Citigroup Global Markets Limited

Pillar 3 Disclosures

31 March 2019

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1. Overview

The following tables and notes contained in this document represent the Pillar 3 disclosures for the quarter ended 31 March 2019, for Citigroup Global Markets Limited (CGML), Citi's principal UK operating subsidiary.

The disclosures are made in accordance with Part 8 of the Capital Requirements Regulation (CRR) within the Capital Requirements Directive (CRD IV) package and the European Banking Authority (EBA) revised Pillar 3 disclosures guidelines (EBA/GL/2016/11). The disclosures are published in the Investor Relations section of Citi's website.

In accordance with the EBA guidelines, this report is produced and published quarterly, with increased disclosures in the semi-annual and annual publications. These disclosures were verified and approved internally in line with Citi's internal EU Pillar 3 Standard which outlines the principles and minimum standards to be applied when developing a set of Pillar 3 disclosures for legal entities within the EU.

CGML is Citi's international broker dealer, providing products and services for institutional clients. It is 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.

These disclosures do not constitute any form of financial statement and must not be relied upon in making any investment in or judgement on the group or any entity within the group.

Transitional arrangements for the adoption of IFRS 9

CGML has decided not to apply the transitional arrangements introduced by regulation (EU) 2017/2395 for mitigating the impact of IFRS 9 on own funds and the treatment of certain large exposures. CGML has concluded that the impact of IFRS 9 adoption is immaterial; and therefore the reported own funds, capital and leverage ratios already reflect the full impact of IFRS 9.

This decision reflects the nature of CGML's business and, in particular, the absence of a loan book on its balance sheet.

CGML maintains regulatory capital which is comfortably above the minimum regulatory requirements.

Table 1: Key Metrics for CGML

	Available capital (amounts)	Mar-19 $ million	Dec-18 $ million	Sep-18 $ million	Jun-18 $ million
1	Common Equity Tier 1 (CET1)	13,966	13,959	14,021	13,978
2	Tier 1	16,266	16,259	16,321	16,278
3	Total capital	20,866	20,859	20,922	20,888
	Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	143,406	131,022	144,934	148,319
	Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	9.74%	10.65%	9.67%	9.42%
6	Tier 1 ratio (%)	11.34%	12.41%	11.26%	10.98%
7	Total capital ratio (%)	14.55%	15.92%	14.44%	14.08%
	Additional CET1 buffer requirements as a percentage of RWA				
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	1.88%	1.88%	1.88%
9	Countercyclical buffer requirement (%)	0.43%	0.42%	0.26%	0.27%
10	Bank G-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (Row 8 + Row 9 + Row 10)	2.93%	2.29%	2.14%	2.14%
12	CET1 available after meeting the bank's minimum capital requirements (%) [1]	1.15%	2.38%	1.38%	1.13%
	Basel III Leverage Ratio [2]				
13	Total Basel III leverage ratio measure	438,607	418,231	483,059	444,203
14	Basel III leverage ratio (%) (Row 2/Row 13)	3.71%	3.89%	3.38%	3.66%
	Liquidity Coverage Ratio [3]				
15	Total HQLA	18,862	19,832	18,209	17,601
16	Total net cash outflow	11,438	12,392	10,637	11,586
17	LCR ratio (%)	164.91%	160.04%	171.18%	151.92%

1. The CET1 available after meeting minimum capital requirements for June, September and December 2018 has been amended to reflect the availability of Tier 2 capital to meet certain capital requirements.

2. Leverage ratio exposure is disclosed on a fully phased-in basis in accordance with the EU delegated act.

3. Please note that LCR daily average is calculated for CGML solo entity as consolidated LCR is not monitored on a daily basis (only monthly).

2. Own Funds and Capital Adequacy

As at 31 March 2019, 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 requirements for market risk, counterparty risk and operational risk as well as the other risks as per the CRR based upon a number of internal models and standardised approaches.

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 normal business conditions and a variety of stressed scenarios. On at least an annual basis CGML prepares an Internal Capital Adequacy Assessment Process (ICAAP) document that sets out its risk appetite, capital requirements and associated policies and procedures.

The following table sets out CGML's Pillar 1 minimum capital requirements and Risk Weighted Assets (RWAs).

Table 2: OV1 - Overview of RWAs

This table provides an overview of total RWAs forming the denominator of the risk-based capital requirements calculated in accordance with Article 92 of the CRR.

