Citibank UK Limited
Pillar 3 Disclosures

31 December 2022

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Introduction

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

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

As of 31 December 2022, Citi operated via two primary business segments globally, the Institutional Clients Group ("ICG") and Personal Banking and Wealth Management ("PBWM"). CUKL's Primary Business Activities include Retail and Wealth services for Individuals (part of PBWM) and Fiduciary Services (part of "ICG").

Following the broader Business Strategy Refresh announced by the Citigroup inc. CEO in 2021, a strategic review of the UK, PBWM segment was conducted in 2022. As a result, Citi announced a shift in focus to the wealth segment in the UK. The immediate impact to CUKL includes exiting the non-wealth clients, focusing on the high net worth segment, merging its product and function teams with the Europe, Middle East and Africa ("EMEA") Private Bank and leveraging the product suite and technology infrastructure of the Private Bank.

Regulatory framework for disclosure

Amending the Capital Requirements Directive ("CRD IV"), the Capital Requirements Directive ("CRD V") came into effect on 27 June 2019 and implements the provisions of the Basel Capital Accord in the European Union ("EU") and mandates a framework of capital adequacy regulation for banks and investment firms incorporating three distinct pillars:

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

These disclosures are made in accordance with Part 8 of the Capital Requirements Regulation ("CRR") as amended by CRR II and transposed through UK legislation in line with the disclosure requirements detailed in the PRA Rulebook, and use the PRA's disclosure templates and instructions which came into force on 1 January 2022. They are supplemented by discretionary disclosures on CUKL's part.

These disclosures are prepared on a stand-alone basis as the Company does not have subsidiaries.

Frequency of disclosure

CUKL is a non-listed other institution as defined by the CRR and publishes Pillar 3 disclosures annually in the manner set out in Article 433c (2). CUKL publishes its Pillar 3 disclosures at: https://www.citigroup.com/citi/investor/reg.htm

These Pillar 3 disclosures complement both CUKL's 2022 financial statements, available at the above location, and the group level materials included in Citigroup Inc. Annual Report available at: https://www.citigroup.com/global/investors/annual-reports-and-proxy-statements

Quantitative Disclosure

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

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

Policy and verification

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

These disclosures are governed and approved by the CUKL Board of Directors and were approved on 13 July 2023.

"We confirm that we have taken reasonable measures to ensure that the information presented in this disclosure complies with the requirements of both Part 8 of on-shored Regulation (EU) No 575/2013 and its subsequent amendments (2019/876), and Section 4 of the PRA rulebook on Disclosure, and has been prepared in accordance with the internal processes, systems and controls as detailed in Citi's Basel Public Disclosure Policy and supporting Pillar 3 Standard."

Rakesh Das
CUKL CEO

Regulatory Outlook

Basel Reforms

CUKL is committed to implementing The Basel Committee on Banking Supervision's proposed new regulations (often referred to as Basel 3.1), and the main areas which are in CUKL's scope include a new Standardised Approach to Credit Risk ("SA-CR"), revisions to the approach to Securities Financing Transactions ("SFT") and a new Standardised Approach to Operational Risk. The changes are not expected to have any material impact on CUKL's capital requirements.

His Majesty's Treasury ("HMT") and the Bank of England ("BoE") / PRA published their respective consultation papers on the Implementation of the Basel 3.1 standards at the end of November 2022. The paper from HMT will, among other things, revoke CRR Articles that will be replaced by the PRA's proposed rules and make any necessary amendments to ensure the coherence and continuity of the regime. The proposals in the BoE / PRA paper will revise the calculation of Risk Weighted Assets ("RWA"), impacting both the measurement of risk in internal models and standardised approaches.

Standardised Approach to Credit Risk ("SA-CR")

This introduces two broad methodologies: one which allows the use of external ratings, and the other which requires firms to grade their exposures. It also introduces a specific framework for specialised lending, higher risk weights for equities and subordinated debt, and an override, based on our internal assessment of credit risk, to increase risk weights where the standard risk weights are deemed insufficient. Based on CUKL's credit risk exposures, this is not expected to have a material impact on CUKL.

Revisions to the approach to Securities Financing Transactions

This revises the approach to SFTs under master netting agreements to allow greater recognition of diversification. In addition, there has been a separate regulatory development regarding non-centrally cleared SFTs. Other than those with specified counterparties, these will be subject to minimum haircut floors, and will be treated as uncollateralised where the floor is not met. CUKL has no SFTs as at 31 December 2022.

Standardised Approach to Operational Risk

The new Standardised Approach replaces all the existing approaches in the Basel II framework. The new standardised approach is based on a business indicator linked to the financial statements, the application of marginal coefficients which increase with size and an internal loss multiplier, which is expected to be set to 1. Since CUKL is currently applying the Standardised approach under CRR II, this is not expected to have any material impact.

Environmental, Social and Governance (ESG) Risks

CUKL recognises the importance of its environmental, social and governance responsibilities and ensure appropriate governance, A new harmonised definition of the risks has been developed and firms have new reporting requirements to comply with. Some amendments to weightings have been proposed in the EU, and we anticipate further developments in the UK.

Operational Resilience and Third Party Risk Management

Operational Resilience is a key strategic priority for CUKL and Citi. CUKL relies on a number of common Citi processes and services and its focus is to ensure that its critical services e.g. Payments are monitored and remain within tolerance levels.

CUKL is committed to delivering on the operational resilience of important business services in line with the expectations of the Board, and regulators, and has undertaken a number of specific actions. These include:

- identification of important business services;
- Setting impact tolerances for each business service;
- Mapping the end-to-end processes and resources supporting each business service;
- Conducting severe but plausible scenario testing; and,
- identification of vulnerabilities, remediation actions and second line defence of engagement.

Each of these activities were completed for CUKL for the first time in quarter one of 2022 and are now being refreshed or completed annually as appropriate. This initial stage of implementation has set the foundations for an ongoing and annual lifecycle of self-assessment to enhance the operational resilience of CUKL.

