Citigroup Global Markets Limited
Pillar 3 Disclosures

30 September 2021

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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.

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.

Overview of Pillar 3

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.

Citigroup Global Markets Limited's ('CGML') Pillar 3 disclosures for the quarter ended 30 September 2021 are made in accordance with Part 8 of the Capital Requirements Regulation ('CRR') and European Banking Authority ('EBA') guidelines on Pillar 3 disclosures. This document represents CGML on a consolidated basis.

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**

Policy and verification

In accordance with Article 431 (3) of the 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.

Regulatory Developments

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 on 31 December, 2020, resulting in EU laws, rules and regulations no longer being applicable to the UK.

The UK has on-shored relevant existing EU financial services legislation into UK law, these include the CRR, CRD, Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS). Additionally, the UK regulatory authorities are using a temporary transitional power (TTP) to delay or phase-in on-shoring changes to UK regulatory requirements arising at the end of the transition period for a period of 15 months ending 31 March 2022.

Citigroup continues to service its clients in the EEA and UK with minimal disruption, whilst maintaining simplicity and transparency.

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 certain parts of the CRR II regulation and has published rules to implement other elements of CRR II in the UK.

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). These were highlighted in the December 2020 Pillar 3 Disclosure.

The PRA has published final rules in PS 22/21 to implement the Basel III standards in the UK covering areas such as Counterparty Credit Risk and Large Exposures. These rules will be implemented in the UK from 1 January 2022. In conjunction with the FPC, it has also published final rules in PS21/21 to change the UK leverage ratio framework, bringing investment firms such as CGML into its remit. Under these rules, CGML will become subject to a minimum leverage ratio of 3.25% from 1 January 2023 and will follow the PRA and FPC’s rules on leverage ratio disclosures from 1 January 2022.

Key Metrics

Table 1: Key Metrics (KM1)

		30 September 2021	30 June 2021	31 March 2021	31 December 2020	30 September 2020
	Available capital	**$ million**	$ million	$ million	$ million	$ million
1	Common Equity Tier 1 (CET1)	**22,576**	22,573	20,793	16,379	15,440
2	Tier 1	**26,876**	24,873	23,093	18,679	17,740
3	Total capital	**29,476**	29,473	27,693	23,279	22,340
	Risk-weighted assets					
4	Total risk-weighted assets (RWA)	**159,669**	155,146	151,629	147,376	145,724
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	**14.1%**	14.5%	13.7%	11.1%	10.6%
6	Tier 1 ratio (%)	**16.8%**	16.0%	15.2%	12.7%	12.2%
7	Total capital ratio (%)	**18.5%**	19.0%	18.3%	15.8%	15.3%
	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 (%)	**0.07%**	0.07%	0.06%	0.04%	0.05%
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 (%)	**2.57%**	2.57%	2.56%	2.54%	2.55%
12	CET1 available after meeting the bank's minimum capital requirements (%)	**7.7%**	8.6%	7.7%	5.1%	4.5%
	Basel III Leverage Ratio [1]					
13	Total Basel III leverage ratio measure	**522,977**	489,157	476,531	453,499	437,135
14	Basel III leverage ratio (%)	**5.1%**	5.1%	4.8%	4.1%	4.1%
	Liquidity Coverage Ratio [2]					
15	Total HQLA	**30,206**	28,898	28,205	30,864	28,213
16	Total net cash outflow	**13,098**	12,062	12,107	11,293	12,548
17	LCR ratio (%)	**231%**	240%	233%	273%	225%

[1] Leverage ratio exposure is disclosed on a fully phased-in basis in accordance with the EU delegated act.
[2] The LCR includes Pillar 1 only and the daily average is calculated for CGML solo entity, as consolidated LCR is not monitored on a daily basis.

As at 30 September 2021, CGML's CET1 ratio stands at 14.1%, a 40bps decrease over the last quarter. This is the result of higher RWAs compared to prior quarter due to seasonal business activity, while CET1 capital remained stable.

