Citigroup Global Markets Limited
Pillar 3 Disclosures

31 December 2020

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Introduction

Citigroup Global Markets Limited (CGML or 'the Company') is a wholly owned, indirect subsidiary of Citigroup Inc. It is Citi's international broker dealer, providing products and services for institutional clients. CGML acts as a market maker in equity, fixed income and commodity products across cash, over-the-counter (OTC) derivatives and exchange traded markets, as well as a provider of investment banking capital markets and advisory services. CGML operates globally, generating the majority of its business from the Europe, Middle East and Africa (EMEA) region with the remainder coming from Asia and the Americas.

CGML is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and Financial Conduct Authority (FCA). CGML is also a Commodity Futures Trading Commission (CFTC) registered swap dealer and is considered a Risk Taking/Operating Material Legal Entity in Citi's Global Resolution Plan.

As at 31 December 2020, it had five branch offices and five subsidiaries. During 2019 the staff and activities of CGML's branches in London, France, Italy and Spain were transferred to branches of Citigroup Global Markets Europe AG (CGME) as part of the Company's preparations following the UK's decision to leave the EU.

CGML's business falls within the Institutional Clients Group (ICG) segment of Citi's operations and is almost entirely wholesale in nature, with a client base that encompasses corporates, institutions and governments. CGML's principal business activities are:

Global Rates and Currencies

Makes markets and facilitates client activity across interest rate products in the most heavily traded markets, including sovereign and supranational bonds, inflation bonds, and interest rate, cross currency and inflation derivatives.

Facilitates local and international client demand for flow foreign exchange (FX) products, such as spot and forward contracts, short term interest rate products, and interest rate and currency derivatives.

Global Spread Products

Provides clients with access to investment grade, high yield and distressed bond markets, as well as credit derivatives and structured credit products.

Global Equities Markets

Comprises:

- Equity Markets, undertakes market making in, and provides clients with exposure to, equities, convertible bonds, listed and OTC derivatives, structured products, securities financing, and electronic trading.
- Multi Asset Group, develops asset-side investment and hedging solutions for distributors and institutional investors.
- Prime Finance, provides globally co-ordinated prime brokerage services to clients
- Delta One, which provides access, financing and investment solutions to a broad spectrum of clients via synthetic products.

Securities Services

Futures & OTC Clearing, which provides clients with access to global liquidity venues, global execution on all major futures exchanges, multi-asset clearing services on global central counterparties (CCPs) and delivery of collateral solutions.

Global Commodities

Acts as a principal in commodity markets worldwide, providing risk management services to clients, acting as a liquidity provider and providing investor solutions and working capital facilities for commodity inventories.

Banking, Capital Markets and Advisory (BCMA)

BCMA provides structuring and syndication of securities and financing transactions in the bond capital markets and delivers equity and equity-linked solutions in financing acquisitions, funding capital expenditures, managing liabilities, monetising assets and hedging exposures.

BCMA coordinates the overall relationship with clients across all business areas from Corporate Banking and coverage in regards to episodic products out of Investment Banking.

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.

The Pillar 3 disclosures complement both the group level materials included in the Citigroup Annual Report, and CGML's own 2020 financial statements. The basis of the disclosure for CGML is on a consolidated basis.

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.

Frequency of disclosure

CGML publishes Pillar 3 disclosures quarterly, with a more comprehensive disclosure on an annual basis in line with the CRR and EBA requirements. CGML publishes its Pillar 3 disclosures at **https://www.citigroup.com/citi/investor/reg.htm**

Quantitative Disclosure

Where not relevant to the activities of CGML, specific rows and columns have been deleted from tables. Tables may not sum due to rounding. Any information deemed as immaterial, proprietary and confidential to CGML has been omitted.

Details of disclosures omitted can be found in Appendix 4.

Policy and Verification

In accordance with Article 431 (3) of the Capital Requirement Regulation (CRR), CGML's Pillar 3 disclosures are covered under the Citi EU Pillar 3 Standard, which outlines the principles and minimum standards to be applied when developing a set of Pillar 3 disclosures for legal entities within the EU regulatory framework. The firm operates within a framework of internal controls and procedures for assessing the appropriateness of this disclosure.

This disclosure is governed and approved by the CGML Board of Directors.

Regulatory Outlook

The UK's withdrawal from the EU

The UK's membership of the European Union came to an end on 31 January, 2020 following the ratification by the UK and the EU of the Withdrawal Agreement with a transition period. The Brexit transition period ended at 11:00pm (UK) on 31 December, 2020, resulting in EU laws, rules and regulations no longer being applicable to the UK.

The UK has on-shored relevant technical and implementing legislation from existing EU financial services legislation into UK law, these include the CRR, CRD, Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS). Additionally, temporary transitional power (TTP) is available for UK regulators to delay or phase-in on-shoring changes to UK regulatory requirements arising at the end of the transition period, ending 31 March 2022.

Citi continues servicing its clients in the EEA and UK with minimal disruption, whilst maintaining simplicity and transparency.

Emergence of COVID-19

The Covid-19 pandemic has had a significant impact on the economy and global regulators have responded with a range of measures to support firms through this period. Regulatory updates are still evolving and they vary by jurisdiction. The responses include reductions in countercyclical capital buffers, clarifications on the use of capital buffers, prudential valuation adjustment relief and proposed revisions to the securitisation framework and associated amendments to the CRR. In addition, a 'CRR Quick Fix' package was enacted in the EU in June 2020, making amendments to the regulatory framework. These measures are intended to help firms to mitigate the economic impacts of the pandemic on their businesses and to allow them to continue to lend to the wider economy.

Basel Reforms

CGML will be impacted by a number of regulatory rule changes introduced by the Basel Committee on Banking Supervision (BCBS) 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 this legislation.

Key elements in CRR II include changes to Counterparty Credit Risk (SA-CCR), the Large Exposures framework, the Leverage Ratio, Net Stable Funding Ratio (NSFR), Minimum Requirements for Own Funds and Eligible Liabilities (MREL) and The Fundamental Review of the Trading Book (FRTB).

CRR II / CRD V (the CRD V package) was published in the Official Journal of the EU in June 2019. The majority of the package applies two years later, however some applied immediately following the entry into force, such as MREL, whilst other provisions have a longer implementation period, such as elements of FRTB. In November 2020, the UK Treasury, in conjunction with the PRA and FCA, delayed the implementation of the majority of the CRR II package in the UK until 1 Jan 2022.

Minimum Requirements for Own Funds and Eligible Liabilities (MREL)

MREL is a requirement for firms to maintain a minimum amount of loss-absorbing resources over and above the own funds requirements. MREL resources can take the form of regulatory capital (own funds) and certain types of liabilities (eligible liabilities) that will be written down and/or converted to equity if a firm is likely to fail.

The Bank of England (BoE) has adapted the MREL framework to implement the Financial Stability Board's (FSB) total loss absorbing capacity (TLAC) standard in the UK.

Fundamental Review of the Trading Book (FRTB)

FRTB represents a comprehensive revision of the market risk rules, including revisions to both the standardised and the internal models approaches. It introduces risk sensitivity into the standardised approach and equips it to act as a credible alternative to internal models. The revised internal models approach applies the model approval process at a desk, rather than company, level and uses an expected shortfall measure, rather than VaR, to quantify market risk requirements. FRTB also reduces the scope for inconsistent application of the boundary between the trading book and non-trading books. The rules require firms to capture and utilise a significantly increased amount of data and processing capability in order to calculate the capital requirements. CRR II introduces many of the rules for FRTB, however, it maintains the existing market risk framework as this remains the basis for calculating market risk requirements. FRTB will become the binding requirement according to a timeline to be determined in CRR III.

The Standardised Approach for Measuring Counterparty Credit Risk Exposures (SA-CCR)

In 2014, the Basel committee published the final framework for SA-CCR. This approach replaces the Current Exposure Method (CEM) and addresses historical deficiencies by distinguishing between bilateral and cleared trades, margined and unmargined transactions, allowing better reflection of netting, hedging and collateral benefits.

The Large Exposures framework

The capital that can be considered for the purposes of large exposures will be limited to Tier 1 capital only, a change from the previous 'eligible capital' which was inclusive of Tier 2 capital. The introduction of SA-CCR further impacts the large exposures as the use of internal models is no longer permitted for calculating the exposure value used in the large exposures framework.

The Leverage Ratio

CRR II imposes a binding requirement for institutions to maintain a leverage ratio of at least 3% effective 1 January 2022. Additionally, leverage exposures are also subject to calculation under SA-CRR.

Net Stable Funding Ratio (NSFR)

NSFR rules were finalised and published in the EU as part of the CRD V package. CGML is required to comply with the CRR II NSFR requirements from 1 January 2022 that also includes the binding requirement of maintaining a ratio of at least 100% at both solo and consolidated levels.

NSFR is the minimum amount of required stable funding firms must maintain based on the liquidity, residual maturity and counterparty of the assets over one year time horizon. The ratio is calculated as available stable funding (ASF) over required stable funding (RSF) taking into account the accounting value of assets, liabilities, off-balance sheet items and regulatory capital.

CRR III/ CRD VI

A further proposal to revise the CRR (known as CRR III) is expected to be published by the European Commission in 2021. This will incorporate other changes proposed by the BCBS such as a new Standardised Approach to Credit Risk (SA-CR), a new Credit Valuation Adjustment (CVA) framework, revisions to the approach to Securities Financing Transactions, further elements of FRTB, the Output Floor and a new Standardised Approach to Operational Risk.

Key Metrics

Table 1: Key Metrics (KM1)

		31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
	Available capital	**$ million**	$ million	$ million	$ million	$ million
1	Common Equity Tier 1 (CET1)	**16,379**	15,440	14,452	14,100	14,492
2	Tier 1	**18,679**	17,740	16,752	16,400	16,792
3	Total capital	**23,279**	22,340	21,352	21,000	21,392
	Risk-weighted assets					
4	Total risk-weighted assets (RWA)	**147,376**	145,724	144,713	149,481	132,613
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	**11.1%**	10.6%	10.0%	9.4%	10.9%
6	Tier 1 ratio (%)	**12.7%**	12.2%	11.6%	11.0%	12.7%
7	Total capital ratio (%)	**15.8%**	15.3%	14.8%	14.0%	16.1%
	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%**	0.05%	0.05%	0.11%	0.46%
10	Bank G-SIB and/or D-SIB additional requirements (%)	**0.00%**	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%)	**2.54%**	2.55%	2.55%	2.61%	2.96%
12	CET1 available after meeting the bank's minimum capital requirements (%) [1]	**5.1%**	4.5%	4.4%	3.7%	5.4%
	Basel III Leverage Ratio [2]					
13	Total Basel III leverage ratio measure	**453,499**	437,135	427,658	431,340	397,050
14	Basel III leverage ratio (%)	**4.1%**	4.1%	3.9%	3.8%	4.2%
	Liquidity Coverage Ratio [3]					
15	Total HQLA	**30,864**	28,213	29,383	26,231	23,898
16	Total net cash outflow	**11,293**	12,548	10,537	9,833	9,308
17	LCR ratio (%)	**273%**	225%	279%	267%	257%

[1] CGML has adopted IFRS 9 and the full impact is therefore the reported own funds, capital and leverage ratios.
[2] Leverage ratio exposure is disclosed on a fully phased-in basis in accordance with the EU delegated act.
[3] The LCR Pillar 1 only and the daily average is calculated for CGML solo entity, as a consolidated LCR is not monitored on a daily basis (only monthly).

CGML's CET1 ratio increased to 11.1% as at 31 December 2020 (31 December 2019: 10.9%)

- An increase in CET1 capital of $1.9 billion following planned capital injections in the second half of 2020 totalling $2 billion;
- RWA increased $14.8 billion to $147 billion, primarily due to heightened market volatility and client led activity, whilst partial offset observed from second order impact of the planned capital injections and reduced affiliate exposure.

Risk Management and Governance

Risk Management Approach

CGML's objective is to take prudent risks in support of Citi's strategy to serve as a trusted partner to its clients, consistent with Citi's Mission and Value Proposition and commitment to Responsible Finance, and to ensure that the risks taken are within our risk appetite, are supported by sufficient capital and liquidity, and are identified, understood, quantified, mitigated and communicated, in line with CGML's Risk Capacity and Risk Appetite Framework.

Risk Capacity and Appetite Framework

Citi's Risk Appetite Policy establishes a holistic Risk Appetite Framework in order to clearly and consistently communicate the types and levels of risk the firm is willing to take within the context of the firm's articulated business strategy. The risk appetite framework established through the policy integrates many existing processes at Citi. Given the diversified nature of Citi's businesses, Citi's limit framework is business and product specific. Each business is required to develop a risk appetite framework specific to its business strategy, activities and products, and each risk taking or operating material legal entity (MLE), such as CGML, is required to develop a risk appetite framework that is specific to the business strategy, activities and products for the legal entity.

The CGML Risk Management Framework documents the risk management model and approach used to ensure robust management of the material risks facing the legal entity and includes CGML's Risk Capacity and Risk Appetite Framework.

CGML's Risk Capacity and Risk Appetite Framework sets a network of high level boundaries, set by the CGML Board, within which management has discretion to operate. The Risk Capacity and Risk Appetite Framework is aligned with CGML's strategy and sized in order to allow the entity to execute the strategy within prudential boundaries of risk-taking.

Approval for the CGML Risk Capacity and Risk Appetite Framework is refreshed annually, at a minimum. The CGML Risk Committee reviews and recommends the CGML Risk Capacity and Risk Appetite Framework to the CGML Board for approval. Any Board member, CGML CEO, EMEA CFO, UK CFO, EMEA CRO and UK CRO can request a refresh at any time for any reason, including for material changes in the risk profile or operating environment.

Quantitative Risk Appetite

CGML's Risk Capacity and Risk Appetite Framework consists of quantitative components and principle-based qualitative components accompanied by risk appetite statements and metrics.

Quantitative components consist of the following:

- CGML ensures that it maintains a sufficient capital excess above and beyond its Pillar 2A, CRD IV and PRA buffer requirements under business as usual conditions in order to accommodate volatility, on both a current and forward looking basis;
- CGML is also required to maintain a trading stress loss estimate below a certain level, as estimated using Citi's standard Global Systemic Stress Test (GSST) approach for any of the scenarios analysed; and
- Risk Capacity, utilisation of which is measured by internal risk capital, is a measure of how much risk the Board believes it is capable of taking based on internal measures of risk capital, rather than regulatory capital.

Risk Capacity is allocated to Market Risk, Credit Risk, Operational Risk and Pensions Risk, together with a Risk Capacity buffer. The utilisation of the allocation of Risk Capacity to risk types is measured by internal risk capital metrics. A Risk Capacity buffer is held to compensate for risk and business aspects not wholly captured in internal risk capital and to allow for volatility in the metric over time.

In assessing Risk Capacity, there are a number of factors that CGML management and the Board will consider at their discretion, including the maximum amount of risk considered appropriate given current capital levels, planned capital actions, the business environment, opportunities for growth and other factors, and the size of the Risk Capacity buffer. The allocations are based upon CGML management's and the Board of Directors' view. This is then augmented or reduced where it is decided that an increase or reduction in risk should be taken, to help drive the entity's strategy and provide a benchmark for risk and business decisions. These allocations are based largely on management judgment and incorporate known forward looking events and management's recognition that increases in one risk type can impact another, for example increased market risk could create increased counterparty credit risk, and that growth in any one area could cause increased operational risk.

The CGML Board of Directors holds management accountable for ensuring that CGML's risk profile remains within the components of the Risk Capacity and Risk Appetite Framework.

Qualitative Risk Appetite

The Board of CGML has adopted the Citigroup Risk Appetite Principles outlined below given their global applicability. Given CGML's critical role in implementing Citi's strategy, CGML must be aligned with Citigroup's Risk Appetite Principles, whilst ensuring that the local assurance mechanisms are in place in order to ensure compliance.

With respect to qualitative risk appetite, the activities that Citi engages in must be consistent with Citi's Mission and Value Proposition and key principles, including Citi's commitment to Responsible Finance.

Citi's Mission and Value Proposition is to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress and requires employees to ensure that their decisions pass three tests:

- Are in our clients' interests
- Create economic value; and
- Are always systemically responsible

Responsible Finance means conduct that is transparent, prudent and dependable, and delivers better outcomes for our clients and society. Citi engages in activities that involve uncertainty. The foundation of Citi's Risk Culture is taking intelligent risk with shared responsibility, without forsaking individual accountability.

- Taking intelligent risk means we must identify, measure and aggregate risks, and establish risk tolerances based on a full understanding of concentrations and "fat tail" risk. For risks that are difficult to quantify, we monitor metrics that are indicative of a safe and sound risk culture compared to thresholds and trends and rely on professional judgement following a defined framework of assessment
- Shared responsibility means we collectively bear responsibility to consider, seek input on and escalate concerns, and leverage knowledge across and within the 'three lines of defence' and
- Individual accountability means we must each adhere to policies and standards, actively manage risk, identify issues, escalate concerns and make fully informed decisions that take into account all risks to Citi.

Citi demonstrates a safe and sound risk culture, and assesses and manages risk, such as operational, compliance, strategic, reputational, conduct and legal risks, by:

- Setting an appropriate tone from the top, through Citi's Mission and Value Proposition, the principle of Responsible Finance and Citi's global, business and regional

communications strategy, which work together to establish the values expectations for the firm

- Setting appropriate standards, through Citi's Code of Conduct, Leadership Standards and global, business and local policies and procedures, which work together to set the behavioural and other conduct standards for employees of the firm
- Establishing a robust risk management and governance framework including risk policies, risk limits and metrics including early warning triggers where appropriate, concentrations and a defined protocol for reporting, escalating and resolving limit breaches and other risk management issues
- Requiring partnership, open dialogue, escalation and transparency among the three lines of defence, including input by the second line of defence in risk-taking decisions and representation by control functions on senior management committees
- Establishing comprehensive talent management processes, such as Citi's annual talent review process and key talent development programs
- Establishing comprehensive training programs, through risk, compliance and leadership training programs, such as the Chief Country Officer Risk training and Citi's Ethics and Leadership training
- Establishing processes for evaluating accountability, including through Citi's covered employee review process through which employees who are able to take material risks for the firm are independently reviewed by second line of defence control functions; and
- Establishing comprehensive performance management and compensation programs that measure and evaluate performance based on goals achieved balanced against the values, attitudes, competencies and behaviours, including risk behaviours used in achieving such goals; and making compensation and rewards decisions in line with the values and behavioural expectations of the firm

Material Risks

CGML's business falls within the Institutional Clients Group (ICG) segment of Citi's operations and is almost entirely wholesale in nature. CGML has a major international presence as a dealer, market maker and underwriter in equity and fixed income securities and offers risk-based solutions to producers, consumers and investors in commodity markets.

CGML also provides advisory services to a wide range of corporate, institutional and government clients. CGML's trading activities encompass cash, exchange traded and over-the-counter (OTC) derivatives markets. CGML does not originate securitisations or engage in leveraged finance transactions.

CGML's main counterparties, which are also key clients of Citi globally, are banks, investment firms, investment managers, insurers, hedge funds, public sector institutions and corporates.

CGML's material risks are market risk, credit risk, funding and liquidity risk, and operational risk. Operational risk includes a number of risk types, including conduct risk, fraud (including unauthorised trading) and technology risk (including cyber risk).

Risk Governance Structure

Risk management must be built on a foundation of ethical culture. Under Citi's Mission And Value Proposition, which was developed by Citi's senior leadership and distributed throughout the firm, Citi strives to serve as a trusted partner to its clients by responsibly providing financial services that enable growth and economic progress while earning and maintaining the public's trust by constantly adhering to the highest ethical standards.

Additionally, Citi evaluates employees' performance against a series of behavioural expectations set out in Citi's leadership standards, which were designed in part to effectuate Citi's Mission and Value Proposition.

Other culture-related efforts in connection with conduct risk, ethics and leadership, escalation and treating customers fairly, also help Citi to execute its Mission and Value Proposition.
Whilst the management of risk is the collective responsibility of all employees, Citi assigns accountability into the following three lines of defence:

- **First line of defence:** The business owns all of its risks, and is responsible for the management of those risks
- **Second line of defence:** Citi's independent Risk and Compliance functions establish and monitor standards for the management of risks and effectiveness of controls; and
- **Third line of defence**: Citi's Internal Audit function independently provides assurance, based on a risk-based audit plan that processes are reliable and that governance and controls are effective

Risk Management Model and Policies

CGML utilises Citi's over-arching Risk Management model and organisation, with its multi-dimensional risk oversight, people, policies, processes and systems in order to ensure robust oversight of entity risks. An explanation of Citi's overall approach to managing risk can be found in the "Managing Global Risk" section in Citi's 31 December 2020 Form 10-K, available on the Citigroup website.

In addition, CGML has developed entity-specific Risk Management and controls to ensure that there is local challenge to risk-taking and that Citi's approach is appropriate for CGML, as documented in the CGML Risk Management Framework.

CGML applies Citi's global Risk Management Framework, tailored as appropriate for the entity, based on the following principles established by the Chief Risk Officer

- A defined risk appetite, aligned with business strategy
- Accountability through a common framework to manage risks
- Risk decisions based on transparent, accurate and rigorous analytics
- A common risk capital model to evaluate risks
- Expertise, stature, authority and independence of risk managers; and
- Risk managers empowered to make decisions and escalate issues.

The (Citi-level) Citi Mark-to-Market Policy is the primary policy governing the approach to the setting of limits, triggers and the monitoring of market risk taken on CGML.

The (ICG-level) ICG Risk Manual is the primary ICG-level policy governing the approach to the taking of credit risk on CGML.

The (Citi-level) Operational Risk Management (ORM) Policy establishes a consistent Operational Risk Management Framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment across Citi. That framework is applied at the CGML level, together with the Key Operational Risks (KORs) that have been identified as being specifically relevant for CGML (described further in the Operational Risk Management Section) as part of the CGML Operational Risk Management Framework.

The (Citi-level) Liquidity Risk Management Policy addresses the key liquidity risks that Citi faces as a firm, which requires CGML to define its liquidity risk appetite and operate a limit and trigger structure in order to ensure compliance.

Risk Management Responsibilities

Citi manages risk across four dimensions: businesses, regions, products and legal entities. The Company's Risk Management Framework aims to recognise the range of the Company's global business activities by combining corporate oversight with independent risk management functions within each business.
CGML utilises Citi's overarching risk management model and organisation, with its multi-dimensional risk oversight, people, processes and systems in order to ensure robust oversight of entity risks. In addition, CGML has developed entity specific risk management and controls to ensure that there is local challenge to risk taking and to ensure that Citi's approach is appropriate for CGML and are detailed in CGML's Risk Management Framework. The EMEA Chief Risk Officer (CRO) is the Senior Manager for Risk and together with the UK CRO and other Risk Senior Manager delegates are responsible for the independent review and challenge of the risks facing CGML, including market risk, counterparty credit risk, credit risk, operational risk and liquidity risk. With respect to Compliance Risk, CGML has a dedicated Compliance Officer with direct access to the Board and Board Risk and Audit Committee members. The CGML Compliance Officer also has a matrix reporting line to the EMEA Chief Compliance Officer who is the Senior Manager for Compliance. The UK CRO is responsible for the day to day management of risk on CGML, including execution of the various risk management responsibilities as detailed in the Risk Management Framework.

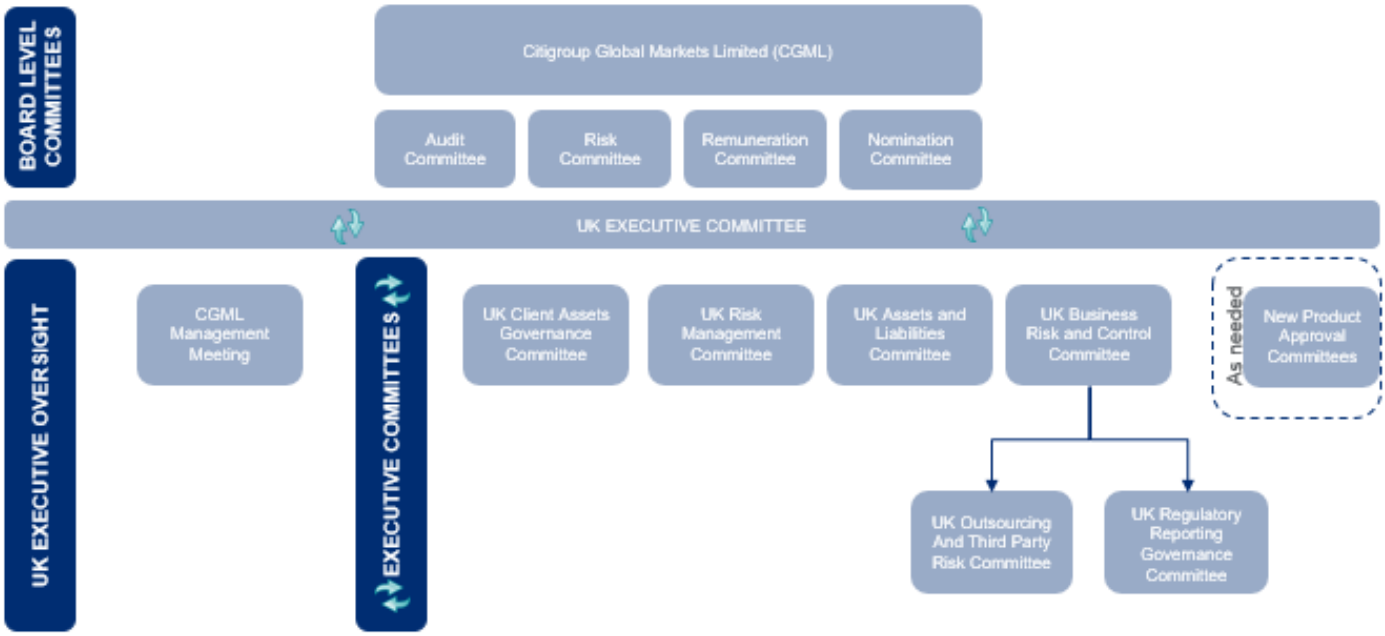
CGML has through its Risk Management Framework and escalation guidelines developed protocols and processes for prompt and consistent escalation of matters or issues across both financial and non-financial risk types. The early recognition, escalation and resolution of issues or concerns is key to mitigate risks and is critical to CGML's business model. Timely escalation enables the Senior Managers to make informed assessment on the legal entity impact, underlying root causes and required corrective actions. In addition to the timely escalation protocols and process, CGML also has an integrated Committee Structure for Risk that comprises of both business and management expertise in their membership to provide oversight of the management and escalation of risks to both the CGML Board and the Citi Risk Committee.

Governance Forums and Committees

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

Committees of the Board include the CGML Risk Committee, the CGML Audit Committee, the CGML Remuneration Committee, which functions as a committee of the Board regarding the remuneration of the Company's employees and material risk takers, and the Nomination Committee, which functions as a committee of the Board to review and issue recommendations for nominations for the appointment of directors of the company.

There are a number of governance and control committees that escalate issues to the CGML Board, CGML Audit Committee or CGML Risk Committee. Members of CGML management sit on all of these committees. The chart below highlights the main components of CGML's governance structure, within Citi's regional and UK management and governance framework during 2020.



CGML Risk Committee

The CGML Risk Committee is a standing committee of the Board of Directors and operates within its charter approved by the Board.

The purpose of the Committee is to assist the Board in fulfilling its responsibility with respect to:

- CGML's credit, market, liquidity, operational, compliance, reputation, strategic and emerging risk
- Aligning CGML's risks with the strategy, capital adequacy and the macroeconomic environment
- Developing a strategy to manage these risks
- Overseeing management and their responsibility for executing CGML's Risk Management, Treasury and M&A policies
- Overseeing compliance with CGML's risk management framework including CGML Board approved policies and practices adopted by CGML for the management of its risks
- Evaluating whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings

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

- The Committee shall comprise at least three Non-Executive members of the Board, the majority of which shall be Independent Non-Executive Directors
- Each member shall meet the independence, experience and expertise requirements of the FCA and PRA and have sufficient time to discharge the responsibilities of the Committee
- The members of the Committee and the Committee Chair shall be appointed by, and may be removed by, the Board of CGML
- Committee membership and the position of Committee Chair shall be reviewed on a periodic basis and be updated as required
- The EMEA CRO, the UK CRO, the EMEA CFO and the EMEA Chief Legal Officer shall be permanent attendees at meetings of the Committee. Other Non-Executive members of the Board of CGML have the right to attend meetings of the Committee. Other non-members or other representatives of the Risk function, Compliance and Internal and External Audit, may be invited to attend all or part of any meeting as and when appropriate and necessary

The CGML Risk Committee meets at a minimum quarterly. During 2020 it held six meetings.

The Directors of CGML 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 CGML CEO or UK 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 CGML Risk Committee.

CGML Audit Committee

The Audit Committee is a standing committee of the Board of Directors and is governed by its charter as approved by the Board. The effectiveness of CGML's internal control system is reviewed regularly by the Directors and the CGML Audit Committee, which receives reports of assessments undertaken by the Internal Audit function. Certain aspects of the internal control system are also subject to regulatory supervision, the results of which are monitored closely by the directors and senior management.

