital (as a percentage of total risk exposure amount)	**50.7%**	43.8%
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)	**7.04%**	7.02%
65	*- of which: capital conservation buffer requirement*	**2.50%**	2.50%
66	*- of which: countercyclical buffer requirement*	**0.04%**	0.02%
67	*- of which: systemic risk buffer requirement*	**0.00%**	0.00%
67a	*- of which: Global Systemically Important Institution (G-811) or Other Systemically Important Institution (O-SII) buffer*	**-**	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**27.4%**	25.7%
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)	**-**	-
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)	**-**	-
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)	**-**	2.2

During the year, CUKL's total capital decreased by £12.5 million to £408.2 million. This is attributed to a decrease in CET1 capital primarily driven by unrealised mark to market losses on AFS bonds due to increase in interest rates.

Regulatory Framework for Disclosure

These Pillar 3 Disclosures for 31 December 2021 are prepared in accordance with regulatory capital adequacy concepts and rules, while the financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, both on a stand-alone basis.

The following table provides a reconciliation of CUKL's regulatory capital to audited shareholders' equity as at 31 December 2021, 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 3: Reconciliation of Balance Sheet to Regulatory Capital

	Accounting balance sheet	Own Funds
	£ million	£ million
Shareholders Funds		
Other Reserves	311.6	311.6
Other equity instruments (AT1)	52.0	52.0
Accumulated Other Comprehensive Income (AOCI)[1]	(21.6)	(23.1)
Retained Earnings	25.3	25.3
Profit & Loss [2]	10.8	-
Total Shareholders Funds	378.1	365.8
Subordinated Liabilities [3]	52.1	52.0
Regulatory Adjustments		
Additional Valuation Adjustments		(3.0)
Intangible Assets		(6.7)
Deferred Tax Assets		-
Total		408.2

[1] AOCI in Accounting balance sheet is net of actual tax while Own funds is net of provisional tax adjustment.

[2] Own funds does not reconcile to the accounting balance sheet, primarily due to inability to recognise unaudited 2021 profit or loss in Own Funds per Article 26(2) of the CRR

[3] Accounting balance sheet subordinated liabilities also include related accrued interest therefore it does not reconcile to own funds.

Capital Requirements and Buffers

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 credit risk, counterparty credit risk, market risk and operational risk based upon standardised approaches, as well as recognising a number of credit risk mitigation techniques.

The table below provides information by risk category, the approaches used to calculate Exposure at Default ("EAD") and RWA.

Risk Category	Definitions	Regulatory Exposure Methods	Risk Weight Assets (RWA) Approach
Credit Risk	Credit risk is the risk that counterparties may be unable or unwilling to make a payment or fulfil contractual obligations. This may be characterised in terms of an actual default or by deterioration in a counterparty's credit quality. The former case may result in an actual and immediate loss, whereas in the latter case, future losses may become more likely.	Credit Risk exposures are captured as accounting value, net of general and specific credit risk adjustments.	CUKL uses the standardised approach to determine credit and counterparty credit risk capital requirements, based on External Credit Assessment Institution ("ECAI") ratings for calculating RWAs
Counterparty Credit Risk	Counterparty credit risk ("CCR") is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows.	CUKL adopts two methods for the calculation of CCR exposures: • Current exposure method - applies to over-the-counter ("OTC") derivatives; • Financial collateral comprehensive method ("FCCM") - applies to SFTs. (Further details outlined in Counterparty Credit Risk section)	
Securitisation	A securitisation is a transaction or scheme where the associated credit risk of the exposure or pool of exposures is tranched, where key features include: • The tranching reflects subordination of the distribution of losses on the transaction or scheme; • The payments in the transaction or scheme rely on the exposure or pool of exposures' performance.	Securitised exposures from traditional securitisations are captured as the accounting value after relevant specific credit risk adjustments for on-balance sheet securitisation position for both trading and non-trading book exposures.	CUKL risk weights relevant positions using the Standardised Approach ("SEC-SA")
Market Risk	Market risk is the risk to earnings from adverse changes in market factors such as interest rates, equity prices, commodity prices, foreign exchange rates, credit spreads and their implied volatilities.	Market Risk positions are based on accounting values and notionals in the non-trading book as CUKL does not have trading book exposures.	CUKL calculates Market Risk under standardised approach.
Operational Risk	Operational risk captures the loss resulting from inadequate or failed internal processes, people and systems or from external events	CUKL uses standardised approach, where activities are divided into individual business lines for calculation of operational risk exposures.	Operational Risk uses Standardised Approach to calculate RWA.

Table 4: Overview of RWA (OV1)

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

		31 December 2021 RWAs	31 December 2020 RWAs	31 December 2021 Minimum capital requirements
		£ million	£ million	£ million
1	**Credit risk (excluding CCR)**	**419.2**	543.6	**33.5**
2	Of which the standardised approach	**419.2**	543.6	**33.5**
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which the advanced IRB (AIRB) approach	-	-	-
5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
6	**CCR**	**15.2**	39.4	**1.2**
7	Of which mark to market	**10.5**	19.4	**0.8**
7a	Of which Financial collateral comprehensive method (for SFTs)	**4.8**	20.0	**0.4**
8	Of which original exposure	-	-	-
9	Of which the standardised approach	-	-	-
10	Of which internal model method (IMM)	-	-	-
11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
12	Of which CVA	-	-	-
13	**Settlement risk**	-	-	-
14	**Securitisation exposures in the banking book**	**245.9**	246.7	**19.7**
15	Of which internal ratings-based approach ("SEC-IRBA")	-	-	-
16	Of which external ratings-based approach ("SEC-ERBA")	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-
18	Of which standardised approach ("SEC-SA")	**245.9**	246.7	**19.7**
19	**Market risk**	**14.1**	-	**1.1**
20	Of which the standardised approach	**14.1**	-	**1.1**
21	Of which IMA	-	-	-
22	**Large exposures**	-	-	-
23	**Operational risk**	**110.9**	132.0	**8.9**
24	Of which basic indicator approach	-	-	-
25	Of which standardised approach	**110.9**	132.0	**8.9**
26	Of which advanced measurement approach	-	-	-
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	-
28	**Floor adjustment**	-	-	-
29	**Total**	**805.3**	961.6	**64.4**

Credit Risk

RWAs decreased by £124.4 million primarily due to lower CRE exposure and a reduction in intercompany placements.

Counterparty Credit Risk

CCR RWA decreased by £24.2 million driven by derivatives mainly due to matured FX Forward trades along with a decrease in SFTs primarily due to reduction in volatility adjustment applied on the portfolio.

Securitisation

RWAs decreased by £0.8 million with no material drivers over the year.

Market Risk

The £14.1 million increase in market risk RWA is entirely related to FX risk and is primarily the result of increase in net long USD position.

As at 31 December 2020, CUKL's market risk was nil in accordance to de Minimis guidance under Article 351 of the Capital Requirements Regulation.

Operational Risk

RWA fell by £21.1 million primarily due the decrease in average revenue which is used to calculate the capital requirement.

Pillar 2

Pillar 2 in the Basel Framework is to capture risks that are not fully captured or considered under Pillar 1, including assessment of internal risk management processes and governance framework.

Pillar 2 comprises Pillar 2A and Pillar 2B:

- Pillar 2A considers any risk not adequately captured by the Pillar 1 framework. The risk categories covered under Pillar 2A are specific to CUKL based on the nature and size of its business; and
- Pillar 2B capital buffer is determined based on PRA guidance on the capital buffer required to withstand the impact of a severe downside stress, over and above the capital held for the combined CRD IV buffers.

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 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 a fixed Pillar 2A capital requirement of £55 million and a variable Pillar 2A requirement of 3.54% of the Total Risk Exposure Amount. This is equivalent to a Total Capital Requirement (Pillar 1 plus Pillar 2A capital requirements) of 18.37% as at 31 December 2021.

Capital Buffers

Under CRD IV, CUKL is required to hold additional capital buffers including the capital conservation buffer (2.5%) and the institution-specific countercyclical buffer, detailed in Appendix 3.

Capital Management

CUKL's capital management is centred on current and prospective business activities, risk profile, risk appetite, as well as meeting regulatory capital requirements and the evolving regulatory landscape.

CUKL actively monitors its capital position, with an emphasis placed on ensuring strong capital and leverage ratios, as well as maintaining robust excesses over minimum total capital requirements. All such metrics are monitored on a daily, monthly and quarterly basis in line with Global capital policies and standards. CUKL has an established internal Management Action Trigger framework, calibrated to ensure that the entity holds a sufficient capital excess to permit timely management decisions in case of short-term stresses.

These limits and targets are subject to detailed monitoring by finance subject matter experts and reported to CUKL Senior Management on a daily basis.

Full Balance Sheet, Net Income, Regulatory Capital and Leverage reforecasts are performed semi-annually. These forecasts are owned by the businesses together with the CUKL Management team and updated if required during the year.

All the above tools are monitored and controlled through the bi-weekly UK Capital Forum and monthly UK Asset and Liability Committee ("ALCO") governance.

The UK Capital Forum makes recommendations for approval, proposals for consideration, and notifications of relevance to the UK ALCO.

The UK ALCO is the primary balance sheet and liquidity governance committee of CUKL which meets monthly and its responsibilities include:

- Oversight of CUKL's balance sheet management, liquidity and capital levels, local regulatory requirements related to the Balance Sheet, oversight of market and foreign exchange risks of non-trading portfolios, and monitoring of Treasury management limits, targets and ratios;
- Review and approval of key regulatory documents such as ICAAP and ILAAP before these are submitted to the Board for approval;
- Ensure adherence to capital standards, determines dividend repatriation, and monitors local capital hedging and investment;
- CUKL Senior Management through UK ALCO monitors changes in the economic environment and any corresponding impact on the asset quality of CUKL's balance sheet and the prudential adequacy of CUKL; and
- Membership of the UK ALCO includes the CUKL Chief Executive Officer & UK Citi Country Officer (chair), UK CFO, UK Treasurer, UK CRO, Independent Treasury Market Risk and other key business and functional heads.

Leverage

The leverage ratio is a simple non-risk based measure to reinforce the risk-based capital framework. The Basel III Framework captures both the on and off-balance sheet sources of banks and investment firms' leverage and aims to constrain the build-up of excess leverage in the financial sector.

During 2021, CUKL calculated the leverage ratio in accordance with Capital Requirements Regulation which provided for a minimum requirement of 3%.

Subsequently, the PRA and FPC have published their Policy Statement (PS21/21) on the UK leverage ratio framework. Under these rules, CUKL will be subject to supervisory expectation to manage its leverage ratio such that it does not fall below 3.25% from 1 January 2023 and follows the PRA and FPC's rules on leverage ratio disclosures from 1 January 2022. CUKL manages its leverage ratio through the use of the Management Action Trigger framework, with daily monitoring in place to maintain a robust leverage ratio. Furthermore, both actuals and forecasted leverage exposures and ratios are reported to the UK Capital Forum and UK ALCO monthly.

Table 5: Summary reconciliation of accounting assets and leverage ratio exposures (LRSUM)

This table summarises the total leverage exposure, comprising of the total assets in the statutory financial statement and other regulatory adjustments for leverage purposes.

		31 December 2021	31 December 2020
		£ million	£ million
1	Total assets as per published financial statements	**7,194.3**	5,625.9
4	Adjustments for derivative financial instruments	**(303.6)**	(96.3)
5	Adjustment for securities financing transactions (SFTs)	**0.1**	0.4
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**(2.7)**	(2.5)
7	Other adjustments	**(70.0)**	(103.5)
8	**Leverage ratio total exposure measure**	**6,818.1**	5,424.1

Table 6: Leverage ratio common disclosure (LRCOM)

This table shows the breakdown of the Leverage exposure disclosed in Table 5.

		31 December 2021	31 December 2020
		£ million	£ million
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**5,755.5**	5,043.2
2	(Asset amounts deducted in determining Tier 1 capital)	**(6.7)**	(7.3)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**5,748.8**	5,035.8
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	**4.7**	-
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark- to-market method)	**16.3**	38.9
11	**Total derivatives exposures (sum of lines 4 to 10)**	**21.0**	38.9
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**1,045.6**	346.9
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**1,045.6**	346.9
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	**27.5**	24.2
18	(Adjustments for conversion to credit equivalent amounts)	**(24.7)**	(21.8)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**2.7**	2.5
Capital and total exposure measure			
20	**Tier 1 capital**	**356.2**	368.7
21	**Leverage ratio total exposure measure** (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**6,818.1**	5,424.1
Leverage ratio			
22	**Leverage ratio**	**5.2%**	6.8%
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**	

CUKL's Leverage ratio decreased to 5.2% as at 31 December 2021, primarily driven by increase in SFTs due to new reverse repo transactions, along with £12.5 million year on year decrease in Tier 1 capital.

Table 7: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (LRSPL)

This table provides a breakdown by asset class of on-balance sheet banking and trading book exposures excluding derivatives, SFTs and exempted exposures

		31 December 2021	31 December 2020
		£ million	£ million
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**5,755.5**	5,043.2
EU-2	Trading book exposures	**-**	-
EU-3	Banking book exposures, of which:	**5,755.5**	5,043.2
EU-4	Covered bonds	**-**	-
EU-5	Exposures treated as sovereigns	**3,486.2**	2,638.3
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	**-**	-
EU-7	Institutions	**244.4**	279.1
EU-8	Secured by mortgages of immovable properties	**46.1**	127.2
EU-9	Retail exposures	**2.1**	1.3
EU-10	Corporate	**104.8**	112.3
EU-11	Exposures in default	**0.0**	0.0
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**1,871.8**	1,884.9

Credit Risk and Credit Risk Mitigation

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 CRE loans; investments in asset-backed securitisations and UK residential mortgage-backed securities ("RMBS"); and from investments in HQLA as well as 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 ('Margin Lending') loans.