Sanctions & Anti Money Laundering ("AML")

Citi has stringent policies procedures and standards to manage Know Your Client ("KYC"), AML and Sanctions Risks, along with the local regulatory requirements CUKL effectively manages these processes with independent assessments from the Citi compliance and audit functions.

There are no major upcoming AML related regulatory changes expected which would have a material impact on CUKL.

Key Metrics

Table 1: Key metrics template (UK KM1)

		31 December 2022 £ million	31 December 2021 £ million
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	417.0	304.2
2	Tier 1 capital	469.0	356.2
3	Total capital	521.0	408.2
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	706.1	805.3
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	59.1%	37.8%
6	Tier 1 ratio (%)	66.4%	44.2%
7	Total capital ratio (%)	73.8%	50.7%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	6.4%	5.8%
UK 7b	Additional AT1 SREP requirements (%)	2.1%	1.9%
UK 7c	Additional T2 SREP requirements (%)	2.8%	2.6%
UK 7d	Total SREP own funds requirements (%)	19.3%	18.4%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	0.13%	0.04%
UK 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institution buffer (%)	-	-
UK 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.6%	2.5%
UK 11a	Overall capital requirements (%)	22.0%	20.9%
12	CET1 available after meeting the total SREP own funds requirements (%)	48.2%	27.4%
	Leverage ratio		
13	Total exposure measure excluding claims on central banks[1]	4,733	N/A
14	Leverage ratio excluding claims on central banks (%)[1]	9.9%	N/A
	Additional leverage ratio disclosure requirements[2]		
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	-	-
14b	Leverage ratio including claims on central banks (%)	-	-
14c	Average leverage ratio excluding claims on central banks (%)	-	-
14d	Average leverage ratio including claims on central banks (%)	-	-
14e	Countercyclical leverage ratio buffer (%)	-	-
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	4,476.6	3,689.7
UK 16a	Cash outflows - Total weighted value	787.2	705.9
UK 16b	Cash inflows - Total weighted value	100.1	125.3
16	Total net cash outflows (adjusted value)	687.1	577.9
17	Liquidity coverage ratio (%)	654.5%	651.8%
	Net Stable Funding Ratio[3]		
18	Total available stable funding	6,249.1	N/A
19	Total required stable funding	1,839.5	N/A
20	NSFR ratio (%)	342.2%	N/A

[1]Leverage ratio measure for 31 December 2022 is disclosed based on the PRA's instructions coming into force from 1 January 2022 and exclude claims on central banks. Given it is the first-time disclosure of the measures excluding central bank claims, no comparative of 31 December 2021 is provided.
[2]CUKL is not a UK Leverage Ratio Capital Requirement ("LREQ") Company as at 31 December 2022 and in line with instructions included in Annex II of the PS 21/21 these rows are left blank.
[3] NSFR disclosures have been implemented from 1 January 2022 and are based on the PRA's NSFR templates and associated instructions which came into force at that time. N/A in 31 December 2021 indicates that the disclosure is new and no comparatives are being provided.

As at 31 December 2022, CUKL's Common Equity Tier 1 ("CET1") ratio was 59.1%, an increase of 21.3% year on year. The main driver is the increase in CET1 capital by £112.8 million, due to a £200 million capital injection, partially offset by unrealised mark to market losses on available for sale ("AFS") bonds, which under IFRS 9, are classified and measured as Fair Value through Other Comprehensive Income ("FVOCI"), and any loss is immediately recognised in capital resources. Additionally Total RWAs decreased by £99.2 million to £706.1 million, primarily due to maturity and sale of Commercial Real Estate ("CRE") portfolio during the year.

CUKL's leverage ratio increased 4.7% over the year to 9.9% reflecting a £2,085 million decrease in leverage exposures. This was contributed by the exclusion of central bank claims from leverage exposure measure under the UK leverage framework applicable from the 1 January 2022, as well as a decrease in SFT exposures, with additional effect from the aforementioned increase in CUKL's Tier 1 capital.

Risk Management

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

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

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

Risk Governance Framework

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

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

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

Risk Appetite Framework

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

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

Three Lines of Defence Approach

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

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

Principal Risks

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

Citi's Group-wide Risk Taxonomy is a classification of the risks associated with Citi's business. The Risk Taxonomy comprehensively defines key categories and types of risk across Citi using a systematic approach and common structure. The taxonomy includes both risk categories and risk types. CUKL applies the same taxonomy and has identified the following risks as material to its business: Credit risk, Liquidity risk, Market risk, Operational risk, Compliance risk, Strategic risk, and Reputation risk.

CUKL Senior Management consider the risk management infrastructure as described in this document as being adequate to capture and measure the risks taken on a business as usual basis as a result of the Company's business profile and strategy. In October 2020, Citi entered into consent orders with the Federal Reserve Board and Office of the Comptroller of the Currency that require Citi to make improvements in various aspects of enterprise-wide risk management, compliance, data quality management and governance and internal controls. These improvements will result in continued significant investments by Citi, as an essential part of Citi's broader transformation efforts to enhance its infrastructure, governance, processes and risk and controls. As CUKL utilises Citi's overarching systems for risk management purposes, CUKL is also expected to benefit from the improvements programme.