CGML's leverage ratio remained 5.1%. Key movements were an increase in Securities Financing Transaction (SFT) and derivative exposures due to seasonal business activity, fully offset by an increase in Tier 1 of $2 billion funded through a reduction in Tier 2 capital.

Own Funds

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

The below table presents CGML's capital resources as at 30 September 2021. Further details of CGML's Own Funds and Capital management are described on Page 23-24 of the 31 December 2020 Pillar 3 Disclosure.

Table 2: Own Funds Disclosure

		30 September 2021	30 June 2021
		$ 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 [1]	**2,894**	2,896
3	Accumulated other comprehensive instruments (and other reserves)	**19,562**	19,525
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**23,956**	23,920
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(1,380)**	(1,347)
29	**Common Equity Tier 1 (CET1) capital**	**22,576**	22,573
44	**Additional Tier 1 (AT1) capital [1]**	**4,300**	2,300
45	**Tier 1 capital (T1 = CET1 + AT1)**	**26,876**	24,873
58	**Tier 2 (T2) capital [1]**	**2,600**	4,600
59	**Total capital (TC = T1 + T2)**	**29,476**	29,473

[1] Additional Tier 1 notes were issued during the quarter, funded by the repayment of Tier 2 debt.

Capital Requirements

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.

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, 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 9.89% as at 30 September 2021.

The following table provides an overview of CGML's RWAs and capital requirements, calculated in accordance with Article 92 of Capital Requirements Regulation, by risk type and calculation approach. Details of each risk category and associated calculation approaches are outlined on Page 25 of the 31 December 2020 Pillar 3 Disclosure.

Table 3: Overview of RWA (OV1)

		30 September 2021	30 June 2021	**30 September 2021**
		RWAs	RWAs	**Minimum capital requirements**
		$ million	$ million	**$ million**
1	**Credit risk (excluding CCR)**	**5,937**	7,369	**475**
2	Of which the standardised approach	**5,937**	7,369	**475**
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**	**79,941**	72,976	**6,395**
7	Of which mark to market	**26,368**	22,573	**2,109**
7a	Of which Financial collateral comprehensive method (for SFTs)	**33,561**	32,233	**2,685**
8	Of which original exposure	**-**	-	**-**
9	Of which the standardised approach	**-**	-	**-**
10	Of which internal model method (IMM)	**13,014**	11,455	**1,041**
11	Of which risk exposure amount for contributions to the default fund of a CCP	**392**	339	**31**
12	Of which CVA	**6,605**	6,376	**528**
13	**Settlement risk**	**332**	209	**27**
14	**Securitisation exposures in the banking book**	**1**	2	**0**
15	Of which internal ratings-based approach ("SEC-IRBA")	**-**	-	**-**
16	Of which external ratings-based approach ("SEC-ERBA")	**1**	2	**0**
17	Of which internal assessment approach (IAA)	**-**	-	**-**
18	Of which standardised approach ("SEC-SA")	**-**	0	**-**
19	**Market risk**	**53,281**	53,812	**4,263**
20	Of which the standardised approach	**28,777**	29,844	**2,302**
21	Of which Internal Model Approach ("IMA")	**24,505**	23,968	**1,960**
22	**Large exposures**	**-**	-	**-**
23	**Operational risk**	**20,177**	20,778	**1,614**
24	Of which basic indicator approach			**-**
25	Of which standardised approach	**577**	591	**46**
26	Of which advanced measurement approach	**19,600**	20,188	**1,568**
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**-**	-	**-**
28	**Floor adjustment**	**-**	-	**-**
29	**Total**	**159,669**	155,146	**12,774**

Credit Risk

RWAs fell $1.4 billion primarily due to a decrease of intercompany exposures.

Counterparty Credit Risk

Counterparty Credit Risk RWA increased $7 billion due to seasonal business activity in Securities Financing Transactions (SFT) and derivatives.

Market Risk

RWAs decreased $0.5 billion primarily driven by reduced exposures calculated under Standardised Approach, partially offset by an increase in exposures calculated under IMA.

Operational Risk

Operational risk RWAs decreased slightly by $0.6 billion driven by a reduction in AMA RWAs.