The Fiduciary business does not present material credit risk to CUKL as there is no extension of credit or the provision of guarantees i.e., there are no lending or trading activities associated with the business.

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 OTC derivatives contracts, SFTs such as repo-style transactions, and settlement exposure. For CUKL, counterparty credit risk is immaterial due to limited activity in these products.

Credit 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 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 the ratings process.

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 and Fraud Risk Management) 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 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 that reflects the one-year probability of default ("PD") of the obligor. Each wholesale facility is assigned a facility risk rating 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

For retail exposures, various metrics are used including those to measure receivables, delinquencies, gross and net credit losses, and collateral.

The credit approval process, acceptable collateral, loanable value, and margining processes is guided by policies, procedures, and standards, and the experience and judgment of credit risk professionals.

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 ECAI, 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, Article 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 for credit risk calculations.

Risk weightings are assigned to each exposure depending on its credit quality step and other factors, such as exposure class and maturity. Exposures for which no rating is available are treated in a similar way to those under Credit Quality Step 3. In addition items associated with particular high risk shall be assigned 150% risk weight pursuant to Article 128 of the CRR. The below table provides a summary of risk weights by credit quality step:

Table 8: Risk weightings by credit quality step

						Institutions		
Credit Quality Step	Standard & Poor's	Moody's	Fitch	Corporates	Governments and central banks	Sovereign method	Maturity > 3 months	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%

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 PD, LGD, facility usage/ 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.

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 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. 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 securitisation from investments in US credit cards and UK residential mortgage backed notes. There are no other material collateral concentrations as of 31 December 2021.

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 Margin and Securities Backed Finance ("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, geographical 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 International Financial Reporting Standards ("IFRS") 9 impairment model.

The measurement of an ECL is primarily determined by an assessment of the financial asset's PD, LGD and 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 2021.

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 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 CRR, exposures which are 90 days past due are treated as defaulted and classified as Stage 3 from an IFRS 9 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 2021.

Credit Risk Profile

Table 9: Total and average net amount of exposures (CRB-B)

The table below provide a breakdown of credit risk exposures pre-credit conversion factor ("CCF") and credit risk mitigation ("CRM") by exposure class and average over the last four quarters. Average net exposure values are calculated by aggregating the last four-quarter ends of the year and dividing it by four.

	Net value of exposures at the end of the period		Average net exposures over the period	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
	£ million	£ million	**£ million**	£ million
Standardised Approach				
Central governments or central banks	**3,209.2**	2,633.3	**2,868.1**	2,332.2
Public sector entities	**73.2**	-	**73.0**	-
Multilateral development banks	**203.8**	5.0	**167.5**	5.0
Institutions	**244.4**	279.1	**253.7**	387.3
Corporates	**119.7**	120.0	**120.9**	134.1
Retail	**14.7**	17.7	**15.3**	18.9
Secured by mortgages on immovable property	**46.1**	127.3	**66.1**	274.5
Exposures in default	**0.0**	0.0	**0.0**	0.0
Exposures associated with particularly high risk	**115.1**	114.9	**115.0**	28.7
Total Standardised Approach	**4,026.3**	3,297.4	**3,679.7**	3,180.7

Year-end exposures as well as average net exposures increased compared to prior year end as a result of the following factors:

- Central government or central bank exposures rose by £575.9 million driven by an increase in reserve held at the Central bank;
- Multilateral development bank exposures rose due to an increase in the bond portfolio;
- Exposures in the Secured by mortgages on immovable property exposure class decreased due to the reduction in CRE loans.

Table 10: Geographical breakdown of exposures (CRB-C)

This table provides a breakdown of credit risk exposures pre CCF and CRM by geographical areas and exposure classes. Exposures to countries representing less than 1% of the total exposure value are summarized under “Other Countries”.

		Of which:						Of which:					
	EMEA	**United Kingdom**	**Germany**	**Russian Federation**	**Luxembourg**	**Other countries**	**North America**	**United States**	**Other countries**	**APAC**	**LATAM**	**Other geographic-al areas[2]**	**Total**
	£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Standardised approach													
Central governments or central banks	**2,463.6**	**1,980.6**	**483.0**	**-**	**-**	**-**	**745.6**	**745.6**	**-**	**-**	**-**	**-**	**3,209.2**
Public sector entities	**73.2**	**-**	**73.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**73.2**
Multilateral development banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**203.8**	**203.8**
Institutions	**3.9**	**3.9**	**-**	**-**	**-**	**-**	**240.5**	**240.5**	**-**	**-**	**-**	**-**	**244.4**
Corporates	**116.3**	**11.4**	**0.4**	**80.8**	**-**	**23.7**	**0.1**	**0.0**	**0.0**	**1.8**	**1.5**	**-**	**119.7**
Retail	**14.4**	**13.3**	**0.0**	**0.8**	**0.0**	**0.3**	**0.2**	**0.2**	**0.0**	**0.1**	**0.0**	**-**	**14.7**
Secured by mortgages on immovable property	**46.1**	**-**	**-**	**-**	**46.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46.1**
Exposures in default	**0.0**	**0.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.0**
Items associated with particularly high risk	**115.1**	**115.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**115.1**
Total as at 31 December 2021	**2,832.7**	**2,124.3**	**556.6**	**81.6**	**46.1**	**24.0**	**986.4**	**986.3**	**0.0**	**1.9**	**1.5**	**203.8**	**4,026.3**

		Of which:						Of which:					
	EMEA	**United Kingdom**	**Germany**	**Russian Federation**	**Luxembourg**	**Other countries**	**North America**	**United States**	**Other countries**	**APAC**	**LATAM**	**Other geographic-al areas[2]**	**Total**
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Standardised approach													
Central governments or central banks	2,083.0	1,678.3	404.7	-	-	-	550.2	550.2	-	-	-	-	2,633.3
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	5.0	5.0
Institutions	3.0	3.0	-	-	-	-	276.1	276.1	-	-	-	-	279.1
Corporates	118.5	10.1	0.4	87.6	-	20.3	-	-	-	1.6	-	-	120.0
Retail	17.4	12.6	-	4.0	-	0.8	0.2	0.2	-	0.1	-	-	17.7
Secured by mortgages on immovable property	127.3	81.2	-	-	46.1	-	-	-	-	-	-	-	127.3
Exposures in default	0.0	0.0	0.0	-	-	0.0	0.0	-	0.0	-	-	-	0.0
Items associated with particularly high risk	114.9	114.9	-	-	-	-	-	-	-	-	-	-	114.9
Total as at 31 December 2020 [1]	2,464.2	1,900.2	405.1	91.6	46.1	21.1	826.5	826.5	-	1.6	-	5.0	3,297.4

[1]Prior year comparatives amended to be in line with the 2021 geographical breakdown and with CR1-C table.

[2]Other geographical areas includes supranational organizations in line with EBA guidelines.

Credit risk exposure increased by £728.8 million mainly in the following key geographical areas:

- EMEA exposures rose by £368.5 million with the largest increase being in the UK Central Governments or Central Bank;
- Exposures in North America rose by £159.8 million mainly attributed to an increase in the US government bond portfolio.

Table 11: Concentration of exposures by industry or counterparty types (CRB-D)

This table provides a breakdown of exposures pre CCF and CRM by industry or counterparty types and exposure classes.

	Financial and insurance activities	Real estate activities	Public administration and defence, compulsory social security	Total
	£ million	£ million	£ million	£ million
Standardised approach				
Central governments or central banks	**1,176.5**	**-**	**2,032.7**	**3,209.2**
Public sector entities	**-**	**-**	**73.2**	**73.2**
Multilateral development banks	**-**	**-**	**203.8**	**203.8**
Institutions	**244.4**	**-**	**-**	**244.4**
Corporates	**119.7**	**-**	**-**	**119.7**
Retail	**14.7**	**-**	**-**	**14.7**
Secured by mortgages on immovable property	**-**	**46.1**	**-**	**46.1**
Exposures in default	**0.0**	**-**	**-**	**0.0**
Items associated with particularly high risk	**-**	**115.1**	**-**	**115.1**
Total as at 31 December 2021	**1,555.3**	**161.2**	**2,309.7**	**4,026.3**

	Financial and insurance activities	Real estate activities	Public administration and defence, compulsory social security	Total
	£ million	£ million	£ million	£ million
Standardised approach				
Central governments or central banks	524.0	-	2,109.3	2,633.3
Public sector entities	-	-	-	-
Multilateral development banks	-	-	5.0	5.0
Institutions	279.1	-	-	279.1
Corporates	120.0	-	-	120.0
Retail	17.7	-	-	17.7
Secured by mortgages on immovable property	127.3	-	-	127.3
Exposures in default	0.0	-	-	0.0
Items associated with particularly high risk	-	114.9	-	114.9
Total as at 31 December 2020	1,068.2	114.9	2,114.3	3,297.4

Credit exposures rose across all counterparty types, with the majority of the increase being in financial and insurance activities due to an increase in reserves at the Central Bank and further increase of exposures in public administration and defence, compulsory social security industries attributed to an increase in the bond portfolio.

Table 12: Maturity of exposures (CRB-E)

The table below provides a breakdown of net exposures pre CCF and CRM by residual maturity and exposure classes.

	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Undated	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Central governments or central banks	**-**	**-**	**1,930.0**	**1,279.2**	**-**	**3,209.2**
Public sector entities	**-**	**-**	**73.2**	**-**	**-**	**73.2**
Multilateral development banks	**-**	**-**	**203.8**	**-**	**-**	**203.8**
Institutions	**43.2**	**50.0**	**-**	**151.3**	**-**	**244.4**
Corporates	**-**	**-**	**-**	**-**	**104.8**	**104.8**
Retail	**-**	**-**	**-**	**-**	**2.1**	**2.1**
Secured by mortgages on immovable property	**-**	**46.1**	**-**	**-**	**-**	**46.1**
Exposures in default	**-**	**-**	**-**	**-**	**0.0**	**0.0**
Items associated with particularly high risk	**-**	**49.9**	**65.2**	**-**	**-**	**115.1**
Total standardised approach as at 31 December 2021	**43.2**	**146.0**	**2,272.2**	**1,430.5**	**106.9**	**3,998.8**

	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Undated	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Central governments or central banks	-	157.6	1,265.7	1,210.0	-	2,633.3
Multilateral development banks	-	5.0	-	-	-	5.0
Institutions	28.9	-	250.2	-	-	279.1
Corporates	-	-	-	-	112.3	112.3
Retail	-	-	-	-	1.3	1.3
Secured by mortgages on immovable property	-	46.1	81.2	-	-	127.2
Exposures in default	-	-	-	-	0.0	0.0
Items associated with particularly high risk	-	-	114.9	-	-	114.9
Total standardised approach as at 31 December 2020	28.9	208.8	1,712.0	1,210.0	113.7	3,273.2

[1]Basis of preparation changed to only include on-balance sheet exposures. Prior year comparative amended accordingly.

Exposures rose across almost all maturity categories, with the largest increase being in exposures between 1 to 5 years mainly to central banks and multilateral development banks.

Table 13: Credit quality of exposures by exposures class and instrument (CR1-A)

This table provides a comprehensive picture of the credit quality of CUKL's on-balance-sheet and off-balance-sheet exposures.

		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 values
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
	Standardised approach	**-**	**-**	**-**	**-**	**-**	**-**	**-**
16	Central governments or central banks	**-**	**3,209.2**	**-**	**-**	**-**	**-**	**3,209.2**
18	Public sector entities	**-**	**73.2**	**-**	**-**	**-**	**-**	**73.2**
19	Multilateral development banks	**-**	**203.8**	**-**	**-**	**-**	**-**	**203.8**
21	Institutions	**-**	**244.4**	**-**	**-**	**-**	**-**	**244.4**
22	Corporates	**-**	**119.7**	**-**	**-**	**-**	**-**	**119.7**
24	Retail	**-**	**14.7**	**-**	**-**	**-**	**-**	**14.7**
26	Secured by mortgages on immovable property	**-**	**46.1**	**-**	**-**	**-**	**-**	**46.1**
28	Exposures in default	**0.0**	**-**	**-**	**-**	**-**	**-**	**0.0**
29	Items associated with particularly high risk	**-**	**115.1**	**-**	**-**	**-**	**-**	**115.1**
35	**Total standardised approach at 31 December 2021**	**-**	**4,026.2**	**-**	**-**	**-**	**-**	**4,026.2**
36	**Total as at 31 December 2021**	**0.0**	**4,026.2**	**-**	**-**	**-**	**-**	**4,026.2**
37	Of which: Loans [1]	**0.0**	**469.4**	**-**	**-**	**-**	**-**	**469.4**
38	Of which: Debt Securities	**-**	**2,309.7**	**-**	**-**	**-**	**-**	**2,309.7**
39	Of which: Off-balance sheet exposures	**-**	**27.5**	**-**	**-**	**-**	**-**	**27.5**

		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 values
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
	Standardised approach	-	-	-	-	-	-	-
16	Central governments or central banks	-	2,633.3	-	-	-	-	2,633.3
18	Public sector entities	-	-	-	-	-	-	-
19	Multilateral development banks	-	5.0	-	-	-	-	5.0
21	Institutions	-	279.1	-	-	-	-	279.1
22	Corporates	-	120.0	-	-	-	-	120.0
24	Retail	-	17.7	-	-	-	-	17.7
26	Secured by mortgages on immovable property	-	127.3	-	-	-	-	127.3
28	Exposures in default	0.0	-	-	-	-	-	0.0
29	Items associated with particularly high risk	-	114.9	-	-	-	-	114.9
35	Total standardised approach at 31 December 2020	-	3,297.4	-	-	-	-	3,297.4
36	Total as at 31 December 2020	0.0	3,297.4	-	-	-	-	3,297.4
37	Of which: Loans [1]	0.0	630.2	-	-	-	-	630.2
38	Of which: Debt Securities	-	2,114.3	-	-	-	-	2,114.3
39	Of which: Off-balance sheet exposures	-	24.2	-	-	-	-	24.2

[1] 'Of which: Loans' does not include cash held with counterparties.