Citi has an established Managers Control Assessment (MCA) programme to help managers self-assess key operational risks and controls and to identify and address weaknesses in the design and effectiveness of internal controls that mitigate significant operational risks.

The CGML Audit Committee and Directors are also responsible for monitoring the preparation of CGML's financial statements and for reviewing and assessing the independence of the statutory auditor, in particular in the provision by the auditor of additional services to CGML.

CGML Remuneration Committee

The Remuneration Committee is a standing committee of the Board of Directors and is governed by its charter as approved by the Board. In fulfilling its role the Committee shall have regard to the responsibilities of a remuneration committee under the PRA and FCA Remuneration Codes and will take into account, where applicable, relevant guidance and the long-term interests of shareholders, investors and other stakeholders in CGML.

CGML Nomination Committee

The CGML Nomination Committee is a standing committee of the Board of Directors and is governed by its charter as approved by the Board. The purpose of the CGML Nomination Committee is to review succession planning, skillset of the Board of Directors and the executive. The Nomination Committee makes recommendations for nominations for the appointment of Directors to the Board of CGML taking into account the Companies Act 2006, UK regulatory requirements and any applicable internal regulations of CGML.

The Nomination Committee is independent and is only subject to applicable laws and regulations as well as its own charter.

New Products and Services

The New Product Approval Committee (NPAC) is designed to ensure that significant risks, including reputation and franchise risks, in a new ICG product, service or complex transaction are identified and evaluated, determined to be appropriate, properly recorded for risk aggregation purposes, effectively controlled and have accountabilities in place. Investment Products Risk (IPR) manages the potential significant franchise, operational, regulatory and economic risks related to the manufacture and distribution of investment products purchased by Retail Investors, via global or regional Distribution Product Approval Committees (DPAC).

Risk Management Infrastructure

CGML senior management consider the Risk Management infrastructure as described in this document as being adequate to capture and measure the risks taken as a result of the entity's business profile and strategy.

Credit Risk Management

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 is one of the most significant risks that Citi faces as an institution. As a result, Citi has a well-established framework in place for managing credit risk across all businesses. This includes a defined risk appetite, credit limits and credit policies. Citi's credit risk management also includes processes and policies with respect to problem recognition, including "Watchlists," portfolio review, updated risk ratings and classification triggers. The framework is supplemented by regular stress testing and monitoring of exposures, with monthly and quarterly reporting to senior management and the Board of Directors respectively.

When analysing credit risk, CGML Risk Management manage and monitor the risk from a number of perspectives including obligor and facility ratings, classifications, concentration, stress testing and any associated cost of credit.

Credit risk arises in many of CGML's businesses and as a result of activities including:

- Securities transactions
- Derivatives
- Securities Financing Transactions
- When CGML acts as an intermediary on behalf of its clients and other third parties; and
- When acting as underwriter (not on a best-efforts basis) or within a capital raising capacity.

CGML's counterparty credit risk largely arises from its Securities Financing Transaction (SFT) and Over the Counter (OTC) derivative counterparties. It will also arise from clearing and settlement exposure. As CGML's counterparty credit risk is substantially margined or secured, with the exception of short-term FX transactions, some Commodities business or certain trades approved on a case-by-case basis, CGML only hedges a limited amount of its counterparty exposure.

An explanation of Citi's approach to managing credit risk can be found in "Managing Global Risk – Credit Risk" in Citi's 31 December 2020 Form 10-K, available on the Citigroup website.

Corporate Credit Risk

For corporate clients and investment banking activities across the organisation, the credit process is grounded in a series of fundamental policies, including:

- Joint business and independent Risk Management responsibility for managing credit risks
- A single centre of control for each credit relationship, which coordinates credit activities with each client
- Portfolio limits to ensure diversification and in order to maintain risk/capital alignment
- A minimum of two authorised credit officer signatures required on most extensions of credit, one of which must be from a credit officer in Credit Risk Management
- Risk rating standards, applicable to every obligor and facility; and
- Consistent standards for credit origination documentation and remedial management

Wholesale exposures are classifiably-managed (individually rated) and primarily arise as a result of activity in ICG businesses (including Citi Private Bank), as well as Corporate Treasury. Typical financial reporting categories that include wholesale exposures are deposits with banks, debt securities, loans and off-balance sheet commitments such as unused commitments to lend or to extend letters of credit.

Wholesale exposures, which include counterparty credit risk exposures arising from OTC derivative contracts, repo-style transactions and eligible margin loans, consist of exposures such as those to corporates, banks, securities firms, financial institutions central governments, government agencies, local governments, other public sector entities, income producing real estate, high volatility commercial real estate, high net worth individuals not eligible for retail treatment, and other obligor or counterparty types not included in retail.

Credit risk principles, policies and procedures typically require:

- A comprehensive analysis of the proposed credit exposure or transaction
- Review of external agency ratings (where appropriate); and
- Financial and corporate due diligence, including support, management profile and qualitative factors

The responsible credit officer completes a review of the financial condition of the counterparty to determine the client's business needs and compare that to the risk that Citi might be asked to extend. During consideration of a credit extension, the credit officer will assess ways to mitigate the risk through legal documentation, parental support or collateral.

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

Credit risk analysts conduct daily exception monitoring versus limits and any resulting issues are escalated to credit officers, and to business management as necessary.

Internal Obligor Risk Ratings

Risk Parameter Estimates

Citi's wholesale exposures primarily relate to activities in the ICG. Citi's ICG businesses that incur credit, market, operational and franchise risk are covered by an ICG Risk Management manual (ICG Risk Manual) which sets forth the ICG's core risk principles, policy framework, limits, definitions, rules and standards for identifying, measuring, approving and reporting risk.
Obligors are assigned a risk rating and total facilities are approved and extended to an obligor by following processes in accordance with the ICG Risk Manual.

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

The ORRs are used for longer-term credit assessments for large credit relationships, which form the basis for obligor limits and approval levels. ORRs are established through an integrated framework that combines quantitative and qualitative tools, calibrated and tested across economic cycles, with risk manager expertise of customers, markets and industries. ORRs are generally expected to change in line with material changes in the PD of the obligor. Rating categories are defined consistently across wholesale credit by ranges of PDs and are used to calibrate and objectively test rating models and the final ratings assigned to individual obligors.

Independently validated models and, in limited cases, external agency ratings establish the starting point in the obligor rating process. The use of external agency ratings in establishing an internal rating occurs when agency ratings have been reviewed against internal rating performance and definitions, and is generally limited to ratings of BBB+/Baa1 or higher.

Internal rating models include statistically derived models and expert judgement rating models. The statistical models are developed by an independent analytical team in conjunction with independent Risk Management. The analytical team resides in Credit and Operational Risk Analytics (CORA), which is part of the corporate-level independent risk group. The statistical rating models cover Citi's corporate segment and certain other activities are based on statistically significant financial variables. Expert judgement rating models, developed by independent Risk Management, cover industry or obligor segments where there are limited defaults or data histories, or highly specialised or heterogeneous populations.

To the extent that Risk Management believes the applicable model does not capture all the relevant factors affecting the credit risk of an obligor, discretionary adjustments may be applied to derive the final ORR, within limits defined by policy. For larger obligors, the final ORRs are derived through the use of a scorecard that is designed to capture the key risks for the segment.

The ICG Risk Manual requires an annual comprehensive analysis of each obligor and all proposed credit exposures to that obligor and independent Risk Management periodically reviews exposures across the banking book and trading book portfolios to ensure compliance with various limit and concentration criteria. Quarterly reviews are also conducted of certain high risk exposures.

For UK regulatory capital purposes, CGML does not have an Internal Ratings Based model permission from the PRA.

Credit Risk Measurement

Methodology Used to Assign Credit Risk Limits

The process for approving a counterparty's credit risk exposure limit is guided by

- Core credit policies;
- Procedures and standards;
- Experience and judgement of credit risk professionals; and
- The amount of exposure at risk

The process applies to all counterparty credit risk products – OTC derivative contracts, repo-style transactions and eligible margin loans. The process includes the determination of maximum potential exposure after recognition of netting agreements and collateral as appropriate.

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, are also taken into consideration for obligor limits and approval levels.

Exposure to credit risk on derivatives is also impacted by market volatility, which may impair the ability of clients to satisfy their obligations to Citi. 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.

Citi credit limits have several parameters, including a value, the type of risk and the type of product or products that the limit covers. The risk type is the same as in the institution's risk measurement model.

Counterparty Credit Risk Exposures

Counterparty credit risk is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. For OTC derivatives, counterparty credit risk arises from pre-settlement exposures (PSE). For regulatory capital purposes, CGML calculates its exposures under two methods:

- The Internal Models Method (IMM); and
- The Current Exposure Method (CEM).

CGML's Exchange Traded Derivatives (ETDs) are calculated under CEM.

Two conditions are required for Citi to recognise a loss on a contract: firstly the counterparty defaults and, secondly, the contract has a positive market value to the firm. Consequently, risk measurement is a function of three elements:

- Potential Future Exposure (PFE); – reflects expected counterparty credit exposure over a specified period of time calculated at some level of confidence
- Probability of Default (PD); – the probability of default of a counterparty over a one year period; and
- Loss Given Default (LGD) the ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default

For SFTs, counterparty credit risk arises from the 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. For regulatory capital purposes, CGML calculates its exposures under the Financial Collateral Comprehensive Method (FCCM). Repo-style transactions consist of repurchase or reverse repurchase transactions and securities borrowing or securities lending transactions, including transactions in which Citi acts as agent for a customer and indemnifies the customer against loss, and are based on securities taken or given as collateral, which are marked-to-market, generally daily. Eligible margin loans are extensions of credit collateralised by liquid and readily marketable debt or equity securities, or gold, which satisfy certain conditions. Credit risk is calculated at least daily (overnight) and at times selectively refreshed intraday to be compared to counterparty limits. When the risk is below the limit, the difference is available at the start of the next day to accept incremental business and risk. When risk has exceeded the limit it is reported to the credit officer for the client whose limit is exceeded and to the senior credit officer in charge of the portfolio of clients to which that client belongs.

Credit exposure is generally expressed as the current mark-to-market, net of margin, reflecting the net value owed to Citi by a given counterparty, plus the potential future exposure calculated using Monte Carlo simulation which estimates the amount that a counterparty may owe over the life of a transaction (or a portfolio of transactions) calculated to a 97.7% degree of statistical confidence for modelled exposure, or via Credit Exposure Factors (CEFs) applied to the notional based on product type and tenor.
The risk associated with these credit exposures is a function of the creditworthiness of the obligor, as well as the terms and conditions of the specific obligation. Citi assesses the risk associated with its credit exposures on a regular basis through its loan loss reserve process, as well as through regular stress testing at the company, business, geography and product levels. In addition, Citi also recognise CVA in the valuation of its OTC derivatives. These stress testing processes typically estimate potential incremental credit costs that would occur as a result of either downgrades in the credit quality or defaults of the obligors or counterparties.

The process of ensuring that all facilities are properly captured and approved is audited on a regular basis by Fundamental Credit Review (FCR). FCR is an independent credit review function that assesses the effectiveness of credit risk management and the ability to identify, monitor and mitigate current and emerging credit risks across the firm. Citi uses a global risk reporting system to manage credit exposure to its wholesale obligors and counterparties.

Internal Economic Capital

Corporate exposure is included in the firm's economic capital model by aggregating this with other direct and indirect exposures and calculating economic capital based on the perceived credit quality of the obligor.

Risk Concentrations

Concentration risk is the risk associated with having exposure concentrated on a specific client, industry, region or group of obligors that are sensitive to the same economic, financial or business developments. CGML Risk Management analyses risk concentrations on a monthly basis.

To manage concentration of risk within credit risk, Citi has in place a concentration management framework consisting of industry limits, obligor limits and single-name triggers. Independent Risk Management reviews concentration of risk across Citi's regions and businesses to assist in managing this type of risk.

Relationship Group

The total facilities amount (TFA) is set by relationship group which is typically the parent company and all its subsidiaries. This aggregation is critical to ensure that credit risk can be managed holistically. Credit lines are established between one client legal entity and one Citi legal entity. The CGML Risk Management Framework, sets a level of TFA for the aggregate CGML credit lines above which higher level approval is required. This takes into account the size of CGML relative to Citigroup as a whole, but also recognises the largely collateralised nature of the business carried out on CGML. Where the aggregate amount of facilities made available to the relationship by CGML is in excess of the limits or thresholds, further approval of those aggregate facilities (not the full relationship TFA) must be granted by a Risk SCO who is also a UK Material Risk Taker (MRT).

Industry Type

In addition, a set of limits or thresholds have been put in place for CGML to monitor its exposure to industries and to countries. The industry limits are expressed as percentages of the aggregate PSE accounted for by different industry types, e.g. public sector entities, banks, hedge funds. The exposures to these industries are measured monthly and any exceptions are escalated to the CGML Risk Manager for notification to the CGML Risk Committee. The purpose of industry limits on CGML is to serve as an early warning device to alert management to changes in the sectoral composition of the entire CGML counterparty portfolio.

Country

CGML's clients are located around the world and are embedded in Citi's global franchise. The purpose of reviewing the country concentrations is to highlight where CGML may have exposures to clients in very low rated countries.

Global Country Risk Management (GCRM) operates a 'Watchlist' system with gradings indicating the riskiness of that country. These gradings align closely with ratings attributed to the countries where Citi does business.

All of the non-Green countries are assigned a limit on aggregate exposure and the current outstanding (measured on a monthly basis).

The country limit or threshold applicable to any specific country is a percentage of CGML's aggregate PSE exposure as determined by the country's Watchlist grading. CGML's exposure to a country, as measured by the aggregate exposure to counterparties domiciled in that country, is tested against these limits on a monthly basis and any exception is notified to the CGML Risk Manager for notification to the CGML Risk Committee. It should be noted that these limits act as triggers for escalation and review, not as absolute ceilings.

Shadow Banking Entities

The EBA defines Shadow Banking Entities as entities that

- Carry out credit intermediation activities, defined as bank-like activities involving maturity transformation, liquidity transformation, leverage, credit risk transfer or similar activities; and

- Are neither within the scope of prudential consolidation nor subject to solo prudential requirements under specified EU legislation (or equivalent third country legal frameworks). Entities referred to in Article 2(5) and Article 9(2) of Directive 2013/36/EU, as well as other entities as defined in the EBA Guidelines, EBA/GL/2015/20 ('excluded undertakings'), are not to be regarded as shadow banking entities

CGML has set an internal limit on the aggregate Exposures At Default (EAD) to Shadow Banking Entities at a defined proportion of eligible capital. In the event that the limit is breached, CGML's approach is for the UK CRO to report the breach to the CGML Risk Committee, together with an explanation for the breach and either a plan to reduce exposure back within the limit, or a justification as to why it is appropriate to risk-accept the exposure level.

The framework for the management of Shadow Banking exposure also requires that limits are set at the individual counterparty level. The approach for any counterparty identified as a Shadow Banking Entity is two-fold.

- Firstly, it will have been subject to the normal credit review and credit risk limit setting processes as set out under the ICG Risk Manual. The credit risk limits provided to the entity will have been set taking into account its characteristics, including the nature of its trading activities. These credit risk limits are set using the methodologies commensurate with CGML's IMM permissions using PFE metrics, (PSE, Pre-Settlement Exposure) and not EAD, and are monitored under normal ICG procedures.
- Additionally, there is an EAD threshold expressed as a percentage of eligible capital for intercompany and for third-party exposures, applicable to all the counterparties identified as Shadow Banking Entities. As with an aggregate limit breach, any counterparty breaching this limit will be subject to a review which: (i) investigates the nature of the trades which have given rise to the exposure; (ii) further reviews the nature of the counterparty to determine how the entity will come back within the EAD limit and whether risk mitigation is required; or (iii) provides a justification as to why it is appropriate to risk-accept the exposure level.

The limit has been set at a level which is sufficiently low to be protective to CGML's capital base, but not so low as to result in a number of entities being caught under their normal trading pattern.

Collateral Management

Collateral management refers to all systems, methods, processes, controls, data collection and Operations and Technology systems that are used to take, manage, value, maintain and realise collateral held for mitigation purposes.

The primary objectives of collateral management at Citi are:

- Risk mitigation;
- Operational efficiency in the use of collateral;
- Robust documentation on such collateral;
- A collateral structure that optimises its use;
- Efficiency and accuracy of reporting;
- Liquidity management;
- Capital allocation; and
- Market competitiveness.

Collateral reports are prepared monthly for SFT and OTC exposures and are reviewed by the UK CRO, in particular for changes in the profile or composition of collateral, concentrations and unusual or concerning securities.

CGML undertakes almost exclusively margined business with its counterparties. Netting is generally permitted for both SFTs and OTC derivatives.

The majority of the collateral taken by CGML against OTC derivatives and SFT exposures is in the form of cash or G10 sovereign bonds. Margin requirement for non-centrally cleared derivatives (MRNCCD) is the recent regulation that establishes initial margin (IM) and variation margin (VM) requirements for non-centrally cleared derivatives entered into after the effective date of the regulation. The rules require two-way IM posting and daily VM exchange for certain types of counterparty and for certain products defined as in scope.

Collateral considered eligible includes

- IM: cash, sovereign debt, government-sponsored debt, investment grade debt including corporate bonds, equities, gold, and shares of certain funds with appropriate haircuts
- VM: cash for trades between swap dealers; same types of collateral as IM for trades between swap dealers and financial end users

Occasionally, with appropriate agreement, other forms of collateral may be accepted.

CGML has established a Collateral Risk Governance Committee (CRGC) to support CGML's ability to appropriately manage risks associated with collateral positions for all businesses relevant to CGML.

The CRGC is mandated with assessing the adequacy of risk measurement approaches for both regulatory capital and internal risk management purposes, monitoring and mitigating risks that may arise from CGML collateral positions, and ensuring there is appropriate oversight of and accountability for management of risk associated with collateral positions.

Wrong Way Risk

CGML incurs both general and specific Wrong Way Risk (WWR) in its business. Wrong-way risk arises when there is a strong correlation between the counterparty's probability of default and the mark-to-market value of the underlying transaction. Stated differently, WWR occurs when exposure to a counterparty is negatively correlated with the credit quality of the counterparty.

There are two main types of WWR

- Specific WWR (SWWR) arises when the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty where there is close relationship between the counterparty and the underlying exposure; and
- General WWR (GWWR) 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. General Wrong-Way risk' arises when the likelihood of default by counterparties is positively correlated with general market risk factors.

WWR in a trading exposure arises when there is significant correlation between the underlying exposure and the probability of default of the counterparty which, in the event of default, could lead to a significant mark-to-market loss. The interdependence between the counterparty credit exposure and underlying reference asset or collateral for each transaction can exacerbate and magnify the speed at which a portfolio deteriorates. Thus, the goal of Citi's WWR policy (part of the ICG Risk Manual) is to provide best practices and guidelines for the identification, approval, reporting and mitigation of specific and general WWR.

WWR is monitored at a Company level. A monthly report is circulated that identifies OTC or SFT transactions that generate SWWR and SFT transactions executed with banks and CDS-based transactions which

generate GWWR. WWR is mitigated through the use of enforceable netting agreements, margining and offsetting or terminating transactions.

CGML has established SFT WWR limits on bank counterparties from a number of countries that pledge collateral from the same country of risk. The utilisation against limits is monitored and reported on a weekly basis.

CGML has developed a GWWR capital framework for its SFT portfolio which identifies trades that generate GWWR and, where relevant, determines a GWWR Pillar 2A add on. The framework applies a logic-based approach to determine correlations between the counterparty and issuer of the collateral, followed by market risk stress tests to determine a GWWR expected loss. Additionally, CGML has established a GWWR Review Council to identify, monitor and control CGML's exposure to GWWR. The Council membership comprises relevant subject matter experts from both the first and second line of defence.

Credit Rating Downgrade

Adequate liquidity and sources of funding are essential to Citi's businesses. Funding and liquidity risks arise from multiple factors, including a loss of liquidity from derivative transactions due to legally agreed conditions such as rating downgrade triggers.

Downgrade triggers can create a requirement for CGML to reserve additional liquidity in the event of rating agencies' downgrades of CGML. This can be present in both unsecured and secured derivative agreements. A typical downgrade trigger in unsecured agreements would require CGML to post variation margin on outstanding contract payable amounts, or in secured agreements, downgrade triggers may require CGML to post additional initial margin or segregate margin received.

CGML includes the potential impact of a credit rating downgrade in its stress testing and scenario models to quantify the effect on its liquidity position.

As at 31 December 2020, the potential value of the additional collateral pertaining to downgrade thresholds that CGML would need to post with counterparties in the event of a one-notch downgrade of its rating was $0.09 billion and a three-notch downgrade was an incremental $0.23 billion.

CGML carries out two internal liquidity stress tests on a daily basis.

- S2 – Highly Stressed Market Disruption Scenario: In S2 scenario CGML is assumed to be downgraded one notch from current levels; and
- Resolution Liquidity Adequacy Positioning (RLAP) ratio: The RLAP scenario assumes a three-notch downgrade of long-term ratings and a one-notch downgrade of short-term ratings of CGML.

In addition to the stress test scenarios, CGML has a robust monitoring and reporting framework to capture the potential liquidity impact of derivative downgrade triggers.

Credit and Funding Valuation Adjustments

Credit valuation adjustments (CVA) and funding valuation adjustments (FVA) are applied to the relevant population of over-the-counter (OTC) derivative instruments where adjustments to reflect counterparty credit risk, own credit risk and term funding risk are required to estimate fair value. This principally includes derivatives with a base valuation (e.g., discounted using overnight indexed swap (OIS)) requiring adjustment for these effects, such as uncollateralized interest rate swaps. The CVA represents a portfolio-level adjustment to reflect the risk premium associated with the counterparty's (assets) or Citi's (liabilities) non-performance risk. The FVA represents a market funding risk premium inherent in the uncollateralized portion of a derivative portfolio and in certain collateralized derivative portfolios that do not include standard credit support annexes (CSAs), such as where the CSA does not permit the reuse of collateral received. Citi's FVA methodology leverages the existing CVA methodology to estimate a funding exposure profile. The calculation of this exposure profile considers collateral agreements in which the terms do not permit the Company to reuse the collateral received, including where counterparties post collateral to third-party custodians.

Citi's CVA and FVA methodology consists of two steps:

- First, the exposure profile for each counterparty is determined using the terms of all individual derivative positions and a Monte Carlo simulation or other quantitative analysis to generate a series of expected cash flows at future points in time. The calculation of this exposure profile considers the effect of credit risk mitigants and sources of funding, including pledged cash or other collateral and any legal right of offset that exists through arrangements such as netting agreements. Individual derivative contracts that are subject to an enforceable master netting agreement with a counterparty are aggregated as a netting set for this purpose, since it is those aggregate net cash flows that are subject to non-performance risk. This process identifies specific, point-in-time future cash flows that are subject to non-performance risk and unsecured funding, rather than using the current recognised net asset or liability as a basis to measure the CVA and FVA.
- Second, for CVA, market-based views of default probabilities derived from observed credit spreads in the credit default swap (CDS) market are applied to the expected future cash flows determined in step one. Citi's own-credit CVA is determined using Citi-specific CDS spreads for the relevant tenor. Generally, counterparty CVA is determined using CDS spread indices for each credit rating and tenor. For certain identified netting sets where individual analysis is practicable (e.g., exposures to counterparties with liquid CDSs), counterparty-specific CDS spreads are used. For FVA, a term structure of future liquidity spreads is applied to the expected future funding requirement.

The CVA and FVA are designed to incorporate a market view of the credit and funding risk, respectively, inherent in the derivative portfolio. However, most unsecured derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually or, if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Thus, the CVA and FVA may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of these adjustments may be reversed or otherwise adjusted in future periods in the event of changes in the credit or funding risk associated with the derivative instruments.

Market Risk Management

The risks associated with financial instruments are a significant component of the overall risk faced by CGML through its activity as a broker-dealer. Market risk is the risk to earnings or capital from adverse changes in market factors. Price risk losses arise from fluctuations in the market value of trading and non-trading positions resulting from changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and in their implied volatilities. Foreign exchange risk is managed as part of the market risk framework. Trading positions are marked to market, with the results reflected in earnings.
CGML's derivative transactions are principally in the interest rate, FX, equity, credit and commodity markets. CGML maintains positions in financial instruments for four principal reasons

- As a result of the sale or assignment of derivative positions to its clients (usually in the over-the-counter market)
- To satisfy its clients' requirements to buy or sell investments
- As a result of underwriting activities; and
- To economically hedge positions on its books created by the business activity noted above.

Market Risk Limit Framework

Under the Citi Mark-to-Market Policy, each business is required to establish, with approval from the Independent Market Risk Management function, a market risk limit framework for identified risk factors. This framework must clearly define approved risk profiles, include Permitted Product Lists (PPLs), follow the new product approval process for complex products (NPAC) and remain within the parameters of Citi's overall risk appetite, with the established limits monitored by Market Risk Management.

Responsibility for hedging or otherwise mitigating market risk lies in the first instance with the business originating the risk and the management of this process begins with the employees who work most closely with CGML's customers, products and markets and extends up to the senior executives who manage these businesses with a complementary aggregation up to the country level. Risks taken must be commensurate with the risk appetite of the firm as set by senior management. The Market Risk Management function independently monitors market risks via a comprehensive system of limits and triggers.

For traded product price risk, all traded risk exposures are aggregated in the CitiRisk Market Risk (CRMR) system daily. CRMR is used as the primary system to calculate aggregated market risk measures, including the firm's Value at Risk. Price risk in Citi's trading portfolios is monitored using a series of measures, including but not limited to:

- Risk factor sensitivities
- Value at Risk (VaR)
- Stressed VaR
- Volatility and correlation
- Weekly stress testing

For CGML, Market Risk Appetite is captured in CGML's Risk Capacity and Appetite Framework which sets the level of risk taking the CGML Risk Committee and Board are willing to take. Price risks are measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk. Citi's market risk limit framework consists of Tier 0/1 limits, Tier 2 limits and Tier 3 management triggers. Tier 0/1 limits are generally the most significant limits for Citi overall, and include limits on trading exposures in certain larger countries. Tier 2 limits are generally set at a product group level or in some cases at a desk, regional or legal entity level (as is the case for CGML). Tier 3 management triggers are desk-level triggers on non-material risk factors. For CGML, Tier 3 management triggers are set at the business level.

For CGML, the Framework is supplemented by daily monitoring against CGML's VaR, Tier 2 market risk factor limits and Tier 3 market risk factor management triggers and regular (weekly) stress testing, as well as monthly and quarterly reporting to CGML's senior management and the Board respectively.

Permitted Product Lists (PPLs) and Trading Mandates

All Citi Markets businesses, and all Citi businesses undertaking activity which gives rise to mark-to-market (MTM) exposure and/or are considered in-scope of the Volcker Rule, must have one or more PPLs to cover all of their activity and have a Trading Mandate. The PPL defines the products that the business is permitted to trade, as well as any restrictions on the trading or booking of each product that have been imposed by the control function covering the business. As part of this process, a CGML PPL is maintained. The Trading Mandate forms part of the documentation required to define how the desk's activity is permissible under the Volcker rule. The Trading Mandate summarises the trading and hedging strategies of the business and cross-refers to the PPL.

Market Risk Management, in consultation with the Business Sponsor, is responsible for approving the Trading Mandate and PPL for each trading desk, establishing the Tier 0/1 and Tier 2 Limit framework, and validating the Volcker Tier 3 Limit framework proposed by the business. PPL additions require the approval of various other control functions also, including the UK CRO Office.

Market Risk Measurement

Value at Risk (VaR), Risk Factor Sensitivity Limits and Stress Loss Limit

CGML's VaR reports are circulated daily for monitoring of: (i) the VaR usage against the overall VaR limit and (ii) the component VaR (CVaR) contribution to total VaR.

As well as an overall VaR limit, the Company has factor sensitivity limits in place for a number of market risk factors that are monitored daily. Factor sensitivities are defined as the change in the value of a position for a defined change in a market risk factor (e.g. the change in the value of a Treasury bill for a one basis point change in interest rates). It is the responsibility of each business to ensure that factor sensitivities are calculated and reported for all relevant risks taken within a trading portfolio.

VaR estimates the potential decline in the value of a position or a portfolio under normal market conditions. CGML's VaR methodology incorporates the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors and is expressed as the risk to the firm over a one-day holding period, at a 99% confidence level. Citigroup's VaR is based on the volatilities of and correlations between a multitude of market risk factors, as well as factors that track the specific issuer risk in debt and equity securities. CGML's VaR model is described in more detail in Section 10.
Stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements. It is performed on both individual trading portfolios, as well as on aggregations of portfolios and businesses. Independent Market Risk Management reviews the output of periodic stress testing exercises and uses the information to make judgements as to the ongoing appropriateness of exposure levels. Ad hoc stress scenarios may be developed by Independent Market Risk Management in conjunction with the business to help manage the entity with respect to upcoming events.