Stress Testing

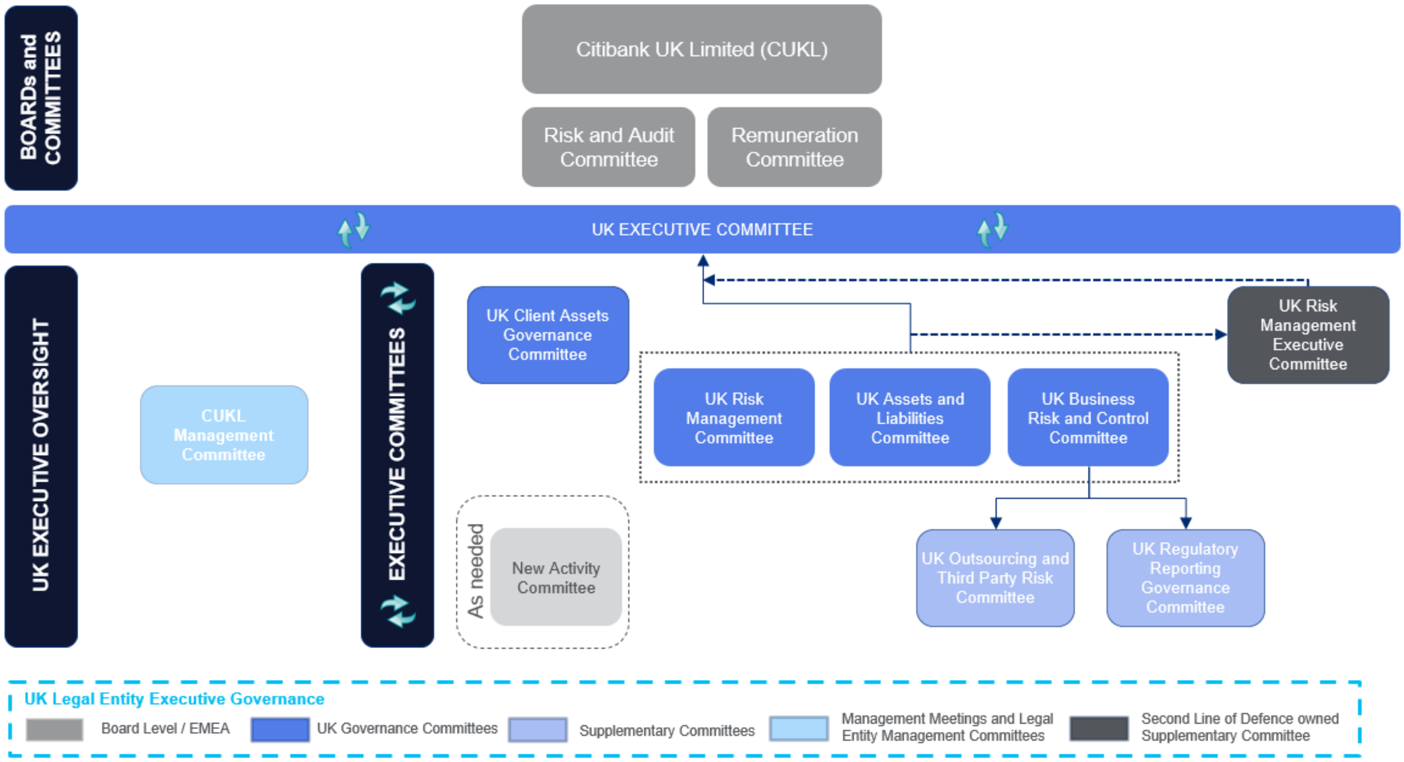
CUKL defines stress testing as an internal risk management tool and a key regulatory requirement used to perform forward-looking capital and liquidity adequacy assessments i.e. the ICAAP and the Internal Liquidity Adequacy Assessment Process ("ILAAP"). The stress testing processes are designed to assess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

Governance Forums and Committees

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

Committees of the Board include the CUKL Risk and Audit Committee and the CUKL Remuneration Committee (further detailed on page 32), which functions as a committee of the Board regarding the remuneration of the Company's employees and material risk takers.

There are a number of governance and control committees that escalate issues to the CUKL Board and CUKL Risk and Audit Committee. Members of CUKL management sit on all of these committees. The following chart highlights the main components of CUKL's governance structure, within Citi's regional and UK management and governance framework during 2022.



Note: Sub Committees and Sub Forums are not displayed

CUKL Risk and Audit Committee

The CUKL Risk and Audit Committee (the "Committee") is a standing committee of the CUKL Board of Directors (the "Board") and operates within its charter approved by the Board. The purpose of the Committee is to advise the Board on the Company's overall current and future risk appetite and to assist the Board in fulfilling its responsibility relating to oversight of:

Risk responsibilities

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

Audit responsibilities

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

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

- All relevant local legal and regulatory requirements concerning membership and independence;
- The Committee will consist of at least three members of the Board and the Chair of the Committee must be an Independent Non-Executive Director;
- Each member shall meet the independence, experience and expertise requirements of the FCA and PRA and have sufficient time to discharge the responsibilities of a Committee member;
- Unless an exception is expressly granted by the Chief Auditor of Citi, at least one member of the Committee will have significant recent and relevant financial experience and the Committee as a whole shall have relevant banking experience;
- The members of the Committee and the Committee Chair shall be appointed by, and may be removed by, the Board of CUKL;

- Committee membership and the position of Committee Chair shall be reviewed on a periodic basis and be updated as required; and,
- The UK Chief Auditor (or his/her delegate), or an appropriate nominee, shall be a permanent attendee at meetings of the Committee. Other members of the Board of CUKL have the right to attend meetings of the Committee as and when required. Other non-members such as the CUKL Risk and Finance Officers and the Independent Audit Partner may be invited to attend all or any part of any meeting.

The Directors of CUKL receive regular reports on any risk matters that need to be brought to their attention via standing forums. In addition, ad-hoc notifications take place via the CUKL CEO or CUKL Chief Risk Officer ("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 Committee.

Own Funds

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

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

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

The BoE has set CUKL's Minimum Requirements for Eligible Liabilities ("MREL") requirement as equal to its minimum capital requirement. No MREL eligible debt has been issued for CUKL as of 31 December 2022.

In Q4 2022, CUKL applied the provisions of Article 468 of the CRR. The relief was applied from 14 October 2022 and discontinued on 19 December 2022.

Table 2: Composition of regulatory own funds (UK CC1)

This template is prepared in accordance with Annex VII of the PRA rulebook and presents CUKL's consolidated capital resources as at 31 December 2022.