Table 14: Credit quality of exposures by industry and counterparty types (CR1-B)

The table provides a picture of the credit quality of CUKL's on-balance-sheet and off-balance sheet exposures by industry or counterparty types.

		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
11	Financial and insurance activities	**0.0**	**1,555.3**	**-**	**-**	**-**	**-**	**1,555.3**
12	Real estate activities	**-**	**161.2**	**-**	**-**	**-**	**-**	**161.2**
15	Public administration and defence, compulsory social security	**-**	**2,309.7**	**-**	**-**	**-**	**-**	**2,309.7**
20	**Total as at 31 December 2021**	**0.0**	**4,026.2**	**-**	**-**	**-**	**-**	**4,026.3**

		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
11	Financial and insurance activities	0.0	1,068.2	-	-	-	-	1,068.2
12	Real estate activities	-	114.9	-	-	-	-	114.9
15	Public administration and defence, compulsory social security	-	2,114.3	-	-	-	-	2,114.3
20	Total as at 31 December 2020	0.0	3,297.4	-	-	-	-	3,297.4

Table 15: Credit quality of exposures by geography (CR1-C)

This table provides a picture of the credit quality of CUKL's on-balance-sheet and off-balance-sheet exposures by geography. Exposures to countries representing less than 1% of the total exposure value are summarized under "Other Countries".

		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	**EMEA**	**0.0**	**2,832.6**	-	-	-	-	**2,832.7**
2	United Kingdom	**0.0**	**2,124.3**	-	-	-	-	**2,124.3**
3	Germany	-	**556.6**	-	-	-	-	**556.6**
4	Russian Federation	-	**81.6**	-	-	-	-	**81.6**
5	Luxembourg	-	**46.1**	-	-	-	-	**46.1**
6	Other countries	-	**24.0**	-	-	-	-	**24.0**
7	**North America**	-	**986.4**	-	-	-	-	**986.4**
8	United States	-	**986.3**	-	-	-	-	**986.3**
9	Other countries	-	**0.0**	-	-	-	-	**0.0**
10	**APAC**	-	**1.9**	-	-	-	-	**1.9**
11	**LATAM**	-	**1.5**	-	-	-	-	**1.5**
12	**Other geographical areas[2]**	-	**203.8**	-	-	-	-	**203.8**
13	**Total as at 31 December 2021**	**0.0**	**4,026.2**	-	-	-	-	**4,026.3**

		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	EMEA	0.0	2,464.2	-	-	-	-	2,464.2
2	United Kingdom	0.0	1,900.2	-	-	-	-	1,900.2
3	Germany	0.0	405.1	-	-	-	-	405.1
4	Russian Federation	-	91.6	-	-	-	-	91.6
5	Luxembourg	-	46.1	-	-	-	-	46.1
6	Other countries	0.0	21.1	-	-	-	-	21.1
7	North America	0.0	826.5	-	-	-	-	826.5
8	United States	-	826.5	-	-	-	-	826.5
9	Other countries	0.0	0.0	-	-	-	-	0.0
10	APAC	-	1.6	-	-	-	-	1.6
11	LATAM	-	0.0	-	-	-	-	0.0
12	Other geographical areas [2]	-	5.0	-	-	-	-	5.0
13	Total as at 31 December 2020 [1]	0.0	3,297.4	-	-	-	-	3,297.4

[1] Prior year geographical area comparatives amended to be in line with the 2021 geographical breakdown.

[2] Other geographical areas include supernational organizations in line with EBA guidelines.

Table 16: Standardised Approach – Credit Risk exposure and CRM effects (CR4)

The below table shows the effect of CCF and CRM techniques applied on total on-balance sheet and off-balance sheet credit risk exposures, across exposure classes. RWA density is expressed as total risk weighted exposures divided by exposures post CCF and post CRM.

	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	£ million
Exposure classes						
Central governments or central banks	**3,209.2**	-	**3,209.2**	-	-	**0%**
Public sector entities	**73.2**	-	**73.2**	-	-	**0%**
Multilateral development banks	**203.8**	-	**203.8**	-	-	**0%**
Institutions	**244.4**	-	**244.4**	-	**94.0**	**38%**
Corporates	**104.8**	**14.9**	**104.8**	-	**104.8**	**100%**
Retail	**2.1**	**12.6**	**2.1**	-	**1.6**	**75%**
Secured by mortgages on immovable property	**46.1**	-	**46.1**	-	**46.1**	**100%**
Exposures in default	**0.0**	-	**0.0**	-	**0.0**	**150%**
Exposures associated with particularly high risk	**115.1**	-	**115.1**	-	**172.7**	**150%**
Total as at 31 December 2021	**3,998.8**	**27.5**	**3,998.8**	-	**419.2**	**10%**

Table 17: Standardised Approach – Credit Risk exposure and CRM effects (CR4) (continued)

	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	£ million
Exposure classes						
Central governments or central banks	2,633.3	-	2,633.3	-	-	0%
Public sector entities	-	-	-	-	-	0%
Multilateral development banks	5.0	-	5.0	-	-	0%
Institutions	279.1	-	279.1	-	130.7	47%
Corporates	112.3	7.7	112.3	-	112.3	100%
Retail	1.3	16.4	1.3	-	1.0	75%
Secured by mortgages on immovable property	127.2	0.1	127.2	0.1	127.3	100%
Exposures in default	0.0	-	0.0	-	0.0	100%
Exposures associated with particularly high risk	114.9	-	114.9	-	172.3	150%
Total as at 31 December 2020	3,273.2	24.2	3,273.2	0.1	543.6	17%

Exposures before CCF and CRM rose by £728.9 million primarily driven by on-balance sheet exposures while the related RWAs decreased by £124.4 million. This decrease in RWA density is the result of higher Central bank exposures representing the majority of current exposures with zero risk weight, while exposures in other exposure classes remained stable.

Table 18: Standardised approach (CR5)

This table provides the breakdown of exposures under the standardised approach by asset class and risk weight.

	Risk weight																	
	0%	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1250%**	**Others**	**Deducted**	**Total**	**Of which: unrated[1]**
	£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Exposure classes																		
Central governments or central banks	**3,209.2**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**3,209.2**	-
Public sector entities	**73.2**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**73.2**	-
Multilateral development banks	**203.8**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**203.8**	-
Institutions	**1.1**	-	-	-	**92.0**	-	**151.3**	-	-	-	-	-	-	-	-	-	**244.4**	**1.1**
Corporates	-	-	-	-	-	-	-	-	-	**104.8**	-	-	-	-	-	-	**104.8**	**104.8**
Retail	-	-	-	-	-	-	-	-	**2.1**	-	-	-	-	-	-	-	**2.1**	**2.1**
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	**46.1**	-	-	-	-	-	-	**46.1**	**46.1**
Exposures in default	-	-	-	-	-	-	-	-	-	-	**0.0**	-	-	-	-	-	**0.0**	-
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	**115.1**	-	-	-	-	-	**115.1**	**115.1**
Total as at 31 December 2021[1]	**3,487.3**	-	-	-	**92.0**	-	**151.3**	-	**2.1**	**150.9**	**115.1**	-	-	-	-	-	**3,998.8**	**268.1**

	Risk weight																	
	0%	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1250%**	**Others**	**Deducted**	**Total**	**Of which: unrated[1]**
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Exposure classes																		
Central governments or central banks	2,633.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,633.3	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.0	-
Institutions	1.2	-	-	-	27.7	-	250.2	-	-	-	-	-	-	-	-	-	279.1	1.2
Corporates	-	-	-	-	-	-	-	-	-	112.3	-	-	-	-	-	-	112.3	112.3
Retail	-	-	-	-	-	-	-	-	1.3	-	-	-	-	-	-	-	1.3	1.3
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	127.3	-	-	-	-	-	-	127.3	127.2
Exposures in default	-	-	-	-	-	-	-	-	-	0.0	-	-	-	-	-	-	0.0	0.0
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	114.9	-	-	-	-	-	114.9	114.9
Total as at 31 December 2020[1]	2,639.5	-	-	-	27.7	-	250.2	-	1.3	239.6	114.9	-	-	-	-	-	3,273.2	356.9

[1] Basis of preparation changed to show credit risk exposures after credit conversion factor in line with EBA guidelines. Prior year comparative amended accordingly

Majority of the increase is in the 0% risk weight band driven by the higher central government exposures, which is offset by a decrease in the 50% and 100% categories due to the repayment of CRE loans and a slight decrease in intercompany placements.

Table 19: Credit quality of performing and non-performing exposures by past due dates

	£ million	Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			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**	**1,537.7**	**1,537.6**	**0.0**	**0.0**	**-**	**0.0**	**-**	**-**	**-**	**-**	**-**	**0.0**
3	*General governments*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4	*Credit institutions*	**1,250.7**	**1,250.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5	*Other financial corporations*	**48.1**	**48.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
6	*Non-financial corporations*	**115.1**	**115.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8	*Households*	**123.7**	**123.6**	**0.0**	**0.0**	**-**	**0.0**	**-**	**-**	**-**	**-**	**-**	**0.0**
9	**Debt securities**	**4,066.4**	**4,066.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
11	*General governments*	**2,032.7**	**2,032.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
12	*Credit Institutions*	**203.8**	**203.8**										
13	*Other financial corporations*	**1,829.9**	**1,829.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
15	**Off-balance-sheet exposures**	**27.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19	*Other financial corporations*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
21	*Households*	**27.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
22	**Total as at 31 December 2021**	**5,631.2**	**5,604.0**	**0.0**	**0.0**	**-**	**0.0**	**-**	**-**	**-**	**-**	**-**	**0.0**

	£ million	Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			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	1,050.9	1,050.9	0.0	0.0	-	0.0	-	-	-	-	-	0.0
3	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
4	*Credit institutions*	599.0	599.0	-	-	-	-	-	-	-	-	-	-
5	*Other financial corporations*	111.1	111.1	-	-	-	-	-	-	-	-	-	-
6	*Non-financial corporations*	131.0	131.0	-	-	-	-	-	-	-	-	-	-
8	*Households*	209.8	209.8	0.0	0.0	-	0.0	-	-	-	-	-	0.0
9	Debt securities	3,883.7	3,883.7	-	-	-	-	-	-	-	-	-	-
11	*General governments*	2,108.7	2,108.7	-	-	-	-	-	-	-	-	-	-
13	*Other financial corporations*	1,775.0	1,775.0	-	-	-	-	-	-	-	-	-	-
15	Off-balance-sheet exposures	24.1	-	-	-	-	-	-	-	-	-	-	-
19	*Other financial corporations*	0.1	-	-	-	-	-	-	-	-	-	-	-
21	*Households*	24.0	-	-	-	-	-	-	-	-	-	-	-
22	Total as at 31 December 2020	4,958.7	4,934.5	0.0	0.0	-	0.0	-	-	-	-	-	0.0

Table 20: Performing and Non-performing exposures and related provisions

	£ million	**Gross carrying amount/nominal amount**						**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**						**Accumulated partial write-off**	**Collateral and financial guarantees received**	
		Performing exposures			**Non-performing exposures**			**Performing exposures**			**Non-performing exposures**				**On performing exposures**	**On non-performing exposures**
			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**	**1,537.7**	**1,537.6**	**0.0**	**0.0**	**-**	**0.0**	**(0.5)**	**(0.5)**	**(0.0)**	**(0.0)**	**-**	**(0.0)**	**-**	**1,309.3**	**-**
3	*General governments*	**0.4**	**0.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4	*Credit institutions*	**1,250.7**	**1,250.7**	**-**	**-**	**-**	**-**	**(0.0)**	**(0.0)**	**-**	**-**	**-**	**-**	**-**	**1,045.6**	**-**
5	*Other financial corporations*	**48.1**	**48.1**	**-**	**-**	**-**	**-**	**(0.0)**	**(0.0)**	**-**	**-**	**-**	**-**	**-**	**46.1**	**-**
6	*Non-financial corporations*	**115.1**	**115.1**	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**	**-**	**-**	**-**	**-**	**-**	**114.8**	**-**
8	*Households*	**123.7**	**123.6**	**0.0**	**0.0**	**-**	**0.0**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**-**	**(0.0)**	**-**	**102.7**	**-**
9	**Debt securities**	**4,066.4**	**4,066.4**	**0.0**	**0.0**	**-**	**0.0**	**(0.3)**	**(0.3)**	**-**	**-**	**-**	**-**	**-**	**0.0**	**-**
11	*General governments*	**2,032.7**	**2,032.7**	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
12	*Credit institutions*	**203.8**	**203.8**	**-**	**-**	**-**	**-**	**(0.0)**	**(0.0)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
13	*Other financial corporations*	**1,829.9**	**1,829.9**	**-**	**-**	**-**	**-**	**(0.0)**	**(0.0)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
15	**Off-balance-sheet exposures**	**27.1**	**27.1**	**-**	**-**	**-**	**-**	**(0.0)**	**(0.0)**	**-**	**-**	**-**	**-**	**-**	**14.7**	**-**
19	*Other financial corporations*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
21	*Households*	**27.1**	**27.1**	**-**	**-**	**-**	**-**	**(0.0)**	**(0.0)**	**-**	**-**	**-**	**-**	**-**	**14.7**	**-**
22	**Total as at 31 December 2021**	**5,631.2**	**5,631.1**	**0.0**	**0.0**	**-**	**0.0**	**(0.8)**	**(0.8)**	**(0.0)**	**(0.0)**	**-**	**(0.0)**	**-**	**1,324.0**	**-**