Exposure that exceeds limit or trigger levels is escalated within Market Risk Management and to CGML's Market Risk Manager and the UK CRO, with necessary actions taken.
In relation to Equities, an ex-ante stress loss based escalation framework is in place to cover all block trades, accelerated equity offerings, equity underwritings, rights offerings and special situation (event-driven) transactions. Transactions with estimated stress losses above certain levels require escalation to the UK CRO, the CGML Chief Executive Officer and to the Board.

Liquidity Risk Management

CGML defines liquidity risk as the risk that it 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 its financial condition.

CGML's liquidity risk appetite is set by CGML's Liquidity Risk Management Framework. The Framework adopts and adheres to Citigroup's global Liquidity Risk Management Policy (Policy). Under the Policy, CGML is defined as an operating Material Legal Entity (MLE).

As a MLE, CGML is required to maintain sufficient liquidity to meet all maturing obligations within 12 months under the Highly Stressed Market Disruption stress scenario (S2). It must also meet the Resolution Liquidity Adequacy & Positioning (RLAP) ratio stress metric used to measure the short-term (30 days) survival horizon under a severe market disruption stress scenario.

In addition, CGML is also required to comply with all regulatory rules and requirements as determined by the European Commission Delegated Act (EC Delegated Act) with regard to the liquidity coverage requirement for credit institutions and with PRA Rulebook. Under the EC Delegated Act, CGML is required to maintain a Liquidity Coverage Ratio (LCR) above 100% on a consolidated all-currency basis.

CGML's overall liquidity adequacy is determined based on both its adherence to the internal liquidity risk appetite as well as conformance with the regulatory CRD IV liquidity regime. As at month-end

December 2020, this buffer, as per CRD IV eligibility criteria, equated to $35bn.

As a result of the analysis conducted during the Internal Liquidity Adequacy Assessment Process (ILAAP) the risks identified and assessed, and through the application of tools, limits and policies and liquidity stress tests, Management Body concludes that CGML's liquidity risk management framework is appropriate for ensuring sufficient liquidity resources are in place on a forward-looking basis. This conclusion is based on a quantitative assessment of CGML's liquidity through examination of internal and external stress testing results and is further supported by CGML's overall liquidity risk management framework and governance structure. In addition, Management Body considers the liquidity risk management infrastructure to be adequate to capture and measure the risks taken as a result of the entity's business profile and strategy.

Structure and Organisation of the Liquidity Risk Management Function

Citigroup operates a centralised treasury model, whereby the overall balance sheet is managed by Corporate Treasury. The EMEA Regional Treasurer is supported by the UK Treasurer who is responsible for the UK legal vehicles balance sheets and liquidity profile as well as those of CGML's subsidiaries.

Corporate Treasury Management

The UK Treasurer heads the UK Legal Entity Treasury group, which is responsible for managing CGML's liquidity on a day-to-day basis. The Legal Entity Treasury team is specifically responsible for CGML's daily funding, liquidity risk management including intraday liquidity, liquidity stress testing, and for providing oversight to the Fixed Income and Equity finance desks including setting and monitoring limits.

The Legal Entity Treasury team in London is also responsible for managing the relationship with internal and external stakeholders. Internal stakeholders consist of Citi senior management and governance committees, the Finance desks and New York Corporate Treasury. External stakeholders comprise auditors, credit rating agencies and regulatory authorities. This team also provides oversight and governance for the team in Budapest, as explained below, to ensure adherence to the overall liquidity risk management framework.

The Business Treasury team in London is responsible for managing the relationship with the businesses, enhancing balance sheet management and coordination, focusing on the intersection of interest rate risk, transfer pricing, RoA/RoTCE, liquidity, capital allocation, and balance sheet costing.

The Budapest team is an extension of the London Treasury teams reporting to both the EMEA ICG Business Treasurer and the UK Treasurer. Among the other EMEA-wide Corporate Treasury responsibilities, this team is involved in the review and attestation of CGML's PRA liquidity reporting & internal liquidity reporting, and monitoring & reviewing CGML's CRD IV and PRA reporting including the Liquidity Coverage Ratio (LCR), PRA110 Cash Flow Mismatch, Net Stable Funding Ratio (NSFR), Asset Encumbrance and Additional Liquidity Monitoring Metrics (ALMM). Under a Continuity of Business (COB) scenario, arrangements are in place for relocation to a contingency site.

Mumbai Finance and Risk Shared Services (FRSS)

EMEA Treasury follows Citigroup's site strategy in employing a central liquidity reporting and production team in Mumbai. The Mumbai EMEA Treasury Finance & Risk Shared Services ('FRSS') team is organised into three teams to cover: EU Bank Reporting, Broker Dealer Capital Markets Reporting and CEEMEA Reporting.

CGML's internal liquidity reporting is produced by the Broker Dealer Capital Markets Reporting team. The team operates from Nirlon Park Knowledge Block on the outskirts of Mumbai, and the Citi Bank Mumbai Head Office in Mumbai serves as the continuity of business (COB) site.

Budapest CSC Finance Regulatory Reporting

The Regulatory Liquidity Reporting team in Budapest is part of the MLE Prudential Reporting team within Budapest Local Regulatory Reporting team and produces regulatory liquidity returns of CGML such as CRDIV and PRA reporting of LCR, NSFR, Asset Encumbrance and ALMM and PRA 110 Mismatch Report reports. Under a continuity of business (COB) scenario, arrangements are in place for relocation to a contingency site located at the Budapest Arena Corner in Hungary.

In order to perform a risk based review of rules and calculation logic and support assessment of the quality of the completeness and accuracy of the regulatory returns, a new independent Quality Assurance Team has been setup in Budapest CSC. This team has appropriately skilled individuals who will undertake regular post submission testing in line with an approved plan to determine the accuracy of reporting and compliance with the regulatory requirements.

Three Lines of Defence

Liquidity Risk management falls under Citi's three lines of defence model, with Corporate Treasury acting in the first line.

Strategies and Processes for Monitoring

CGML adopts the Citigroup Global Liquidity Risk Management Policy ('the Policy') which establishes the standards for defining, measuring, limiting and reporting liquidity risk. CGML's Liquidity Risk Management Framework sets CGML's liquidity risk appetite. The Framework adopts and adheres to the Policy. Under the Policy, CGML is defined as an operating MLE.
According to the Policy, CGML is required to prepare a detailed plan of its liquidity position which also considers a forecast of future business activities. This plan is called the Funding and Liquidity Plan (FLP) and it addresses strategic liquidity issues and establishes the parameters for identifying, measuring, monitoring and limiting liquidity risk and sets forth key assumptions for liquidity risk management. The FLP is divided into the following component parts:

1) Contingency Funding Plan (CFP);
2) Intra-day Liquidity Risk Management Plan; and
3) Balance Sheet Funding and Liquidity Plan.

A combination of metric monitoring, triggers, limits and stress testing are utilised to identify and measure liquidity risk arising from various sources. Limits and triggers are used to control risks, whilst stress assumptions are used to calibrate the level of liquidity buffer required for CGML to maintain adequate liquidity under different stress scenarios. To provide for resilience under stress, CGML holds a buffer of liquid assets, which is comprised predominantly of US, EU and UK government bonds. As at month-end December 2020, this buffer, as per CRD IV eligibility criteria, equated to $35bn.

The liquidity position of CGML is calculated in Citi's strategic liquidity risk systems and reported to senior management on a daily basis and reviewed by the UK ALCO and CGML Board through the CGML Risk Committee. CGML's Risk Committee reviews the Liquidity Risk Management Policy and the Internal Liquidity Adequacy Assessment Process (ILAAP) document and recommends it to CGML Board for final approval. CGML Board also approves the Liquidity Risk Management Framework, the Funding and Liquidity Plan, the Contingency Funding Plan and any relevant CGML-specific liquidity policies.

CGML has maintained adequate liquidity resources throughout the year to meet the minimum requirements set in both internal and external (Regulatory) stress scenarios.

Operational Risk Management

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, but

excludes strategic and reputation risks. Citi also recognizes the impact of operational risk on the reputation risk associated with Citi's business activities.

Operational Risk Management 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 Citi's businesses, the markets in which it operates, its capital and liquidity, and the competitive, economic and regulatory environment.

Operational Risk Framework

Citi's Operational Risk Management (ORM) Policy establishes a consistent Operational Risk Management 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. That framework is applied at the CGML level, together with the Key Operational Risks (KORs) that have been identified as being specifically relevant for the entity and are a component of the Risk Management Framework.

To anticipate, mitigate and control operational risk, Citi maintains a system of policies and has established a consistent framework for monitoring, assessing and communicating operational risks and the overall effectiveness of the internal control environment. As part of this framework, Citi has established a Manager's Control Assessment (MCA) programme which helps managers to self-assess key operational risks and controls and to identify and address weaknesses in the design and effectiveness of internal controls that mitigate significant operational risks.

The ORM Framework establishes a foundation on which the activities of businesses, regions and functions, the resulting operational risks and the associated controls are identified, periodically assessed, subject to corrective action, appropriately documented and communicated. Specifically, the ORM Framework establishes minimum standards for consistent identification, measurement, monitoring, reporting and management of operational risk across Citi.

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 Key Operational Risks (KORs)
- Design controls to mitigate identified risks
- Establish Key Indicators (KIs)
- Implement a process for early problem recognition and timely escalation
- Produce comprehensive operational risk reporting; and
- Ensure that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks

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

Measurement of Operational Risk

To support advanced capital modelling and management, each business is required to capture relevant operational risk event information. A localised version of the Citi risk capital model for operational risk has been developed and applied for CGML. The PRA has approved this model, including the associated capital allocation, for use as an Advanced Measurement Approach (AMA). It uses a combination of internal and external loss data to support statistical modelling of capital requirement estimates, which are then adjusted to incorporate qualitative aspects of the operational risk and control environment as well as scenario analysis estimates.

To enhance its operational risk management, CGML has implemented a forward looking scenario analysis programme to identify and quantify emerging operational risks, through a systematic process of obtaining opinions from business managers and Risk Management experts to devise reasoned assessments of the likelihood and loss impact of plausible, high severity operational risk losses. This development has been integrated into the operational risk capital assessment for CGML.

In addition, there are various governance forums for escalation and reporting of internal control, compliance, regulatory and risk issues, including operational risk loss events.

Key Operational Risks

Key Operational Risks (KORs) are derived from an evaluation of operational risk exposure on a residual risk basis considering CGML's current business strategy, substantial emerging risks and other relevant factors which include assessment of the four Basel operational risk data elements, i.e. internal losses, external losses, scenario analysis and output from Internal Audit assessments and from self-assessment results from the Manager's Control Assessment (MCA). The identified KORs for CGML include those set out below and are in the process of being incorporated into the Citi-level global operational risk appetite framework. Risks will align to the Citi-wide global risk taxonomy that is being developed for operational and compliance risk.

ORM liaises with Subject Matter Experts (SMEs) aligned to each KOR to define the risk for CGML and to identify appropriate metrics i.e. Key Indicators (KIs) to monitor KOR risk profiles. Given that CGML's business is almost entirely wholesale in nature (falling within the ICG), segment metrics are leveraged as far as possible.

Money Laundering (AML) and Sanctions Risk

Local and international AML and Sanctions requirements impact the activities carried out by the Company and its clients. Following the development of Sectoral Sanctions to address the political situation in Ukraine, Citi has developed an enhanced control infrastructure around activities that may be affected by applicable sanctions regimes. Regulatory requirements concerning AML controls continue to focus particularly on customer due diligence and suspicious activity monitoring, and Citi continues to implement enhancements in these areas.

Conduct Risk

Citi is exposed to the risk of improper conduct through prohibited and manipulative practices by individual employees, collusive practices across employees and other market participants, and misconduct that harms customers or the integrity of the markets. Citi's Conduct Risk Policy sets out a framework through which Citi manages, minimises and mitigates its significant conduct risks, and describes the responsibilities of each of the three lines of defence for complying with the policy.

Cyber Risk

Citi is exposed to cyber/information security risk through hacking of Citi or third-party systems containing Citi's data, and denial of service attacks on Citi and third-party servers.
The cyber security threat landscape is rapidly evolving with increasingly sophisticated attacks (e.g. denial of service, account takeover) on Citi, our clients and third-party applications. Citi's Information Security programme strategy is built on a deep understanding of the threat environment through the work of the Global Information Security (GIS) Cyber Intelligence Centre (CIC). External benchmarks indicate that Citi appears to be well placed to deal with current threats. However, due to the ever-changing evolution of the threat landscape, Citi continues to invest in its identification, prevention and detection capabilities.

Geopolitical Risk

Citi is exposed to risk resulting from changes in the geopolitical environment (e.g. COVID 19, post Brexit stabilisation, and China Sanctions which may give rise to adverse financial impacts or the inability to continue with business. In addition geopolitical instability also puts Citi at risk of terrorism-related events. Citi has a robust and comprehensive programme to meet the organisational change requirements resulting from these challenges. Citi has well established and tested processes in place to mitigate the impact of business disruptions including those arising from COVID 19 or terrorism related risk events.

Internal Fraud (Unauthorised Trading Risk)

The risk of loss due to fraudulent activity such as unauthorised trading (rogue trading), mis-marking or payments fraud is a key risk for CGML. A number of initiatives are ongoing to enhance Citi's fraud prevention framework including rogue trading prevention and detection controls. These include the implementation of consistent Markets-wide controls, designed to identify and prevent unauthorised trading in the Markets business and Corporate Treasury.

ETrading Risk Management

Citi is exposed to ETrading Risk Management (ETRM) risk i.e. the risk of systematic controls' failure to prevent or limit loss exposure for highly automated transactions. This risk specifically includes elevated risk of failures in high frequency/algorithmic electronic trading due to the inability to keep technological capabilities up-to-date, the inability to respond quickly to operational risk events where increased duration is directly correlated to severity, and where response is compromised by fragmented infrastructure and substandard monitoring capabilities.

Citi has established a risk and control framework for ETrading Risk Management to ensure that enhanced controls are implemented to mitigate this risk.

Reporting Risk

Reporting risk is the risk from failed mandatory reporting obligations and inaccurate reporting. The risk arises where the data or underlying processes may be of an insufficient quality to meet Citi's business, regulatory, financial reporting and customer needs.
This could result from the business originator of data being unable to provide accurate, complete and timely records of business transactions and customer activities. Quality management inadequacies could also result in non-compliance with regulatory standards. Citi has identified and implemented a number of control enhancements to ensure that any such risks are identified and mitigated on a timely basis.

Data Management

Data management risk arises from the inadequate development, execution and supervision of plans, policies, programs and practices that control, protect, deliver and enhance the value of data. Data management risk can manifest in a number of ways including but not limited to data integrity risk and End User Computing (EUC). This can result in Citi failing to store and maintain records in accordance with policy directives leading to records being over retained and can expose Citi to regulatory scrutiny and business disruption or key processes not being included in the scope of Data Quality controls, resulting in improper management of data affecting regulatory reporting and surveillance activities. In addition, poor oversight of EUCs can result in undetected human error in data entry and formula updates, fraud, inappropriate access to sensitive information, regulatory violations or data integrity errors tied to critical management decisions or reporting processes. Citi has implemented a robust controls framework to mitigate risks arising from Data Management.

Model Risk Management

Citi is exposed to model risk through the use of incorrect or inaccurate models (such as failed or non-validated models) and incorrect uses of models (for example using the model beyond its approved use cases). Model risk may result in adverse outcomes including but not limited to financial losses (for instance inaccurate quantification of risks, loosening of lending standards) and regulatory criticism.

Third-party Vendor Management including Affiliates

Citi is exposed to third-party risk through inconsistent or inadequate delivery of products or services that support core operational or client-facing processes, misconduct on the part of third parties (e.g., fraud), or failure by third parties to ensure that the contracted products or services are delivered to Citi in a safe and sound manner and in compliance with applicable laws, regulations and Citi policies.

Processing Risk

Citi is exposed to risk of untimely, inaccurate or incomplete processes caused by unintentional human error carried out to set up, execute and settle a transaction. Processing Risk applies across Citi's core activities including safeguarding assets, lending, payments and accessing the capital markets, as well as internal activities performed to support the Citi franchise. This includes errors in account set up and reference data, initial transaction capture, transaction maintenance, payments and settlements, physical asset handling and collateral/margin management. It excludes pre and post transaction processing activities such as Know Your Customer (KYC), financial/client/regulatory reporting, risk and P/L production and fraud determination. Processing Risk also excludes risk driven by IT failures which is covered under Technology Risk.

Reputation Risk

With respect to reputation risk, a Citi-wide (including an EMEA-based) Reputation Risk Committee composed of regional senior management (including the EMEA CRO) reviews practices involving potentially significant reputation or franchise issues. This committee reviews whether Citi's business practices have been designed and implemented in a way that meets the highest standards of professionalism, integrity and ethical behaviour.

Additional committees, including those noted below, ensure that product risks are identified, evaluated and determined to be appropriate for Citi and its customers, and incorporate the necessary approvals, controls and accountabilities.

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.
- 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, reputation risk from increased stakeholder concerns about financing high carbon industries, and operational risk from physical climate risks to Citi's facilities.

Citi currently identifies climate risk as an "emerging risk" within its risk governance framework. Emerging risks are risks or thematic issues that are either new to the landscape, or in the case of climate risk, existing risks that are rapidly changing or evolving in an escalating fashion, which are difficult to assess due to limited data or other uncertainties. 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 Citigroup's and CGML's Board of Directors and senior management.

Citi manages and mitigates the credit and reputation risks from climate change through a number of internal initiatives, including Citi's Environmental and Social Risk Management (ESRM) Policy. First established 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.

Citi's ESRM Policy covers lending and underwriting with identified use of proceeds directed to physical assets and activities, as well as sector standards for corporate relationships in higher-risk sectors, including carbon-intensive sectors.

Citi has also made climate risk one of the three key pillars of its 2025 Sustainable Progress Strategy. Under this pillar, Citi intends to measure, manage and reduce the climate risk and impact of its client portfolios and enhance its Taskforce on Climate-Related Financial Disclosures (TCFD) implementation and disclosure through policy development, portfolio analysis and client engagement. In December 2020, Citi released its second report detailing its implementation of the TCFD recommendations: Finance for a Climate-Resilient Future II. In this report, Citi discusses its implementation of the TCFD recommendations, and Citi's recent pilot testing of climate scenario analyses to assess climate-related impacts and risks in specific sectors, spanning both transition and physical climate risks. Climate data is still improving in terms of its accessibility and reliability, and the industry and Citi continue to develop better methodological approaches towards assessing climate change impacts. Nonetheless, Citi expects to integrate more quantitative analysis of climate risks into credit assessments in the future and to quantify the carbon emissions associated with its client portfolios. Additionally, Citi continues to participate in financial industry collaborations to develop and pilot new methodologies and approaches for measuring and assessing the potential financial risks of climate change. Citi is also closely monitoring regulatory developments on climate risk and sustainable finance, and actively engaging with regulators on these topics.

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

Stress Testing

Overview

The Citi Chief Risk Officer is responsible for monitoring and controlling major risk exposures and concentrations across Citi. This includes the aggregation of risks within and across businesses, as well as subjecting those risks to alternative stress scenarios in order to assess the potential economic impact they may have on Citi. This aggregation is also performed at a CGML level.

Stress tests are undertaken across Citi and CGML and cover mark-to-market, available-for-sale, and amortised cost portfolios. These firm-wide stress reports seek to measure the potential impact to Citi and CGML and their component businesses, of stresses such as the risk of very large movements in a number of key risk factors (e.g. interest rates, credit spreads), as well as the potential impact of a range of historical and hypothetical forward-looking systemic stress scenarios.

Supplementing the stress testing described above, the UK CRO and Risk Management works with input from the businesses and Finance to provide periodic updates to senior management and the CGML Board on significant potential exposures across CGML arising from risk concentrations, financial market participants and other systemic issues. These risk assessments are forward-looking exercises, intended to inform senior management and the Board about the potential economic impacts to CGML that may occur, directly or indirectly, as a result of hypothetical scenarios, based on judgmental analysis from Independent Risk Managers.

The stress testing and risk assessment exercises are a supplement to the standard limit-setting and risk capital exercises, as these processes incorporate events in the marketplace and within CGML that impact the firm's view of the form, magnitude, correlation and timing of identified risks that may arise. In addition to enhancing awareness and understanding of potential exposures within CGML, the results of these processes serve as the starting point for the management of risk and mitigation strategies.

Market Risk

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

Citi uses two complementary approaches to market risk stress testing across all major risk factors (i.e., equity, foreign exchange, commodity, interest rate and credit spreads):

- Global Systemic Stress Testing (GSST) – top-down systemic stresses; and
- Business Specific Stress Testing (BSST) – bottom-up business specific stresses

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

Both categories of stress testing can be based upon either a range of historical periods of market stress or purely hypothetical future market events.

Credit Risk

The CitiRisk Credit (Product Stress Testing, PST) system provides the ability to apply various stress scenarios to counterparty positions, portfolios and transactions. The stress results and impact of changes on counterparty risk exposure improve the understanding of the risk profile of a counterparty and assist in diagnosing their vulnerabilities to specific market events.

The core CCR stress testing scenarios are the Global Systemic Stress Testing (GSST) scenarios, which include both hypothetical and historical scenarios. The Stress Testing and Risk Capital Council is responsible for developing the stress scenarios and for reviewing them annually in order to ensure that they remain appropriate in light of current and anticipated market conditions. Each Credit Risk team can use further scenarios that are relevant for their specific industry and portfolio.
Ad-hoc market event scenarios are developed with input from Market Risk. Market Risk define the market risk factor shocks relevant to the event. These are then translated into PST into the scenarios used to stress the positions. Quantitative Risk and Stress Testing (QRS) are responsible for the methodology of the stress impact calculations based on the provided scenarios.

Liquidity Risk

Stress testing is intended to quantify the likely impact of an event on the balance sheet and liquidity position and to identify viable contingent actions that can be utilised in a liquidity event. The internal stress testing scenarios are developed in accordance with the Citi's Liquidity Risk Management Policy.
The Citigroup Liquidity Book of Assumptions provides the comprehensive set of assumptions used for the broker dealer vehicles, including CGML.

Scenarios

CGML uses stress testing and scenario analysis to quantify the likely impact to the balance sheet and liquidity position, and to identify viable funding alternatives that can be utilised. These scenarios include

- Potential significant changes in key funding sources;
- Market triggers (such as credit rating downgrades);
- Changes to use of funding; and
- Political and economic conditions, including standard and stressed market conditions as well as firm-specific events

Assumptions

Due to the nature of the broker dealer business model and funding profile, this set of assumptions focuses on secured financing and maintaining CGML's core business franchise throughout the period of stress. The assumptions are considered appropriate for CGML given its business activities, scale, complexity and position within the wider group. The stress scenarios include realistic deterioration in secured funding sources and an inability to roll unsecured funding (sourced via its affiliate relationships). The scenarios also include a deterioration in CGML's credit ratings.

Stress Testing Assumptions developed are product specific and include consideration for expected behaviour of customers and the firm during stress. Funding and liquidity risks arise from multiple factors, such as the following:

- restriction of wholesale secured and unsecured funding through widening of haircuts, reluctance of counterparties to roll maturing transactions or lack of availability for financing for certain asset classes;
- intraday liquidity risk where correspondent banks and securities settlement agents or depositories withdraw or restrict secured or unsecured intraday credit facilities upon which the Company relies to make payments and settle its transactions;
- cross currency liquidity shortfalls arising from cash flow mismatches within a particular currency;
- potential outflows from off balance sheet activities such as security versus security transactions, letters of credit or committed facilities;
- loss of liquidity from derivatives transactions due to asymmetric margining terms, legally agreed conditions such as rating downgrade triggers, margin calls due to large market revaluations or clearing house/exchange action, novation of liquidity accretive contracts away from the Company or increased operational diligence of certain counterparties;
- recognition that the Company may continue to provide funding to certain customers to preserve its franchise despite there being no legal obligation to do so; and
- incremental funding requirements of the Company's Prime Brokerage and Delta One businesses from loss of internal coverage and cross funding, inability to roll repo or increased repo haircuts.

CGML Liquidity Stress call, comprising Legal Entity Treasury, Independent Risk, Global Liquidity Management and Finance desks is established to review stress test results on a monthly basis which are also shared with the UK ALCO.

Operational Risk

CGML's operational risk scenario analysis programme is planned and executed in accordance with the global ORM Scenario Analysis Standards, an appendix to the ORM policy.

Scenario analysis provides a forward looking view of operational risk that complements historical internal and external data. It is a systematic process to derive assessments for the likelihood and potential loss impact of plausible, high severity and low likelihood operational risk losses, i.e. 'fat-tailed' hypothetical events.

CGML scenarios are ratified by the Citi's UK Business Risk and Control Committee and are used to adjust CGML's operational risk capital model estimates, under governance provided by the CGML ALCO.

Scenario analysis is also used as a tool to strengthen Risk Management controls and to stimulate dialogue and gain greater insights into emerging and existing key risk.

Regulatory Framework for Disclosure

The Pillar 3 Disclosures at 31 December 2020 are prepared in accordance with regulatory capital adequacy concepts and rules, while the financial statements for solo entities are prepared in accordance with IFRS. This section represents CGML's consolidated FINREP data as financial statements are prepared on a stand-alone basis.

As permitted under section 401 of the Companies Act 2006, consolidated financial statements have not been prepared because the Company is a wholly owned subsidiary of the ultimate parent, Citigroup Inc., which prepares consolidated financial statements under US GAAP. The Company meets the criteria for exemption from the obligation to prepare and deliver group accounts that is available to a company included in non-EEA group accounts of a larger group. These financial statements therefore present information about the Company as an individual undertaking and not about its group. Citigroup Inc. makes its financial statements available to the public on a quarterly basis.

The tables presented in this section show an outline of the basis of consolidation for regulatory purposes. It provides the breakdown of the carrying amounts reported under the scope of regulatory consolidation to the different risk categories. This section enable users to identify the allocation of the regulatory scope of consolidation into the different risk frameworks laid out in Part Three of the CRR.

Table 2: Outline of the Differences in the Scopes of Consolidation (Entity by Entity) (LI3)

		Method of Regulatory Consolidation				
Name of the Entity	Method of Accounting Consolidation	Full Consolidation	Proportional Consolidation	Neither Consolidated Nor Deducted	Deducted	Description of the Entity
Citigroup Global Markets Limited (CGML)	Fully Consolidated [1]	X				Investment Firm
Citigroup Global Markets Europe AG	Fully Consolidated [1]	X				Investment Firm
Citi Global Wealth Management Societe Anonyme Monegasque (SAM) (Monaco)	Not Consolidated				X	Investment Firm
Citigroup Global Markets Luxembourg SARL	Not Consolidated				X	Investment Firm
Citigroup Global Markets Funding Luxembourg SCA	Fully Consolidated [1]	X				Investment Firm
Citigroup Global Markets Funding Luxembourg GP SARL	Not Consolidated				X	Investment Firm

[1]The method of accounting consolidation represents the consolidation approach used for FINREP.
[2] Entities below materiality threshold have not been consolidated for FINREP

Table 3: Differences between Accounting and Regulatory Scopes of Consolidation and the Mapping of Financial Statement Categories with Regulatory Risk Categories (LI1)

			Carrying values of items				
	Carrying values as reported in published financial statements[1]	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Assets							
Financial assets at amortised cost: Cash at bank and in hand	6,257	6,257	6,257	-	-	-	-
Financial assets at amortised cost: Collateralised financing transactions	75,867	75,867	-	75,867	-	75,867	-
Financial assets at fair value through profit or loss - derivatives	255,530	255,530	-	255,530	-	255,530	-
Financial assets at fair value through profit or loss - inventory	74,435	74,435	-	74,435	-	74,435	-
Financial assets designated at fair value through profit or loss	78,794	78,794	-	78,794	-	78,794	-
Equity securities held for investment	98	98	98	-	-	-	
Pension	1,802	1,802	1609	-	-	-	193
Other Assets	65,642	65,642	5,703	59,939	13	9,480	238
Total assets as at 31 December 2020	558,426	558,426	13,667	544,566	13	494,107	431
Liabilities							
Financial liabilities at amortised cost: bank loans and overdrafts	7,009	7,009	-	-	-	-	7,009
Financial liabilities at amortised cost: Collateralised financing transactions	72,081	72,081	-	72,081	-	72,081	-
Financial liabilities at fair value through p&l - derivatives	271,420	271,420	-	271,420	-	271,420	-
Financial liabilities at fair value through p&l - securities sold but not yet purchased	56,303	56,303	-	56,303	-	56,303	-
Financial liabilities designated at fair value through p&l	50,263	50,263	-	50,263	-	50,263	-
Other Liabilities	68,136	68,136	-	47,052	-	15,023	6,015
Subordinated Loans	12,401	12,401	-	-	-	-	12,401
Total liabilities as at 31 December 2020	537,612	537,612	-	497,117	-	465,089	25,425

[1] Carrying value under published financial statements is based on FINREP values
[2] Items subject to credit risk framework: Carrying values included in this column is based on banking book assets
[3] Item subject to securitisation framework: Carrying value included in this column show the banking book securitisation positions. Trading book securitisation positions are included under the market risk framework

Table 4: Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements (LI2)

This table provides a reconciliation between assets carrying values under the regulatory scope of consolidation as per table 3 and the exposures used for regulatory purposes, split as per the regulatory risk framework.