		31 December 2022	Reference to UK CC2 table	31 December 2021
		£ million		£ million
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	-		-
2	Retained earnings	50.8	(e)	25.3
3	Accumulated other comprehensive income (and other reserves)	373.7	(d)	288.5
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	424.5		313.8
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(3.0)		(2.9)
8	Intangible assets (net of related tax liability) (negative amount)	(4.5)	(a)	(6.7)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(7.5)		(9.6)
29	**Common Equity Tier 1 (CET1) capital**	417.0		304.2
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	52.0	(c)	52.0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	52.0		52.0
Additional Tier 1 (AT1) capital: regulatory adjustments				
44	**Additional Tier 1 (AT1) capital**	52.0		52.0
45	**Tier 1 capital (T1 = CET1 + AT1)**	469.0		356.2
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	52.0	(b)	52.0
51	**Tier 2 (T2) capital before regulatory adjustments**	52.0		52.0
Tier 2 (T2) capital: regulatory adjustments				
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-		-
58	**Tier 2 (T2) capital**	52.0		52.0
59	**Total capital (TC = T1 + T2)**	521.0		408.2
60	**Total Risk exposure amount**	706.1		805.3
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	59.1%		37.8%
62	Tier 1 (as a percentage of total risk exposure amount)	66.4%		44.2%
63	Total capital (as a percentage of total risk exposure amount)	73.8%		50.7%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	13.5%		7.0%
65	of which: capital conservation buffer requirement	2.5%		2.5%
66	of which: countercyclical buffer requirement	0.13%		0.04%
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	48.2%		27.4%
Amounts below the thresholds for deduction (before risk weighting)				
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	11.2		-
Applicable caps on the inclusion of provisions in Tier 2		-		-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		-		-

During the year, CUKL's total capital increased by £112.8 million to £521 million. This is attributed to the aforementioned increase in CET1 capital partially offset by increase in unrealised mark to market losses on AFS bonds.

Link to Financial Reporting

These Pillar 3 Disclosures for 31 December 2022 are prepared in accordance with regulatory capital adequacy concepts and rules, while the financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101), both on a stand-alone basis.

Table 3: Reconciliation of Balance Sheet to Regulatory Capital (UK CC2)

The following table provides a reconciliation of CUKL's regulatory capital to audited shareholders' equity as at 31 December 2022, in accordance with Annex VII and Annex VIII of the PRA rulebook.

		Balance sheet as in published financial statements As at period end £ million	Reference to UK CC1 template
Assets - Breakdown by asset class according to the balance sheet in the published financial statements			
1	Cash and balances at central bank	1,527.0	
2	Derivative financial instruments	201.8	
3	Treasury bills and other eligible bills	2,623.2	
4	Loans and advances to banks	170.3	
5	Loans and advances to customers	70.6	
6	Debt securities	1,823.1	
7	Intangible fixed assets	4.5	
7a	*of which Intangible assets (net of related tax liability) (negative amount)*	4.5	(a)
8	Other assets	65.1	
9	Prepayment and accrued income	1.7	
10	**Total assets**	6,487.2	
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements			
1	Deposits by banks	32.2	
2	Customer accounts	5,673.0	
3	Derivative financial instruments	203.1	
4	Other Liabilities	19.5	
5	Accruals and deferred income	7.8	
6	Provisions for liabilities	10.4	
7	Subordinated liabilities[3]	52.2	
7a	*of which Tier 2 capital*[3]	*52.0*	(b)
8	Called up share capital	0.0	
9	**Total liabilities**	5,998.2	
Shareholders' Equity			
1	Other reserve[1]	434.3	
1a	*of which Other reserve*[1]	*373.7*	(c)
1b	*of which AT1 capital*	*52.0*	(d)
2	Profit and loss account[2]	54.7	
2a	*of which Retained Earning*[2]	*50.8*	(e)
3	**Total shareholders' equity**	489.0	

[1] Includes Accumulated Other Comprehensive Income ("AOCI") where the Accounting balance sheet reflects the audited balances.
[2] Own funds does not reconcile to the accounting balance sheet, primarily due to inability to recognise unaudited 2022 profit or loss in Own Funds per Article 26(2) of the CRR
[3] Accounting balance sheet subordinated liabilities also include related accrued interest which does not form part of Tier 2 capital.

Table 4: Reconciliation of Regulatory Capital to Equity as per Financial Statements

The table below shows reconciliation of the regulatory capital to the equity as in the Financial Statements.

£ million	31 December 2022
Total regulatory capital as at 31 December 2022	521.0
Subordinated debt liability (T2 capital)	(52.0)
Intangible assets	4.5
Additional value adjustments	3.0
Change in audited reserves	12.4
Total equity as at 31 December 2022	488.9

Capital Requirements and Buffers

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

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

<table>
<tr><th>Risk Category</th><th>Definitions</th><th>Regulatory Exposure Calculation Methods</th><th>RWA Approach</th></tr>
<tr><td>Credit Risk</td><td>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. The exposure to credit risk is unilateral and only the lending bank faces the risk of loss.</td><td>Credit Risk exposures are captured as accounting value, net of general and specific credit risk adjustments.</td><td rowspan="2">CUKL uses the standardised approach to determine credit and counterparty credit risk capital requirements, based on External Credit Assessment Institution ("ECAI") ratings for calculating RWAs</td></tr>
<tr><td>Counterparty Credit Risk</td><td>Counterparty credit risk ("CCR") is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. Unlike Credit risk, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction.</td><td>CUKL adopts two methods for the calculation of CCR exposures:
• Standardised approach for counterparty credit risk ("SA-CCR") - applies to over-the-counter ("OTC") derivatives;
• Financial collateral comprehensive method ("FCCM") - applies to SFTs, although there were no SFT exposure on 31 December 2022.</td></tr>
<tr><td>Securitisation</td><td>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.</td><td>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.