	£ million	**Gross carrying amount/nominal amount**						**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**						**Accumulated partial write-off**	**Collateral and financial guarantees received**	
		Performing exposures			**Non-performing exposures**			**Performing exposures**			**Non-performing exposures**				**On performing exposures**	**On non-performing exposures**
			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	1,050.9	936.0	114.9	0.0	-	0.0	(1.6)	(0.3)	(1.3)	(0.0)	-	(0.0)	-	698.0	-
4	*Credit institutions*	599.0	599.0	-	-	-	-	0.0	0.0	-	-	-	-	-	346.9	-
5	*Other financial corporations*	111.1	46.0	65.1	-	-	-	(0.8)	(0.0)	(0.8)	-	-	-	-	110.3	-
6	*Non-financial corporations*	131.0	81.2	49.8	-	-	-	(0.6)	(0.1)	(0.5)	-	-	-	-	130.4	-
8	*Households*	209.8	209.8	0.0	0.0	-	0.0	(0.2)	(0.1)	(0.0)	(0.0)	-	(0.0)	-	110.4	-
9	Debt securities	3,883.7	3,883.7	-	-	-	-	(0.4)	(0.4)	-	-	-	-	-	-	-
11	*General governments*	2,108.7	2,108.7	-	-	-	-	(0.4)	(0.4)	-	-	-	-	-	-	-
12	*Credit institutions*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	*Other financial corporations*	1,775.0	1,775.0	-	-	-	-	(0.0)	(0.0)	-	-	-	-	-	-	-
15	Off-balance-sheet exposures	24.1	24.1	-	-	-	-	(0.0)	(0.0)	-	-	-	-	-	11.4	-
19	*Other financial corporations*	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	0.1	-
21	*Households*	24.0	24.0	-	-	-	-	(0.0)	(0.0)	-	-	-	-	-	11.3	-
22	Total as at 31 December 2020	4,958.7	4,843.8	114.9	0.0	-	0.0	(2.1)	(0.7)	(1.3)	(0.0)	-	(0.0)	-	709.4	-

Counterparty Credit Risk

Counterparty credit risk is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows.

Counterparty credit risk largely arises from derivatives and SFTs across banking and trading book exposures. CUKL as a consumer bank is exposed to limited counterparty credit risk entirely through intercompany SFT and OTC derivative counterparties.

These intercompany counterparty credit risk exposures are exempt from Credit Valuation Adjustment ("CVA") capital charge as per Article 382 of the CRR.

The measures of EAD used to determine these requirements are described below.

Risk Category	Method of Calculating Exposure	Application
Derivatives	Mark-to-Market Method	Under mark to market method, exposures are calculated using current exposure method, which is the replacement cost plus regulatory add-ons for potential future exposure ("PFE") to capture market volatility. This method applies to all derivatives as CUKL does not use Internal Modelling Method ("IMM")
Securities Financing Transactions	Financial Collateral Comprehensive Method	Under FCCM, the exposure value is calculated as positive difference in the exposure value of securities, commodities or cash sold, posted or lent and the value of securities, commodities or cash received in return, and applying regulatory haircuts for security volatility adjustments and any applicable currency mis-matches

Table 21: Analysis of CCR exposure by approach (CCR1)

This table provide a comprehensive view of the methods used by CUKL to calculate CCR regulatory requirements and the main parameters used within each method. This excludes CVA charges or exposures cleared through a central counterparty ("CCP").

		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
		£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
1	Mark to market	-	4.7	16.3	-	-	21.0	10.5
9	Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	9.5	4.8
11	**Total as at 31 December 2021**	-	-	-	-	-	-	15.2

		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
		£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	Mark to market	-	-	38.9	-	-	38.9	19.4
9	Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	39.9	20.0
11	Total as at 31 December 2020	-	-	-	-	-	-	39.4

Counterparty credit risk RWA decreased by £24.2 million to £15.2 million at 31 December 2021 driven by derivatives mainly due to matured FX Forward trades along with a decrease in SFTs primarily due to reduction in volatility adjustment applied on the portfolio.

Table 22: Standardised approach – CCR exposures by regulatory portfolio and risk (CCR3)

This table provides a breakdown on the risk-weighting of Counterparty Credit Risk exposures by portfolio (type of counterparties). Risk weights are attributed according to the standardised approach.

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		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	-	-	-	-	30.5	-	-	-	30.5	-
11	**Total as at 31 December 2021**	-	-	-		30.5	-	-	-	30.5	-

		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	-	-	-	-	78.8	-	-	-	78.8	-
11	Total as at 31 December 2020	-	-	-		78.8	-	-	-	78.8	-

Total exposures decreased by £38.3 million due to the aforementioned maturity in FX forward trades and decrease in SFTs.

Table 23: Impact of netting and collateral held on exposure values (CCR5-A)

The table provides an overview of the impact of netting and collateral held on exposures for SFT and derivatives.

		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
		£ million	£ million	£ million	£ million	£ million
1	Derivatives	**324.6**	**318.1**	**6.5**	**1.7**	**4.7**
2	SFTs	**1,045.6**	**-**	**1,045.6**	**1,074.4**	**-**
3	**Total as at 31 December 2021**	**1,370.1**	**318.1**	**1,052.0**	**1,076.1**	**4.7**

		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
		£ million	£ million	£ million	£ million	£ million
1	Derivatives	142.6	139.7	2.9	6.4	-
2	SFTs	346.9	-	346.9	414.3	-
3	Total as at 31 December 2020	489.5	139.7	349.8	420.7	-

Total amount of SFTs and derivatives increased by £881 million compared to 31 December 2020 primarily driven by new intercompany reverse repo positions and derivative transactions.

Table 24: Composition of collateral for exposures to CCR (CCR5-B)

This table shows the breakdown of all types of collateral posted or received by CUKL to support or reduce Counterparty Credit Risk exposures related to derivative transactions or SFTs.

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	£ million	£ million	£ million	£ million	£ million	£ million
Cash	**-**	**1.7**	**-**	**-**	**7.0**	**1,045.6**
Debt Securities	**-**	**-**	**-**	**-**	**1,067.4**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Total as at 31 December 2021	**-**	**1.7**	**-**	**-**	**1,074.4**	**1,045.6**

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received[2]		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	£ million	£ million	£ million	£ million	£ million	£ million
Cash	-	6.4	-	-	17.1	346.9
Debt Securities	-	-	-	-	138.0	-
Other[1]	-	-	-	-	259.1	-
Total as at 31 December 2020	-	6.4	-	-	414.3	346.9

[1] Other collateral class includes Collateralized Mortgage Obligations
[2] Prior year comparative amended in line with current year presentation of derivatives collateral.

Collateral received and posted increased compared to prior year primarily for SFTs as a result of new reverse repo transactions.

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 securities back by UK RMBS and US credit card backed receivables, which are held in order to collect contractual cash flows. CUKL holds the highest quality tranche of debt, externally AAA-rated and with material credit enhancements to protect CUKL. To calculate RWA for securitisation positions, CUKL uses ratings assigned by Standard and Poor's, Moody's and Fitch Ratings.

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. Monitoring includes management information and monthly portfolio reviews at the UK and EMEA levels.

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 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 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 2021, CUKL as an investor has £1.76 billion in securitisations on its banking book. There are currently no re-securitisation exposures and no assets awaiting securitisation. In addition, there was no instance of CUKL acting as a sponsor or originator for third party securitisation deals.

Accounting Policies

The Company holds investments in RMBS and other asset backed securities. Such debt instruments are recognised on trade date at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment charges 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 25: Securitisation exposures in the banking book (SEC1)

The following tables set out the aggregate amount of securitisation positions held in the banking book by CUKL.

		31 December 2021			31 December 2020		
		Institution acts as investor			Institution acts as investor		
		Traditional		**Sub-total**	Traditional		Sub-total
		STS	**Non-STS**		STS	Non-STS	
		£ million	**£ million**	**£ million**	£ million	£ million	£ million
1	**Retail (total)**	**352.7**	**1,404.0**	**1,756.7**	377.0	1,393.0	1,770.0
2	Residential mortgage	**352.7**	**-**	**352.7**	377.0	-	377.0
3	Credit card	**-**	**1,404.0**	**1,404.0**	-	1,393.0	1,393.0
4	Other retail exposures	**-**	**-**	**-**	-	-	-
5	Re-securitisation	**-**	**-**	**-**	-	-	-
6	**Wholesale (total)**	**-**	**-**	**-**	-	-	-
7	Loans to corporates	**-**	**-**	**-**	-	-	-
8	Commercial mortgage	**-**	**-**	**-**	-	-	-
9	Lease and receivables	**-**	**-**	**-**	-	-	-
10	Other wholesale	**-**	**-**	**-**	-	-	-
11	Re-securitisation	**-**	**-**	**-**	-	-	-
12	**Total**	**352.7**	**1,404.0**	**1,756.7**	377.0	1,393.0	1,770.0

Table 26: Securitisation exposures in the banking book – bank acting as investor (under the new framework) (SEC4)

The following table presents securitisation exposures in the banking book where CUKL acts as investor and the associated capital requirements.

		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)			
		≤20% RW	>20% to <50% RW	>50% to <100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA	SEC-SA	1250%
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	**Traditional securitisation**	**1,756.7**	**-**	**-**	**-**	**-**	**-**	**-**	**1,756.7**	**-**
2	Of which securitisation	**1,756.7**	**-**	**-**	**-**	**-**	**-**	**-**	**1,756.7**	**-**
3	Of which retail underlying	**1,756.7**	**-**	**-**	**-**	**-**	**-**	**-**	**1,756.7**	**-**
4	Of which STS	**352.7**	**-**	**-**	**-**	**-**	**-**	**-**	**352.7**	**-**
5	Of which wholesale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
6	Of which re-securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7	**Synthetic securitisation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8	**Total as at 31 December 2021**	**1,756.7**	**-**	**-**	**-**	**-**	**-**	**-**	**1,756.7**	**-**
1	Traditional securitisation	1,770.0	-	-	-	-	-	-	1,770.0	-
2	Of which securitisation	1,770.0	-	-	-	-	-	-	1,770.0	-
3	Of which retail underlying	1,770.0	-	-	-	-	-	-	1,770.0	-
4	Of which STS	377.0	-	-	-	-	-	-	377.0	-
5	Of which wholesale	-	-	-	-	-	-	-	-	-
6	Of which re-securitisation	-	-	-	-	-	-	-	-	-
7	Synthetic securitisation	-	-	-	-	-	-	-	-	-
8	Total as at 31 December 2020	1,770.0	-	-	-	-	-	-	1,770.0	-

		RWA				Capital charge after cap			
		SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	**Traditional securitisation**	**-**	**-**	**245.9**	**-**	**-**	**-**	**19.7**	**-**
2	Of which securitisation	**-**	**-**	**245.9**	**-**	**-**	**-**	**19.7**	**-**
3	Of which retail underlying	**-**	**-**	**245.9**	**-**	**-**	**-**	**19.7**	**-**
4	Of which STS	**-**	**-**	**35.3**	**-**	**-**	**-**	**2.8**	**-**
5	Of which wholesale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
6	Of which re-securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7	**Synthetic securitisation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8	**Total as at 31 December 2021**	**-**	**-**	**245.9**	**-**	**-**	**-**	**19.7**	**-**
1	Traditional securitisation	-	-	246.7	-	-	-	19.7	-
2	Of which securitisation	-	-	246.7	-	-	-	19.7	-
3	Of which retail underlying	-	-	246.7	-	-	-	19.7	-
4	Of which STS	-	-	37.7	-	-	-	3.0	-
5	Of which wholesale	-	-	-	-	-	-	-	-
6	Of which re-securitisation	-	-	-	-	-	-	-	-
7	Synthetic securitisation	-	-	-	-	-	-	-	-
8	Total as at 31 December 2020	-	-	246.7	-	-	-	19.7	-

Non-trading book securitisation exposures decreased by £13.3 million compared to 31 December 2020 and related RWAs moved in line with the lower exposure values. There were no changes in the positions held by CUKL compared to last year.

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. 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; and
- Fair value changes to the instrument due to changes in underlying market risk factors.

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

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; and
- 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 2021 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 27: Sensitivity of Economic Value and Net Interest Revenue

£ millions	Economic Value Sensitivity		Interest Rate Exposure	
Currency	**+100bps**	**-100bps**	**12 month +100bps**	**12 month -100bps**
USD	8.1	(10.9)	17.4	(10.6)
EUR	10.7	0.1	0.3	0
GBP	7.7	(17.7)	4.8	(6.0)
Other	3.4	(2.0)	0.1	(0.1)
Total as at 31 December 2021	**30.0**	**(30.7)**	**22.6**	**(16.7)**

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 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.