			Items subject to		
		Total	Credit risk framework	CCR framework	Securitisation framework
		$ million	$ million	$ million	$ million
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)[1]**	**558,246**	**13,667**	**544,566**	**13**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	**497,117**	**-**	**497,117**	**-**
3	Total net amount under the regulatory scope of consolidation	**61,129**	**13,667**	**47,449**	**13**
6	*Differences due to different netting rules and collateral usage[2]*	**65,389**	**-3,048**	**68,436**	**-**
10	**Exposure amounts considered for regulatory purposes as at 31 December 2020**	**126,517**	**10,619**	**115,885**	**13**

[1] In the absence of CGML consolidated financial statements, these are prepared as reconciliation is between CGML FINREP and COREP.
[2] Differences primarily attributable to carrying value for assets under IFRS differ from exposure for regulatory reporting purposes, such as modelled exposures, potential future exposure (PFE) for counterparty credit risk and netting under master netting agreement. Carrying value does not take into account Credit Risk Mitigation (CRM) or regulatory volatility adjustments such as currency and maturity mismatch.

Table 5: Balance Sheet Reconciliation

Table 5 provides a reconciliation of audited shareholders' equity to regulatory capital. The following section provides detail of the final Own Funds as at 31 December 2020. Additional information relating to capital instruments can be found in Appendix 2

	Accounting Balance Sheet [1]	Own Funds
	$ million	$ million
Shareholders funds as reported in the balance sheet		
Called up share capital	**1,500**	**1,500**
Other equity instruments	**2,300**	**2,300**
Capital reserves	**13,000**	**13,000**
Retained earnings and other reserves [2]	**4,014**	**2,754**
Total shareholders funds as reported in the balance sheet	**20,814**	**19,553**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative value)		**(443)**
Intangible assets (net of related tax liabilities) (negative amount)		**(213)**
Defined-benefit pension fund assets (negative amounts)		**(193)**
Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative		**(17)**
of which: securitisation positions (negative amount)		**(3)**
of which: free deliveries (negative amount)		**(14)**
CET1 capital elements or deductions - other		**(7)**
Total Regulatory deductions		**(874)**
Tier 1 capital (T1 = CET1 + AT1)		**18,679**
Subordinated liabilities qualifying as Tier 2		**4,600**
Total regulatory own funds as at 31 December 2020		**23,279**

[1] In the absence of CGML consolidated financial statements, accounting balance sheet column is based on consolidated FINREP amounts.
[2] Own funds does not reconcile to the accounting balance sheet, primarily due to inability to recognise interim unaudited profits in Own Funds per article 26(2) of the CRR

Own Funds

Under the PRA's minimum capital standards, CGML 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 Capital Requirements Regulation (CRR).

CGML's total capital resources comprise of Tier 1 and Tier 2 Capital. Tier 1 capital is comprise of common equity tier 1 (CET1) and additional tier 1 (AT1). CET1 consist of retained earnings and share capital in accordance with accounting standards, with adjustments for prudential filters such as additional value adjustment (AVA), regulatory deductions for intangible assets and defined-benefit pension fund assets. AT1 is capital instruments and the related share premium accounts that is classified as Equity. Tier 2 is comprised of subordinated loans.

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

Table 6: Own Funds Disclosure

This table presents CGML's capital resources as at 31 December 2020. The template is prepared using the format set out in 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 2020	31 December 2019
		$ million	$ million
Common Equity Tier 1 (CET1) capital: Instruments and reserves			
1	Capital Instruments and the related share premium accounts	**1,500**	1,500
2	Retained earnings	**2,152**	2,171
3	Accumulated other comprehensive instruments (and other reserves)	**13,601**	12,155
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		0
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**17,253**	15,826
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative value)	**(443)**	(695)
8	Intangible assets (net of related tax liabilities) (negative amount)	**(213)**	(200)
15	Defined-benefit pension fund assets (negative amounts)	**(193)**	(378)
20a	Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative	**(17)**	(59)
20c	*- of which: securitisation positions (negative amount)*	**(3)**	(40)
20d	*- of which: free deliveries (negative amount)*	**(14)**	(19)
24	CET1 capital elements or deductions - other	**(7)**	(2)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(874)**	(1,334)
29	**Common Equity Tier 1 (CET1) capital**	**16,379**	14,492
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	**2,300**	2,300
31	*- of which: classified as equity under applicable accounting standards*	**2,300**	2,300
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,300**	2,300
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total Regulatory Adjustments to Additional Tier 1 (AT1) Capital**	**-**	-
44	**Additional Tier 1 (AT1) capital**	**2,300**	2,300
45	**Tier 1 capital (T1 = CET1 + AT1)**	**18,679**	16,792
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	**4,600**	4,600
51	Tier 2 (T2) capital before regulatory adjustments	**4,600**	4,600
57	Total regulatory adjustments to Tier 2 (T2) capital		
58	**Tier 2 (T2) capital**	**4,600**	4,600
59	**Total capital (TC = T1 + T2)**	**23,279**	21,392
60	**Total risk weighted assets**	**147,376**	132,613
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**11.1%**	10.9%
62	Tier 1 (as a percentage of total risk exposure amount)	**12.7%**	12.7%
63	Total capital (as a percentage of total risk exposure amount)	**15.8%**	16.1%
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%**	7.46%
65	*- of which: capital conservation buffer requirement*	**2.50%**	2.50%
66	*- of which: countercyclical buffer requirement*	**0.04%**	0.46%
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 (0-811) buffer*	**0.00%**	0.00%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) [1]	**5.1%**	5.4%
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**1,077**	1,040
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) [2]	**-**	-
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)	**202**	146

[1]Basis of calculation for 'CET1 available after meeting the bank's minimum capital requirements' has been modified. This calculation excludes CRD IV buffers for both current and prior period.

Capital Management

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

CGML actively monitors the capital ratio and excess capital over Pillar 1 and Pillar 2 requirements on a daily, monthly and quarterly basis, in line with Global capital policies and standards and the internal Management Action Trigger framework. The framework has been calibrated to ensure that the entity holds a sufficient capital excess to permit timely management decisions in case of short-term stresses.

For CGML there are both legal entity capital usage limits and business specific regulatory capital targets. These limits and targets are subject to detailed monitoring and review by both the business and finance subject matter experts, and reported to senior management on a daily basis. Full Balance Sheet, Net Income, Regulatory Capital and Leverage reforecasts are performed semi-annually in line with Citigroup planning cycles. These forecasts are owned by the products together with the regional Markets head.

All the above tools are monitored and controlled through the bi-weekly UK Capital Forum and monthly UK 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 CGML which meets monthly and responsibilities include:

- The UK ALCO committee's remit includes oversight of CGML'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.
- The committee reviews and approves key regulatory documents such as Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) before these are submitted to the Board for approval.
- The committee ensures adherence to capital standards, determines dividend repatriation, and monitors local capital hedging and investment.
- CGML senior management through UK ALCO monitors changes in the economic environment and any corresponding impact on the asset quality of CGML's balance sheet and the prudential adequacy of CGML.
- Membership of the UK ALCO includes the CGML Chief Executive Officer & UK Chief Country Officer (chair), UK CFO, UK Treasurer, UK CRO, Independent Treasury Market Risk and other key business and functional heads.

Capital Requirements and Buffers

CGML 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, large exposures and operational risk based upon a number of internal models and standardised approaches, as well as recognising a number of credit risk mitigation techniques.

The table below provides information on the exposures and calculation approaches by risk type.

Risk Category	Definitions	Regulatory Exposure Approach	Risk Weight Assets (RWA) Approach
Credit Risk	Credit risk measures the risk of loss arising from a borrower failing to meet its obligations.	Credit Risk exposures are captured as accounting value, net of general and specific credit risk adjustments.	CGML uses the standardised approach to determine credit and counterparty credit risk capital requirements, based on External Credit Assessment Institution (ECAI) ratings for calculating Risk Weighted Assets (RWAs)
Counterparty Credit Risk	Counterparty credit risk (CCR) arise from derivatives and securities financing transactions (SFTs) across the banking and trading books, and in the regulatory framework captures the methodologies for measuring exposures resulting from market movements.	CGML adopts three approaches for the calculation of CCR exposures: • Internal model method (IMM) - applies to over-the-counter (OTC) derivatives as approved by the regulator • Current exposure method (CEM) - applies to exchange traded derivatives and non-IMM approved OTCs • Financial collateral comprehensive method (FCCM) - applies to Securities Financing Transactions (SFTs) (Further details outlined in Counterparty Credit Risk section)	
Credit Valuation Adjustment	The CVA represents a portfolio-level adjustment to reflect the risk premium associated with the counterparty's non performance risk.	CGML uses a combination of Advanced and Standardised calculations for CVA	Standardised Approach: computation includes factors based on ECAI ratings and effective maturity Advanced Approach: the computation of expected exposure is based on our IMM model and the calculation of the CVA requirement is then generated utilising VaR.
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.	Under the revised securitisation framework, CGML risk weights relevant positions using the Standardised Approach (SEC-SA) and External Ratings Based Approach (SEC-ERBA).
Market Risk	Market risk assesses the risk of losses to positions or a portfolio from market movements. Market volatility may be driven by one or more of: market price, interest rates, indices, correlations or implied volatilities.	Market Risk positions are based on accounting values and notionals in both trading and non-trading books.	CGML uses a Value at Risk (VaR) model to calculate market risk capital requirements for the majority of its trading portfolio under an IMA permission granted by the PRA. The permission covers VaR, Stressed VaR (SVaR) and the Incremental Risk Charge (IRC). For residual positions, these are captured under standardised approach (SA).
Large Exposures	Large exposures captures single name concentration risk. Any exposure to a counterparty or group of connected counterparties which is equal to or exceeds 10% of the firm's eligible capital constitutes a large exposure.	Exposures are broadly consistent with the assessment of credit and counterparty credit risk in the trading and non-trading books. Issuer risk exposures are also included.	Large Exposure capital requirements are calculated on the trading book excess.
Operational Risk	Operational risk captures the loss resulting from inadequate or failed internal processes, people and systems or from external events	CGML uses a combination of advanced measurement approach (AMA) and standardised approach. AMA is based on a permission granted by the PRA. Under standardised approach, activities are divided into individual business lines for calculation of operational risk	Operational Risk uses a combination of Standardised Approach and Advanced Measurement Approach (AMA) in line with regulatory permissions

Table 7: Overview of RWA (OV1)

		31 December 2020	30 September 2020	31 December 2020
		RWAs	RWAs	Minimum capital requirements
		$ million	$ million	$ million
1	**Credit risk (excluding CCR)**	**6,358**	4,702	**509**
2	Of which the standardised approach	**6,358**	4,702	**509**
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**	**68,923**	69,927	**5,514**
7	Of which mark to market	**16,460**	16,372	**1,317**
7a	Of which Financial collateral comprehensive method (for SFTs)[1]	**35,059**	36,968	**2,805**
8	Of which original exposure	**-**	-	**-**
9	Of which the standardised approach	**-**	-	**-**
10	Of which internal model method (IMM)	**10,874**	10,270	**870**
11	Of which risk exposure amount for contributions to the default fund of a CCP	**612**	325	**49**
12	Of which CVA	**5,918**	5,991	**473**
13	**Settlement risk**	**143**	98	**11**
14	**Securitisation exposures in the banking book**	**78**	105	**6**
15	Of which internal ratings-based approach ("SEC-IRBA")	**-**	-	**-**
16	Of which external ratings-based approach ("SEC-ERBA")	**78**	105	**6**
17	Of which internal assessment approach (IAA)	**-**	-	**-**
18	Of which standardised approach ("SEC-SA")	**0**	0	**0**
19	**Market risk**	**50,071**	46,462	**4,006**
20	Of which the standardised approach	**24,814**	21,416	**1,985**
21	Of which IMA	**25,257**	25,047	**2,021**
22	**Large exposures**	**-**	2,502	**-**
23	**Operational risk**	**21,802**	21,928	**1,744**
24	Of which basic indicator approach		-	**-**
25	Of which standardised approach	**577**	553	**46**
26	Of which advanced measurement approach	**21,225**	21,375	**1,698**
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**-**	-	**-**
28	**Floor adjustment**	**-**	-	**-**
29	**Total**	**147,376**	145,724	**11,790**

[1] Financial collateral comprehensive method for SFTs have been separated from Mark to Market to give a better representation of CGML's RWA's. Prior period have been amended accordingly.

Credit Risk

RWAs rose $1.7 billion due to a slight increase in both third party and intercompany cash exposures.

Counterparty Credit Risk

CCR RWA fell by $1.0 billion primarily reflecting seasonal business activity in SFTs.

Market Risk

RWAs increased $3.6 billion due to heightened exposures across the non-modelled option portfolio.

Large Exposures

RWA reduced $2.5 billion driven by a reduction in intercompany exposures, whilst eligible capital increased following a planned capital injection of $1 billion.

The following tables show a subset of the information included in table 7, RWAs captured under internal models.

Table 8: RWA Flow Statements of CCR Exposures under the IMM (CCR7)

This table presents a flow statement explaining changes in the CCR RWAs determined under the IMM for Counterparty Credit Risk (derivatives) in accordance with Part 3, Title II and Chapter 6 of the CRR.

		RWAs	Capital requirements
		$ million	$ million
1	**RWAs as at 30September 2020**	**10,270**	**822**
2	Asset size	**616**	**49**
3	Credit quality of counterparties	**(8)**	**(1)**
4	Model updates (IMM only)	**(4)**	**(0)**
5	Methodology and policy (IMM only)	**-**	**-**
6	Acquisitions and disposals	**-**	**-**
7	Foreign exchange movements	**-**	**-**
8	Other	**-**	**-**
9	**RWAs as at the 31 December 2020**	**10,874**	**870**

During the fourth quarter, counterparty credit risk RWAs increased by $604 million driven primarily by an increase in the portfolios in scope for IMM.

Table 9: RWA Flow Statements of Market Risk Exposures under the IMA (MR2-B)
The table presents a flow statement explaining variations in the market RWAs.

		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total capital requirements
		$ million	$ million	$ million	$ million	$ million	$ million	$ million
1	**RWAs at 30 September 2020**	**6,905**	**11,339**	**6,803**	**-**	**-**	**25,047**	**2,004**
1a	*Regulatory adjustment*	**(4,663)**	**(7,180)**	**(2)**	**-**	**-**	**(11,845)**	**(948)**
1b	*RWAs at the previous quarter-end (end of the day)*	**2,242**	**4,159**	**6,802**	**-**	**-**	**13,202**	**1,056**
2	Movement in risk levels	**(620)**	**(33)**	**(327)**	**-**	**-**	**(977)**	**(78)**
3	Model updates/changes	**266**	**99**	**(585)**	**-**	**-**	**(223)**	**(18)**
4	Methodology and policy	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5	Acquisitions and disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**
6	Foreign exchange movements	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7	Other	**(23)**	**52**	**-**	**-**	**-**	**29**	**2**
8a	*RWAs at the end of the reporting period (end of the day)*	**1,865**	**4,277**	**5,890**	**-**	**-**	**12,032**	**963**
8b	*Regulatory adjustment*	**4,313**	**8,757**	**155**	**-**	**-**	**13,225**	**1,058**
8	**RWAs at 31 December 2020**	**6,177**	**13,034**	**6,046**	**-**	**-**	**25,257**	**2,021**

Over the quarter, total RWAs remained stable. SVaR increased $1.7 billion primarily driven by market volatility, which is fully offset by the decrease in VaR and IRC.

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 the CGML based on the nature and size of its business;
- Pillar 2B buffers are determined based on the impact of a severe downside stress used to quantify the Pillar 2B requirement including the Management Action.

To assess the adequacy of capital to support current and expected future activities, the firm produces regular capital forecasts for CGML, taking into account both expected business conditions and a variety of stressed scenarios. On at least an annual basis CGML prepares an Internal Capital Adequacy Assessment Process (ICAAP) document, setting out its risk appetite, capital requirements and associated policies and procedures. Through its Supervisory Review and Evaluation Process, the PRA has set CGML a fixed Pillar 2A requirement of $3.013 billion, equivalent to a Total Capital Requirement (Pillar 1 + Pillar 2A) of 10.04% as at 31 December 2020.

Capital Buffers

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

Leverage

The leverage ratio is a measure which allows for the assessment of institutions' exposure to the risk of excessive leverage. It is a simple non-risk based measure to reinforce the risk-based capital framework. The Basel III Framework ensures broad and adequate capture of 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.

CGML calculates the leverage ratio in accordance with the Delegated Act. This provides for a minimum requirement of 3%, currently this is not set as a binding requirement however, this will become binding on the implementation of CRR II/CRD V on 1 January 2022. Leverage ratios are reported to UK ALCO monthly, to ensure that any excessive risk is escalated, assessed, and managed appropriately in-line with Citi internal management action trigger framework.

Table 10: 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 2020	31 December 2019
		$ million	$ million
1	Total assets as per published financial statements[1]	**558,426**	434,684
4	Adjustments for derivative financial instruments	**(130,580)**	(52,919)
5	Adjustment for securities financing transactions (SFTs)	**30,622**	35,899
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**-**	-
7	Other adjustments - differences in Statutory and Regulatory consolidation	**(4,969)**	(20,613)
8	**Leverage ratio total exposure measure**	**453,499**	397,050

[1] In the absence of CGML consolidated financial statements, these are prepared as reconciliation is between CGML FINREP and COREP. Prior year comparatives were changed accordingly.

Table 11: Leverage Ratio Common Disclosure (LRCOM)

This table shows the breakdown of the Leverage exposure disclosed in Table 10 – Summary reconciliation of accounting assets and leverage ratio exposures and the leverage ratio.

		31 December 2020	31 December 2019
		$ million	$ million
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**143,696**	96,027
2	(Asset amounts deducted in determining Tier 1 capital)	**(431)**	(638)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**143,266**	95,389
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin) [1]	**13,647**	9,109
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark- to-market method)	**104,020**	127,608
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions) [1]	**(24,925)**	-
8	(Exempted CCP leg of client-cleared trade exposures)	**(13,851)**	(8,733)
9	Adjusted effective notional amount of written credit derivatives	**509,879**	816,088
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(463,820)**	(786,117)
11	**Total derivatives exposures (sum of lines 4 to 10)**	**124,950**	157,954
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**242,562**	173,612
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(80,677)**	(56,717)
14	Counterparty credit risk exposure for SFT assets	**23,398**	26,811
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**185,284**	143,706
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	**-**	-
18	(Adjustments for conversion to credit equivalent amounts)	**-**	-
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**-**	-
Capital and total exposure measure			
20	**Tier 1 capital**	**18,679**	16,792
21	**Leverage ratio total exposure measure** (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**453,499**	397,050
Leverage ratio			
22	**Leverage ratio**	**4.1%**	4.2%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	**Fully phased in**	
	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	**Fully phased in**	

[1] Basis of presentation have been changed. Prior year comparative amended accordingly.

CGML's Leverage ratio decreased to 4.12% as at 31 December 2020, reflecting a $1.9 billion increase in Tier 1 capital due to a capital injection during the second half of the year, along with an increase in leverage exposures mainly attributed to higher gross SFT assets.

Table 12: Split-up of on Balance Sheet Exposures (Excluding Derivatives, SFTs and Exempted Exposures) (LRSplit)

		31 December 2020	31 December 2019
		$ million	$ million
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**118,771**	96,027
EU-2	Trading book exposures	**108,283**	90,658
EU-3	Banking book exposures, of which:	**10,487**	5,369
EU-4	Covered bonds	**-**	-
EU-5	Exposures treated as sovereigns	**1,686**	188
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**-**	-
EU-7	Institutions	**2,046**	360
EU-8	Secured by mortgages of immovable properties	**-**	-
EU-9	Retail exposures	**-**	-
EU-10	Corporate	**2,380**	935
EU-11	Exposures in default	**-**	-
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	**4,376**	3,886

Total Loss Absorbing Capacity (TLAC)

From January 2019, systemically important banks were required to hold additional long term debt which could be made available to absorb losses from a failing institution, known as Total Loss Absorbing Capacity or TLAC.

In the EU these requirements were introduced under CRR II as the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), with effect from June 2019. MREL is a requirement for firms to maintain a minimum amount of loss-absorbing resources over and above the own funds requirements. This helps to ensure that when firms fail, the resolution authority (the Bank of England) can use a firm's own financial resources to absorb losses and recapitalise the business so it can continue to provide critical functions without the need to rely upon public funds and without threatening financial market stability. MREL resources can take the form of regulatory capital (own funds) and certain types of debt liabilities (eligible liabilities) that will be written down and/or converted to equity if a firm is likely to fail.

Under CRR II, CGML is subject to a minimum internal MREL of 16% of RWA and 6% of leverage exposures, subject to a 90% scalar. MREL is monitored and controlled through the monthly ALCO process and is subject to internal Management Action Trigger framework.

Table 13: TLAC Key Metrics (KM2)

The following table outlines the summary information about Total Loss-Absorbing Capacity (TLAC) available, and TLAC requirements applied, at consolidated group level

	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
	$ million	$ million	$ million	$ million	$ million
Total loss absorbing capital (TLAC) available	**29,279**	28,340	27,352	26,500	26,892
Risk-weighted assets (RWA) and leverage exposure measure for TLAC purposes					
Total RWA adjusted as permitted under the TLAC regime	**147,376**	145,724	144,713	149,481	132,613
Leverage exposure measure	**453,499**	437,135	427,658	431,340	397,050
TLAC ratios and buffers					
TLAC (as a percentage of RWA adjusted as permitted under the TLAC regime)	**20%**	19%	19%	18%	20%
TLAC (as a percentage of leverage exposure)	**6.5%**	6.5%	6.4%	6.1%	6.8%

Table 14: TLAC composition (TLAC1)

The table below provides details of the composition of CGML's internal TLAC eligible instruments. CGML, as a material subsidiary of a non-EU GSII under Article 92b of CRR II, makes these disclosures in accordance with point (b) of Article 430 (1), Article 437a and point (h) of Article 447.

		31 December 2020	31 December 2019
		$ million	$ million
Regulatory capital elements of TLAC and adjustments			
1	**Common Equity Tier 1 (CET1) capital**	**16,379**	14,492
2	Additional Tier 1 (AT1) capital before TLAC adjustments	**2,300**	2,300
3	AT1 capital ineligible as TLAC as issued out of subsidiaries to third parties	**-**	-
4	Other adjustments	**-**	-
5	**AT1 instruments eligible under the TLAC framework**	**2,300**	2,300
6	Tier 2 (T2) capital before TLAC adjustments	**4,600**	4,600
7	Amortised portion of Tier 2 instruments where remaining maturity > 1 year	**-**	-
8	Tier2 capital ineligible as TLAC as issued out of subsidiaries to third parties	**-**	-
9	Other adjustments	**-**	-
10	**Tier2 instruments eligible under the TLAC framework**	**4,600**	4,600
11	**TLAC arising from regulatory capital**	**23,279**	21,392
Non-regulatory capital elements of TLAC			
12	Internal TLAC instruments issued directly by the entity and subordinated to excluded liabilities	**6,000**	5,500
13	Internal TLAC instruments issued directly by the entity which are not subordinated to excluded liabilities but meet all other TLAC Term Sheet requirements	**-**	-
17	**TLAC arising from non-regulatory capital instruments before adjustments**	**6,000**	5,500
Non-regulatory capital elements of TLAC: adjustments			
18	TLAC before deductions	**29,279**	26,892
19	Deductions of exposures between MPE resolution groups that correspond to items eligible for TLAC (not applicable to single point of entry G-SIBs)	**-**	-
20	Deduction of investments in own other TLAC liabilities	**-**	-
21	Other adjustments to TLAC	**-**	-
22	**TLAC after deductions**	**29,279**	26,892
Risk-weighted assets (RWA) and leverage exposure measure for TLAC purposes			
23	Total RWA adjusted as permitted under the TLAC regime	**147,376**	132,613
24	Leverage exposure measure	**453,499**	397,050
TLAC ratios and buffers			
25	TLAC (as a percentage of RWA adjusted as permitted under the TLAC regime)	**20%**	20%
26	TLAC (as a percentage of leverage exposure)	**6.5%**	6.8%
27	CET1 (as a percentage of RWA) available after meeting the entity's minimum capital and TLAC requirements[1]	**4.2%**	4.4%
28	Bank-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss-absorbency requirement, expressed as a percentage of RWA)	**2.54%**	2.96%
29	Of which: capital conservation buffer requirement	**2.50%**	2.50%
30	Of which: bank-specific countercyclical buffer requirement	**0.04%**	0.46%
31	Of which: higher loss-absorbency requirement	**-**	-

[1]Basis of calculation for 'CET1 available after meeting the bank's minimum capital requirements' has been modified. This calculation excludes CRD IV buffers for both current and prior period.

Table 15: TLAC Creditor Ranking (TLAC2)

The following table provides a breakdown of eligible instruments in the creditor hierarchy of CGML.

		Creditor ranking				
		(most junior) 1	2	3	(most senior) 4	Total as at 31 December 2020
		$ million	$ million	$ million	$ million	$ million
1	Is the resolution entity the creditor/investor? (yes or no)	Yes	Yes	Yes	Yes	
2	Description of creditor ranking (free text)	Ordinary Shares	AT1	Subordinated Loans	Senior Subordinated Loans	-
3	Total capital and liabilities net of credit risk mitigation	1,500	2,300	4,600	6,000	14,400
4	Subset of row 3 that are excluded liabilities	-	-	-	-	-
5	Total capital and liabilities less excluded liabilities (row 3 minus row 4)	1,500	2,300	4,600	6,000	14,400
6	Subset of row 5 that are eligible as TLAC	1,500	2,300	4,600	6,000	14,400
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	1,000	1,000
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	2,500	2,500
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	3,600	2,500	6,100
10	Subset of row 6 with residual maturity ≥ 10 years, but excluded perpetual securities	-	-	1,000	-	1,000
11	Subset of row 6 that is perpetual securities	1,500	2,300	-	-	3,800

Credit Risk and Credit Risk Mitigation

Credit Quality of Assets

The IFRS 9 impairment standard applies to any debt instruments measured at amortised cost or at fair value through other comprehensive income and also to off balance sheet loan commitments and financial guarantees. The standard requires an estimation of an expected credit loss (ECL) that is unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate will also consider the time value of money.

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

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

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

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

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognized. Credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

Because of the nature of business activities and the financial assets on the Company's balance sheet (high credit quality reverse repo asset loans and short term trade receivables), the recognition of expected credit losses has a minimal impact. For the vast majority of its exposures, the Company has taken advantage of practical expedients allowed by IFRS 9 in which either: (a) lifetime expected credit losses are recognised irrespective of changes in credit risk (applicable to receivables such as trade date or brokerage receivables), or (b) twelve-month expected credit losses are recognised where credit risk is low at the reporting date (applicable to reverse repos and securities borrowed).

Credit Risk Profile

Table 16: Total and Average Net Amount of Exposures (CRB-B)

The table below provide a breakdown of credit risk exposures pre CCF and 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 2020 $ million	31 December 2019 $ million	**31 December 2020 $ million**	31 December 2019 $ million
Standardised approach				
Central governments or central banks	**1,686**	188	**1,149**	648
Institutions	**2,077**	649	**934**	684
Corporates	**2,924**	1,510	**3,257**	1,504
Claims on institutions and corporates with a short-term credit assessment	**3,210**	2,557	**2,276**	2,475
Equity exposures	**101**	74	**92**	67
Other exposures	**621**	552	**485**	365
Total Standardised approach	**10,619**	5,529	**8,194**	5,744

Year-end exposures as well as average net exposures rose across almost all exposures classes compared to prior year end, especially in case of corporates, institutions and central government exposures. Majority of the increase is attributed to a rise in both third party and intercompany cash exposures.

Table 17: Geographical Breakdown of Exposures (CRB-C)

This table provide 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:				Of which:			
	EMEA	United Kingdom	Germany	Ireland	Luxembo -urg	Finland	France	Other Countries	North America	United States	Canada	Other countries	APAC	India	Other countries	LATAM	Total
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Standardised approach																	
Central governments or central banks	**1,686**	**1,665**	**21**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,686**
Institutions	**1,134**	**279**	**406**	**24**	**1**	**230**	**163**	**32**	**934**	**589**	**346**	**-**	**5**		**5**	**3**	**2,077**
Corporates	**1,852**	**1,734**		**-**			**-**	**117**	**811**	**811**	**-**	**-**	**227**	**114**	**113**	**35**	**2,924**
Claims on institutions and corporates with a short-term credit assessment	**778**	**-**	**-**	**383**	**319**	**-**	**-**	**77**	**2,397**	**2,257**	**140**		**34**	**-**	**34**	**1**	**3,210**
Equity exposures	**101**	**77**	**-**	**-**	**-**	**-**	**-**	**23**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101**
Other exposures	**621**	**620**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**621**
Total as at 31 December 2020[1]	**6,171**	**4,376**	**427**	**407**	**320**	**230**	**163**	**250**	**4,143**	**3,658**	**486**	**-**	**266**	**114**	**152**	**39**	**10,619**

								Of which:				Of which:			Of which:		
	EMEA	United Kingdom	Germany	Ireland	Luxembo -urg	Finland	France	Other Countries	North America	United States	Canada	Other countries	APAC	India	Other countries	LATAM	Total
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Standardised approach																	
Central governments or central banks	188	188	-	-	-	-	-	-	-	-	-	-	-	-	-	-	188
Institutions	357	216	1	1	1	30	0	109	289	224	66	-	2	0	2	-	649
Corporates	1,199	939	162					99	1	1	0	-	279	270	9	30	1,510
Claims on institutions and corporates with a short-term credit assessment	1,922	746	347	180	195	3	15	436	17	17	0	-	608	1	606	11	2,557
Equity exposures	74	60	-	-	1	-	-	12	-	-	-	-	-	-	-	-	74
Other exposures	552	552	-	-	-	-	-	-	-	-	-	-	-	-	-	-	552
Total as at 31 December 2019[1]	4,292	2,700	511	180	197	33	15	656	308	242	66	-	889	272	617	40	5,529

[1]Prior year comparatives amended to be in line with the 2020 geographical breakdown and with CR1-C table.