As at 31 December 2022 CUKL has no trading book securitisation exposures.</td><td>CUKL risk weights relevant positions using the Standardised Approach ("SEC-SA")</td></tr>
<tr><td>Market Risk</td><td>Market risk is the risk to earnings from adverse changes in market factors such as interest rates, equity prices, commodity prices, foreign exchange ("FX") rates, credit spreads and their implied volatilities.</td><td>Market Risk positions are based on accounting values and notionals in the non-trading book as CUKL does not have trading book exposures.</td><td>CUKL calculates Market Risk under the standardised approach.</td></tr>
<tr><td>Operational Risk</td><td>Operational risk captures the loss resulting from inadequate or failed internal processes, people and systems or from external events</td><td>CUKL uses standardised approach, where activities are divided into individual business lines for calculation of operational risk exposures.</td><td>Operational Risk uses Standardised Approach to calculate RWA.</td></tr>
</table>

Table 5: Overview of risk weighted exposure amounts (UK OV1)

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

		31 December 2022	31 December 2021	31 December 2022
		RWAs	RWAs	Total own funds requirements
		£ million	£ million	£ million
1	**Credit risk (excluding CCR)**	193.6	419.2	15.5
2	Of which the standardised approach	193.6	419.2	15.5
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
UK 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	3.4	15.2	0.3
7	Of which the standardised approach	3.4	10.5	0.3
8	Of which internal model method ("IMM")	-	-	-
UK 8a	Of which exposures to a CCP	-	-	-
UK 8b	Of which credit valuation adjustment - CVA	-	-	-
9	Of which other CCR	0.0	4.8	0.0
15	**Settlement risk**	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	261.5	245.9	20.9
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	261.5	245.9	20.9
UK 19a	Of which 1250%/ deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	106.3	14.1	8.5
21	Of which the standardised approach	106.3	14.1	8.5
22	Of which IMA	-	-	-
UK 22a	**Large exposures**	-	-	-
23	**Operational risk**	141.3	110.9	11.3
UK 23a	Of which basic indicator approach	-	-	-
UK 23b	Of which standardised approach	141.3	110.9	11.3
UK 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	27.9	-	2.2
29	**Total**	706.1	805.3	56.5

Credit Risk

RWAs decreased by £225.6 million primarily due to maturity and sale of CRE loans during the year.

Counterparty Credit Risk

CCR RWA decreased by £11.8 million driven by maturity of the SFT portfolio, and the additional effect from matured FX Forward trades.

Securitisation

RWAs increased by £15.6 million mainly due to foreign exchange rate movements on the USD denominated securitisation positions.

Market Risk

The £92.2 million increase in market risk RWA is primarily the result of increase in net currency position.

Operational Risk

RWA increased by £30.4 million due to an increase in the in the three years' average revenue used to calculate capital requirement.

Pillar 2

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

Pillar 2 comprises Pillar 2A and Pillar 2B:

- The Pillar 2A considers any risk not adequately captured by the Pillar 1 framework. The risk categories covered under Pillar 2A are specific to CUKL based on the nature and size of its business; and,
- The Pillar 2B capital buffer is determined based on PRA guidance on the capital buffer required to withstand the impact of a severe downside stress on its ability to meet its total capital requirement.

To assess the adequacy of capital to support current and expected future activities, CUKL produces regular capital forecasts, taking into account both normal business conditions and a variety of stressed scenarios. On at least an annual basis CUKL prepares an ICAAP document, setting out its capital requirements and associated policies. Through its Supervisory Review and Evaluation Process("SREP"), the PRA has set CUKL a fixed Pillar 2A capital requirement of £55 million and a variable Pillar 2A requirement of 3.54% of the Total Risk Weighted Assets. This is equivalent to a Total Capital Requirement (Pillar 1 plus Pillar 2A capital requirements) of 19.33% as at 31 December 2022.

Capital Buffers

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

Capital Management

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

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

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

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

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

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

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

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

Leverage

The leverage ratio is a measure which allows for the assessment of an 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.

During 2022, CUKL calculated the leverage ratio in accordance with CRR which provided for a minimum requirement of 3%.

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

Table 6: Leverage ratio common disclosure (UK LR2 - LRCom)

This table shows the breakdown of the Leverage exposure of CUKL.

		31 December 2022[1]
		£ million
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	6,245.3
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(General credit risk adjustments to on-balance sheet items)	-
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(4.5)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	6,240.9
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	1.0
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	5.8
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-
UK-9b	Exposure determined under the original exposure method	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-
11	Adjusted effective notional amount of written credit derivatives	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
13	**Total derivatives exposures**	6.8
Securities financing transaction ("SFT") exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
16	Counterparty credit risk exposure for SFT assets	-
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-
17	Agent transaction exposures	-
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	-
18	**Total securities financing transaction exposures**	-
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	23.5
20	(Adjustments for conversion to credit equivalent amounts)	(21.1)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	-
22	**Off-balance sheet exposures**	2.3
Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	-
UK-22g	(Excluded excess collateral deposited at triparty agents)	-
UK-22k	**(Total exempted exposures)**	-
Capital and total exposure measure		
23	**Tier 1 capital (leverage)**	469.0
24	Total exposure measure including claims on central banks	6,250.0
UK-24a	(-) Claims on central banks excluded	(1,517.1)
UK-24b	**Total exposure measure excluding claims on central banks**	4,733.0
Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	9.9%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	9.9%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	-
UK-25c	Leverage ratio including claims on central banks (%)	7.5%

[1]No comparatives are disclosed given the changes in the leverage exposure reporting framework due to the implementation of CRR II, effective from 1 January 2022.

CUKL's Leverage ratio increased to 9.9% as at 31 December 2022, driven by the increase in CUKL's Tier 1 capital as a result of capital injection while SFT exposures decreased and due to the new UK leverage framework applicable from the 1 of January 2022 central bank claims are excluded from leverage exposure measure.

Credit Risk and Credit Risk Mitigation

Credit risk is the risk of loss resulting from the decline in credit quality (or downgrade risk) or failure of a borrower, counterparty, third party or issuer to honour its financial or contractual obligations.

Credit risk arises in many of CUKL's business activities and is categorised into wholesale and retail credit exposures. CUKL's wholesale credit exposures are classifiably-managed (individually risk rated) and arise from investments in asset-backed securitisations and UK residential mortgage-backed securities ("RMBS"); and from investments in High Quality Liquid Assets ("HQLA") as well as cash held at the BoE and with other Citi affiliates. CUKL's retail exposures are delinquency managed (portfolio-based) and arise from activities in consumer lending through unsecured overdrafts and margin and securities backed ('Margin Lending') loans.