Table 28: Market risk under the standardised approach (MR1)

The following table presents the components of own funds requirements under the standardised approach for market risk.

		31 December 2021[1]	
		RWAs	**Capital requirements**
		£ million	**£ million**
	Outright products		
1	Interest rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	14.1	1.1
9	**Total**	**14.1**	**1.1**

[1]Market risk RWA of £14.1 million due to the increase in net long USD position compared to December 31 2020, when CUKL's market risk was nil in accordance to de Minimis guidance under Article 351 of the CRR. Therefore, no prior year comparative is included.

Operational Risk

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

Operational Risk Management ("ORM") proactively assists the businesses, Operations, Technology, and other independent control groups in enhancing the effectiveness of controls and managing operational risks across products, business lines and regions. Furthermore, operational risks are considered as new products and business activities are developed and processes are designed, modified or sourced through alternative means.

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

ORM 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

Citi's ORM Policy establishes a consistent framework designed to balance strong corporate oversight with well-defined independent Risk Management, for assessing and communicating operational risk and the overall effectiveness of the internal control environment across the organisation. This framework is applied at the CUKL level, through the CUKL Risk Management Framework. This framework is consistent with Citi's Three Lines of Defence approach to risk management.

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 Operational Risk Framework and has defined its operational risk appetite and established a manager's control assessment 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:

- Fraud Risk;
- Technology Risk (including Cyber);
- Processing Risk;
- Third Party Risk;
- Data Management Risk;
- Reporting Risk;
- Governance and Risk Oversight;
- Physical Damage Risk;
- Human Capital Risk;
- Model Risk;
- Money Laundering Risk;
- Sanctions Risk;
- Bribery Risk;
- Customer/Client Conduct Risk; and
- Market Practices Risk

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;
- 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 and/or processes designed, modified, or sourced through alternative means increases in the level of operational risk and its effect on the profile are considered.

Measurement of Operational Risk

Operational risk is measured and assessed through the ICAAP process to determine whether any additional capital is required over and above the levels resulting from the Standardised Approach to calculating regulatory operational risk capital. The slight decline in CUKL's operational risk RWA is due to the decrease in the three years' average revenue used to calculate capital requirement.

Table 29: Operational Risk RWA

	31 December 2021		31 December 2020	
	RWA	**Capital Requirement**	RWA	Capital requirement
	£ million	**£ million**	£ million	£ million
Basic Indicator approach	**-**	**-**	-	-
Standardised approach	**110.9**	**8.9**	132.0	10.6
Advanced measurement approach	**-**	**-**	-	-
Total	**110.9**	**8.9**	132.0	10.6

Other Risks

Enterprise Resilience

Citi's Continuity of Business ("CoB") Policy and Standards require all Citi businesses, including those businesses under CUKL, to implement a CoB Programme that includes; Assessment processes, Business Recovery Planning, Crisis Management Planning, Testing, Maintenance, Quality Review, Training, Monitoring and Reporting. All businesses under CUKL are regularly monitored and reported to ensure successful compliance of all CoB requirements.

On Operational Resilience, Citi has developed and implemented a new, group-wide framework for Operational Resilience in response to regulation globally on this topic. For UK legal entities in scope, both the PRA and FCA require firms to complete framework implementation by 31 March 2022, including obtaining relevant board approval of their Critical Business Services ("CBS"), Impact Tolerances and self-assessment. Each of these activities has been completed for CUKL. The next self-assessment will include outputs from further scenario testing or lessons learned as well as progress on remediation actions identified to date, in line with meeting the March 2025 timeframe for all CBS to remain within impact tolerance across a range of scenarios.

Climate Change

Climate change presents immediate and long-term risks to Citi and to its clients and customers, with the risks expected to increase over time. Climate risk refers to the risk of loss arising from climate change and is divided into physical risk and transition risk.

- Physical risk considers how chronic and acute climate change (e.g. increased storms, drought, fires, floods) can directly damage physical assets (e.g. real estate, crops) or otherwise impact their value or productivity; and
- Transition risk considers how changes in policy, technology, and market preference to address climate change (e.g. carbon price policies, power generation shifts from fossil fuels to renewable energy) can lead to changes in the value of assets, commodities and companies.

Climate risk is an overarching risk that can act as a driver of other types of risk in the Citi Risk Taxonomy, such as credit risk from obligors exposed to high climate risk, reputational risk from increased stakeholder concerns about financing high carbon industries, and operational risk from physical climate risks to Citi's facilities.

With the increased importance and focus on climate risk, Citi has continued to expand its governance of climate risk and integrate climate considerations into the priorities of Citi's and CUKL's Board of Directors and Senior Management.

Citi has invested significantly in climate risk management, including a global/centralised team in Risk Management working exclusively on climate risk. Citi has established a senior-executive level Climate Risk Steering Group to provide guidance, feedback and support with regards to the integration of climate risk management. This group receives regular updates from the Climate Risk Working Group and comprises of workstreams focused on: Scenario Analysis, Climate Risk Identification and Assessments and Data Strategy.

Citi established the Environmental and Social Risk Management ("ESRM") Policy in 2003. The ESRM Policy is part of Citi's broader credit risk management policy and is applicable to all Citi entities globally. The ESRM Policy provides the framework for how Citi identifies, mitigates, and manages the potential environmental and social risks (including climate risks) associated with clients' activities that could lead to credit or reputation risks to the firm. It guides how Citi evaluates lending, underwriting and advisory in environmentally sensitive and/or high-carbon sectors, and presents opportunities for Citi to engage clients on solutions to thematic risks.

In March 2021, Citi committed to net zero greenhouse gas emissions by 2050, which includes net zero associated with our financing by 2050 and net zero for its own operations by 2030. As part of this commitment, Citi released our initial plan for how we intend to achieve net zero by 2050, with a focus on the Energy and Power sectors. As a Citi wide commitment, CUKL will participate in Citi's Net Zero implementation, and Citi has already taken significant steps to reduce its carbon footprint in the UK, such as installing solar panels on its UK data centre in 2021.

Climate risk is on the regular agenda of the CUKL Board and CUKL Board Risk Committee. To ensure appropriate governance around financial risks from climate change, the CUKL Board continues to have oversight of the integration of climate risk within CUKL and receive frequent progress updates from management.

Reputation Risk

Reputation risk is the risk to the current or projected financial condition and resilience arising from negative public opinion. CUKL recognises that reputation risk is inherent in all business activities and requires effective management. Reputation Risk is a material risk to CUKL and is included in CUKL's Risk Management Framework.

Liquidity

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.

Strategies and Processes of Liquidity Risk Management

CUKL is primarily funded by low-risk stable retail deposits. However, funding and liquidity risk may 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, geo-political and other conditions.

CUKL's funding and liquidity management objectives are aimed at:

- Funding its existing asset base;
- Growing its core businesses,;
- 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
- Satisfying regulatory requirements.

CUKL's liquidity risk appetite is set by the Board in the context of Citi's Liquidity Risk Policy. CUKL's liquidity risk is managed and monitored through the Liquidity Risk Management Framework ("LRMF").

The key aspects of CUKL's LRMF 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; and
- 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 approves this framework and any material amendments to this Framework at least annually.

Structure and Governance of Liquidity Risk Management

Citi operates a centralised treasury model, whereby Citi Treasury, through its Global Franchise and Regional Treasurers, will manage the overall balance sheet. The UK Treasurer is responsible for the application of the CUKL's LRMF.

The LRMF 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 LRMF, the following Committees perform an oversight role for liquidity risk related items:

- CUKL Board;
- CUKL Risk and Audit Committee;
- CUKL Management Committee;
- UK Risk Management Executive Committee;
- UK Asset & Liability Committee; and
- UK Executive Committee.

Management of liquidity is the responsibility of UK 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.

CUKL's Funding and 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 LLRMF 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 and Net Stable Funding Requirement as defined in the CRD IV. 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 CRR II in Jan 2022, 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 internal liquidity metrics, which compare liquidity reserves with stressed liquidity requirements. 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:

- The Resolution Liquidity Adequacy and Positioning ("RLAP") which serves as the short-term (30-day) stress scenario under severe market, credit and economic conditions; and
- The Term Liquidity Stress Test which serves as a long-term (12-months) combined (market and idiosyncratic) stress scenario, comparatively less severe than RLAP stress.

HQLA

CUKL HQLA are predominantly cash reserves held in the Bank of England and Government and Supranational bonds. CUKL's non-cash HQLA can be monetised via outright sale and/or repo in stress to generate cash.

CUKL carries out internal stress testing and scenario analyses of its liquidity position. In addition, CUKL maintains a contingency funding plan that details its approach to identify and manage a liquidity stress including management actions to restore CUKL's liquidity position.

Overall Liquidity Risk Profile

CUKL's annual ILAAP sets out its approach to manage funding and liquidity risk. UK ALCO reviews, challenges and approves the ILAAP. The forum 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 annual submission to the PRA. The ILAAP Forum, created in May 2021, makes recommendations for approval, proposals, and notifications of relevance to the UK ALCO, facilitating detailed analysis.

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 is 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

CUKL employs FX swaps for cash management purposes only. CUKL's derivative positions are exclusively OTC, executed with intragroup counterparties and are fully-margined**.**

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's retail deposits are primarily denominated in GBP, USD and EUR. Asset currency allocation is broadly in line with liabilities to mitigate significant cross-currency liquidity risk.

CUKL monitors its liquidity at a consolidated currency level along with significant individual currencies (USD, GBP and EUR). CUKL maintains sufficient liquidity resources in the form of HQLA to cover any stressed outflows for each significant currency (GBP, USD and EUR).

Liquidity Coverage Ratio Disclosure

CUKL liquidity buffer is composed of Central Bank reserves, high-quality government bonds and Supranational securities. Bonds in the liquidity buffer are fully unencumbered and exclusively under Treasury control.

As of 31 December 2021, CUKL's HQLA substantially consists of Level 1 eligible securities, as defined by liquidity standards, and is diversified across our major operating currencies.

CUKL's LCR net requirements are primarily driven by retail deposit outflows partially offset by retail customer lending and eventual limited balances in corresponding banking accounts in CBNA London.

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

		Total unweighted value				Total weighted value			
		31 Dec 21	30 Sept 21	30 Jun 21	31 Mar 21	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Number of data points used in the calculation of averages		12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)	-	-	-	-	3,689.7	3,360.9	3,217.3	3,165.4
Cash outflows									
2	**Retail deposits and deposits from small business customers, of which:**	5,625.4	5,238.4	4,861.9	4,555.8	672.0	618.5	568.1	527.9
3	Stable deposits	2,337.8	2,232.6	2,117.3	2,010.7	116.9	111.6	105.9	100.5
4	Less stable deposits	3,287.6	3,005.8	2,744.5	2,545.1	555.1	506.8	462.2	427.4
5	**Unsecured wholesale funding**	0.7	0.4	0.4	-	0.7	0.4	0.4	-
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	0.7	0.4	0.4	-	0.7	0.4	0.4	-
8	Unsecured debt	-	-	-	-	-	-	-	-
9	**Secured wholesale funding**	-	-	-	-	-	-	-	-
10	**Additional requirements**	24.7	18.9	11.3	5.7	24.7	18.9	11.3	5.7
11	Outflows related to derivative exposures and other collateral requirements	24.7	18.8	11.1	4.8	24.7	18.8	11.1	4.8
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	-	-	0.2	0.9	-	-	0.2	0.9
14	**Other contractual funding obligations**	7.1	8.1	8.3	8.2	2.2	3.2	3.2	3.1
15	**Other contingent funding obligations**	12.6	10.5	7.4	4.3	6.3	5.3	3.7	2.1
16	**Total cash outflows**	-	-	-	-	705.9	646.2	586.6	538.8
Cash inflows									
17	**Secured lending (e.g. reverse repos)**	685.2	526.4	628.5	741.1	28.7	28.7	28.7	28.7
18	**Inflows from fully performing exposures**	150.0	142.8	140.4	136.7	95.9	87.9	84.5	80.5
19	**Other cash inflows**	0.7	0.7	0.6	0.7	0.7	0.7	0.6	0.7
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**	835.9	669.9	769.5	878.5	125.3	117.3	113.9	109.9
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	835.9	669.9	769.5	878.5	125.3	117.3	113.9	109.9
						Total Adjusted Value			
21	Liquidity Buffer					3,689.7	3,360.9	3,217.3	3,165.4
22	Total net cash outflows					577.9	528.9	472.7	428.9
23	Liquidity coverage ratio (%)					652%	661%	713%	765%

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 31 December 2021, the quarterly median carrying value of assets on CUKL was £6.5 billion of which £4.2 billion were debt securities and £2.3 billion were other assets, primarily intragroup open reverse repo for cash management purposes.

CUKL received securities collateral from reverse repo transactions which had a carrying amount of collateral received of £1.0 billion. The collateral received was in the form of debt securities. Asset encumbrance is limited to UK government bonds to meet Operational Continuity in Resolution requirements. There are no other sources of asset encumbrance for CUKL as its funding and liquidity model is primarily based on funding through retail deposits as opposed to secured financing.