Credit risk exposure increased by $5,090 million mainly due to the following key geographical areas:

- EMEA exposures grew by $1.9 billion with the largest increase being in central governments or central banks, especially with a rise in the UK exposures. UK Corporates exposure saw an increase, which is offset by a drop in claims on institutions and corporates with a short.-term credit assessment.
- Exposures in North America rose by $3.8 billion due to increases in both US and Canada, particularly exposures to Claims on institutions and corporates with short-term credit assessment, Institutions and Corporates. Large majority of these are intercompany exposures.

Table 18: Concentration of Exposures by Industry (CRB-D)

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

	Electricity, gas, steam and air conditioning supply	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence; compulsory social security	Mining and quarrying [1]	Total
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Standardised approach									
Central governments or central banks	-	-	1,389	-	-	-	296	-	1,686
Institutions	-	-	2,077	-	-	-	-	-	2,077
Corporates	-	-	2,807	6	-	-	-	111	2,924
Claims on institutions and corporates with a short-term credit assessment	-	-	3,210	-	-	-	-	-	3,210
Equity exposures	-	-	101	-	-	-	-	-	101
Other exposures	-	-	621	-	-	-	-	-	621
Total as at 31 December 2020	-	-	10,205	6	-	-	296	111	10,619

	Electricity, gas, steam and air conditioning supply	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence; compulsory social security	Mining and quarrying [1]	Total
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Standardised approach									
Central governments or central banks	-	-	1	-	-	-	188	-	188
Institutions	-	-	649	-	-	-	-	-	649
Corporates	162	-	1,077	2	-	-	-	268	1,509
Claims on institutions and corporates with a short-term credit assessment	-	-	2,557	-	-	-	-	-	2,557
Equity exposures	-	-	73	-	-	-	-	-	73
Other exposures	-	-	552	-	-	-	-	-	552
Total as at 31 December 2019	162	-	4,909	2	-	-	188	268	5,529

[1] The comparative figures as at 31 December 2019 for Mining and quarrying have been aligned with the current period's presentation to incorporate exposures previously categorized as "Other".

Exposures rose with most counterparty types, particularly finance and insurance activities.

Table 19: Maturity of Exposures (CRB-E)

The table below provide 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	1,389	296	-	-	-	1,686
Institutions	1,865	212	-	-	-	2,077
Corporates	306	2,618	-	-	-	2,924
Claims on institutions and corporates with a short- term credit assessment	3,210	-	-	-	-	3,210
Equity exposures	-	-	-	101	-	101
Other exposures	1	595	-	-	25	621
Total standardised approach as at 31 December 2020	6,771	3,722	-	101	25	10,619

	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	188	-	-	-	188
Institutions	359	290	-	-	-	649
Corporates	279	1,218	-	-	-	1,496
Claims on institutions and corporates with a short- term credit assessment	2,557	-	-	-	-	2,557
Equity exposures	-	2	-	72	-	74
Other exposures	-	539	-	-	26	565
Total standardised approach as at 31 December 2019	3,195	2,236	-	72	26	5,529

Exposures rose across all maturity categories, with the greatest increase being in exposures under one year. There is no significant change in the distribution of exposures between maturity classes.

Table 20: Credit Quality of Exposures by Exposure Class and Instrument (CR1-A)

	Gross carrying values of						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Standardised approach	-	-	-	-	-	-	
Central governments or central banks	-	1,686	-	-	-	-	1,686
Institutions	-	2,077	-	-	-	-	2,077
Corporates	-	2,924	-	-	-	-	2,924
Claims on institutions and corporates with a short- term credit assessment	-	3,210	-	-	-	-	3,210
Equity exposures	-	101	-	-	-	-	101
Other exposures	-	621	-	-	-	-	621
Total standardised approach at 31 December 2020	-	10,619	-	-	-	-	10,619
Total as at 30 December 2020							
Of which: Loans [1]	-	2,031	-	-	-	-	2,031
Of which: Debt Securities	-	-	-	-	-	-	-

	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							
Central governments or central banks	-	188	-	-	-	-	188
Institutions	-	649	-	-	-	-	649
Corporates	-	1,510	-	-	-	-	1,510
Claims on institutions and corporates with a short- term credit assessment	-	2,557	-	-	-	-	2,557
Equity exposures	-	74	-	-	-	-	74
Other exposures	-	552	-	-	-	-	552
Total standardised approach at 31 December 2019	-	5,529	-	-	-	-	5,529
Total as at 31 December 2019							
Of which: Loans [1]	-	496	-	-	-	-	496
Of which: Debt Securities	-	-	-	-	-	-	-

[1] Loans no longer includes cash held with counterparties, and the comparative figure as at 31 December 2019 has been amended to align with the current period's presentation.

Table 21: Credit Quality of Exposures by Industry or Counterparty Types (CR1-B)

The table provide a picture of the credit quality of CGML'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
Mining and quarrying	-	111	-	-	-	-	111
Financial and insurance activities	-	10,205	-	-	-	-	10,205
Real estate activities	-	6	-	-	-	-	6
Public administration and defence, compulsory social security	-	296	-	-	-	-	296
Total as at 31 December 2020	-	10,619	-	-	-	-	10,619

	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
Mining and quarrying	-	268	-	-	-	-	268
Electricity, gas, steam and air conditioning supply	-	162	-	-	-	-	162
Financial and insurance activities	-	4,909	-	-	-	-	4,909
Real estate activities	-	2	-	-	-	-	2
Public administration and defence, compulsory social security	-	188	-	-	-	-	188
Total as at 31 December 2019	-	5,529	-	-	-	-	5,529

Table 22: Credit Quality of Exposures by Geography (CR1-C)

This table provide a picture of the credit quality of CGML'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
EMEA	-	6,171	-	-	-	-	6,171
United Kingdom	-	4,376	-	-	-	-	4,376
Germany	-	427	-	-	-	-	427
Ireland	-	407	-	-	-	-	407
Luxembourg	-	320	-	-	-	-	320
Finland	-	230	-	-	-	-	230
France	-	163	-	-	-	-	163
Other Countries	-	250	-	-	-	-	413
North America	-	4,143	-	-	-	-	4,143
United States	-	3,658	-	-	-	-	3,658
Canada	-	486	-	-	-	-	486
Other countries	-	0	-	-	-	-	0
APAC	-	266	-	-	-	-	266
India	-	114	-	-	-	-	114
Other countries	-	152	-	-	-	-	152
LATAM	-	39	-	-	-	-	39
Total as at 31 December 2020[1]	-	10,619	-	-	-	-	10,619

	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
EMEA	-	4,292	-	-	-	-	4,292
United Kingdom	-	2,700	-	-	-	-	2,700
Germany	-	511	-	-	-	-	511
Ireland	-	180	-	-	-	-	180
Luxembourg	-	197	-	-	-	-	197
Finland	-	33	-	-	-	-	33
France	-	15	-	-	-	-	15
Other Countries	-	671	-	-	-	-	671
North America	-	308	-	-	-	-	308
United States	-	242	-	-	-	-	242
Canada	-	66	-	-	-	-	66
Other countries	-	-	-	-	-	-	-
APAC	-	889	-	-	-	-	889
India	-	272	-	-	-	-	272
Other countries	-	617	-	-	-	-	617
LATAM	-	40	-	-	-	-	40
Total as at 31 December 2019[1]	-	5,529	-	-	-	-	5,529

[1]Prior year geographical area comparatives amended to be in line with the 2020 geographical breakdown.

Table 23: Credit quality of performing and non-performing exposures by past due days

	$ 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 default-ed
1	**Loans and advances**	**2,031**	**2,031**	-	-	-	-	-	-	-	-	-	-
5	*Other financial corporations*	**800**	**800**	-	-	-	-	-	-	-	-	-	-
6	*Non-financial corporations*	**1,231**	**1,231**	-	-	-	-	-	-	-	-	-	-
22	**Total as at 31 December 2020[1]**	**2,031**	**2,031**	-	-	-	-	-	-	-	-	-	-

	$ 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 default-ed
1	Loans and advances	496	496	-	-	-	-	-	-	-	-	-	-
6	*Non-financial corporations*	496	496	-	-	-	-	-	-	-	-	-	-
22	Total as at 31 December 2019[1]	496	496	-	-	-	-	-	-	-	-	-	-

[1]Comparative figures have been revised to align with table CR1-A

Table 24: 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						Accum-ulated 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**	**2,031**	**2,031**	-	-	-	-	-	-	-	-	-	-	-	-	-
5	*Other financial corporations*	**800**	**800**	-	-	-	-	-	-	-	-	-	-	-	-	-
6	*Non-financial corporations*	**1,231**	**1,231**	-	-	-	-	-	-	-	-	-	-	-	-	-
22	**Total as at 31 December 2020[1]**	**2,031**	**2,031**	-	-	-	-	-	-	-	-	-	-	-	-	-

	$ million	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accum-ulated 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	496	496	-	-	-	-	-	-	-	-	-	-	-	-	-
6	*Non-financial corporations*	496	496	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Total as at 31 December 2019[1]	496	496	-	-	-	-	-	-	-	-	-	-	-	-	-

[1]Comparative figures have been revised to align with table CR1-A

Credit Risk Mitigation

As part of its risk management activities, the firm uses various risk mitigants to hedge portions of the credit risk in its portfolio, in addition to outright asset sales. Credit risk mitigation, including netting, collateral and other techniques, is important to Citi in the effective management of its credit risk exposures.

The utilisation of collateral is of critical importance in the mitigation of risk. In-house legal counsel, in consultation with approved external legal counsel, will determine whether collateral documentation is enforceable and gives the firm 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.

Collateral Types

The majority of the collateral taken by CGML against OTC derivative exposures is in the form of cash. Other collateral, such as corporate bonds, municipal bonds, U.S. agency securities and mortgage-backed securities, may also be pledged as collateral for OTC derivative transactions

Collateral is generally posted to secure the net open exposure of OTC derivative transactions, at a counterparty level, whereby the receiving party is free to co-mingle or re-hypothecate such collateral in the ordinary course of business.

Collateral posted to open and maintain a master netting agreement with a counterparty in the form of cash and securities may from time to time be segregated in an account at a third-party custodian pursuant to a tri-party account control agreement.

In respect of SFTs, the majority of the collateral is in the form of:

- Cash
- Long-term and short-term debt securities; or
- Public equity securities

Occasionally, with appropriate agreement, other forms of collateral may be accepted.

Policies for Securing, Valuing and Managing Collateral

Citi's policies and procedures cover management and governance of financial assets (including securing and valuing collateral) utilised for the purpose of mitigating the credit risk of OTC derivatives, repo-style transactions and eligible margin loans. Specifically, businesses are required to establish standard eligibility criteria for collateral usage and review processes for approving non-standard collateral. Industry standard legal agreements combined with internal reviews for legal enforceability are used to achieve a perfected security interest in the collateral.

Additionally, Risk Management establishes guidelines on appropriate collateral haircuts related to repo-style transactions and eligible margin loans. A haircut is the percentage of reduction in current market value applicable to each type of collateral and is largely based on liquidity and price volatility of the underlying security. Potential correlations between the exposure and the underlying collateral are reflected through the setting of appropriately greater haircuts.

Derivative Master Netting Agreements

Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Citi policy requires all netting arrangements to be legally documented. ISDA (International Swaps and Derivatives Association) master agreements are Citi's preferred manner for documenting OTC derivatives.

In-house legal counsel will also approve relevant jurisdictions and counterparty types for netting purposes. Off-balance sheet netting and netting of collateral against the exposure is permitted if legal counsel determine that the firm has these rights.

Netting is generally permitted for the following types of transaction:

- Securities Financing Transactions (SFTs)
- Exchange Traded Derivatives (ETDs); and
- Over The Counter (OTC) derivative transactions

The agreements provide the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually bind both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Citi 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. For example, Citi generally transacts much lower volumes of derivatives under master netting agreements where Citi does not have the requisite level of legal certainty regarding enforceability.

Valuation of Collateral

Collateral valuations must be completed daily for SFTs, OTC derivatives and margin lending by the relevant operations units and collateral/margin departments. Collateral haircuts are applied in a number of circumstances, such as where there is a material positive correlation between the credit quality of the counterparty and the value of the collateral, or where there are currency or maturity mismatches. The firm has systems and procedures for requesting and promptly receiving additional collateral for transactions whose terms require maintenance of collateral values at specified thresholds as documented in the respective legal agreements.

Margining Procedures

Daily margin procedures are established for managing margin calls which is considered best practice in order to maintain an appropriate level of collateral coverage reflecting market value fluctuations. Trades are reconciled on a regular basis that is consistent with regulatory and industry best practice guidelines and margin dispute processes are in place. Procedures are established surrounding collateral substitution and collateral re-use/re-hypothecation. Limits and concentration monitoring are utilised to control Citi's collateral concentrations to different types of asset classes.
Additionally, for eligible margin loans, procedures are established to ensure an appropriate level of allowance for credit losses

Reporting

The firm has procedures in place to ensure that appropriate information is available to support the collateral process and that timely and accurate margin calls feed correctly into the margin applications from upstream systems. Key to the process is a daily credit exposure report as well as reports identifying counterparties that have not met their requirement for additional collateral to satisfy specified initial margin amounts and variation margin thresholds. In addition, there is firm wide risk reporting of counterparty exposures at an individual and an aggregate level.

Collateral Concentrations

Cash and sovereign government bonds are the predominant form of collateral accepted in respect of margined OTC derivative transactions and SFTs at 31 December 2020.

Other Forms of Credit Risk Mitigation

CGML does not generally use credit derivatives to mitigate its counterparty risk exposure, but Citi does use credit derivatives for this purpose when exposure is viewed at a global level, and such hedging is carried out by certain US affiliate companies. CGML does not use eligible credit derivatives as exposure hedges to any exposures currently including IMM positions

Table 25: CRM Techniques – Overview (CR3)
This table shows the extent of the use of CRM techniques

		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
		$ million	$ million	$ million	$ million	$ million
1	Total loans [1]	2,031	-	-	-	-
2	Total debt securities	-	-	-	-	-
3	**Total exposures as at 31 December 2020**	2,031	-	-	-	-
4	Of which defaulted	-	-	-	-	-

		Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
		$ million	$ million	$ million	$ million	$ million
1	Total loans [1]	496	-	-	-	-
2	Total debt securities	-	-	-	-	-
3	Total exposures as at 31 December 2019	496	-	-	-	-
4	Of which defaulted	-	-	-	-	-

[1] Loans no longer includes cash held with counterparties, comparative figure as at 31 December 2019 has been amended to align with the current period's presentation.

Table 26: 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	**1,686**	**-**	**1,686**	**-**	**741**	**44%**
Institutions	**2,077**	**-**	**2,077**	**-**	**479**	**23%**
Corporates	**2,924**	**-**	**2,924**	**-**	**2,924**	**100%**
Institutions and corporates with a short-term credit assessment	**3,210**	**-**	**3,210**	**-**	**1,340**	**42%**
Equity	**101**	**-**	**101**	**-**	**102**	**101%**
Other exposures	**621**	**-**	**621**	**-**	**772**	**124%**
Total as at 31 December 2020	**10,619**	**-**	**10,619**	**-**	**6,358**	**60%**

	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	188	-	188	-	469	249%
Institutions	649	-	649	-	214	33%
Corporates	1,510	-	1,510	-	1,509	100%
Institutions and corporates with a short-term credit assessment	2,557	-	2,557	-	985	39%
Equity	74	-	74	-	76	103%
Other exposures	551	-	551	-	685	124%
Total as at 31 December 2019	5,529	-	5,529	-	3,939	71%

The RWA increased in line with exposures with the only major change being in the RWA density of Central governments or central banks exposures. The decrease in RWA density is the result of new central bank exposures in the UK representing the majority of the current exposures, which receive lower risk weight.

Use of External Credit Ratings under the Standardised Approach for Credit Risk

Under the Standardised approach, ratings assigned by External Credit Assessment Institutions (ECAIs) are used in the calculation of RWAs. Credit assessments applied to central governments and central banks, institutions, corporate and equity exposure classes in the trading book and banking book alike, as determined by the PRA in accordance with the requirements of CRD IV.

CGML 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, including exposure class and maturity. Exposures for which no rating is available are treated in a similar way to those under Credit Quality Step 3.

Table 27: Risk weightings by credit quality step

						Institution (Includes Banks)		
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%**

Table 28: Standardised Approach – Risk Weighted (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
	$ 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	**1,389**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**296**	**-**	**-**	**-**	**-**	**1,686**	**317**
Institutions	**-**	**-**	**-**	**-**	**1,866**	**-**	**211**	**-**	**-**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**2,077**	**1,869**
Corporates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,924**	**-**	**-**	**-**	**-**	**-**	**-**	**2,924**	**2,924**
Institutions and corporates with a short-term credit assessment	**-**	**-**	**-**	**-**	**883**	**-**	**2,328**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,210**	**-**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101**	**-**	**1**	**-**	**-**	**-**	**-**	**101**	**101**
Other items	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**520**	**1**	**101**	**-**	**-**	**-**	**-**	**621**	**621**
Total as at 31 December 2020	**1,389**	**-**	**-**	**-**	**2,749**	**-**	**2,539**	**-**	**-**	**3,545**	**1**	**397**	**-**	**-**	**-**	**-**	**10,619**	**5,833**

	Risk weight																	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	Of which: unrated
	$ 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	1	-	-	-	-	-	-	-	-	-	-	188	-	-	-	-	188	188
Institutions	-	-	-	-	369	-	279	-	-	-	-	-	-	-	-	-	649	372
Corporates	-	-	-	-	-	-	2	-	-	1,507	1	-	-	-	-	-	1,510	1,507
Institutions and corporates with a short-term credit assessment	-	-	-	-	1,403	-	901	-	-	250	3	-	-	-	-	-	2,557	-
Equity	-	-	-	-	-	-	-	-	-	72	-	2	-	-	-	-	74	74
Other items	-	-	-	-	-	-	-	-	-	463	-	89	-	-	-	-	552	552
Total as at 31 December 2019	1	-	-	-	1,773	-	1,182	-	-	2,293	4	278	-	-	-	-	5,529	2,693

No significant change in the distribution of exposures across risk weights, with the exception of 0% risk weight band explained at Table 26.

Counterparty Credit Risk

Counterparty credit risk (CCR) arise derivatives and securities financing transactions (SFTs) across banking and trading book exposures, and is the risk a transaction could default before the final settlement of the transaction's cash flows.

The measures of Exposure at Default (EAD) used to determine these requirements are described below

Risk Category	Approach of Calculating Exposure	Application
Derivatives	Mark-to-Market Approach	Under mark to market approach, exposures are calculated using current exposure method (CEM), which is the replacement cost plus regulatory add-ons for potential future exposure (PFE) to capture market volatility. This method applies to all derivatives not calculated under IMM
	Internal Modelling Method (IMM)	IMM applies to all derivatives provided for in the PRA modelled permission. These derivative exposures are calculated as the standard supervisory alpha factor of 1.4 multiplied by the effective expected positive exposure (EEPE), modelled using the Monte Carlo simulation
Securities Financing Transactions (SFTs)	Financial Collateral Comprehensive Method (FCCM)	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 29: Analysis of CCR Exposure by Approach (CCR1)

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

		Notional	Replacement cost/current market value[1]	Potential future credit exposure[1]	EEPE	Multiplier	EAD post CRM	RWAs
		$ million	$ million	$ million	$ million	$ million	$ million	$ million
1	Mark to market	-	1,961	24,455	-	-	27,235	16,282
2	Original exposure	-	-	-	-	-	-	-
3	Standardised approach	-	-	-	-	-	-	-
4	IMM (for derivatives and SFTs)	-	-	-	11,633	1.4	16,286	10,588
5	Of which securities financing transactions	-	-	-	-	-	-	-
6	Of which derivatives and long settlement transactions	-	-	-	11,633	1.4	16,286	10,588
7	Of which from contractual cross-product netting	-	-	-	-	-	-	-
8	Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-
9	Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	50,622	34,984
10	VaR for SFTs	-	-	-	-	-	-	-
11	**Total as at 31 December 2020**	-	-	-	-	-	-	61,854

		Notional	Replacement cost/current market value[1]	Potential future credit exposure[1]	EEPE	Multiplier	EAD post CRM	RWAs
		$ million	$ million	$ million	$ million	$ million	$ million	$ million
1	Mark to market	-	6,993	27,609	-	-	28,071	17,828
2	Original exposure	-	-	-	-	-	-	-
3	Standardised approach	-	-	-	-	-	-	-
4	IMM (for derivatives and SFTs)	-	-	-	9,215	1.4	12,900	8,632
5	Of which securities financing transactions	-	-	-	-	-	-	-
6	Of which derivatives and long settlement transactions	-	-	-	9,215	1.4	12,900	8,632
7	Of which from contractual cross-product netting	-	-	-	-	-	-	-
8	Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-
9	Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	51,664	38,047
10	VaR for SFTs	-	-	-	-	-	-	-
11	Total as at 31 December 2019	-	-	-	-	-	-	64,507

[1] Calculation method at 31 December 2020 for Replacement cost ("RC") and Potential future credit exposure ("PFE") changed compared to prior year as a result of better quality of data. RC and PFE calculation amended accordingly for 31 December 2019.

The counterparty credit risk RWA fell by $2.65 billion to $61.85 billion at December 2020 due to the following:

- Increased IMM model coverage for derivative exposures resulted in $3.39 billion higher EAD and $1.95billion higher RWA under the IMM method, offset by a $836 million decrease in EAD and $1.55 billion decrease in RWA under the Mark to Market (MtM) method.
- Financial collateral comprehensive method (FCCM) for SFTs declined by $3 billion compared to reduction in trade activity.

Table 30: Credit Valuation Adjustment (CVA) Capital Charge (CCR2)
The following table provides a view of CVA regulatory calculations with a breakdown by standardised and advanced approach.

		31 December 2020		31 December 2019	
		Exposure value	RWAs	Exposure value	RWAs
		$ million	$ million	$ million	$ million
1	Total portfolios subject to the advanced method	9,723	3,128	8,017	2,324
2	(i) VaR component (including the 3× multiplier)	-	1,111	-	697
3	(ii) SVaR component (including the 3× multiplier)	-	2,017	-	1,628
4	All portfolios subject to the standardised method	6,484	2,790	9,014	4,469
5	**Total subject to the CVA capital charge**	16,207	5,918	17,031	6,793

CGML's CVA requirements decreased by $875 million in 2020. This is the result of the decrease in CVA Risk exposure by $824 million compared to 2019, supplemented by a higher advanced method coverage of the total portfolio.

Table 31: Exposures to CCPs (CCR8)
This table provide a comprehensive picture of the institution's exposures to CCPs. In particular, the template includes all types of exposures (due to operations, margins, and contributions to default funds) and related capital requirements.

	As at 31 December 2020		As at 31 December 2019	
	EAD post CRM	RWAs	EAD post CRM	RWAs
	$ million	$ million	$ million	$ million
Exposures to QCCPs (total)		1,151		1,047
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	16,774	439	12,254	693
(i) OTC derivatives	9,284	266	3,312	212
(ii) Exchange-traded derivatives	3,996	98	5,842	354
(iii) SFTs	3,494	75	3,100	127
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	4,968	99	2,424	48
Prefunded default fund contributions	1,072	612	723	306
Alternative calculation of own funds requirements for exposures	-	-	-	-

CRR II introduces a new framework for identifying QCCPs. If a third-country CCP has applied for recognition in accordance with EMIR, a new transitional provision permits firms to consider that third-country CCP as a QCCP for a period of time. The time period depends on the date of application of the CCP for recognition as a QCCP and/or the date of the EU implementing act in relation to the country in which the CCP is established, so it may have commenced prior to the introduction of CRR II.

During 2020 CGML's exposure to CCPs rose by $4.5 billion, mainly in OTC Derivatives, offset by a decrease in ETD derivatives. Initial margin also increased compared to prior year driven by higher market volatility, while majority of the initial margin is attributed to ETD derivatives.

Table 32: 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.

		Risk weight									
		0%	2%	4%	20%	50%	100%	150%	Others	Total	Of which: unrated
		$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
1	Central governments or central banks	4,268	-	-	1,161	19	4,602	-	-	10,049	8,228
2	Regional government or local authorities	87	-	-	1,503	-	130	-	-	1,720	10
3	Public sector entities	402	-	-	1,046	-	177	-	-	1,625	373
4	Multilateral development banks	195	-	-	-	-	-	-	-	195	-
5	International organisations	-	-	-	-	-	-	-	-	0	-
6	Institutions	-	21,165	3,432	6,256	26,955	439	-	-	58,247	16,329
7	Corporates	-	-		1,213	3,438	37,543	90	-	42,285	36,010
8	Retail	-	-	-	-	-	-		-	0	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	276	882	82	356	-	1,597	-
10	Other items	-	-	-	-	-	-	167	-	167	142
10b	Claims in the form of CIU	-	-	-	-	-	-	-	-	-	-
11	**Total as at 31 December 2020**	4,952	21,165	3,432	11,455	31,295	42,973	614	-	115,885	61,092

		Risk weight									
		0%	2%	4%	20%	50%	100%	150%	Others	Total	Of which: unrated
		$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
1	Central governments or central banks	4,534	-	-	485	22	7,285	-	-	12,326	10,526
2	Regional government or local authorities	74	-	-	11	-	-	-	-	85	-
3	Public sector entities	81	-	-	1,018	4	549	-	-	1,652	401
4	Multilateral development banks	178	-	-	1	-	-	-	-	179	-
5	International organisations	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	10,313	2,116	7,794	29,116	700	-	-	50,039	10,667
7	Corporates	-	-	-	920	2,327	35,934	442	-	39,623	34,815
8	Retail	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	58	2,219	61	412	-	2,750	-
10	Other items	-	-	-	-	-	-	158	-	158	124
10b	Claims in the form of CIU	-	-	-	-	-	-	-	-	-	-
11	Total as at 31 December 2019	4,867	10,313	2,116	10,287	33,688	44,529	1,012	-	106,812	56,533

Overall exposures increased by $9,073 million, with a reduction in exposures to Central governments or central banks of almost $2.3 billion offset by increases in Institutional and Corporate exposures. Majority of the increase is in the 2% risk weight band related to increased exposures towards central clearing counterparties.

Table 33: 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, including exposures arising from transactions cleared through a CCP.

		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	**459,217**	**406,300**	**52,917**	**36,352**	**16,565**
2	SFTs	**539,140**	**-**	**539,140**	**528,107**	**11,033**
3	Non-eligible collateral under the CRR[1]				**68,341**	
4	**Total as at 31 December 2020**	**998,357**	**406,300**	**592,057**	**632,800**	**27,598**

		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	498,741	451,067	47,674	37,549	10,125
2	SFTs	410,994	-	410,994	405,680	5,314
3	Non-eligible collateral under the CRR[1]				37,047	
4	Total as at 31 December 2019	909,735	451,067	458,668	480,276	15,439

[1]*Collateral held includes collateral not eligible for CRM or that would have no impact on the netted current credit exposure in the application of Chapter 4 and Chapter 6 of Part Two, Title III of the CRR.*

Total net carrying amount for SFTs and derivatives increased by $88.6 billion compared to 31 December 2019 due to increased trading activity, which includes a $128.1 billion net carrying value increase in SFTs, offset by a decrease in derivatives.

Table 34: Composition of Collateral for Exposures to CCR (CCR5-B)

This table shows the breakdown of all types of posted or received by CGML to support or reduce Counterparty Credit Risk exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP.

	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	**-**	**24,670**	**-**	**39,070**	**196,977**	**255,304**
Sovereign Debt	**409**	**6,217**	**1,066**	**4,520**	**245,773**	**209,332**
Corporate Bond	**93**	**1,733**	**426**	**2,430**	**17,220**	**19,556**
Equities	**220**	**19**	**1**	**-**	**65,520**	**51,312**
Other	**-**	**2,991**	**-**	**-**	**2,617**	**3,636**
Total as at 31 December 2020	**722**	**35,630**	**1,493**	**46,020**	**528,107**	**539,140**

	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	24,019	1	26,429	143,816	189,963
Sovereign Debt	2,131	4,597	2,820	2,000	175,592	119,277
Corporate Bond	166	2,635	236	2,105	19,871	18,900
Equities	200	-	12	-	61,916	41,087
Other	-	3,800	95	608	4,485	40,900
Total as at 31 December 2019	2,497	35,051	3,163	31,142	405,680	410,126

Collateral for derivatives and SFTs moved in line with current credit exposures as a result of general trading activity.