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

Credit Risk Management

CUKL's credit risk management framework establishes standards for measuring, managing, monitoring, and controlling credit risk.

Wholesale credit risk

CUKL's wholesale credit risk exposures are to sovereigns, institutional, and public sector clients. Obligors are assigned risk ratings and facilities are approved in accordance with Citi and business level risk policies. The risk policies require a comprehensive analysis of each obligor and all proposed credit exposures to that obligor on an annual basis, at a minimum. The business and risk share responsibility for the accuracy of the ratings and the ratings process.

Retail credit risk

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

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

Credit Risk Measurement

Wholesale credit risk

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

The process for approving a counterparty's credit risk exposure limit is guided by core credit policies, procedures and standards, experience and judgment of credit risk professionals.

Retail credit risk

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

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

Credit risk regulatory capital requirements

CUKL has adopted the Standardised Approach for calculating credit and counterparty risk capital requirements. Under this approach, external credit ratings, assigned by ECAI, are used in the calculation of risk-weighted assets.

Risk weights reduce with increasing credit quality of the obligor. For all on-balance sheet items, the exposure value is measured as the on-balance sheet carrying, or accounting, value. For off-balance sheet items, a Credit Conversion Factor (as defined in CRR, Article 111) is used to transform the nominal value into an exposure-at-default. CUKL uses ratings assigned by Standard and Poor's, Moody's and Fitch for credit risk calculations.

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

Table 7: Risk weightings by credit quality step

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

Table 8: Standardised approach (UK CR5)

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

	Risk weight																
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%[1]	370%	1250%	Others	Total	Of which unrated
Exposure classes	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Central governments or central banks	3,740.8	–	–	–	–	–	–	–	–	–	–	11.2	–	–	–	3,751.9	–
Public sector entities	192.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	192.0	–
Multilateral development banks	218.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	218.0	–
Institutions	1.1	–	–	–	12.5	–	157.4	–	–	–	–	–	–	–	–	171.0	3.8
Corporates	–	–	–	–	–	–	–	–	–	83.5	–	–	–	–	–	83.5	83.5
Retail exposures	–	–	–	–	–	–	–	–	1.3	–	–	–	–	–	–	1.3	1.3
Exposures in default	–	–	–	–	–	–	–	–	–	–	0.0	–	–	–	–	0.0	–
Total as at 31 December 2022	4,151.9	–	–	–	12.5	–	157.4	–	1.3	83.5	0.0	11.2	–	–	–	4,417.8	88.6

	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	3,209.2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,209.2	–
Public sector entities	73.2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	73.2	–
Multilateral development banks	203.8	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	203.8	–
Institutions	1.1	–	–	–	92.0	–	151.3	–	–	–	–	–	–	–	–	–	244.4	1.1
Corporates	–	–	–	–	–	–	–	–	–	104.8	–	–	–	–	–	–	104.8	104.8
Retail	–	–	–	–	–	–	–	–	2.1	–	–	–	–	–	–	–	2.1	2.1
Secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	46.1	–	–	–	–	–	–	46.1	46.1
Exposures in default	–	–	–	–	–	–	–	–	–	–	0.0	–	–	–	–	–	0.0	–
Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	115.1	–	–	–	–	–	115.1	115.1
Total as at 31 December 2021	3,487.3	–	–	–	92.0	–	151.3	–	2.1	150.9	115.1	–	–	–	–	–	3,998.8	268.1

[1] Central governments of central banks exposures in the 250% risk weight band relate to deferred tax assets.

Majority of the increase is in the 0% risk weight band driven by higher Central bank and AFS bonds exposures, which is offset by a decrease in the 100% and 150% categories due to full wind-down of CRE loans exposures and a decrease in the 20% risk weight band mainly due to the maturity of intercompany placements.

Stress Testing

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

Scope and Nature of Credit Risk Reporting and Measurement Systems

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

Wholesale exposures

Collateral management and valuation

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

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

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

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

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

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

Derivative master netting agreements

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

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

Primary Types of Collateral

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

Collateral concentrations

CUKL's collateral concentrations are within the Company's risk limit framework. CUKL has a high concentration in the public sector due to investments in government securities for HQLA purposes and balances with the BoE and a concentration in securitisation from investments in US credit cards and UK residential mortgage backed notes. There are no other material collateral concentrations as of 31 December 2022.

Retail exposures

Collateral management and valuation

Collateral assets taken as credit risk mitigants in the consumer business receive initial and subsequent periodic valuations. CUKL uses lower standard loanable values for common financial assets. The collateral is monitored weekly for eligibility. For Margin and Securities Backed Finance ("MSBF") loans, collateral valuations are performed daily.

Primary types of collateral

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

Risk Concentrations

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

Credit Risk Adjustments

CUKL calculates estimated credit losses ("ECLs") for all credit exposures (such as deposits, loans, and debt securities) recorded at amortised cost or at fair value through other comprehensive income under the International Financial Reporting Standards ("IFRS") 9 impairment model.

The measurement of an ECL is primarily determined by an assessment of the financial asset's PD, LGD and EAD where the cash shortfalls are discounted to the reporting date. The proportion recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition of the asset, and financial assets are classified in three stages depending on the extent of credit deterioration.

Definitions of Past Due and Impairment

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

CUKL recognises exposures as past due in accordance with European Banking Authority ("EBA") Guidelines. An exposure can only be past due if there is a legal obligation to make a payment and the payment is compulsory. In the event there is no legal obligation or payment is not compulsory, non-payment does not constitute a breach. Once the legal obligation for a mandatory payment has been established, the counting of days past due starts as soon as any amount of principal, interest, or fee has not been paid at the date when it was due.

In line with the default definition, exposures which are 90 days past due are treated as defaulted and classified as Stage 3 from an IFRS 9 perspective.