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 & HQLA	Total	of which: notionally eligible EHQLA & HQLA	Total	of which: EHQLA & HQLA	Total	of which: EHQLA & HQLA
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
010	Assets of the reporting institution	15.2	15.2	-	-	6,498.4	2,410.4	-	-
030	Equity instruments	-	-	-	-	-	-	-	-
040	Debt securities	15.2	15.2	-	-	4,166.5	2,410.4	-	-
050	*of which: covered bonds*	-	-	-	-	-	-	-	-
060	*of which: asset-backed securities*	-	-	-	-	1,756.2	-	-	-
070	*of which: issued by general governments*	15.2	15.2	-	-	2,135.1	2,135.1	-	-
080	*of which: issued by financial corporations*	-	-	-	-	275.2	275.2	-	-
090	*of which: issued by non-financial corporations*	-	-	-	-	-	-	-	-
120	Other assets	-	-	-	-	2,331.8	-	-	-

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	-	-	1,036.9	953.8
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	1,036.9	953.8
170	*of which: covered bonds*	-	-	-	-
180	*of which: asset-backed securities*	-	-	-	-
190	*of which: issued by general governments*	-	-	895.9	895.9
200	*of which: issued by financial corporations*	-	-	141.1	-
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	15.2	15.2	-	-

Remuneration Statement

The remuneration section of this disclosure is prepared at the CUKL level and covers all jurisdictions in which it operates.

The remuneration policy disclosed herein applies to all business lines within CUKL.

Remuneration Governance

CUKL Remuneration Committee

The CUKL Remuneration Committee ("RemCo") is a standing committee of the CUKL Board of Directors ("Board"), from which it derives its authority.

The RemCo was constituted as a committee of the Board at a full meeting of the Board held on 24th November 2021, in accordance with the Articles of Association. Before that, the Independent Non-Executive Directors of Board held the responsibilities of a RemCo.

The RemCo met once in 2021 and for the 2021 performance year the RemCo comprised the following members:

Member Name	Role	Additional information
Joanne Dawson	Chair	Independent Non-Executive Director
James Rawlingson	Member	Independent Non-Executive Director

In addition, the Board met 4 times in 2021 to discuss remuneration matters, before the RemCo was constituted.

The detailed roles and responsibilities of the RemCo are set out in its Charter as delegated and approved by the Board, and which is maintained by the Company Secretary.

The RemCo has responsibility for the oversight of the design and implementation of the Company's Remuneration Policy to ensure that the remuneration practices do not promote excessive risk taking, evaluate compliance with this policy and assess whether these remuneration practices are creating the desired incentives for managing risk, capital and liquidity, and that the remuneration policy is gender neutral.

The RemCo has delegated responsibility from the Board for the review and if authorised, approval of proposed decisions regarding remuneration of employees and in particular Material Risk Takers ("MRTs"). When reviewing such decisions, the RemCo shall take into account relevant guidance and the long-term interest of shareholders, investors and other stakeholders in the Company and the public interest.

When considering the key principles in the Remuneration Policy, the RemCo shall review compliance by the Company with its regulatory obligations, including those under the Capital Requirements Directive 2013/36/EU ("CRD V"), the European Banking Authority Guidelines on Sound Remuneration Policies (EBA Guidelines), national regulations and Remuneration Part of the PRA Rulebook, the FCA SYSC 19D Remuneration Code.

The Remuneration Policy is subject to review at least annually, as Citi refines its remuneration policies and practices at global, regional and entity levels or as required by law or regulation. In 2021 the Remuneration Policy, remuneration guidelines and associated processes were reviewed and updated in response to CRD V, the revised RTS and updated national regulations.

In particular, this included revisions to the approach on how to define categories of staff whose professional activities have a material impact on an institution's risk profile and deferral structure for MRTs (including deferral length, malus / clawback periods, retention periods and method for calculating de minimis),

The RemCo operates with on-going support and guidance from multiple stakeholders including Human Resources ("HR"), Finance, Independent Risk Management, Independent Compliance Risk Management ("ICRM"), Legal and Internal Audit who all perform necessary roles in various aspects of remuneration processes and policy. This includes identifying, collating and measuring conduct and risk information for inclusion in the performance and accountability processes.

The RemCo also includes cross-membership with the Risk and Audit Committee.

The remuneration policy and practices are subject to annual independent review which focuses on the design and operation of Citi's policies, processes, controls, and compliance with regulatory requirements.

The RemCo is empowered to draw upon internal and external expertise and advice as it determines appropriate. It has the ability to review the appointment of external remuneration consultants that the Board and/or the RemCo may decide to engage for advice or support. The RemCo did not engage independent consultants in 2021, but Clifford Chance, Ernst & Young and Willis Towers Watson, have advised on various remuneration matters for 2021, where required.

Global Remuneration Committee

The RemCo acts as the remuneration committee of the Company, whereas the Personnel and Compensation Committee (the "P&C Committee") fulfils the same role at the Group level.

The P&C Committee is a duly constituted committee of the Board of Directors of the US parent company, Citi and oversees the global remuneration policies and practices.

Citi's global compensation principles are developed and approved by the P&C Committee in consultation with management, independent consultants and Citi's senior risk officers, HR and the relevant functions. The P&C Committee draws on the considerable experience of the Non-Executive Directors of the Board of Citi and is empowered to draw upon internal and external expertise and advice as it determines appropriate.

It annually reviews the compensation structures for senior executives of Citi and a number of highly compensated and/or regulated individuals, in accordance with guidelines established by the P&C 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:
https://www.citigroup.com/citi/investor/data/percompcharter.pdf

In 2021 oversight of the implementation of Citi's accountability, forfeiture and clawback policies have been added to the Charter as an additional P&C Committee responsibility in order to reinforce the relationship between compensation and risk and control.

P&C Committee members are all Independent Non-Executive Directors of Citi who are selected and appointed based on their background in business generally, and in remuneration, corporate governance and/or regulatory matters specifically. They are also chosen for their capability to fulfil their responsibilities as P&C Committee members. The P&C Committee includes cross-membership with the Risk Management Committee, the Ethics, Conduct & Culture Committee and the Audit Committee, as well as the Nomination, Governance & Public Affairs Committee and the Operations & Technology Committee.

EMEA Remuneration Oversight Group

The EMEA Remuneration Oversight Group ("EMEA ROG") is a management group that sits below the RemCo and is designed to provide EMEA-wide remuneration oversight, advice and governance support to the RemCo. The roles and responsibilities of the EMEA ROG are formalised in its Terms of Reference and membership is designed to enhance cross-regional insight and consistency.

Material Risk Takers

CUKL annually identifies its MRTs and maintains a record of those identified. This process captures the categories of individuals whose professional activities are determined as having a material impact on the Company's risk profile.

CUKL identifies MRTs principally using its understanding of the criteria for identification as set out in CRD V, the Commission Delegated Regulation (EU) No 2021/923 and the EBA RTS for MRT identification. Appropriate judgement will be exercised when considering who should be captured as an MRT.

Those captured include, but are not limited to:

- Members of the management body or Senior Management;
- Those with managerial responsibility over Control Functions or Material Business Units and certain direct / matrix reports;
- Individuals in receipt of significant remuneration in the preceding financial year; and
- Staff members or categories of staff having an impact on an institution's risk profile that is comparably as material as that of the staff members referred to above.

When applying quantitative criteria based on staff members' remuneration, the fixed and variable remuneration awarded for the preceding financial year is taken into account.

Citi's Compensation Philosophy

Employee compensation is a critical tool for Citi to attract and retain top talent and successfully execute our corporate goals. Citi's compensation policies and practices are designed to appropriately balance the incentives offered to employees who take risks to achieve financial and competitive performance objectives and the need to prudently manage those risks along with other imperatives.

The Company's Compensation Philosophy is consistent with Citi's Compensation Philosophy which is available online at: https://www.citigroup.com/citi/investor/data/comp_phil_policy.pdf. The Compensation Philosophy describes Citi's approach to balancing six primary objectives that Citi's compensation programs and structures are designed to achieve.

Citi's (and therefore the Company's) Compensation Philosophy is closely linked to the ongoing work on embedding appropriate culture, including through the Citi Mission and Values Proposition and the Citi Leadership Principles. The Compensation Philosophy also sets out Citi's commitment to managing risk through its compensation programs, and management receives clear direction from the P&C Committee 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.

Citi's Compensation Philosophy was updated in 2021 as Citi's principal compensation objectives have been updated to reinforce the relationship between compensation and risk and control. In particular, specific principles have been added to emphasise that incentive compensation should;

a) Reinforce a business culture based on accountability, achieving excellence and maintaining the highest ethical and control standards through Citi's Leadership Principles; and
b) Encourage prudent individual and group decision-making in regard to risk consistent with applicable regulatory guidance and Citi's Mission and Value Proposition Statement.

Citi's Mission, Values Proposition

Citi's Mission, Values Proposition and Leadership Principles are reflective of Citi's business strategy and objectives, and feed into Citi's reward programs and performance assessment approach.

Citi's Mission and Values Proposition states that Citi serves as a trusted partner to its clients by responsibly providing financial services that enable growth and economic progress, and that everything undertaken by its employees:

- Is in clients' interests;
- Creates economic value; and
- Is always systemically responsible.

Citi incorporates the reinforcement of positive behaviours in line with the Mission and Values Proposition into Global employee reward programs.

Markets in Financial Instruments Directive II ("MiFID II")

In line with the requirements of MiFID II Delegated Regulation of 25 April 2016, Citi considers and seeks to ensure that its remuneration practices, performance assessment of its staff and resulting remuneration is consistent with its duty to treat clients fairly.

Design and Structure of Remuneration

Citi aims to implement a broadly consistent global philosophy and framework in relation to its remuneration policies and practices. Remuneration Policy is non-discriminatory and gender neutral, and Citi seeks to operate all remuneration policies and practices in a non-discriminatory way.

Fixed Remuneration

Fixed remuneration is set appropriately to attract, retain and motivate employees in line with market practices. 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;
- Pension and other non-cash benefits that are offered to employees as part of their overall reward package;
- Role Based Allowances ("RBAs") forming part of the package for a limited number of roles; and
- In line with regulatory requirements, RBAs are granted to a limited number of roles. The rationale for granting an RBA must be clearly articulated by reference to the eligibility criteria, including details on the responsibilities and scope of the role. RBAs and are subject to additional approvals.

All of these elements are classified as fixed remuneration on the basis of the EBA Guidelines (including that they do not depend on performance).

Variable Remuneration

Citi operates a fully flexible remuneration policy, including the possibility of not paying variable remuneration. Variable incentive compensation is discretionary and subject to individual, business and firm performance. It is also subject to appropriate performance adjustment mechanisms.

Citi's Discretionary Incentive and Retention Award Plan ("DIRAP") is the scheme under which employees are awarded discretionary variable remuneration and applies globally. It is designed to incentivise, reward and retain employees based on their current and prospective performance and contribution.

All MRTs are eligible to participate in the DIRAP (with the exception of external Independent Non-Executive Directors and Non-Executive Directors who were not employed by Citi in any other capacity).

Deferrals and Retention Periods

Awards made under the DIRAP are typically awarded in cash, deferred cash, Citi equity and/or deferred Citi equity. Variable remuneration is not paid through vehicles or methods that might facilitate non-compliance with CRD V or CRR II.

Awards made under DIRAP are subject to mandatory deferral periods where the individual's total annual variable compensation awarded under DIRAP exceeds globally set thresholds. The Citi standard or 'default' deferral policy period is pro-rated over four years which it considers proportionate to the risks. Typically, at least 50% of deferred awards are made in the form of Citi equity or, in certain circumstances, share-linked instruments and are therefore inherently performance-based.

In 2021 Citi has reviewed the period over which incentives are deferred in line with the updated PRA and FCA Remuneration Codes. In particular, the minimum deferral period for Standard MRTs has been extended from three to four years, deferral periods for non-Higher Paid Risk Manager MRTs and Senior Manager MRTs have been updated, and de minimis criteria have been revised to align with the updated PRA requirements.

For MRTs at least 50% of the upfront and deferred components of variable remuneration are delivered in equity. Citi believes that awarding equity and deferred awards is an effective means of aligning employee interests with those of shareholders and other stakeholders.

MRTs are subject to deferral rates of between 40% and 100% of total variable remuneration, with a minimum 60% deferral being employed when total variable remuneration is a particularly high amount in line with regulatory requirements.

Deferred awards to Standard MRTs typically vest over at least four years; deferred awards to Risk Manager MRTs[1] typically vest over five years and deferred awards to UK-designated Senior Managers vest over seven years.

Deferral periods for non-higher paid Risk Manager MRTs and Senior Managers are reduced to 4 years and 5 years respectively, provided they are not members of the management body or Senior Management.

Deferred equity awards for MRTs are subject to a further retention period post-vesting:

- For Standard MRTs and MRTs who are members of the management body or a member of Senior Management those awards are typically subject to a twelve-month retention period; and
- For Risk Manager MRTs and UK-designated Senior Managers, not being members of the management body or a member of Senior Management, those awards are subject to a six-month retention period.

Starting from 2021, no retention period is applied to deferred cash awards.

Citi does not pay dividends on deferred equity or interest on deferred cash to MRTs.

MRTs are eligible to receive a supplemental award delivered in cash, which is based on a pre-determined rate and the period from award to the end of the retention period. Consistent with deferred cash awards, supplemental awards are subject to deferral and retention periods, as well as Performance Based Vesting ("PBV"), malus and clawback conditions.

Ratio of Variable to Fixed Remuneration

Citi seeks to balance the components of reward between fixed and variable, and short and long-term components. An annual review of the balance between fixed and variable remuneration takes place and, where required, adjustments are made to the fixed element of pay to ensure that an appropriate balance continues to be maintained on an on-going basis.