Table 35: Credit Derivatives Exposures (CCR6)

The table below illustrate the extent of CGML's exposures to credit derivative transactions broken down between derivatives bought or sold.

	Credit derivative hedges[1]		Other credit derivatives	
	Protection bought	Protection sold	Protection bought	Protection sold
	$ million	$ million	$ million	$ million
Notionals as at 31 December 2020				
Single-name credit default swaps			**245,894**	**246,883**
Index credit default swaps			**261,982**	**257,092**
Total return swaps			**43,433**	**42,489**
Credit options			**6,689**	**4,976**
Other credit derivatives			**-**	**-**
Total notionals			**557,998**	**551,440**
Fair values				
Positive fair value (asset)			**3,604**	**12,612**
Negative fair value (liability)			**(13,139)**	**(5,145)**

	Credit derivative hedges[1]		Other credit derivatives	
	Protection bought	Protection sold	Protection bought	Protection sold
	$ million	$ million	$ million	$ million
Notionals as at 31 December 2019				
Single-name credit default swaps			254,938	253,998
Index credit default swaps			542,505	541,832
Total return swaps			2,210	81,768
Credit options			20,095	18,463
Other credit derivatives			1,098	1,098
Total notionals			820,847	897,159
Fair values				
Positive fair value (asset)			2,712	23,575
Negative fair value (liability)			(21,530)	(4,972)

[1] CGML does not use credit derivatives for credit risk mitigation purposes.

Notional value of credit derivatives decreased by $263 billion to $558 million for protection bought and by $346 billion to $551 billion for protection sold, predominantly due to significant decreases in Index credit default swaps offset by a small increase in Total return swaps.

Market risk

Market risk assesses the risk of losses to positions or a portfolio from market movements. Market volatility may be driven by one or more of: market price, rates, indices, correlations or implied volatilities.

There are two approaches to calculating market risk capital requirements – Standardised Approach and Internal Model Approach (IMA).

The following risk types are covered by Standardised Approach and Internal Model Approach (IMA).

Risk Category	Description
Interest rate risk (general and specific)	Risk arising from fluctuations in the level of interest rates due to monetary policies and impacts prices of interest rate sensitivities assets
Equity risk (general and specific)	Risk arising from fluctuations in equity prices, volatilities and dividend yields
Foreign exchange risk	Risk arising from fluctuations in foreign exchange rates and impacts transactions denominated in a currency other than the domestic currency of CGML
Commodity risk	Risk arising from fluctuations in the prices of commodities

Standardised Approach

CGML uses the standardised approach to calculate regulatory capital requirements for the part of the trading portfolio, which is not covered under the IMA approach.

Table 36: Market Risk under the Standardised Approach (MR1)
The table display the components of own funds requirements under the standardised approach for market risk.

		31 December 2020		31 December 2019	
		RWAs	Capital requirements	RWAs	Capital requirements
		$ million	$ million	$ million	$ million
	Outright products				
1	Interest rate risk (general and specific)	**10,415**	**833**	10,985	879
2	Equity risk (general and specific)	**5,548**	**444**	5,033	403
3	Foreign exchange risk	**2,906**	**232**	2,669	214
4	Commodity risk	**471**	**38**	871	70
	Options				
5	Simplified approach	**-**	**-**	-	-
6	Delta-plus method	**-**	**-**	-	-
7	Scenario approach	**4,819**	**386**	1,973	158
8	Securitisation (specific risk)	**655**	**52**	165	13
9	**Total**	**24,814**	**1,985**	21,695	1,736

The $3.1 billion increase in standardised market risk RWA is mainly attributed to a $2.8 billion increase in Scenario risk, in particular it is driven by increased Option position risk requirement for equity products due to a change in methodology.

Internal Model Approach (IMA)

CGML uses a Value at Risk (VaR) model to calculate market risk capital requirements for the majority of its trading portfolio under an IMA permission granted by the PRA. The permission covers general market risk and issuer specific risk for a number of Fixed Income, Equities and Commodities businesses. In addition to VaR based capital requirements, CGML is required to set aside capital in respect of Stressed VaR (SVaR) and the Incremental Risk Charge (IRC).

Non-proprietary details of the scope of CGML's IMA permission are available in the Financial Services Register on the FCA website.

VaR Model

The VaR model is designed to capture potential market losses at a 99% confidence level over a one day holding period. The capital requirement is based on the VaR measure over a ten day holding period. CGML uses a one day VaR for internal management reporting purposes. The key components of the VaR model are the variance/covariance matrix of market variables and the sensitivity of Citi's trading portfolio to those variables. The variance/covariance matrix is calibrated using three years of market data, with some volatilities adjusted up to capture fat tail effects at a 99% confidence level over a one day period, and others adjusted up to capture short-term spikes in volatility. Market variations simulated from the matrix by a Monte Carlo methodology are applied to the set of factor sensitivities to generate a forecast distribution of one day profit and loss, from which the VaR can be computed. The factor sensitivities are designed to capture all material market risks on each trading asset, both linear and non-linear in nature. Risk exposure feeds, comprising factor sensitivities, are fed from each trading unit at the end of the day and stored in the CitiRisk Market Risk (CRMR) system.

The risk factor covariance matrix used in the VaR calculation is updated on a monthly basis. Additionally, to reflect current market conditions, volatility of major market factors is updated on an intra-month basis through scaling factors. The covariance matrix for SVaR is reviewed on a quarterly basis to ascertain whether the underlying stress period requires updating.

Revaluation grids are used for nonlinear positions. Ten day VaR/SVaR numbers are calculated directly from ten day volatility estimates. Production and reporting take place on a daily basis and for any requested sub-portfolio or market factor.

The covariance matrix used for the VaR calculation is calibrated using risk factor time series data from three years of recent history, except for commodities, where 18 months of historical data is used. A mixed approach (of relative or absolute returns, depending on the risk factor) is used in the VaR and SVaR models when simulating movements in risk factors. The volatility model is a Hybrid Exponentially Weighted Moving Average (H-EWMA) approach using the maximum of the three year fat tail scaled (FTS) volatility and the exponentially weighted moving average (EWMA) volatility estimation over an effective window of one month. In this way, both long and short (recent)

historical windows are considered in this combined approach in order to achieve a prudent volatility estimation.

The accuracy of the VaR model is assessed through daily back-testing performed by VaR Operations with oversight from Market Risk Management. The backtesting results for CGML's in-scope businesses, both in aggregate and at individual business level, are reported quarterly to the PRA.

Stressed VaR

Stressed VaR (SVaR) estimates the potential decline in the value of a position or a portfolio under stressed market conditions. The firm's SVaR methodology incorporates the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors under stressed conditions and is expressed as the risk to the firm over a one-day holding period, at a 99% confidence level.

Citi's Monte Carlo VaR/SVaR model incorporates a full covariance matrix. The volatilities and correlations are built from thousands of market factors with actual time series from the last three years for VaR and a one-year stress period for SVaR. Proxy rules exist for market factors that do not have a sufficiently long time series or where the relevant data are inappropriate for matrix construction (e.g. due to gaps, unreliable sources, or too short a history). Aggregation of VaR/SVaR components by market factors or portfolios is fully integrated into the model.

CGML bases the stress period selection on a broad set of market factors that represent all assets held by CGML. The market factor selection is based on the materiality of risk. A common stress period is selected as the covariance matrix calibrated from this period maximises VaR for CGML's portfolio, in accordance with PRA Supervisory Statement SS13/13.

The stressed period selection is reviewed by Market Risk Management, Market Risk Analytics and the IMA Control Committee at least on a quarterly basis, and is reported to the PRA quarterly.

Incremental Risk Charge

The Incremental Risk Charge (IRC) is a measure of potential losses due to default and credit migration risk over a one-year time horizon at a one-tailed, 99.9% confidence level under the assumption of constant positions.

A Monte Carlo in-house 6-factor copula model is used for the correlations between issuers. The correlation depends mainly on the risk rating, region and industry sector of the issuer, and thus provides a richer correlation structure than what has been observed with 1-factor copula models.

The model is calibrated annually to the public data of over 20,000 companies maintained within Citi's databases and has been the subject of independent model validation. The migration and default of each issuer are modelled consistently by a single normal random variable which is mapped to the inverse normal cumulative distribution of the transition matrix to determine whether a migration or a default happens. The transition matrix is based on publicly available data from rating agencies. The scope of the issuers that is used for the calibration of the model encompasses the full spectrum of relevant trading products. The model accepts as inputs the jump-to-default amounts and the spread sensitivities from every debt issuer with interest rate exposure in Citi's systems. Recovery rates are also simulated with their parameters properly calibrated to market data.

A fixed one-year liquidity horizon is used consistently across all positions. The approach also includes positions that have maturities of less than one year, and for such positions the time of default is determined and the P&L effect is estimated accordingly.
The IRC model, which is used to calculate the incremental risk capital over a one-year time horizon at a one–tailed 99.9% confidence level, is consistent with regulatory requirements and meets the required soundness standard. A model validation and internal governance framework is in place to monitor the model's performance on an on-going basis to ensure that it continues to meet the required soundness standard.

The IRC model has been validated to provide an independent assessment of technical and functional soundness. The validation includes testing performed on the underlying data and the mathematical framework by the model developer as well as additional independent testing designed by the model validator. The model parameters are calibrated on the long-term averages of through-the-cycle data, taking into account periods of significant market stress.

Backtesting is not feasible as the IRC model captures default losses at a very high confidence level (99.9%), which is in line with regulatory standards. However, the accuracy and internal consistency of data and parameters used for the IRC model and modelling processes have been independently validated to ensure the technical and functional soundness of the model.

In addition, for the businesses within the scope of its IMA permission, CGML holds capital buffers in respect of certain risks not fully captured by its VaR/SVaR/IRC models.

Risks Not in VaR (RNIVs)

To the extent that a material risk is not adequately captured in the VaR model, CGML derives and documents RNIVs as Pillar 1 add-ons to appropriately buffer the risks.

RNIV capital add-ons are calculated as follows:

- VaR type RNIVs – For each relevant risk factor, the VaR based add-on (VaR RNIV) is calculated as the standalone VaR equivalent, scaled to a 10 day holding period. A stressed VaR based add-on (SVaR RNIV) is also calculated with the stressed period identified corresponding to the one used for Stressed VaR

- Stressed RNIVs – For some risk factors, RNIVs are based on stress tests (Stressed RNIVs). In such cases, CGML calibrates shocks to at least the same confidence level as would be the case were the risk to be included in the VaR framework

RNIVs and Stressed RNIVs are calculated by market risk managers and the identification, quantification and reporting of existing RNIVs, as well as potentially new risks, is monitored by the Quantitative Risk and Stress Testing (QRS) function on a monthly basis.

Table 37: Market Risk under the IMA (MR2-A)

This table display the components of the own funds requirements under the IMA for market risk.

		As at 31 December 2020		As at 31 December 2019	
		RWAs	Capital requirements	RWAs	Capital requirements
		$ million	$ million	$ million	$ million
1	**VaR (higher of values a and b)**	**6,177**	**494**	2,493	199
(a)	Previous day's VaR (Article 365(1) of the CRR (VaRt-1))		**149**		69
(b)	Average of the daily VaR (Article 365(1)) of the CRR on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR		**494**		199
2	**SVaR (higher of values a and b)**	**13,034**	**1,043**	5,043	403
(a)	Latest SVaR (Article 365(2) of the CRR (SVaRt-1))		**342**		216
(b)	Average of the SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (ms) (Article 366 of the CRR)		**1,043**		403
3	**IRC (higher of values a and b)**	**6,046**	**484**	3,653	292
(a)	Most recent IRC value (incremental default and migration risks calculated in accordance with Article 370 and Article 371 of the CRR)		**471**		243
(b)	Average of the IRC number over the preceding 12 weeks		**484**		292
4	**Comprehensive risk measure (higher of values a, b and c)**	**-**	**-**	-	-
(a)	Most recent risk number for the correlation trading portfolio (Article 377 of the CRR)		**-**		-
(b)	Average of the risk number for the correlation trading portfolio over the preceding 12 weeks		**-**		-
(c)	8% of the own funds requirement in the standardised approach on the most recent risk number for the correlation trading portfolio (Article 338(4) of the CRR)		**-**		-
5	**Other**	**-**	**-**	-	-
6	**Total**	**25,257**	**2,021**	11,189	895

Over the period, CGML's total IMA capital requirements increased by $1.1 billion with significant increases in VaR, SVaR and IRC, primarily driven by increased market volatility relating to COVID-19 and in addition CGME's VaR is now included in the consolidation as CGME (a subsidiary of CGML) has received IMA approval from the PRA for consolidation purposes starting from January 2020.

Table 38: IMA Values for Trading Portfolios (MR3)

This table displays the values (maximum, minimum, average and end of the reporting period) resulting from the different elements of the regulatory capital charge at the group level, over six months to 31 December 2020.

	CGML Solo		CGME Solo	
	31 December 2020	31 December 2019	**31 December 2020**	31 December 2019[2]
	$ million	$ million	**$ million**	$ million
VaR (10 day 99%)[1]				
Maximum value	**127**	86	**33**	-
Average value	**69**	48	**16**	-
Minimum value	**42**	27	**8**	-
Period end	**60**	43	**9**	-
SVaR (10 day 99%)[1]				
Maximum value	**260**	140	**83**	-
Average value	**150**	54	**49**	-
Minimum value	**61**	9	**25**	-
Period end	**182**	139	**44**	-
IRC (99.9%)[1]				
Maximum value	**567**	384	**2**	-
Average value	**454**	249	**0**	-
Minimum value	**329**	149	**0**	-
Period end	**471**	227	**0**	-

[1] 31 December 2019 comparatives have been amended to align with EBA guidance. Maximum, average, minimum values are now calculated based on six-month data.
[2] CGME received IMA approval from the PRA for consolidation purposes in January 2020, therefore there is no prior year comparative for CGME.

- VaR and SVaR increased due to higher market volatility related to the COVID-19 pandemic.
- Over the period, IRC increased due to an increase in risk levels.

Backtesting

Backtesting is the comparison of VaR to profit and loss results and is conducted on a daily basis, at both legal entity and business levels. In line with regulatory requirements, Citi performs backtesting against both actual profit or loss and hypothetical profit or loss (the daily profit or loss that would arise from a constant trading portfolio) at both levels in order to ensure that the firm's VaR model meets supervisory standards for the measurement of regulatory capital. Under normal and stable market conditions, Citi would expect the number of days where trading losses exceed its VaR to be no more than two or three occasions per year. Periods of unstable market conditions could increase the number of these exceptions.

The following table illustrates a comparison of the daily end-of-day VaR measure with the actual P&L and the hypothetical P&L (one-day change in the portfolio's value by the end of the subsequent business day) for each day in the past four quarters.

Stress Testing

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

Citi uses two complementary approaches to market risk stress testing across all major risk factors (i.e., equity, foreign exchange, commodity, interest rate and credit spreads).

These are applied to valuation models to analyse the impact on the valuation of portfolios under stress:

- Global Systemic Stress Testing (GSST) – top-down systemic stresses; and

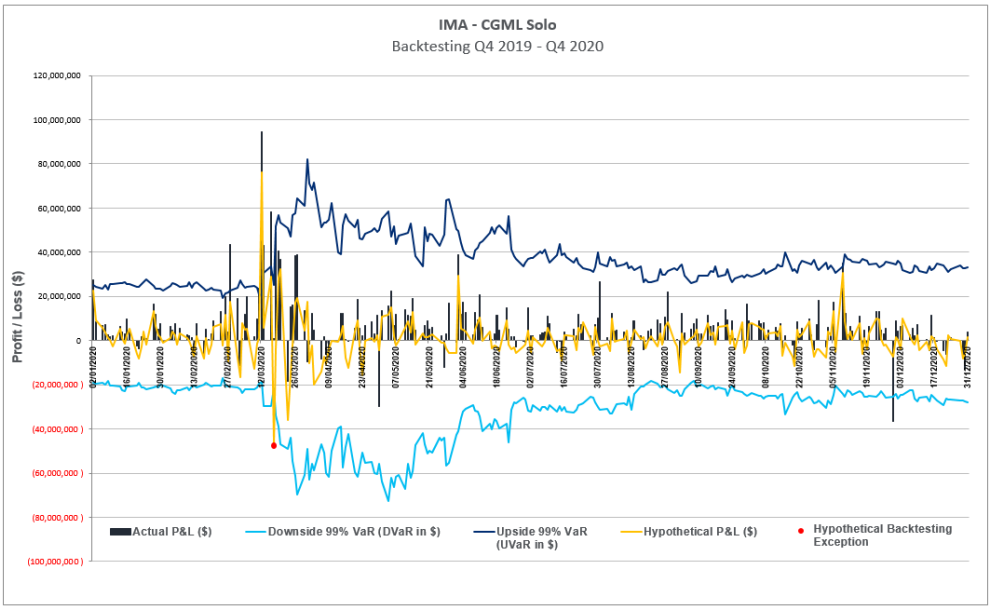
- Business Specific Stress Testing (BSST) for the ICG – bottom-up business specific stresses

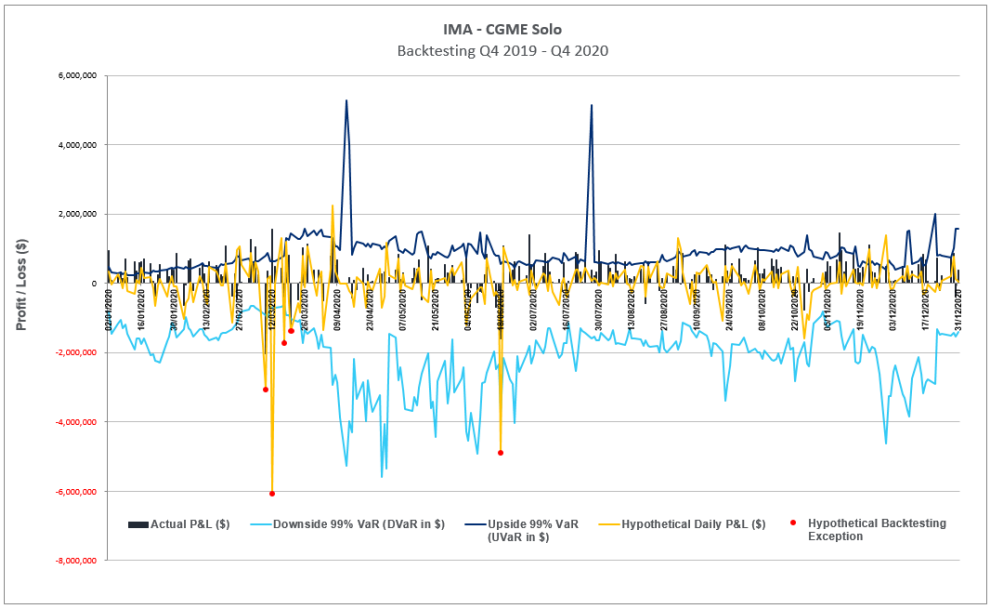
Global systemic stress tests are designed to quantify the potential impact of extreme market movements on a firm-wide basis and are constructed using both historical periods of market stress and projections of adverse economic scenarios. Business specific stress tests are designed to probe the risks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

Table 39: Comparison of VaR Estimates with Gains/Losses (MR4)

The following charts present a comparison of the results of the approved regulatory VaR model with both hypothetical and actual trading outcomes, in order to highlight the frequency and the extent of the backtesting exceptions and to give an analysis of the main outliers in backtested results. The chart includes the backtesting results of the businesses that fall within the scope of CGML's IMA model permission.

The market volatility seen during the earlier part of the year gave rise to one Hypothetical P&L backtesting exception on CGML and five on CGME. There was also one Actual P&L exception on CGML and three on CGME during the year.





Note that the downside VaR in the figures is taken as the 100th worst loss out of 10,000 simulated daily P&Ls (1st percentile) from Citi's Monte Carlo VaR model. The upside VaR is taken to be the 100th best profit out of the 10,000 simulations (99th percentile). Hypothetical P&L is the P&L resulting from market moves on the opening portfolio, excluding all trading P&L, fees, commissions, financing and accruals.

Total revenues of the trading business consist of:

- Customer revenue, which includes spreads from customer flow activity and gains on positions; and
- Net interest income

CGML maintains the necessary systems, controls and documentation to demonstrate appropriate standards in respect of valuation, reporting and valuation adjustments.

Valuation Methodology

The valuation methodology for CGML is in line with relevant accounting requirements.

Independent Price Verification (IPV)

The Valuation Control Group (VCG), a group within Product Control which is independent from the Front Office, verify the market prices and model inputs that are used in the valuation process for securities and derivatives required to be measured at fair value. Formal reviews are conducted and where required, adjustments are made to the valuations in the books and records.

Fair value positions are classified within the three level fair value hierarchy (Level 1, 2 or 3) based on observability of inputs used to measure fair value. The levelled fair value inventory is disclosed in the Financial Statements.

Valuation Adjustments or Reserves

Valuation Adjustments (VAs) are calculated and the fair value is adjusted in order to account for a number of factors that impact the fair value estimates. These include Bid-Offer, Liquidity and Model Valuation adjustments.

VCG calculate Prudent Valuation Adjustments in line with the EBA's final regulatory technical standards. These include Market Price Uncertainty, Close Out Cost, Model Risk, Concentration, Administrative costs, Unearned Credit Spread, Investing and Funding Costs and Operational Risk. A CET1 capital deduction is taken where the prudent valuation differs to the fair valuation.

Table 40: Prudent valuation adjustments (PV1)
The following table provides a comprehensive view of Prudent Valuation Adjustments with a breakdown between risk categories.

		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification[1]		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commod-ities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	270	96	4	142	36	55	5	207	207	-
3	Close-out cost	225	47	2	69	18	-	-	123	123	-
4	Concentrated positions	-	-	-	-	5			5	5	-
5	Early termination	-	-	-	-	-			0	0	-
6	Model risk	84	-	-	-	-	-	-	84	84	-
7	Operational risk	17	6	-	8	2			33	33	-
10	Future administrative costs	37	-	-	37	-	-		75	75	-
12	**Total Additional Valuation Adjustments (AVAs)**	633	150	7	256	61	55	5	526	526	-

[1] For "Market price uncertainty" and "Close-out cost" a temporarily heightened diversification benefit of 66% is applied as permitted by CRR.

The highest PVAs are related to structured equity derivatives, vanilla credit derivatives, fixed income securities and valuation adjustments related to uncollateralised derivatives.

A higher diversification reduction factor of 66% was granted by a temporary regulatory change until 1 Jan 2021 as part of the EBA's 'CRR Quick Fixes' package.

Interest Rate Risk in the Non-Trading Book

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

The risks in Citi's non-traded portfolios are estimated using a common set of standards that define, measure, limit and report the market risk. Each business is required to establish, with approval from independent Market Risk Management, a market risk limit framework that clearly defines approved risk profiles and is within the parameters of Citi's overall risk appetite. In all cases, the businesses are ultimately responsible for the market risks they take and for remaining within their defined limits. These limits are monitored by independent Market Risk Management and country and business ALCOs.

CGML's business is almost entirely trading book in nature and therefore does not give rise to any material accrual interest rate risk.

Securitisation

CGML's securitisation activities fall within the ICG business segment. Within ICG, securitisation activity is conducted within Global Securitised Products (GSP-CMO) and Global Spread Products (GSP-Markets).

Global Securitised Products

This group is within the ICG structures and underwrites securitisations of financial assets primarily for financial institutions across EMEA. GSP business is focused on securitizing consumer assets, auto loans, trade receivables and SME/middle market loans. The desk originates and distributes (both via bank loan syndication and capital markets) secured risk based mainly on tranching and rating of that risk. GSP carries out asset-backed lending into bankruptcy-remote SPV borrowers, with security provided over ring-fenced assets sold into the SPV.

GSP's client base is very targeted in terms of industry, size, and geography. Clients include:

- Banks and Captive Auto Finance lenders, typically for funding diversification: Citi would either provide its own balance sheet (private warehouse) or place bonds with investors (public securitizations). The underlying assets securing the facility are typically unsecured consumer loans, credit card receivables, SME loans, auto loans and equipment leases, cessione del quinto dello stipendio in Italy
- Corporates: Underlying assets include accounts receivables, shipping loans
- Specialist Finance companies and Asset Managers: these Clients are non-banks and are typically backed by Private Equity clients of Citi

Global Spread Products

The EMEA Global Spread Products' (GSP-Markets) business model is primarily comprised of two types of activity, market making in asset backed securities (ABS) and in real estate and mortgage loan/portfolio financing, with a consequent exit through a loan sale or securitisation. GSP-Markets' ABS trading desk uses CGML to book market risk.

The Commercial Real Estate and Residential Real Estate desks have no exposure on CGML although CGML will act as an underwriter and arranger of commercial or residential mortgage backed securities (CMBS, RMBS) issuances. GSP-Markets is further divided into the following business lines:

ABS Trading

The ABS desk actively trades new issuances, existing ABS, RMBS and CMBS securities. Trading activities on ABS, RMBS and CMBS are carried out on CGML.

Commercial Real Estate

The Commercial Real Estate (CRE) team is focused on financing of commercial real estate backed projects, non-performing loan portfolio financing, acquisition of performing/re-performing commercial real estate portfolios.

The primary exit strategy includes the issuance of commercial mortgage backed securities (CMBS) which can be arranged and distributed through CGML. The loan financing itself only takes place on Citi's bank chain vehicles.

Residential Real Estate

The Residential Real Estate team primarily finances acquisitions of performing and re-performing residential mortgage portfolios, as well as financing of warehouse loans for residential mortgage businesses. The primary exit strategy includes issuance of RMBS which can be arranged and distributed through CGML. The loan financing itself only takes place on Citi's bank chain vehicles.

The Residential Real Estate team originates, structures and distributes RMBS from CGML and works with the following ratings agencies for the rating of issuances

- Standard and Poor's – ABS exchange service and Ratings Direct (general); rating of Conduit Programmes; preliminary ratings assessments (at loan stage) and final determinations or assessments at the time of a capital markets issuance
- Moody's – Real estate related break-ups; rating of Conduit Programmes; preliminary ratings assessments (at loan stage) and final determinations or assessments at the time of a capital markets issuance
- Fitch – Real estate related break-ups and general surveillance; rating of Conduit Programmes; preliminary ratings assessments (at loan stage) and final determinations or assessments at the time of a capital markets issuance

Accounting Policies for Securitisation Activity in the Trading Book (IFRS)

CGML holds securitisation positions including new issuance and trading of existing assets based securities, commercial or residential mortgage backed securities. Under IFRS these securities held for trading purpose will be classified as "Financial assets at fair value through profit or loss" (FVTPL).

Risk Management

Citi has a well-established risk management framework for securitisations.

Credit Risk Managers are responsible for

- Determining the ICG's risk appetite for securitisation transactions
- Approving extensions of credit and ensuring data capture associated with those extensions of credit is accurate
- Monitoring and managing credit extensions to be within Citi's risk appetite and limits; and
- Working with the respective businesses in the allocation of credit to optimise returns

Market Risk Managers are responsible for

- Ensuring that securitisation transactions, booked in the trading book, are consistent with the businesses' mandate and represent an adequate risk/reward balance
- Approving securitisation transactions that are booked in the trading book and ensuring data capture associated with those securitisation transactions is accurate; and
- Ongoing monitoring of market risk associated with securitisation transactions that are booked in the trading book

The business operates under an approved permitted products list which applies at the desk level. All major generic sources of risk and stress losses are covered by the desk's limit structures, with granularity within these limit structures further enhanced through product-types, country risk and ratings requirements. Concentration limits may also exist by obligor name, depending on the business.

Stress testing is completed in various formats, including weekly stress tests via Citi's Global Systemic Stress Testing (GSST) 'top-down' systemic stresses, monthly risk reports and annual exercises. In addition, Risk Management performs ad hoc stress tests when considered necessary.

For those risks not fully captured in VaR or the linear stresses, a Business Specific Stress Test (BSST) is developed and produced in conjunction with the linear stresses. The BSSTs are reviewed at least quarterly to ensure relevance and completeness.

Table 41: Securitisation Exposures in the Trading Book (SEC2)

The following tables set out the aggregate amount of securitisation positions held in the trading book by CGML as at 31 December 2020.