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

Credit Risk Mitigation

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

Table 9: Standardised Approach – Credit Risk exposure and CRM effects (UK 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 RWAs density	
	On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposure	Off-balance sheet amount	RWAs	RWAs density (%)
	£ million	£ million	£ million	£ million	£ million	
Exposure classes						
Central governments or central banks	3,751.9	-	3,751.9	-	27.9	1%
Public sector entities	192.0	-	192.0	-	-	0%
Multilateral development banks	218.0	-	218.0	-	-	0%
Institutions	171.0	-	171.0	-	81.2	47%
Corporates[1]	83.5	11.9	83.5	-	83.5	100%
Retail	1.3	11.6	1.3	-	0.9	75%
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	0.0	-	0.0	-	0.0	150%
Exposures associated with particularly high risk	-	-	-	-	-	-
Total as at 31 December 2022	4,417.8	23.5	4,417.8	-	193.6	4%

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
	£ million	£ million	£ million	£ million	£ million	£ million
Exposure classes						
Central governments or central banks	3,209.2	-	3,209.2	-	-	0%
Public sector entities	73.2	-	73.2	-	-	0%
Multilateral development banks	203.8	-	203.8	-	-	0%
Institutions	244.4	-	244.4	-	94.0	38%
Corporates[1]	104.8	14.9	104.8	-	104.8	100%
Retail	2.1	12.6	2.1	-	1.6	75%
Secured by mortgages on immovable property	46.1	-	46.1	-	46.1	100%
Exposures in default	0.0	-	0.0	-	0.0	150%
Exposures associated with particularly high risk	115.1	-	115.1	-	172.7	150%
Total as at 31 December 2021	3,998.8	27.5	3,998.8	-	419.2	10%

[1]The Corporate exposure represent retail lending which do not meet the criteria of Article 123 (c) of the CRR.

Exposures before CCF and CRM rose by £415 million while the related RWAs decreased by £225.6 million. The decrease in RWA density is the result of higher Central bank and AFS bonds exposures representing the majority of current exposures with zero risk weight, while CRE loan related exposures decreased resulting in a further decrease in total RWA density.

Table 10: Credit quality of performing and non-performing exposures by past due dates (UK CQ3)

This table provides a breakdown of performing and non-performing exposures further categorised into past due date buckets.

	£ 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	Of which defaulted
005	Cash balances at central banks and other demand deposits[1]	1,538.4	1,538.4	-	-	-	-	-
010	Loans and advances	233.3	233.3	0.0	0.0	-	0.0	0.0
030	*General governments*	0.6	0.6	-	-	-	-	-
040	*Credit institutions*	158.9	158.9	-	-	-	-	-
050	*Other financial corporations*	2.2	2.2	-	-	-	-	-
060	*Non-financial corporations*	0.0	0.0	-	-	-	-	-
080	*Households*	71.6	71.6	0.0	0.0	-	0.0	0.0
090	Debt securities	4,446.3	4,446.3	-	-	-	-	-
110	*General governments*	2,213.2	2,213.2	-	-	-	-	-
120	*Credit institutions*	218.0	218.0	-	-	-	-	-
130	*Other financial corporations*	2,015.1	2,015.1	-	-	-	-	-
150	Off-balance sheet exposures	*23.1*	-	-	-	-	-	-
210	*Households*	*23.1*	-	-	-	-	-	-
220	***Total as at 31 December 2022***	*6,241.1*	6,218.0	0.0	*0.0*	-	0.0	0.0

	£ million	Gross carrying amount/nominal amount: Performing exposures			Non-performing exposures			
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Of which defaulted
1	Loans and advances	1,537.7	1,537.6	0.0	0.0	-	0.0	0.0
3	*General governments*	-	-	-	-	-	-	-
4	*Credit institutions*	1,250.7	1,250.7	-	-	-	-	-
5	*Other financial corporations*	48.1	48.1	-	-	-	-	-
6	*Non-financial corporations*	115.1	115.1	-	-	-	-	-
8	*Households*	123.7	123.6	0.0	0.0	-	0.0	0.0
9	Debt securities	4,066.4	4,066.4	-	-	-	-	-
11	*General governments*	2,032.7	2,032.7	-	-	-	-	-
12	*Credit institutions*	203.8	203.8	-	-	-	-	-
13	*Other financial corporations*	1,829.9	1,829.9	-	-	-	-	-
15	Off-balance sheet exposures	27.1	-	-	-	-	-	-
21	*Households*	27.1	-	-	-	-	-	-
22	*Total as at 31 December 2021*	5,631.2	5,604.0	0.0	0.0	-	0.0	0.0

[1] The table follows the CRR II format effective of 1 January 2022 and includes Cash balances at central banks and other demand deposits, however the comparative values are included on CRR I basis and are not restated.

Counterparty Credit Risk

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

CCR largely arises from derivatives and SFTs across banking and trading book exposures. CUKL as a consumer bank is exposed to limited counterparty credit risk entirely through intercompany OTC derivative counterparties at 31 December 2022.

The SFT portfolio matured in November 2022 without replacement, and therefore the balance was nil as at 31 December 2022.

The CCR RWA as at 31 December 2022 was £3.4 million (0.5% of total RWA).

Securitisation

The regulatory capital framework for securitisation exposures is a risk sensitive framework that focuses on credit risks that have been transferred and repackaged. CUKL is only exposed to this securitisation framework as an investor in highly rated securities back by UK RMBS and US credit card backed receivables, which are held in order to collect contractual cash flows. CUKL holds the highest quality tranche of debt, externally AAA-rated and with material credit enhancements to protect CUKL. To calculate RWA for securitisation positions, CUKL uses ratings assigned by Standard and Poor's, Moody's and Fitch Ratings.

Securitisation Risk Management

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

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

Securitisation Risk Measurement

CUKL calculates its risk based capital requirements using the revised SEC-SA.

As at 31 December 2022, CUKL as an investor had £1.8 billion in securitisations on its banking book. There are currently no re-securitisation exposures and no assets awaiting securitisation. In addition, there was no instance of CUKL acting as a sponsor or originator for third party securitisation deals.