Citi has obtained formal shareholder approval for a maximum fixed to variable ratio of 1:2 for MRTs and applies this in the Company and all relevant business areas, where relevant member state regulations allow.

De-minimis

In line with point b of Article 94(3) of CRD V, the Company avails of the opportunity of derogation from the requirements set out in Article 94(1) (l) and (m) and in the second paragraph (o) for MRTs whose annual variable remuneration does not exceed GBP 44,000 and does not represent more than one third of their total annual remuneration.

For 2021 performance year, 3 MRTs benefitted from this derogation with their remuneration totalling 0.39M GBP in fixed and 0.04M variable.

MRTs who fall within *de-minimis* thresholds, may still be subject to deferrals under other applicable regulations or under Citi's standard mandatory deferral structure.

Performance Adjustment Measures on Remuneration

Performance Based Vesting

Deferred awards subject to MRT deferral schedules have PBV conditions as an additional ex-post adjustment mechanism that may result in the cancellation of all or part of unvested amounts. These conditions ensure an appropriate balance for risk and aligns the actual pay-out to employees with business performance.

The PBV for deferred equity awards is formulaic with the pay-out contingent on future performance. The trigger for application of a pay-out reduction is the emergence of pre-tax losses in the "reference business"[2] for the calendar year ending immediately prior to the vesting date of a given tranche of deferred equity.

Deferred cash and supplemental awards are subject to discretionary PBV, which may result in cancellation of all or part 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

All deferred remuneration awarded to MRTs is subject to pre-vesting adjustment (malus) provisions.

Citi's award documentation also provides that Citi may at any time during a certain period require repayment or otherwise recover an amount corresponding to some or all of the immediate cash or stock, or deferred cash or stock award made to MRTs (clawback). Clawback of vested portion of cash, stock and supplemental awards, is possible for up to seven years from the date of the award for impacted MRTs, or potentially up to ten years for UK-designated Senior Managers.

If the Company determines that it is appropriate to recover or require repayment of some or all of the award, then it may offset and/or make deductions from an individual's salary or from any other sums due to them from the Company or any associated company.

[1] Risk-Manager MRTs are identified by the PRA by reference to particular qualitative criteria in Commission Delegated Regulation (EU) No 2021/923.

[2] The reference businesses are Global Consumer Banking, Institutional Clients Group or Citigroup Inc. (for all other employees outside the other two groups).

Malus and Clawback provisions can apply in circumstances envisaged in regulations such as there is reasonable evidence that an MRT was responsible for, or participated in, misconduct that resulted in significant losses in connection with their employment, conduct responsible for Citi or their business unit suffering a material failure of risk management, or they failed to meet appropriate standards of fitness and propriety.

Capital and Liquidity Planning

To ensure that awards, pay out and vesting of variable remuneration is not detrimental to maintaining a sound capital base, the financial soundness and liquidity of the Company is considered in advance of the year end remuneration cycle.

Link between Pay and Performance

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

Determination of Bonus Pools

Bonus pools are determined at a global level. Provisional bonus pools will be created based on the need for franchise continuity and also economic profit, measured on a risk-adjusted basis (including an explicit capital charge). Senior Management of Citi will make discretionary risk adjustments to determine final bonus pools.

Citi uses a number of implicit and explicit risk-adjusted metrics and other measures of risk management to ensure that incentive compensation recommendations are aligned with risk-adjusted performance. This includes the use of capital measures and returns on those capital measures as key metrics, as well as risk appetite ratios and other metrics related to compliance and controls performance.

The process for determining incentive compensation pools includes ex-ante adjustment to take into account the level of risks taken to achieve results, thereby limiting incentives for employees to take imprudent risks.

The level of any bonus pool is based on various quantitative and qualitative factors and discretionary considerations, including:

- Year over year business performance;
- Performance compared with plan for the current year;
- Performance against key risks (including conduct risk, operational risk, etc.) and control objectives;
- Compensation pay out ratios and amounts accrued for incentives;
- Performance relative to peers;
- Market compensation relative to peers;
- Events that occurred during the year; this includes positive and negative events;
- Specific goals or objectives noted in the executive scorecards;
- Stakeholder feedback; and
- Socio-political environment.

Individual Performance

Citi's various performance and accountability processes align Citi's remuneration practices with overall strategy, objectives, values and long-term interests. They reinforce achievement of goals and expected behaviour to ensure appropriate accountability, performance and compensation outcomes.

One of Citi's compensation principles is to "compensate employees based on the achievement of goals, embodiment of Citi's Leadership Principles, and risk-adjusted performance demonstrated over time, balanced with appropriate recognition for short-term results and contributions".

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

In 2021 Citi launched new Citi Leadership Principles, against which employee performance is assessed. These Citi Leadership Principles represent the qualities, behaviours and expectations that Citi employees must exhibit to deliver on Citi's mission of enabling growth and economic progress, and they will contribute to creating a culture that drives client excellence, controls excellence and operational excellence.

The Leadership Principles for performance year 2021 are outlined below:

Leadership Principles	
We Take Ownership	**We challenge one another to a higher standard in everything we do.** • Greets change with optimism, curiosity and resilience. • Speaks up with candour and welcomes challenge from others. • Learns from experiences, adapts and improves. • Prioritizes the greater good when contributing to honouring group decisions.
We Deliver with Pride	**We strive for client excellence, controls excellence and operational excellence.** • Simplifies, standardizes and clarifies work. • Holds self and others accountable for managing risk with appropriate controls. • Creates long-term value by fixing root causes. • Takes pride in always doing the right thing.
We Succeed Together	**We value and learn from difference perspectives to surpass stakeholder expectations.** • Breaks down barriers to deliver the best of Citi. • Measures performance through the lens of our stakeholders. • Invests in colleagues from all backgrounds. • Shows empathy for colleagues, clients and communities.

Goal setting is an opportunity to ensure employees understand how their work aligns with the priorities of their team, business or group, and Citi. Goals reflect these priorities as well as the Citi Leadership Principles required to achieve them. As business priorities evolve, goals are reviewed and revised, and Citi asks managers to review goals to ensure they appropriately reflect the individual employee's role and responsibilities and are aligned to the strategic priorities of the team and business as a whole.

Employees and managers are encouraged to solicit feedback from a variety of key stakeholders to inform self and manager assessments. Managers should provide coaching and feedback throughout the year on progress relative to goals and how they are being accomplished as defined by the Leadership Principles.

To ensure Goal setting is consistent and goals are properly aligned to the strategy of the organisation, Citi operates a top-down goal setting approach. First the organisational strategic goals are set, followed by the objective of each business, followed by individual teams and finally rolling down to the individual employee.

The goal setting process is not designed to be a one-time process but rather an ongoing process whereby goals can be adjusted to reflect changing priorities and relies on manager supervision and intervention. Where a Manager determines that goals are not aligned to an individual's roles and responsibilities, or to the strategic objectives of the organisation, the goals of the individual can be amended or new/additional goals can be cascaded by the Manager.

Employees are also subject to a range of enhanced performance assessment and accountability processes. Citi's conduct, risk performance and accountability processes and framework continue to be refined, with further enhancements implemented for 2021 which included:

- Launching Leadership Principles contributing to creating a culture that drives controls excellence;
- Cascading of a Risk and Control goal to reinforce a robust risk and control culture;
- Introducing enhanced behavioural assessment for certain MRTs with the Global Risk Control Assessment process;
- Enhancing the Accountability Framework Impact Grid to ensure more consistent impacts for similar discipline or risk and control breaches; and
- Enhancing communications to managers and other stakeholders of the Accountability Framework.

Other Key Remuneration Policies

Guarantees

Citi has guidelines in place with respect to guarantees that apply to all employees across the EMEA region, including employees of the Company. These guidelines provide that guaranteed incentive awards for employees can only be made in exceptional circumstances, in the context of recruitment, and with reference to the first year of service and provided the Company has a sound and strong capital base.

As part of the governance framework, the award of guarantees require review and approval by the RemCo.

Buyouts

Depending on the terms of the award(s) at the previous employer, a buyout can be provided where outstanding deferred remuneration is actually reduced or revoked by the previous employer, as a consequence of the individual joining the Company, and where the Company (or if permissible the immediate parent) has a sound and strong capital base. Among other criteria, the value of the buyout must be less than or equal to the variable remuneration which has been forfeited, and any buyout must comply with requirements for variable pay, including for deferral, retention, pay out in instruments and clawback arrangements.

Retention Payments

Retention awards can be made only in exceptional circumstances, for example: during a major restructuring, during a merger process, or where a business is winding down or being sold and particular key staff need to be retained on business grounds. In addition, retention payments can only be made where the employing entity (or if permissible the immediate parent) has a sound and strong capital base. Any retention payments for MRTs are subject to additional review and approval.

Severance

Severance payments are subject to appropriate governance and approvals. Citi's severance payment guidelines are in line with 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. ("Failure" is to be assessed on a case by case basis);
- Are not paid to employees transferring between Citi legal entities, unless required by law; and
- Should only be paid where there is a redundancy situation or in exceptional circumstances where a severance payment may need to be paid, for example in order to mitigate a legal risk or a franchise risk, and subject to pre-approval in accordance with the relevant Guidelines.

Severance pay is based on a number of factors including labour law requirements, statutory rights, and the terms of any collective or workplace agreements which vary country by country.

Remuneration of Control Function Employees

Whilst remuneration levels are influenced by Citi's overall performance, individual compensation for employees in Functions is determined by reference to performance against objectives relevant to their function and assessed within their respective functions.

Citi maintains the independence of the compensation process for key functions (e.g. ICRM and Independent Risk Management) to minimise any scope for potential conflicts of interests and no business has the potential to influence individual awards in the Functions.

Employees engaged in Functions have direct reporting lines that are separate from the business and those reporting lines within the Functions are responsible for the reward of those employees both in terms of year-end compensation, salary increases and promotion. Citi ensures performance management and compensation decisions for independent Function personnel are directed by Function management, and not the business unit.

Functions are allocated a bonus pool separate from the revenue generating businesses, and decisions about allocations of those pools are made within the Functions themselves.

Dual Regulated MRTs

For MRTs who are subject to MRT rules for multiple legal entities in different jurisdictions, the regime regarded as more stringent will generally apply. This includes rules related to deferral length, post vesting retention periods and malus / clawback arrangements. The remuneration policy for the relevant jurisdiction should be referenced for full details on award structures and regulatory requirements.

Stockholding Requirements

Certain senior executives are subject to stock ownership commitments, further aligning the executives' interests with those of shareholders. In addition, vesting of deferred awards does not accelerate upon termination of employment except in the case of death. This ensures executives' interests remain aligned with those of shareholders even after termination of employment.

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 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.

Employees 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.

Citi's Personal Trading & Investment Policy ("PTIP") prohibits "Covered Persons", which include MRTs as defined in the PTIP, and related persons from hedging in any manner (other than currency hedges) unvested restricted stock or deferred stock awarded under Citi's Capital Accumulation Program.

Disclosure Requirements

The remuneration statement and tables have been prepared with due consideration of, but not limited to, the remuneration reporting obligations set out in:

- Article 450, CRR II;
- Article 17, Commission Implementing Regulation (EU) 2021/637;
- CRD V;
- EBA implementing technical standards on public disclosures by institutions of the information referred to in titles ii and iii of part eight of regulation (EU) no 575/2013;
- EBA Guidelines on Sound Remuneration Policies; and
- Policy Statement | PS22/21 Implementation of Basel standards: Final rules.

Table 33: Remuneration awarded for the financial year (REM1)

		GBP million [1]	MB Supervisory function [2]	MB Management function [3]	Other senior management [4]	Other identified staff [5, 11]
1	Fixed remuneration	**Number of identified staff [6]**	2	2	-	6.0
2		**Total fixed remuneration [7]**	0.2	1.0	-	1.0
3		Of which: cash-based	0.2	0.7	-	0.9
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms [8]	-	0.3	-	0.2
9	Variable remuneration	**Number of identified staff**	-	2	-	6
10		**Total variable remuneration [9]**	-	0.4	-	0.3
11		Of which: cash-based	-	0.2	-	0.2
12		*Of which: deferred*	-	0.1	-	0.1
UK-13a		Of which: shares or equivalent ownership interests [10]	-	0.2	-	0.1
UK-14a		*Of which: deferred*	-	0.1	-	0.1
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-14b		*Of which: deferred*	-	-	-	-
UK-14x		Of which: other instruments	-	-	-	-
UK-14y		*Of which: deferred*	-	-	-	-
15		Of which: other forms	-	-	-	-
16		*Of which: deferred*	-	-	-	-
17	**Total remuneration (2 + 10)**		0.2	1.4	-	1.3

Additional Notes

1. All non-GBP awards are converted using the European Commission exchange rates for December 2021.
2. The Management Body ("MB") in its Supervisory Function, includes external Non-Executive Directors and Independent Non-Executive Directors of the Board as at 31 December 2021, as the Management Body acting in its role of overseeing and monitoring management decision-making, as defined in point (8) of Article 3(1) CRD.
3. The MB in its Management Function reflects Executive Directors of the Board who are employed by the entity as at 31 December 2021, as members of the MB who are responsible for its Management functions.
4. Senior management as defined in point (9) of Article 3(1) CRD, includes formal members of the UK Executive Committee, employed by CUKL, its branches and subsidiaries as at 31 December 2021.
5. Other identified staff includes those individuals deemed to be Material Risk Takers ("MRTs"), whose professional activities have a material impact on the institution`s risk profile in accordance with the criteria set out in the Commission Delegated Regulation on identified staff implementing Article 94(2) CRD and where appropriate in addition based on institutions´ criteria. The population includes any MRTs employed by CUKL, its branches and subsidiaries as at 31 December 2021. It excludes those individuals already captured under MB Supervisory function, MB Management function or other senior management.
6. Identified Staff is reported as headcount for the MB, with a full-time equivalent approach applied for Other Senior Management and Other Identified Staff.
7. Fixed remuneration in cash includes salary and role based allowances where applicable.
8. Fixed remuneration in other forms includes the value of pension and benefits.
9. Variable remuneration awarded in respect of 2021 performance year. In accordance with the shareholder approval obtained in 2021, the variable component of remuneration of an MRT for any one year can be set up to a maximum of 200% of the fixed remuneration.
10. Share-based awards are made in Citi shares and represent value at grant.
11. Remuneration figures for Other MRTs are provided on an aggregated basis in order to maintain appropriate confidentiality of individuals data. Other MRTs includes 4 in Retail Banking, 1 in Investment Banking and 1 in Independent Internal Control Functions.