		31 December 2020			31 December 2019		
		Institution acts as investor			Institution acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		Non-STS			Non-STS		
		$ million	$ million	$ million	$ million	$ million	$ million
1	**Retail (total)**	**308**	**1**	**309**	333	-	333
2	residential mortgage	**292**	**1**	**293**	293	-	293
3	credit card	**11**	**-**	**11**	40	-	40
4	other retail exposures	**5**	**-**	**5**	-	-	-
5	re-securitisation	**-**	**-**	**-**	-	-	-
6	**Wholesale (total)**	**30**	**0**	**30**	20	-	20
7	loans to corporates	**1**	**-**	**1**	3	-	3
8	commercial mortgage	**27**	**-**	**27**	17	-	17
9	lease and receivables	**-**	**-**	**-**	-	-	-
10	other wholesale	**2**	**-**	**2**	-	-	-
11	re-securitisation	**-**	**-**	**-**	-	-	-
12	**Total**	**338**	**1**	**339**	353	-	353
Of which subject to the revised securitisation framework		**-**	**-**	**-**	29	-	29

Table 42: Securitisation Exposures in the Non-Trading Book (SEC1)

The following tables set out the aggregate amount of securitisation positions held in the banking book by CGML as at 31 December 2020.

		31 December 2020			31 December 2019		
		Institution acts as investor			Institution acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		Non-STS			Non-STS		
		$ million	$ million	$ million	$ million	$ million	$ million
1	**Retail (total), of which;**	**10**	**-**	**10**	53	-	53
2	Residential mortgage	**10**	**-**	**10**	53	-	53
3	Credit card	**-**	**-**	**0**	-	-	0
4	Other retail exposures	**-**	**-**	**0**	-	-	0
5	Re-securitisation	**-**	**-**	**0**	-	-	0
6	**Wholesale (total), of which;**	**5**	**-**	**5**	42	-	42
7	Loans to corporates	**-**	**-**	**0**	-	-	0
8	Commercial mortgage	**5**	**-**	**5**	42	-	42
9	Lease and receivables	**-**	**-**	**0**	-	-	0
10	Other wholesale	**-**	**-**	**0**	-	-	0
11	Re-securitisation	**-**	**-**	**0**	-	-	0
12	**Total**	**15**	**-**	**15**	95	-	95
Of which subject to the revised securitisation framework		**-**	**-**	**-**	-	-	-

Table 43: Securitisation Exposures in the Non-Trading Book – bank acting as investor (SEC4)

		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
2	**Traditional securitisation**	**-**	**1**	**-**	**11**	**2**	**-**	**13**	**-**	**2**
3	Of which securitisation	**-**	**1**	**-**	**11**	**2**	**-**	**13**	**-**	**2**
4	Of which retail underlying	**-**	**1**	**-**	**7**	**1**	**-**	**9**	**-**	**1**
6	Of which wholesale	**-**	**-**	**-**	**4**	**1**	**-**	**4**	**-**	**1**
8	Of which re-securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9	**Synthetic securitisation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1	**Total as at 31 December 2020**	**-**	**1**	**-**	**11**	**2**	**-**	**13**	**-**	**2**
2	Traditional securitisation	45	1	4	16	29	-	-	66	29
3	Of which securitisation	45	1	4	16	29	-	-	66	29
4	Of which retail underlying	43	1	1	2	6	-	-	47	6
6	Of which wholesale	2	-	3	14	23	-	-	19	23
8	Of which re-securitisation	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-
1	Total as at 31 December 2019	45	1	4	16	29	-	-	66	29

		RWA				Capital charge after cap			
		SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%[1]	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%[1]
		$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
2	Traditional securitisation	**-**	**78**	**-**	**-**	**-**	**6**	**-**	**-**
3	Of which securitisation	**-**	**78**	**-**	**-**	**-**	**6**	**-**	**-**
4	Of which retail underlying	**-**	**57**	**-**	**-**	**-**	**5**	**-**	**-**
6	Of which wholesale	**-**	**21**	**-**	**-**	**-**	**2**	**-**	**-**
8	Of which re-securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9	Synthetic securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1	**Total as at 31 December 2020**	**-**	**78**	**-**	**-**	**-**	**6**	**-**	**-**
2	Traditional securitisation	-	-	69	-	-	-	6	-
3	Of which securitisation	-	-	69	-	-	-	6	-
4	Of which retail underlying	-	-	17	-	-	-	1	-
6	Of which wholesale	-	-	53	-	-	-	4	-
8	Of which re-securitisation	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-
1	Total as at 31 December 2019	-	-	69	-	-	-	6	-

[1] Securitisation exposures with 1250% risk weight are deducted from own funds, therefore no RWA or Capital charge applies for these positions.

Securitisation exposures were reported under the old securitisation framework as at 31 December 2019, while after 1 January 2020 these are reported under the revised securitisation framework.

Non-trading book securitisation exposures excluding capital deductions decreased by $53 million compared to 31 December 2019, however related RWA increased by $9 million. This is primarily due to the new securitisation framework as for securitisation positions previously deducted from capital under the old framework now under the revised framework capital requirement is calculated resulting in lower capital deduction, but higher risk weight for existing securitisation exposures.

Liquidity Risk

Liquidity Coverage Ratio Disclosure

High-level description of the composition of the institution`s liquidity buffer

Total HQLA represents unencumbered, high-quality liquid assets held by a firm. The liquidity standards define HQLA in three asset categories: Level 1, Level 2A and Level 2B, and applies haircuts and limits to certain asset categories.

As of 31 December 2020, CGML's HQLA substantially consist of Level 1 eligible securities and is diversified across our major operating currencies. A portion of Level 1 assets include withdrawable central bank reserves in pound sterling.

Main Drivers of the LCR

CGML's main drivers of the LCR from the 12-month average values are addressed in the below sections. The most significant drivers of cash outflow amounts were secured wholesale funding, outflows related to derivative exposures and other collateral requirements. These outflows constituted majority of the LCR cash outflow amount. Secured wholesale funding transactions primarily include repurchase transactions and collateral swaps. Net derivative cash outflows are calculated with 30 calendar days scope for contractual payments and collateral that the entity will deliver to a counterparty, the computing includes the qualifying netting agreements.

Cash inflows are mainly driven by secured lending and asset exchange cash inflows. Secured lending transactions include reverse repurchase transactions and securities borrowed transactions. These inflows are subject to the 75% inflow cap.

In addition, the PRA may require a firm to hold additional HQLA for risks not covered in the LCR Delegated Act, referred to as Pillar 2 risks. These additional risks are identified by CGML and documented in the ILAAP that is then reviewed and assessed by the PRA as part of the Liquidity Supervisory Review Process ("L-SREP"). Pillar 2 amounts are not disclosed in Table 44.

Concentration of Funding and Liquidity Sources

CGML's funding strategy is centred on maintaining a funding profile that is diversified by structure, tenor and currency. CGML closely monitors and manages the tenor of funding sources to ensure it can meet liquidity needs under different stress scenarios and different time horizons.

CGML's primary funding sources include (i) repurchase agreements (ii) short and long-term unsecured debt (primarily senior and subordinated debt) mainly issued by CGML's Intermediary holding company, structured notes and (iii) stockholders' equity.

CGML as an operating MLE is required to calculate the concentration exposures at a minimum on a monthly basis. Triggers must be established and approved by the Independent Risk Committee, UK ALCO, and Citi Global Liquidity Management for each of the concentration exposures. The UK ALCO must review the concentration triggers and any breaches to the triggers. Interim and permanent changes in concentration triggers for the CGML must be approved by the UK ALCO, the UK Treasurer or equivalent, Independent Risk Manager or equivalent, and Global Liquidity Management.

Derivative Exposures and Potential Collateral Calls

In the ordinary course of business, CGML enters into various types of derivative transactions, including bilateral transactions that are over-the-counter (OTC) and transactions settled via exchanges with central counterparties. CGML enters into derivatives contracts covering interest rate, foreign currency, commodity, equity and other market/credit risks for the purpose of trading and acting as a market maker or to hedge CGML's own risk profile.

Derivative contracts are highly leveraged financial products and therefore may require additional liquidity support in a stressed environment. Such requirements are typically in the form of additional margin/collateral requirements that counterparties may ask CGML to post as per the terms of the contract. The nature of additional margin/collateral requirements depend upon the nature of stress (i.e. idiosyncratic vs. market-wide).

During the life span of a derivatives transaction, Citi may be required to post initial margin or variation margin. The requirement to post margin can negatively impact Citi's funding and liquidity. In addition, ratings downgrades by the Rating Agencies may also have a negative impact on CGML's funding and liquidity due to reduced funding capacity and/or the need to post additional cash or securities collateral to counterparties. CGML maintains liquidity reserves to counter potential liquidity outflows from derivatives activities under various stress scenarios.

Currency Mismatch in the LCR

Cross-currency liquidity risk arises when there is a mismatch between the currency of assets and the currency of liabilities (e.g. local currency assets are funded by foreign currency liabilities). 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 multi-currency approach to business.

CGML manages its cross-currency risk through short and long-term strategies using FX swaps, multi-currency long-term funding and adjustment of the currency asset/liability mix. Material currencies are monitored through the establishment of FX capacity limits as well as material currency stress testing.

The LCR is calculated, reported and monitored on a solo and consolidated basis and in significant currencies, EUR, GBP and USD. Majority of CGML's liquidity is held in USD, which can be readily converted to other currencies in the event of stress. To minimize liquidity mismatches, including currency mismatches in the LCR, CGML seeks to fund assets in the same currency and, at the same time, monitors the potential risk from foreign currency mismatches. To the extent mismatches arise, CGML employs currency limits framework to assess foreign currency capacity to meet funding needs and the ability to convert currencies to provide liquidity buffer under stress conditions. The framework incorporates currency matching of projected cash flows through applying discounts and size and tenor restrictions to determine the foreign currency capacity required to cover USD shortfalls as well as shortfalls in significant currencies under various volatility and stress scenarios. If the offset capacity is not sufficient to cover currency shortfalls, appropriate actions are taken to reduce the mismatch. The capacity and assumptions are determined by Citi's Independent Risk function.

The Degree of Centralisation of Liquidity Management and Interaction between the Group's Units

CGML is part of a multi-entity and branch organisation that operates in multiple jurisdictions. Intragroup liquidity risk arises when there are significant exposures (from lending/borrowing or similar activities) to or from group companies and one or both sides fail to meet their obligations in a stressed environment. CGML's exposure to intercompany borrowing and lending activity is controlled via internal liquidity metrics and regulatory limits.

Day-to-day funding fluctuations are managed through USD unsecured intercompany loans, typically in the overnight tenor from Citicorp LLC. To the extent that CGML utilises daily resources from other Citigroup affiliates, it is assumed for stress testing purposes that these funds will not be available during a stress. As such, liquidity reserves are held against daily funding dependencies.

The UK Treasurer, reports into EMEA regional Treasurer, and is responsible for the UK legal vehicles balance sheets and liquidity profile as well as those of CGML's subsidiaries.

Table 44: Liquidity Coverage Ratio Disclosure (LIQ1)

		Total unweighted value				Total weighted value			
		31 Dec 2020	30 Sept 2020	30 Jun 2020	31 Mar 2020	31 Dec 2020	30 Sept 2020	30 Jun 2020	31 Mar 2020
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
		$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					29,934	28,421	26,609	25,774
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	3,063	3,048	3,093	3,121	3,063	3,048	3,093	3,121
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	2,780	3,048	3,093	3,121	2,780	3,048	3,093	3,121
8	*Unsecured debt*	283	-	-	-	283	-	-	-
9	Secured wholesale funding	-	-	-	-	28,251	27,640	27,086	28,271
10	Additional requirements	7,780	7,705	7,371	7,011	7,011	6,850	6,504	6,336
11	*Outflows related to derivative exposures and other collateral requirements*	7,711	7,662	7,357	7,007	6,962	6,828	6,490	6,333
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	69	43	13	4	48	22	13	4
14	Other contractual funding obligations	24,225	17,466	10,599	4,074	4,489	4,221	4,045	3,710
15	Other contingent funding obligations	1,577	1,590	1,469	1,546	788	795	735	773
16	**TOTAL CASH OUTFLOWS**					43,602	42,554	41,462	42,211
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	194,371	184,399	175,901	172,082	24,891	25,971	26,978	28,577
18	Inflows from fully performing exposures	1,605	1,393	1,605	1,754	1,605	1,393	1,605	1,754
19	Other cash inflows	7,186	7,073	6,799	6,223	7,186	7,073	6,799	6,223
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**	203,161	192,864	184,305	180,059	33,681	34,437	35,381	36,554
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	142,878	133,410	125,653	122,085	33,681	34,437	35,381	36,554
						Total Adjusted Value			
21	**LIQUIDITY BUFFER**					29,934	28,421	26,609	25,774
22	**TOTAL NET CASH OUTFLOWS**					11,494	11,008	10,402	10,553
23	**LIQUIDITY COVERAGE RATIO (%)[1]**					262%	261%	257%	247%

[1] Pillar 1 LCR only

Asset Encumbrance

Asset encumbrance refers to the pledging or use of an asset as a means to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn. The majority of our encumbrance is driven by secured financing activities, which include transactions in repo, facilitation of short positions (customer and firm), collateral swaps and derivatives trading related margin requirements. Asset encumbrance is an integral part of CGML's liquidity, funding and collateral management process.

CGML's asset encumbrance disclosure provides supervisory authorities and investors with the necessary information on the level of asset encumbrance of the firm enabling to compare the reliance on secured funding and the degree of structural subordination of unsecured creditors and depositors across institutions. In addition, it allows regulators and investors to assess the firm's ability to handle liquidity stressed scenarios (when switching to secured sources of funding would be required). Asset encumbrance reporting is based on the UK GAAP balance sheet as at 31 December 2020. CGML discloses asset encumbrance on a consolidated entity level.

CGML does not issues covered bonds or asset back securities and therefore there is no incidence of over-collateralisation on the levels of encumbrance.

Table 45: Encumbered and Unencumbered Assets

		Carrying amount of encumbered assets		Fair value of encumbered assets[1]		Carrying amount of unencumbered assets		Fair value of unencumbered assets[1]	
		Total	of which notionally eligible EHQLA & HQLA	Total	of which notionally eligible EHQLA & HQLA	Total	of which EHQLA & HQLA	Total	of which EHQLA & HQLA
As at 31 December 2020		$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
010	**Assets of the reporting institution**	89,253	39,092	-	-	444,854	1,505	-	-
030	Equity instruments	15,197	5,902	-	-	2,685	-	-	-
040	Debt securities	47,304	33,189	47,304	33,189	3,261	1,505	3,261	1,505
050	of which: covered bonds	2,196	-	2,196	-	107	-	107	-
060	of which: asset-backed securities	434	-	434	-	34	-	34	-
070	of which: issued by general governments	36,137	33,189	36,137	33,189	2,314	1,505	2,314	1,505
080	of which: issued by financial corporations	5,152	-	5,152	-	305	-	305	-
090	of which: issued by non- financial corporations	3,386	-	3,386	-	501	-	501	-
120	Other assets [2, 4]	26,751	-	-	-	438,908	-	-	-

[1] Fair value is the same as carrying value for Equity Instruments and Debt Securities
[2] The majority of unencumbered Other Assets relate to derivative instruments and cash loaned on reverse repo, while encumbered Other Assets represent cash margin posted.
[3] The median exposure values have been derived by interpolating months between the quarters.
[4] Other assets include assets that are not deemed available for encumbrance in the normal course of business (e.g. derivative assets, brokerage receivables payables etc.)

The firm receives securities and cash collateral in respect of securities purchased under agreement to resell, secured borrowings, margin loans and derivatives. The tables below break down collateral received into the portion which has been treated as encumbered and the portion, which is available for encumbrance.

Table 46: 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	
31 December 2020		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**	260,400	190,806	51,728	27,433
140	Loans on demand	-	-	-	-
150	Equity instruments	50,752	11,194	2,908	862
160	Debt securities	209,648	179,611	27,967	26,571
170	of which: covered bonds	2,659	-	53	-
180	of which: asset-backed securities	3,678	-	189	-
190	of which: issued by general governments	185,142	179,611	26,626	26,571
200	of which: issued by financial corporations	8,881	-	169	-
210	of which: issued by non-financial corporations	8,575	-	904	-
220	Loans and advances other than loans on demand [1]	-	-	20,853	-
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**	349,652	229,897	-	-

Table 47: Sources of Encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
31 December 2020		$ million	$ million
010	Carrying amount of selected financial liabilities	387,141	134,304

Remuneration Statement

Citi's Compensation Philosophy

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

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

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

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

There were no material changes made to Citi's Compensation Philosophy in 2020.

Remuneration Governance

Global Remuneration Committee

The Personnel & Compensation Committee oversees Citi's global remuneration policies and practices. It annually reviews the compensation structures for members of senior management and a number of highly compensated and/or regulated individuals, in accordance with guidelines established by the 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 at: https://www.citigroup.com/citi/investor/data/percompcharter.pdf. There were no material changes made to the charter in 2020.

P&C Committee members are all Independent Non-Executive Directors, selected and appointed factoring in their background and experience in business generally and in compensation, corporate governance and/or regulatory matters specifically, and their capability to fulfil their responsibilities as P&C Committee members. For the 2020 performance year, the P&C Committee members were: Lew (Jay) Jacobs IV (Chair), John Dugan, Duncan Hennes, Gary Reiner, Diana Taylor and Alex Wynaendts. Biographies and details of compensation paid to P&C Committee members for 2020 are available in the Citigroup 2021 Proxy Statement. The P&C Committee met 19 times in 2020 and each Director attended at least 75% of all meetings.

The P&C Committee is supported by Citi Human Resources, Finance, Independent Risk, Independent Compliance and Risk Management ('ICRM') and Legal.

The P&C Committee utilises the experience of the Non-Executive Directors of the Board of Citigroup Inc. gained from their other Non-Executive Director undertakings. For example, the P&C Committee includes cross-membership with the Risk Management Committee, the Ethics, Conduct & Culture Committee, the Audit Committee, and the Nomination, Governance & Public Affairs Committee. It is also empowered to draw upon internal and external expertise and advice as it determines appropriate and Citi pays the fees of any such external advisors. In 2020 the P&C Committee appointed Frederic W Cook & Co ("FW Cook") to provide it with independent advice on Citi's compensation programs for senior management. FW Cook reports solely to the P&C Committee, conducts no other work for Citi other than providing advice to the Citigroup Board and the independence is reviewed annually by the P&C Committee.

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

CGML Remuneration Committee

The CGML Remuneration Committee is a standing committee of the CGML Board of Directors, from which it derives its authority.

In fulfilling its role, as set out in its charter, the CGML Remuneration Committee holds the responsibilities of a Remuneration Committee under the PRA and FCA Remuneration Codes and takes into account, where applicable, relevant guidance and the long-term interests of shareholders, investors and other stakeholders in CGML.

The CGML Remuneration Committee's remit, as detailed within its charter, includes the following:

- To review and approve remuneration awards to Material Risk Takers ('MRTs') of CGML;
- To review the achievement of performance targets and recommendations for ex post risk adjustment, including the application of malus and clawback arrangements for CGML (as appropriate);
- To review the mechanisms and systems adopted to ensure that the remuneration approach applicable to CGML fully takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is consistent with, and promotes sound and effective risk management of business strategy, objectives, corporate culture and values and the long-term interest of Citigroup including CGML;
- To support the CGML Board of Directors in overseeing the remuneration policies, practices, processes and compliance with the remuneration policy;
- To review scenarios to test how remuneration policies and practices applicable to CGML react to external and internal events, and back-test the criteria used for determining remuneration awards and ex ante risk adjustment based on the actual risk outcomes;
- To review the appointment of any external remuneration consultants that may be engaged by the CGML Board of Directors, including establishing the selection criteria, appointing and setting the charter for any consultation work to be undertaken;
- To ensure the adequacy of information provided to CGML's shareholder(s) in respect of remuneration policies and practices, in particular with regards to any proposal to increase the maximum level of the ratio between fixed and variable remuneration.

For 2020, the CGML Remuneration Committee comprised at least three Non-Executive Directors, of which a majority were Independent Non-Executive Directors and these individuals were Diana Taylor, Cyrus Ardalan and Richard Goulding.

For 2020, Diana Taylor was the Chair of the CGML Remuneration Committee and Senior Management Function (SMF12) for CGML and the SMF who was allocated the PRA Prescribed Responsibility in Allocation of Responsibilities 4.1(18) ('responsibility for overseeing the development of, and implementation of the firm's remuneration policies and practices'). She was also a Non-Executive Director for

the CGML Board and a Non-Executive Director of the P&C Committee. For 2020, the CGML Remuneration Committee included cross-membership with the CGML Risk Committee and the CGML Audit Committee.

The CGML Remuneration Committee met nine times in 2020 and each Director attended at least 75% of all meetings. The CGML Remuneration Committee did not engage independent consultants in 2020, but Clifford Chance has advised on remuneration matters for 2020 as required.

Material Risk Takers

In accordance with the PRA and FCA Remuneration Codes, Citi annually identifies its MRTs, i.e. those categories of staff whose professional activities are determined as having a material impact on the firm's risk profile, and maintains a record of such staff. Citi identifies MRTs principally using Citi's understanding of the criteria for identifying staff as set out in Commission Delegated Regulation (EU) No 604/2014.

Design and Structure of Remuneration

Ratio of Fixed to Variable Remuneration

Citi seeks to balance the components of reward between fixed and variable and short- and long-term components. For relevant employees, an annual review of the balance between fixed and variable compensation takes place and, where required, adjustments are made to the fixed element of pay to ensure that an appropriate balance continues to be maintained. The aggregate of fixed remuneration paid to MRTs for 2020 is set out in the "Remuneration awarded to CGML MRTs for 2020 performance year [REM1]" table below.

Following the introduction of CRD IV, CGML annually seeks formal shareholder approval to apply a fixed-to-variable ratio of up to 1:2 for MRTs in all relevant business areas, with the most recent approval being granted on 20 October 2020 for the 2020 performance year. Approval of the ratio was sought from P&C Committee, which is a Board Committee of Citigroup Inc.

Fixed Remuneration – Salary, Role-Based Allowances and Benefits

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

- Salary;
- Role Based Allowances ('RBAs') for a limited number of roles;
- Pension and other non-cash benefits are offered to employees as part of their overall reward package.

RBAs are limited to a small number of roles. The decision of whether a particular role is eligible for a RBA is made according to specific and objective eligibility criteria, subject to approval as delegated by the CGML Remuneration Committee to management. The rationale for granting a RBA is clearly articulated by reference to the eligibility criteria, including details on the responsibilities and scope of the role.

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

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

Deferrals and Retention Periods

Awards made under the DIRAP may be awarded in cash, deferred cash, Citi equity and/or deferred Citi equity[1].

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

MRTs are subject to deferral rates of 40% to 100% of total variable compensation, with a minimum 60% deferral being employed when total variable compensation is equal to, or above £500k / €500K or a local currency equivalent in line with regulatory requirements.

Deferred awards to standard MRTs typically vest over three years; deferred awards to Risk Manager MRTs[2] vest over five years and deferred awards to UK-designated Senior Managers vest over seven years.

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

- For standard MRTs deferred cash awards are typically subject to a six-month retention period and deferred equity awards are typically subject to a twelve-month retention period;
- For Risk Manager MRTs and UK-designated Senior Managers, deferred equity awards are subject to a six-month retention period, except as detailed below;
- Awards to MRTs who are either a member of the management body or a member of senior management[3] are subject to a twelve-month retention period.

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

MRTs who fall within *de-minimis*[4] thresholds are subject to Citi's mandatory deferrals.

Total variable remuneration to CGML MRTs and the composition between cash, equity and deferred elements are included in the "Remuneration awarded to CGML MRTs for the 2020 performance year [REM1]" table below.

Performance Based Vesting

Deferred awards that are subject to MRT deferral schedules have Performance Based Vesting ('PBV') conditions as an additional ex-post adjustment mechanism. This structure further balances 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"[5] for the calendar year ending immediately prior to the vesting date of a given tranche of deferred equity.
Deferred cash awards are subject to discretionary PBV, which may result in a reduction of unvested awards where an employee has significant responsibility for a material adverse outcome, such as events which lead to serious financial or reputation harm to Citi[6].

1 MRTs are eligible for a supplemental cash award.
2 Risk-Manager MRTs are identified by reference to particular qualitative criteria in Commission Delegated Regulation (EU) No 604/2014.
3 I.e. identified under the Regulatory Technical Standards criteria 3.1 or 3.3.
4 De-minimis MRTs for 2020 were identified in line with UK regulation requirements, or otherwise local legislation.
5 The reference businesses are Global Consumer Banking, Institutional Clients Group or Citigroup (for all other employees outside the other two groups).
6 This also applies to supplemental awards.

Malus and Clawback

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

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

Link between Pay and Performance

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

Bonus pool decisions are based on many factors such as:

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

Individual Performance

One of Citi's compensation principles is to "compensate employees based on ability, contributions 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 Standards (the 'How'). Employees receive two performance ratings, one for each of the 'What' and the 'How'.

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

The Leadership Standards for performance year 2020 are outlined below.

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

Conduct and risk performance processes were materially enhanced in 2019 and continued to be refined in 2020, including to drive expectations for appropriate behaviour and individual responsibility, transparency, and the alignment with consistency over how managers assess and make performance adjustments.

UK-designated Senior Managers are also subject to an enhanced performance assessment approach capturing achievement of goals relating to regulatory priorities, Voice of Employee scores, and accountability process outcomes. This was further supplemented in 2020 with enhanced performance management for individuals involved in regulatory remediations.

Remuneration of Function Employees

In terms of remuneration for function employees, whilst remuneration levels are influenced by Citi's overall performance, individual compensation 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. Accordingly, there should be no conflict of interest on account of any business' potential to influence individual awards in the function. Citi ensures performance management and compensation decisions for function personnel are directed by function management, and not the business.

Other Key Remuneration Policies

Guarantees, Buyouts and Retention Payments

Citi has guidelines in place with respect to guarantees that apply to all employees across the EMEA region, including employees of all UK-regulated entities. 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 legal entity has a sound and strong capital base.

As part of the governance framework, the award of guarantees for CGML MRTs require CGML Remuneration Committee review and approval. The "Guaranteed bonus, sign-on and severance payments made to MRTs in 2020 [REM2]" table below includes 2020 guaranteed awards made to MRT hires.

Awards which buyout equity or similar instruments which are forfeited as a result of resigning employment with another employer upon joining Citi EMEA are generally permitted but must not be more generous in either amount or terms than that provided by the former employer, and be subject to appropriate retention, deferral, performance and clawback arrangements. These awards are included in "MRT Deferred remuneration [REM3]" table below.

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

Severance

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

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

The "Guaranteed bonus, sign-on and severance payments made to MRTs in 2020 [REM2]" table below includes severance payments made to MRTs whose employment terminated in 2020.

Stockholding Requirements

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

Personal Hedging

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

Further, employees subject to the PRA and FCA Remuneration Codes are prohibited from engaging in personal hedging strategies or taking out remuneration or liability related contracts of insurance that undermine or may undermine any risk alignment effects of their remuneration arrangements.

Citi's Personal Trading & Investment Policy prohibits Covered Persons, which include MRTs as defined in this Policy, and related persons from hedging in any manner (other than currency hedges) unvested restricted equity or deferred equity awarded under Citi's Capital Accumulation Program or otherwise any other transaction which would benefit from a decline in the value of a Citi security.

Table 48: Remuneration Awarded to CGML MRTs for 2020 Performance Year (REM1)

GBP millions [i]	Management Body [ii]	Senior Management [iii]	All other MRTs: Investment Banking	All other MRTs: Independent Control Functions	All other MRTs: All Other [iv]
Number of employees [v]	7	8	503	12	19
Total fixed remuneration [vi]	6.0	10.7	244.1	4.0	18.2
Total variable remuneration [vii]	4.3	10.5	301.9	2.0	22.5
Of which: cash-based	2.0	5.0	143.8	1.1	10.6
Of which: deferred	1.6	3.9	98.0	0.3	8.9
Of which: shares or other share-linked instruments [viii]	2.2	5.5	158.1	0.9	11.9
Of which: deferred	1.8	4.4	114.8	0.4	10.4
Of which: other forms	-	-	-	-	-
Of which: deferred	-	-	-	-	-
Total remuneration	10.3	21.1	546.1	6.0	40.7

Additional Notes
i. All non-GBP awards are converted using the European Commission exchange rate for financial programming and the budget for December 2020.
ii. Management Body as defined under articles 3(1) and 3(2) of the EBA regulatory technical standard on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94(2) of Directive 2013/36/EU.
iii. Senior Management as defined under article 3(3) of the EBA regulatory technical standard on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94(2) of Directive 2013/36/EU.
iv. All Other category includes all other employees who cannot be mapped into one of the other categories e.g. Operations & Technology, Retail Banking and Corporate Functions.
v. Number of employees reflects CGML employed MRTs as at 31st December 2020.
vi. Fixed remuneration includes salary, role based allowance and the value of pension and benefits.
vii. Variable remuneration awarded in respect of 2020 performance year. In accordance with the shareholder approval obtained in 2020, 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.
viii. Share-based awards are made in Citi shares and represent value at grant.