Table 4: 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 in accordance with Part 3, Title II and Chapter 6 of the CRR.

		RWAs	Capital requirements
		$ million	$ million
1	**RWAs as at the end of June 2021**	11,455	916
2	Asset size	1,779	142
3	Credit quality of counterparties	24	2
4	Model updates (IMM only)	(244)	(20)
5	Methodology and policy (IMM only)	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	**RWAs as at the end of September 2021**	13,014	1,041

During Q3 2021, CCR RWAs under IMM increased $1.55 billion primarily driven by an increase in asset size category driven by seasonal activity.

Table 5: RWA flow statements of Market Risk exposures under the IMA (MR2-B)

The table presents a flow statement explaining the quarter-on-quarter movement of Market Risk RWAs under IMA.

		VaR	SVaR	IRC	Comprehen-sive risk measure	Other	Total RWAs	Total capital requirements
		$ million	$ million	$ million	$ million	$ million	$ million	$ million
1	**RWAs as at the end of June 2021**	6,123	13,189	4,655	-	-	23,968	1,917
1a	*Regulatory adjustment*	(4,008)	(8,477)	(416)	-	-	(12,901)	(1,032)
1b	*RWAs at the previous quarter-end (end of the day)*	2,115	4,712	4,239	-	-	11,067	885
2	Movement in risk levels	285	369	145	-	-	799	64
3	Model updates/changes	(65)	(66)	-	-	-	(131)	(11)
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	(21)	-	-	-	(21)	(2)
8a	*RWAs at the end of the reporting period (end of the day)*	2,335	4,994	4,384	-	-	11,714	937
8b	*Regulatory adjustment*	4,641	8,095	56	-	-	12,791	1,023
8	**RWAs as at the end of September 2021**	6,976	13,089	4,440	-	-	24,505	1,960

Market Risk RWA's calculated under the IMA rose $0.5 billion primarily driven by an increase in Risks Not In VaR partially offset by a decrease in both SVaR and IRC.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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.

Table 6: 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

	30 September 2021	30 June 2021	31 March 2021	31 December 2020	30 September 2020
	$ million	$ million	$ million	$ million	$ million
Total loss absorbing capital (TLAC) available	**33,476**	33,473	33,693	29,279	28,340
Risk-weighted assets (RWA) and leverage exposure measure for TLAC purposes					
Total RWA adjusted as permitted under the TLAC regime	**159,669**	155,146	151,629	147,376	145,724
Leverage exposure measure	**522,977**	489,157	476,531	453,499	437,135
TLAC ratios and buffers					
TLAC (as a percentage of RWA adjusted as permitted under the TLAC regime)	**21%**	22%	22%	20%	19%
TLAC (as a percentage of leverage exposure)	**6.4%**	6.8%	7.1%	6.5%	6.5%

CGML's TLAC available has remained stable over the quarter.

Glossary

ALCO	Asset and Liability Committee
BCBS	Basel Committee on Banking Supervision
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFTC	Commodity Futures Trading Commission
CGML	Citigroup Global Markets Limited
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
EEPE	Effective Expected Positive Exposures
EU	European Union
FCA	Financial Conduct Authority
FCCM	Financial Collateral Comprehensive Method
FRTB	Fundamental Review of the Trading Book
G-SIB	Global Systemically Important Bank
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRC	Incremental Risk Charge
IMA	Internal Model Approach
IMM	Internal Model Method
ITS	Implementing Technical Standards
LCR	Liquidity Coverage Ratio
MREL	Minimum Requirement for Eligible Liabilities
NSFR	Net Stable Funding Ratio
OTC	Over the Counter Derivatives
PFE	Potential Future Exposure
PRA	Prudential Regulation Authority
RWA	Risk Weighted Asset
RTS	Regulatory Technical Standards
SA-CCR	Standardised Approach for Counterparty Credit Risk
SFT	Securities Financing Transaction
sVaR	Stressed Value-at-Risk
TLAC	Total Loss Absorbing Capacity
TTP	Temporary Transitional Power
VaR	Value-at-Risk