Business Conduct

Conduct Risk Management

Citi's Global Conduct Risk Management Policy and other related policy documents define Citi's enterprise-wide conduct risk management approach and details the conduct risk management requirements, roles and responsibilities of each Line of Defence. Citi's definition of Conduct Risk is "the risk that Citi's employees or non-employees may – intentionally or through negligence – harm customers, clients, or the integrity of the markets."

The conduct risk management approach enhances Citi's culture of compliance and control through the identification, assessment, monitoring, mitigation and escalation of Conduct Risks, in line with Citi's Mission of enabling growth and economic progress, and in support of Citi's Leadership Principles (i.e., qualities, behaviours and expectations required to create a culture that drives client excellence, controls excellence and operational excellence). The Risk Management Committee oversees Citi's conduct risk management approach and Conduct Risk initiatives.

Citi uses a lines of defence construct to manage its risks, including Conduct Risk. In addition, all Lines of Defence own, are responsible for, and accountable for managing the Conduct Risks inherent in, or arising from, their activities and material risks and for designing and implementing effective internal controls and maintaining processes for managing their Conduct Risks.

Key elements of the conduct risk management approach include requirements for: conduct risk governance; identification, assessment and management of conduct risks through Citi's risk assessment processes; embedding of conduct risk considerations in hiring, promotion, compensation and performance management; assessment of conduct risks in new product and service approval processes; conflicts of interest and complaints management; conduct risk training; disciplinary matters management and analysis; conduct risk reporting; and the prompt escalation of conduct risk concerns.

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.

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.

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 Citi 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.

There are mandatory requirements through Citi's Gifts and Entertainment Standard, Citi outside Directorships and Business Interests Policy, Personal Trading Policy for Citi Access Persons, the Employee Personal Trading and Investment Policy for Citi Brokerage and Advisory Persons, 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 being shared with 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 authorized 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 who needs to escalate, what to escalate, when to escalate, to whom to escalate and how to follow up on escalations. 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:

- HR, employee, or labour relations representative;
- Internal legal counsel;
- ICRM Officer;
- Citi Security and Investigative Services; and
- 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 regulation. The CUKL Whistle-blowers' Champion, a Non-Executive Director, oversees the independence, effectiveness and integrity of CUKL's whistleblowing programme.

Citi prohibits any form of retaliatory action against anyone who raises concerns or questions regarding ethics, discrimination, or harassment matters; requests a reasonable accommodation for a disability, pregnancy, or religious belief; reports suspected violations of law, regulation, rule, or breach of policy, standard, procedure, or this Code; or participates 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, asked for a reasonable accommodation, reported a violation, or been involved in an investigation, are subject to disciplinary action, up to and including termination of employment or other relationship with Citi.

Nothing in the Code prohibits an individual from communicating with government, regulatory, or self-regulatory agencies about possible concerns, or otherwise providing information to, filing a complaint with, or participating in investigations or proceedings with those agencies. Nor does the Code require an individual to notify Citi of any such communications.

Appendix 1: UK Senior Management and Board Disclosures

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

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 or EU based and who are 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 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.

Paul Hodes was appointed as an Executive Board member on 20th August 2021. David Chubak resigned as an Executive Board member on 30th September 2021. There are no other foreseeable changes anticipated to the composition of the Board.

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;
- Support from the UK Company Secretariat; 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 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 Citi and the 30% target in the Women in Finance Charter. CUKL has adopted the Citi approach to diversity which is published here: https://www.citigroup.com/citi/diversity.

As of 31 December 2021, 33% of the Board were female.

Table 34: Directorships held by Citibank UK Limited Board of Directors as of 31 December 2021

Name	Total Number of Directorships
Joanne Dawson	3
James Rawlingson	3
James Bardrick	8
Paul Hodes	1
Anoop Ghai	8
Susan Shakespeare	3
Total	26

Table 35: Membership held by Citibank UK Limited Board of Directors as of 31 December 2021

Name	Gender	Role	Duration of Board Membership
Joanne Dawson	Female	Independent Non-Executive Director – Chair	2 years 7 months
James Rawlingson	Male	Independent Non-Executive Director	2 years 7 months
James Bardrick	Male	Executive Director	2 years 8 months
Paul Hodes	Male	Executive Director	4 months
Anoop Ghai	Male	Executive Director	3 years 9 months
Susan Shakespeare	Female	Executive Director – Chief Executive Officer	2 years 3 months

Non-Executive Directors of CUKL

Joanne Dawson (Chair)

Joanne Dawson was appointed as Chair of the CUKL Board in 2019.

In addition to chairing Citibank UK Limited, Jo was previously a Director 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 30 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. James has also held senior positions at UBS AG, SG Warburg & Co and Chase Manhattan Bank.

James is a Chartered Accountant, and a chartered member of the Chartered Institute for Securities and Investments.

Executive Directors of CUKL

Susan Shakespeare (Director and Chief Executive Officer of CUKL)

Susan Shakespeare is Head of UK Consumer Bank and International Personal Bank EMEA and was appointed to the CUKL Board as Chief Executive Officer in 2019.

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.

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.

James co-chaired Citi's Brexit contingency planning and implementation work and is a member of Citi's LIBOR Transition Program and is the designated UK Senior Manager for LIBOR. In connection with these 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 and is currently a Vice Chairman of EMEA Banking, Capital Markets & Advisory.

James is the Chairman of the British Banking Association and is a member of TheCityUK Advisory Councils and was until recently a Board member of UK Finance. He also sits on The Financial Markets Standards Board Advisory Council and most recently appointed as a member of the UK Investment Council. James is Chariman and a trustee of the Coggeshall Youth Work Project. He is Deputy Chairman of the UK career Ready charity helping less privileged young people increase their aspirations and enter the world of work and sits on the TeachFirst Business Leaders Council. He also on the board of Canary Wharf Multifaith Chaplaincy.

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

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 over 30 years ago and has held a number of roles in Citi's UK 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.

Anoop is also a Trustee of Park Federation Multi Academy Trust which runs seven schools in West London – United Kingdom.

Paul Hodes

Paul Hodes is Global Wealth Management Asia Investments Head for Citigold, Citibank Private Client, and High Net Worth. In addition, Paul is also the country Wealth Management Head for Citibank UK Limited. Paul Hodes has more than 25 years' experience in Wealth Management in banking and investments working in the UK, Europe, Asia Pacific, the U.S. and Japan.

Prior to this role, Paul headed Citi Consumer Bank Wealth Management for Asia Pacific and EMEA. From 2007 to 2010, Paul managed Citibank Malaysia Retail Bank. Paul was elected to the Board of Governors of the Financial Planning Association of Malaysia

Appendix 2: Capital Instruments Main Features

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 36: Capital Instruments – Main features template

		Common Equity Tier 1	Additional Tier 1	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)	Nil	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	29/03/2018	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: SONIA Compounded Daily Reference Rate + 5.6178% + 0.1193%	SONIA average + 1.63% + 0.1193%
19	Existence of a dividend stopper	No	Yes	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory
20b	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	Long-term subordinated loan facility (Senior Subordinated Facility)	Senior Subordinated Facility
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Appendix 3: Countercyclical Capital Buffer

Under CRD IV, CUKL is required to hold additional capital buffers including the institution-specific countercyclical buffer.

The following table sets out CUKL's countercyclical buffer requirement broken down by significant geographical areas for 31 December 2021 in line with Article 440 of the CRR. Countries that have a specific Countercyclical Capital Buffer ("CCyB") requirement or have an own funds requirement weight greater than 2% of the total CUKL own funds requirement are material and are disclosed separately. The remaining countries are aggregated under Other Countries.

The FPC cut the UK CCyB rate to 0% in March 2020 in response to the Covid 19 pandemic to support the supply of credit. In December 2021, the FPC published an increase in the UK's countercyclical buffer rate to 1% effective 13 December 2022, with a further increase to 2% expected to be announced for 2023.

Table 37: Geographical Distribution of Countercyclical Buffer

	General credit exposures	Trading book exposures		Securitisation exposures	Own funds requirements					
	Exposure value for SA	Sum of long and short position of trading book	Trading book exposure for Internal models	Exposure value for SA	Of which General credit exposures	Of which Trading book exposures	Of which Securitisation exposures	Total	Own funds requirem -ent weights	Counter cyclical capital buffer rate
Breakdown by country	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	%	%
United Kingdom	126.8	-	-	352.7	14.7	-	2.8	17.5	38.41	0.00
Ireland	-	-	-	1,404.0	-	-	16.8	16.8	36.88	0.00
Russian Federation	68.9	-	-	-	5.5	-	-	5.5	12.04	0.00
Luxembourg	46.1	-	-	-	3.7	-	-	3.7	8.08	0.50
Czech Republic	0.4	-	-	-	0.0	-	-	0.0	0.06	0.50
Hong Kong	0.3	-	-	-	0.0	-	-	0.0	0.05	1.00
Other countries	25.6	-	-	-	2.0	-	-	2.0	4.48	0.00
Total	268.1	-	-	1,756.7	26.0	-	19.7	45.7	100.00	

Table 38: Countercyclical Capital Buffer

Total risk weighted assets (£ million)	805.3
Institution Specific Countercyclical Buffer Rate	0.04%
Institution specific countercyclical buffer requirement (£ million)	0.32

Appendix 4: Omissions

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

Table	Rationale
Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (LI1)	CUKL is reported on a stand-alone basis and therefore not in scope of consolidation
Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)	
Outline of the differences in the scope s of consolidation (entity by entity) (LI3)	
Prudent valuation adjustments (PV1)	CUKL uses the simplified approach to calculate Additional Value Adjustments.
Changes in the stock of general and specific credit risk adjustments (CR2-A)	There are immaterial impaired or defaulted loans as at 31 December 2021
Changes in the stock of defaulted and impaired loans and debt securities (CR2-B)	
CRM techniques – Overview (CR3)	No CRM techniques applied on CUKL's credit risk exposures as at 31 December 2021.
IRB approach – Credit risk exposures by exposure class and PD range (CR6)	CUKL does not have an IRB permission
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 – Back-testing 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 immaterial 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 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 2021.
TLAC composition for G-SIBs (at resolution group level) (TLAC1)	CUKL 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)	
TLAC Key Metrics (KM2)	

Abbreviations

Please refer to the below abbreviations used frequently throughout the document.

AFS	Available For Sale
ALCO	Asset and Liability Committee
APAC	Asia Pacific
AT1	Additional Tier 1
CBNA	Citibank NA
CBS	Critical Business Service
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Finance Officer
Citi	Citigroup Inc.
CoB	Continuity of Business
CRD	Capital Requirements Directive
CRE	Commercial Real Estate
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CUKL	Citibank UK Limited
CVA	Credit Valuation Adjustment
DIRAP	Discretionary Incentive and Retention Award Plan
EAD	Exposure at Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
ECL	Estimated Credit Loss
EMEA	Europe, Middle East and Africa
EMEA ROG	EMEA Remuneration Oversight Group
ESRM	Environmental and Social Risk Management
EU	European Union
EVE	Economic Value of Equity
EVS	Economic Value Sensitivity
FCA	Financial Conduct Authority
FCCM	Financial Collateral Comprehensive Method
FPC	Financial Policy Committee
FRTB	Fundamental Review of the Trading Book
FX	Foreign Exchange
GCB	Global Consumer Banking
G-SIB	Global Systemically Important Bank
HQLA	High Quality Liquid Assets
HR	Human Resources
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
ITS	Implementing Technical Standards
LATAM	Latin America
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LRMF	Liquidity Risk Management Framework
MB	Management Body
MiFID II	Markets in Financial Instruments Directive II
MREL	Minimum Requirements for Eligible Liabilities
MRTs	Material Risk Takers
MSBF	Margin and Securities Backed Finance
NIR	Net Interest Revenue
NSFR	Net Stable Funding Ratio
ORM	Operational Risk Management
OTC	Over The Counter
PBV	Performance Based Vesting
PBWM	Personal Banking and Wealth Management
PD	Probability of Default
PFE	Potential Future Exposure
PRA	Prudential Regulation Authority
PTIP	Personal Trading & Investment Policy
RBAs	Role Based Allowances
RemCo	Remuneration Committee
RLAP	Resolution Liquidity Adequacy and Positioning
RMBS	Residential Mortgage Backed Securities
RTS	Regulatory Technical Standards
RWA	Risk Weighted Asset
SEC-SA	Securitisation Standardised Approach
SFT	Securities Financing Transaction
WWR	Wrong Way Risk