Table 49: Guaranteed Bonus, Sign-on and Severance Payments Made to MRTs in 2020 (REM2)

	Guaranteed bonuses		Sign-on awards		Severance payments [ii]	
GBP millions [i]	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount [iii][iv]
Management Body	-	-	-	-	-	-
Senior Management	-	-	-	-	-	-
Other MRTs	2	5.4	-	-	16	2.9
Investment Banking	2	5.4	-	-	16	2.9
Independent Control Functions	-	-	-	-	-	-
All Other	-	-	-	-	-	-

Additional Notes
i. All non-GBP awards are converted using the European Commission exchange rate for financial programming and the budget for December 2020.
ii. Severance payments allocated to MRTs terminated during 2020, which include redundancy payments and statutory severance. None of these severance payments were included in the ratio of variable to fixed remuneration for 2020 performance year in line with the EBA Guidelines (paragraph 154 (a) – (c)).
iii. The highest severance in 2020 was a redundancy payment made to a France based employee for the equivalent amount of GBP 517k.
iv. The total amount of severance payments reflects final amounts paid out to individuals.

Table 50: MRT Deferred Remuneration (REM3)

GBP millions [i]	Outstanding deferred and retained remuneration as at December 31, 2020 [ii], of which: Unvested	Outstanding deferred and retained remuneration as at December 31, 2020 [ii], of which: Vested [iii]	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year [v]	Total amount of deferred remuneration awarded in the financial year [vi]
Management Body	11.6	0.3	11.9	-	-	0.3	3.0
Of which: cash-based	5.8	-	5.8	-	-	-	1.3
Of which: shares or other share-linked instruments	5.8	0.3	6.1	-	-	0.3	1.7
Of which: other forms	-	-	-	-	-	-	-
Senior Management	17.2	1.2	18.4	-	-	2.5	8.5
Of which: cash-based	8.6	-	8.6	-	-	0.7	3.7
Of which: shares or other share-linked instruments [iv]	8.7	1.2	9.8	-	-	1.8	4.8
Of which: other forms	-	-	-	-	-	-	-
All other MRTs	393.0	70.5	463.5	-	-	174.5	228.1
Investment Banking	347.2	65.5	412.8	-	-	157.6	205.8
Of which: cash-based	171.7	-	171.7	-	-	49.4	78.2
Of which: shares or other share-linked instruments	175.6	65.5	241.1	-	-	108.2	127.6
Of which: other forms	-	-	-	-	-	-	-
Independent Control Functions	2.3	0.3	2.6	-	-	0.5	1.2
Of which: cash-based	1.1	-	1.1	-	-	-	0.4
Of which: shares or other share-linked instruments	1.2	0.3	1.5	-	-	0.5	0.8
Of which: other forms	-	-	-	-	-	-	-
All Other	43.5	4.7	48.2	-	-	16.4	21.2
Of which: cash-based	21.7	-	21.7	-	-	6.6	9.5
Of which: shares or other share-linked instruments	21.8	4.7	26.5	-	-	9.8	11.6
Of which: other forms	-	-	-	-	-	-	-

Additional Notes
i. Value of all non-GBP cash and share awards are converted using the European Commission exchange rate for financial programming and the budget for December 2020.
ii. Value of outstanding share awards is calculated using Citi closing share price as at 31st December 2020.
iii. Total outstanding deferred remuneration that has vested but is under restriction as at 31st December 2020. Value of shares has been calculated as of vest date.
iv. Includes both shares and any stock units granted
v. Shares are considered paid when vested. The Fair Market Value (FMV) is determined by the closing New York Stock Exchange stock price for Citigroup common stock the trading day immediately prior to the award's vest date.
vi. Value of share-based awards made in 2020 represents value at grant.

Table 51: 2019 Remuneration Banding for Annual Compensation of Individuals Earning at Least €1 Million[(i)] (REM4)

Total Remuneration (in EUR)	Number of individuals[(ii)]
1,000,000 to 1,500,000	110
1,500,000 to 2,000,000	32
2,000,000 to 2,500,000	25
2,500,000 to 3,000,000	12
3,000,000 to 3,500,000	7
3,500,000 to 4,000,000	10
4,000,000 to 4,500,000	8
4,500,000 to 5,000,000	1
5,000,000 to 6,000,000	4
6,000,000 to 7,000,000	3
7,000,000 to 8,000,000	3
8,000,000 to 9,000,000	-
9,000,000 to 10,000,000	1
Greater than 10,000,000	3
Total	219

Additional Notes
i. All non-EUR awards are converted using the European Commission exchange rate for financial programming and the budget for December 2020.
ii. The number of individuals reflects those remunerated over EUR 1 Million within the MRT population as at 31st December 2020.

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 framework and detail 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, and thereby the integrity of the firm."

The conduct risk management framework 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). Established in 2014, the Ethics, Conduct and Culture Committee, a standing committee of the Citigroup Board of Directors, oversees Citi's conduct risk management framework 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 framework 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 Citigroup Inc. legal entity must follow all additional rules regarding pre-approvals of business transactions, as included in the Citi Policy on Related Party Transactions. Additionally, certain executives must adhere to disclosure requirements and limitations on lending relationships with Citi, as included in the Insider Lending Policy.

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:

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

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

Citi prohibits any form of retaliatory action against individuals who raise concerns or questions in good faith regarding ethics, discrimination, or harassment matters; request a reasonable accommodation for a disability; pregnancy, or religious belief; reports suspected violations of laws, regulations, rules, or breach of policies, procedure, or the Code; or participate in a subsequent investigation of such concerns. Employees who engage in retaliation against a colleague because they have raised a concern or question in good faith, 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 or Escalation Policy prohibits or restricts members of staff from raising a concern to any government, regulatory, or self-regulatory agency at any stage

Other Risks

Financial Risks

Non-trading Book Equity Exposures

CGML has a small number of equity investments which are held outside the trading book. This category includes investments in clearing houses, exchanges and other strategic investments which are required to be held for membership, access or relationship purposes, and which are otherwise not traded. They are carried on the balance sheet at fair value under the requirements of IFRS 9. The market price is deemed to be the fair value for exchange traded equities.

Table 52: Non-trading Book Equity Exposures

	31 December 2020	31 December 2019
	$ million	$ million
Investments Held at Fair Value	101	74
Investments Held at Cost	-	-
Total[1]	**101**	74

[1] Basis of disclosure for Non-trading book equity exposures has been modified, with prior periods amended as appropriate.

Non Financial Risks

Enterprise resilience through Covid-19 pandemic

Citi's Continuity of Business (CoB) Policy and Standards require all Citi businesses, including those businesses under CGML, to implement a CoB Programme that includes; Assessment processes, Business Recovery Planning, Crisis Management Planning, Testing, Maintenance, Quality Review, Training, Monitoring and Reporting.

In response to the Covid-19 pandemic, Citi has been able to successfully implement its Continuity of Business plans to provide proactive measures in preserving staff well-being and maintaining the ability to serve our clients with no major impact to our operations.

Citi also recognises the rapidly expanding regulatory focus on Operational Resilience. Citi is developing its approach to Operational Resilience with an aim of embedding the key concepts around business services, impact tolerances and harm into the firm as part of the resilience programme.

Appendix 1: UK Senior Management and Board Disclosures

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

Recruitment and Diversity Policy for the CGML Board of Directors

Board Composition, Role and Effectiveness

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

CGML has a combination of Non-Executive Directors who are either:

- UK based and independent from any of Citi's businesses; or
- On the parent company's Board (in order to provide direct linkage between the main and subsidiary boards), but who are independent within the standards applicable to the parent board.

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 by the CGML Nominations Committee and approved by the CGML Board, followed by an application to the PRA and FCA ("UK Regulators") for regulatory approval.

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

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

All new Executive Directors of CGML 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 CGML, Executive Directors of CGML are subject to background screening pursuant to the FCA and PRA Fitness and proprietary requirements.

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

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

Distinction Between the Roles of Executive and Non-executive Directors

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

The resources used by the Non-Executive Directors in their role of challenging the business include:

- full and unhindered access to the business, which involves the receipt of detailed presentations given by business or control functions;
- administrative support in the form of an assistant for the Chair and office facilities at Citigroup's London offices in Canary Wharf for UK-based Non-Executive Directors; and
- technical training in the form of Board tutorials. These regular tutorials cover a wide range of subjects including but not limited to capital and liquidity requirements, client money and assets regulations, anti-money laundering rules, regulation relating to anti-bribery and corruption, and recovery and resolution planning.

Diversity

The Board of Directors of Citigroup Global Markets Limited (Board) is committed to identifying and appointing the best qualified people to serve on the Board and to ensuring that the Board is comprised of individuals whose backgrounds reflect the diversity represented by our employees, customers and stakeholders. Effective December 2017 the CGML Diversity with the Management Body Policy was published and made publicly available through Citi's UK page as follows: http://www.citigroup.com/citi/about/countrypresence/united-kingdom.html

Table 53: Directorships held by Citigroup Global Markets Limited Board of Directors as of 31 December 2020

Name	Total Number of Directorships
Cyrus Ardalan	3
Diana Taylor	5
Richard Goulding	7
James Bardrick	7
Leo Arduini	3
Frank Mannion	2
Deepak Jain	1
Total	28

Table 54: Membership held by Citigroup Global Markets Limited Board of Directors as of 31 December 2020

Name	Gender	Role	Duration of Board Membership
Cyrus Ardalan	Male	Non-Executive Director - Chair	3 yrs 4 mths
Diana Taylor	Female	Non-Executive Director	10 yrs 11 mths
Richard Goulding	Male	Non-Executive Director	4 yrs 7 mths
James Bardrick	Male	Executive Director – Chief Executive Officer	7 yrs 3 mths
Leo Arduini	Male	Executive Director	4 yrs 9 mths
Frank Mannion	Male	Executive Director	1 yr 5 mths
Deepak Jain	Male	Executive Director	1 yr 5 mths

Cyrus Ardalan (Chair)

Cyrus Ardalan has worked in senior roles and has extensive financial services and regulatory experience extending over 40 years in the industry in both an executive and non - executive capacity.

Cyrus was appointed as Chair of CGML in 2017. In addition to his role at Citi, Cyrus has been Chairman of the Board for OakNorth Bank from 2015 to the present. Cyrus has also been a board member for the charity organisation International Finance Facility for Immunisation from 2012 to 2020 and of Independent Portfolio Management from 2017 to 2020. Previous board memberships include Dubai International Financial Centre from 2004 to 2009; and from 2011 to 2015 Cyrus was Chairman of the Board within the International Capital Markets Association.

Diana Taylor

Diana Taylor has been an independent director of Citigroup Inc. since July 2009. Diana also holds a directorship at Brookfield Asset Management.

From 2007 to 2014 Diana was managing director of Wolfensohn Fund Management L.P. Prior to this, from 2003 to 2007, she served as Superintendent of Banks of New York State Banking Department, where she also oversaw the regulation of the mortgage industry and money service businesses. Diana served as Governor Pataki's Deputy Secretary for Finance and Housing between 1996 and 1999. Other previous roles included several years in the energy business, first as Vice President of KeySpan Energy and then as Chief Financial Officer at the Long Island Power Authority. She was a founding partner and president of M.R. Beal & Company.

Diana started her career as an investment banker with Smith Barney, followed by roles with Lehman Brothers and Donaldson Lufkin & Jenrette.

Richard Goulding

Richard Goulding joined Citi as a non-executive director in 2016 as Chair of CGML Risk Committee.

In addition to his role at Citi, Richard is also a member of the Board of Zopa Group Limited, the UK-based financial group, and its subsidiary Zopa Bank Limited, where he Chairs the Board Risk Committee and is a member of the Audit, Remuneration and Nomination Committees. Furthermore, Richard is a director of the Governor and Company of the Bank of Ireland.

Richard is also principal of RFG Consulting Ltd, which provides advisory services in risk and financial management, including two fintech start-ups.

Previous experience includes Group Chief Risk Officer and Director at Standard Chartered Bank London and Singapore from 2002 to 2015. In this role Richard was responsible for managing Credit, Market and Operational Risk across the Group.

Executive Directors of CGML

James Bardrick (Director and Chief Executive Officer of CGML)

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

James is also a supervisory board member of Citigroup Global Markets Europe AG in Frankfurt. He was Co-head of Citi's Corporate and Investment Banking business for EMEA from 2009 to 2014. James has been with the firm for 34 years and is a Senior Credit Officer.

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

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

Leo Arduini

Leo Arduini is EMEA Head of Markets & Securities Services. He has over 33 years of experience in Global Markets, spanning a variety of trading, coverage, sales and management roles in different jurisdictions. More recently, Leo was Global Head of Rates Sales in 2008–2010, was then appointed Citi Country Officer and Head of Markets for Italy in January 2010 and in March 2012 he became Head of Investor Sales, EMEA Markets, with responsibility for the sales coverage and distribution of Citi's global market product platform to Investor Clients across the EMEA region. He took on his current position as EMEA Head of Markets and Securities Services in March 2014, responsible for the overall strategy across the product platform of MSS jointly with the global products, and for the execution across the EMEA region, spanning over more than 40 countries.

Leo is a supervisory board member of Citigroup Global Markets Europe AG in Frankfurt, and a Board member of AFME.

Prior to joining Citi, he has collaborated with Bocconi University and was Associate at Borsa Italiana (Italian Stock Exchange). He has also held positions in Fixed Income trading at San Paolo Finance (Now Banca Intesa Group), as a Board Member of MTS, as Head of Sales and Distribution at Caboto (Banca Intesa Group) and at Banca Monte Paschi Siena as General Manager of Finance and Global Markets. Leo took a degree cum laude in Business Administration, at Bocconi University Milan in 1987.

Frank Mannion

Frank Mannion has been EMEA Chief Financial Officer since January 2011. Frank is a qualified Chartered Accountant and has experience spanning over 30 years with Citi in various Finance roles, including Technology Finance Manager and Head of CMB EMEA Product Control. In September 2006, he was appointed CMB EMEA Regional Controller, responsible for Product Control, Controllers and Regulatory Reporting and subsequently in March 2008 he was appointed the Citi Regional Franchise Controller for EMEA with responsibility for over 800 people covering all the businesses. Frank is on the board of Bank Handlowy (Citi Handlowy) which is a Polish Bank based in Warsaw in the position of Vice Chairman of the Supervisory Board.

Deepak Jain

Deepak Jain was appointed the Regulatory Inventory Mapping Program Manager in October 2019. Prior to that he was Head of Operations & Technology (O&T) and Chief Information Officer for the EMEA region. Deepak has extensive experience of regional managerial positions including leading Operations and Technology teams in Australia, New Zealand and Japan spanning Corporate and Consumer businesses. Deepak was a senior technologist/CIO in Global Financial Markets / Banking with experience in London, New York, Hong Kong, Tokyo and Sydney. Prior to joining Citi in 2004, Deepak was the CIO of the Asia Pacific region for Dresdner Kleinwort Wasserstein. Deepak was previously a director of Citibank Europe PLC from September 2015 to September 2019 and Citibank UK Limited from April 2019 to September 2019.

Board Composition Changes

Following an independent Board effectiveness review, the composition of the Board of Directors of Citigroup Global Markets Limited has been refreshed.

Malcolm Basing, independent non-executive director and Chair of the CGML Audit Committee, and Richard Goulding, independent non-executive director and Chair of the CGML Risk Committee, stepped down with effect from 11 October 2020 and 29 January 2021, respectively.

On 22 January 2021, Alex Wynaendts was appointed a statutory non-executive director of the Company and, subject to approval from the Prudential Regulation Authority and the Financial Conduct Authority approval, it is our intention to appoint as Chair of the CGML Remuneration Committee.

Additionally, on 5 February 2021, Sally Clark, William Fall and Jonathan Moulds were appointed as statutory non-executive directors of the Company. Subject to approval from the Prudential Regulation Authority and the Financial Conduct Authority we propose that they will undertake the following roles: Sally Clark to serve as Chair of the CGML Audit Committee; William Fall to serve as Chair of the CGML Risk Committee; and Jonathan Moulds to serve as the Senior Independent Director.

To increase the function oversight and expand the knowledge and skills of the CGML Board, Anne-Maree Tassell, EMEA Head of Operations and Technology, and Zoe Wimborne EMEA Chief Risk Officer, were appointed directors with such appointments being subject to approval by the Prudential Regulation Authority and the Financial Conduct Authority.

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 55: Capital Instruments main features

	Capital Instruments main features	CET1	AT1	Tier 2	Tier 2	Tier 2	Tier 2
1	Issuer	Citigroup Global Markets Limited	Citigroup Global Markets Limited	Citigroup Global Markets Limited	Citigroup Global Markets Limited	Citigroup Global Markets Limited	Citigroup Global Markets Limited
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement)	Private Placement	Private Placement	Private placement	Private placement	Private placement	Private placement
3	Governing law(s) of the instrument	English Law	English Law	English Law	English Law	English Law	English Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	NA	NA	NA	NA	NA	NA
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group and solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Perpetual Notes	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	US$1,500m	US$2,300	US$600m	US$2,000m	US$1,000m	US$1,000m
9	Par value of instrument	US$1.00	US$2,300	US$600m	US$2,000m	US$1,000m	US$1,000m
10	Accounting classification	Shareholder's equity	Liability – Fair value option	Liability – Amortised cost	Liability – Amortised cost	Liability – Amortised cost	Liability – Amortised cost
11	Original date of issuance	21/12/1995	20/06/2017	21/12/2018	21/12/2018	21/12/2018	21/12/2018
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No Maturity	No Maturity	27/10/2028	29/09/2027	24/01/2039	25/07/2028
14	Issuer call subject to prior supervisory approval	No	No	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA	NA
	Coupons / dividends						
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	Discretionary	7.30%	2.62% (3mth USD LIBOR + Sub fee + Tax Handling)	2.66% (3mth USD LIBOR + Sub fee + Tax Handling)	2.92% (3mth USD LIBOR + Sub fee + Tax Handling)	2.64% (3mth USD LIBOR + Sub fee + Tax Handling)
19	Existence of a dividend stopper	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	NA	NA	NA	NA
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA
30	Writedown feature	No	Yes	Yes	Yes	Yes	Yes
31	If writedown, writedown trigger(s)	NA	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.
32	If writedown, full or partial	NA	Full	Full	Full	Full	Full
33	If writedown, permanent or temporary	NA	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of writeup mechanism	NA	NA	NA	NA	NA	NA
34a	Type of subordination	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	As common equity, immediately subordinate to the instrument in the following column (AT1).	Notes constitute direct, unsecured and subordinated obligations of the Issuer and are immediately subordinate to Tier 2 instruments.	Immediately subordinate to senior subordinated debt (Eligible liabilities)	Immediately subordinate to senior subordinated debt (Eligible liabilities)	Immediately subordinate to senior subordinated debt (Eligible liabilities)	Immediately subordinate to senior subordinated debt (Eligible liabilities)
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA	NA	NA

Capital Instruments main features template		Eligible Liabilities	Eligible Liabilities	Eligible Liabilities	Eligible Liabilities	Eligible Liabilities	Eligible Liabilities	Eligible Liabilities
1	Issuer	Citigroup Global Markets Limited	Citigroup Global Markets Limited	Citigroup Global Markets Limited	Citigroup Global Markets Limited	Citigroup Global Markets Limited	Citigroup Global Markets Limited	Citigroup Global Markets Limited
2	Unique identifier (e.g. Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement)	Private placement	Private placement	Private placement	Private placement	Private placement	Private placement	Private placement
3	Governing law(s) of the instrument	English Law	English Law	English Law	English Law	English Law	English Law	English Law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	NA	NA	NA	NA	NA	NA	NA
4	Transitional Basel III rules	Eligible Liability	Eligible Liability	Eligible Liability	Eligible Liability	Eligible Liability	Eligible Liability	Eligible Liability
5	Post-transitional Basel III rules	Eligible Liability	Eligible Liability	Eligible Liability	Eligible Liability	Eligible Liability	Eligible Liability	Eligible Liability
6	Eligible at solo/group/group and solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Senior Subordinated Loans	Senior Subordinated Loans	Senior Subordinated Loans	Senior Subordinated Loans	Senior Subordinated Loans	Senior Subordinated Loans	Senior Subordinated Loans
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	US$1,500m	US$500m	US$500m	US$500m	US$1,500m	US$1,000m	US$500m
9	Par value of instrument	US$1,500m	US$500m	US$500m	US$500m	US$1,500m	US$1,000m	US$500m
10	Accounting classification	Liability – Amortised cost	Liability – Amortised cost	Liability – Amortised cost	Liability – Amortised cost	Liability – Amortised cost	Liability – Amortised cost	Liability – Amortised cost
11	Original date of issuance	27/12/2018	27/12/2018	03/07/2019	27/12/2018	27/12/2018	27/12/2018	09/06/2020
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	24/07/2028	29/09/2027	29/09/2027	26/10/2023	21/03/2023	27/10/2022	24/04/2025
14	Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA	NA	NA
	Coupons / dividends							
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	2.51% (3mth USD LIBOR + Sub fee + Tax Handling)	2.57% (3mth USD LIBOR + Sub fee + Tax Handling)	1.55% (3mth USD LIBOR + Sub fee + Tax Handling)	1.82% (3mth USD LIBOR + Sub fee + Tax Handling)	1.77% (3mth USD LIBOR + Sub fee + Tax Handling)	1.73% (3mth USD LIBOR + Sub fee + Tax Handling)	1.70% (3mth USD LIBOR + Sub fee + Tax Handling)
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No	No	No	No	No	No
22	Non-cumulative or cumulative	NA	NA	NA	NA	NA	NA	NA
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA	NA
30	Writedown feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If writedown, writedown trigger(s)	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.	Bank of England, Own Fund Instrument written off and Any resolution entity in Citi is under resolution.
32	If writedown, full or partial	Full	Full	Full	Full	Full	Full	Full
33	If writedown, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of writeup mechanism	NA	NA	NA	NA	NA	NA	NA
34a	Type of subordination	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Immediately subordinate to senior unsecured obligations of the issuer	Immediately subordinate to senior unsecured obligations of the issuer	Immediately subordinate to senior unsecured obligations of the issuer	Immediately subordinate to senior unsecured obligations of the issuer	Immediately subordinate to senior unsecured obligations of the issuer	Immediately subordinate to senior unsecured obligations of the issuer	Immediately subordinate to senior unsecured obligations of the issuer
36	Non-compliant transitioned features	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA	NA	NA	NA

Appendix 3: Countercyclical Capital Buffer

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

The following table sets out CGML's countercyclical buffer requirement broken down by significant geographical areas for 31 December 2020 in line with Article 440 of the CRR. Countries that have a specific CCyB requirement or have an own funds requirement weight greater than 2% of the total CGML own funds requirement are material and are disclosed separately. The remaining countries are aggregated under other countries.

The Financial Policy Committee (FPC) cut the UK CCyB rate to 0% in March 2020 in response to the Covid 19 pandemic to support the supply of credit

Table 56: Geographical Distribution of Countercyclical Capital Buffer

	General credit exposures	Trading book exposure		Securitisation exposure	Own funds requirements					
Breakdown by Country	Exposure value for SA	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value in the banking book	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	%	%
Bulgaria	8	-	-	-	1	-	-	1	0.01	0.50
Czech Republic	30	-	1	-	2	-	-	2	0.04	0.50
France	1,327	526	805	-	74	78	-	153	3.27	0.00
Germany	1,414	313	846	-	104	79	-	183	3.92	0.00
Hong Kong	1,704	148	4	-	132	13	-	145	3.10	1.00
Ireland	2,918	188	31	-	217	23	-	239	5.13	0.00
Japan	3,885	345	27	-	244	18	-	262	5.60	0.00
Luxembourg	2,218	192	199	-	157	42	-	199	4.25	0.25
Netherlands	1,534	489	329	1	122	49	-	172	3.68	0.00
Norway	103	47	7	-	7	3		10	0.21	1.00
Singapore	3,243	18	-	-	259	2	-	262	5.60	0.00
Slovakia	3	-	-	-	-	-	-	-	0.00	1.00
Switzerland	1,382	75	175	-	106	16	-	122	2.61	0.00
United Kingdom	14,811	2,077	1,369	2	1,025	312	2	1,339	28.67	0.00
United States	6,541	1,235	267	-	507	93	-	599	12.83	0.00
Other countries	9,786	1,992	1,858	10	735	244	4	983	21.05	0.00
Total	50,906	7,645	5,918	13	3,691	971	6	4,669	100.00	

Amount of Institution-specific Countercyclical Capital Buffer	
Total Risk Exposure Amount	147,376
Institution Specific Countercyclical Buffer Rate	0.04%
Institution Specific Countercyclical Buffer Requirement	59

Appendix 4: Non-disclosed Tables

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

Table 57: Non-disclosed tables

Table	Rationale
Credit Quality of Forborne Exposures	Templates excluded on the basis of immateriality or non-applicability
Collateral obtained by taking possession and execution processes	
Quality of forbearance	
Quality of non-performing exposures by geography	
Credit quality of loans and advances by industry	
Collateral valuation – loans and advances	
Changes in the stock of non-performing loans and advances	
Collateral obtained by taking possession and execution processes – vintage breakdown	
CR2-A: Changes in the Stock of General and Specific Credit Risk Adjustments	
CR2-B: Changes in the Stock of Defaulted and Impaired Loans and Debt Securities	
CR6: IRB – Credit risk exposures by exposure class and PD range	CGML does not have any credit or counterparty credit exposures under the IRB approach
CR7: IRB – Effect on RWA of credit derivatives used as CRM techniques	
CR8: RWA flow statements of credit risk exposures under IRB	
CR9: IRB – Backtesting of probability of default (PD) per exposure class	
CR10: IRB – specialised lending and equities	
CCR4: IRB – CCR exposures by portfolio and PD scale	
TLAC3 – Resolution entity – creditor ranking at legal entity level	CGML is only required to discloses TLAC requirements on a material subgroup entity level
SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	CGML acts only as investor in its Securitisation book
SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	

Glossary

ABS	Asset Backed Securities
ALCO	Asset and Liability Committee
AMA	Advanced Measurement Approach
BPC	Business Practices Committee
BRCC	Business Risk, Compliance and Control Committee
BSST	Business Specific Stress Test
CAP	Capital Accumulation Programme
CAT	Capital Action Trigger
CCP	Central Counterparty Clearing House
CCyB	Countercyclical buffer
CDS	Credit Default Swap
CEM	Current Exposure Method
CEO	Chief Executive Officer
CEP	Citigroup Europe PLC
CET 1	Common Equity Tier 1
CFO	Chief Finance Officer
CFP	Contingency Funding Plan
CFTC	Commodity Futures Trading Commission
CGML	Citigroup Global Markets Limited
CIC	Cyber Intelligence Centre
CMO	Capital Markets Origination
CORA	Credit and Operational Risk Analytics
CRD	Capital Requirements Directive
CRE	Commercial Real Estate
CRMR	Citi Risk Market Risk
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
DIRAP	Discretionary Incentive and Retention Award Plan
DPAC	Distribution Product Approval Committee
EAD	Exposure at Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
EEA	European Economic Area
EMEA	Europe, Middle East and Africa
EMTN	Euro Medium Term Note
EPE	Expected Positive Exposure
ETDs	Exchange Traded Derivatives
EU	European Union
EUSTA	EU Short-term Award
FCA	Financial Conduct Authority
FLP	Funding and Liquidity Plan
FRR	Facility Risk Rating
FVA	Funding Valuation Adjustments
FX	Foreign Exchange
G10	Group of Ten (refers to the countries that have agreed to participate in the General Arrangements to Borrow (GAB))
GAAP	Generally Accepted Accounting Principles
GCB	Global Consumer Banking
GIS	Global Information Security
G-SIB	Global Systemically Important Bank
GSM	Global Securitised Markets
GSP	Global Securitised Products
GSST	Global Systemic Stress Test
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Institutional Clients Group
IFRS	International Financial Reporting Standards

ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
IM	Initial Margin
IMA	Internal Model Approach
IMM	Internal Models Method
IPB	International Personal Bank
IPR	Investments Products Risk
IRC	Incremental Risk Charge
IRE	Interest Rate Exposure
ISDA	International Swaps and Derivatives Association
KEPSP	Key Employee Profit Sharing Plan
KOR	Key Operational Risks
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
MCA	Manager's Control Assessment
MLE	Material Legal Entity
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MRNCCD	Margin requirement for Non centrally cleared derivatives
MRT	Material Risk Takers
NIR	Net Interest Revenue
NPAC	New Product Approval Committee
NRI	Non-Resident Indian
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OIS	Overnight Indexed Swap
ORM	Operational Risk Management
ORR	Obligor Risk Rating
O-SII	Other Systemically Important Institution
OTC	Over The Counter
P&C	Personnel and Compensation
PBV	Performance Based Vesting
PD	Probability of Default
PRA	Prudential Regulation Authority
PRR	Position Risk Requirement
PSE	Pre-Settlement Exposures
PSU	Performance Share Units
RBA	Role-Based Allowances
RemCo	Remuneration Committee
RLAP	Resolution Liquidity Adequacy Positioning
RMBS	Residential Mortgage Backed Securities
RWA	Risk Weighted Assets
SFT	Securities Financing Transaction
SVaR	Stressed Value at Risk
TFA	Total Facilities Amount
TLAC	Total Loss Absorbing Capacity
ToR	Terms of Reference
TTS	Treasury and Trade Solutions
VaR	Value at Risk
VM	Variation Margin
WWR	Wrong Way Risk