		RWAs Mar-19 $ million	RWAs Dec-18 $ million	Minimum capital requirements Mar-19 $ million
1	Credit risk (excluding CCR)	3,884	2,735	311
2	Of which the standardised approach	3,884	2,735	311
6	CCR	77,757	75,868	6,220
7	Of which mark to market	58,850	57,077	4,708
10	Of which internal model method (IMM)	9,452	9,141	756
11	Of which risk exposure amount for contributions to the default fund of a CCP	188	210	15
12	Of which CVA	9,267	9,440	741
13	Settlement risk	146	105	12
14	Securitisation exposures in the banking book (after the cap)	96	65	8
18	Of which standardised approach	96	65	8
19	Market risk	36,677	32,986	2,934
20	Of which the standardised approach	24,052	18,650	1,924
21	Of which IMA	12,625	14,336	1,010
22	Large exposures	5,583	-	447
23	Operational risk	19,263	19,263	1,540
25	Of which standardised approach	513	513	40
26	Of which advanced measurement approach	18,750	18,750	1,500
29	**Total**	143,406	131,022	11,472

There was a $12,384 million increase in RWAs mainly driven by Large exposures and standardised Market Risk.

3. Counterparty Credit Risk

For UK regulatory reporting purposes, CGML uses the standardised approach in determining counterparty credit risk capital requirements, based on External Credit Assessment Institution (ECAI) ratings for calculating RWAs. The measures of Exposure at Default (EAD) used to determine these requirements are described below.

For Over-The-Counter (OTC) derivatives, CGML uses two approaches: Internal Model Method (IMM) and Current Exposure Method (CEM). For IMM, the firm uses a constant covariance Monte Carlo simulation of potential future exposure to determine an effective expected positive exposure (EEPE) measure as an input to Citi's EAD calculation. The model is calibrated with historical volatilities subject to a set of independent internal validation and statistical back-testing standards. The model utilises a standard supervisory alpha multiplication factor of 1.4. For those positions which fall outside of the scope of the firm's IMM model permission, CGML uses the CEM approach. This method assigns to each transaction a regulatory stipulated exposure based on the mark-to-market value and a measure of potential future exposure which is a percentage of notional driven by residual maturity and the type of contract, i.e. interest rate, equities etc.

For Securities Financing Transactions (SFTs), CGML applies a supervisory volatility adjustment under the financial collateral comprehensive method for calculating its EAD. The calculation equals exposure less collateral after applying regulatory haircuts for security volatility adjustments and any applicable currency mis-matches. The EAD is then used to calculate RWAs using the standardised approach.

Table 3: CCR7 - RWA flow statements of CCR exposures under the IMM

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

	Mar-19		Dec-18	
	RWA amounts	Capital requirements	RWA amounts [1]	Capital requirements
	$ million	$ million	$ million	$ million
1 RWAs as at the end of the previous reporting period	9,141	731	11,311	905
2 Asset size	325	26	(2,170)	(174)
3 Credit quality of counterparties	(14)	(1)	-	-
4 Model updates (IMM only)	-	-	-	-
5 Methodology and policy (IMM only)	-	-	-	-
6 Acquisitions and disposals	-	-	-	-
7 Foreign exchange movements	-	-	-	-
8 Other	-	-	-	-
9 RWAs as at the end of the current reporting period	9,452	756	9,141	731

1. RWA under the IMM as at 31 December 2018 has been aligned with the table in section 2.

During Q1 2019, CCR RWAs increased by $311 million predominantly due to an increase in asset size, with a slight reduction due to changes in the credit quality of a small number of counterparties.

4. Market Risk

CGML uses a Value at Risk (VaR) model to calculate market risk capital requirements for part of its trading portfolio under an Internal Models Approach (IMA) permission granted by the PRA. The permission covers general market risk and issuer specific risk for a number of Debt, Foreign-exchange, 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). For the remainder of its trading portfolio, foreign currency and commodity positions, CGML uses the standardised method for calculating market risk.

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

Table 4: MR2-B - RWA flow statements of market risk exposures under the IMA

The table presents a flow statement explaining variations in the market RWAs.

		VaR	SVaR	IRC	Compre-hensive risk measure	Other	Total RWAs	Total capital requirements
		$ million	$ million	$ million	$ million	$ million	$ million	$ million
1	**RWAs at 31 December 2018**	4,040	7,563	2,733	0	0	14,336	1,147
1a	*Regulatory adjustment*	(1,392)	(1,450)	(278)	0	0	(3,120)	(250)
1b	*RWAs at the previous quarter-end (end of the day)*	2,648	6,113	2,455	-	-	11,216	897
2	Movement in risk levels	(392)	(772)	(37)	-	-	(1,201)	(96)
3	Model updates/changes	(95)	(56)	-	-	-	(151)	(12)
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	*RWAs at the end of the reporting period (end of the day)*	2,161	5,285	2,418	0	0	9,864	789
8b	*Regulatory adjustment*	1,413	1,348	0	0	0	2,761	221
8	**RWAs at 31 March 2019**	**3,574**	**6,633**	**2,418**	**0**	**0**	**12,625**	**1,010**

During Q1 2019, Market risk RWAs under the IMA approach decreased by $1,711 million. This was predominantly due to movement in risk levels resulting from changes in the portfolio composition.