Table 11: Securitisation exposures in the non-trading book (UK SEC1)

The following tables set out the aggregate amount of securitisation positions held in the banking book by CUKL as at 31 December 2022.

		31 December 2022				31 December 2021			
		Institution acts as investor				Institution acts as investor			
		Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS	Non-STS			STS	Non-STS		
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	**Total exposures**	239.1	1,584.0	-	1,823.1	352.7	1,404.0	-	1,756.7
2	Retail (total)	239.1	1,584.0	-	1,823.1	352.7	1,404.0	-	1,756.7
3	residential mortgage	239.1	-	-	239.1	352.7	-	-	352.7
4	credit card	-	1,584.0	-	1,584.0	-	1,404.0	-	1,404.0
7	Wholesale (total)	-	-	-	-	-	-	-	-

Credit card securitisation exposures increased by £180 million year on year solely due to foreign exchange movements. This was offset by a decrease in the residential mortgage positions due to scheduled repayments.

Market Risk

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

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

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

- Interest rate changes giving rise to a potential pre-tax impact on Net Interest Margin; and,
- Fair value changes to the instrument due to changes in underlying market risk factors.

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

Non-trading Book Risk Management

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

Non-trading Book Risk Measurement

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

Interest rate risk

Interest Rate Risk in the Banking Book ("IRRBB") is a risk that arises because interest rates in the banking book can vary significantly over time and adversely affect the capital and income capacity of CUKL.

Interest rate sensitivity on CUKL's Banking Book balance sheet is driven by non-maturity deposits. The risks arising through CUKL's non-traded portfolios are estimated using a common set of standards that define, measure, limit and report market risk.

The primary risk in CUKL's non-trading book is IRRBB. CUKL uses a cashflow-based approach for the measurement, management, and monitoring of IRRBB in line with industry best practice. CUKL's measure of IRRBB from an earnings perspective is Interest Rate Exposure ("IRE"). IRE measures the potential pre-tax impact on Net Interest Revenue ("NIR") for non-trading book positions due to defined shifts in interest rates over a 12-month period. NIR is the difference between the yield earned on the non-trading book portfolio assets and the rate paid on liabilities. In addition, CUKL measures Economic Value Sensitivity ("EVS") for its non-trading book. EVS captures the impact of interest rate changes on CUKL's Economic Value of Equity ("EVE") and is calculated by discounting all interest rate sensitive instruments on the balance sheet using a base and stressed interest rate curve and calculating the difference.

UK ALCO approves the IRRBB risk appetite levels that the CUKL Board then approves as part of the Risk Appetite Framework. UK ALCO receives regular updates on IRRBB metrics, which measure the potential impact of systemic stress testing under extreme market movements, and monitors against the agreed risk appetite for the entity. IRRBB stress testing is also carried out using adverse interest rate scenarios prescribed by the PRA Rulebook and monitored against capital levels. The UK ALCO also receives information on trends and details on various topics impacting IRRBB.

For internal IRRBB management, CUKL uses four shocks to assess interest rate risk including: +/-100bps & +/-200bps scenarios. These are supplemented by the prescribed PRA shocks detailed in the below table.

At as 30 December 2022, the maximum decline in EVE resulted from the "short rates shock up" PRA scenario at £32 million, which was 7% of T1 capital.

The most adverse NII scenario was the internal "parallel shock down", with an exposure of £31 million.

Table 12: IRRBB Summary

		ΔEVE	ΔNII	Tier 1 capital
	£ million	31 December 2022	31 December 2022	31 December 2022
010	Parallel shock up	(13.9)	30.7	
020	Parallel shock down	11.6	(30.9)	
030	Steepener shock	26.3		
040	Flattener shock	(29.0)		
050	Short rates shock up	(32.4)		
060	Short rates shock down	33.5		
070	**Maximum**	(32.4)	(30.9)	
080	**Tier 1 capital**			469.0

Currency risk

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

Market Risk Measurement

CUKL uses the standardised approach to calculate its market risk capital requirements. Due to the banking book nature of the Company, the primary risk is foreign exchange risk and the RWA was £106.3 million as at 31 December 2022.

Operational Risk

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

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

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

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

Operational Risk Framework

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

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

- Bribery Risk;
- Customer/Client Protection;
- Cyber Risk (incl. information security);
- Data Risk;
- Financial Statement Reporting Risk;
- Fraud & Theft (excl. Tech);
- Human Capital Risk;
- Market Practices Risk;
- Model Risk;
- Money Laundering Risk;
- Physical Damage Risk;
- Processing Risk;
- Prudential & Regulatory Risk;
- Regulatory and Management Reporting Risk;
- Sanctions Risk;
- Technology Risk; and,
- Third Party Risk.

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

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

As new products and business activities are developed and/or processes designed, modified, or sourced through alternative means increases in the level of operational risk and its effect on the profile are considered.

Operational Risk Measurement

Operational risk is measured and assessed through the ICAAP process to determine whether any additional capital is required over and above the levels resulting from the Standardised Approach to calculating regulatory operational risk capital.

The slight increase in CUKL's operational risk RWA is due to the increase in the three years' average revenue used to calculate capital requirement.

Table 13: Operational risk own funds requirements and risk-weighted exposure amounts (UK OR1)

	Banking activities	Relevant indicator 2022	Relevant indicator 2021	Relevant indicator 2020	Own funds requirements	RWAs
		£ million	£ million	£ million	£ million	£ million
1	Banking activities subject to basic indicator approach ("BIA")	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised ("ASA") approaches	136.0	73.2	63.2	11.3	141.3
3	*Subject to TSA:*	136.0	73.2	63.2	-	-
4	*Subject to ASA:*	-	-	-	-	-
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Other Risks

Enterprise Resilience

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

On Operational Resilience, Citi has formalised its global framework within the Enterprise Resilience Policy and an Operational Resilience Standard, for implementation across the UK legal entities in scope. For CUKL, the Board approved its Critical Business Services, their associated Impact Tolerances and a Self-Assessment which documented progress on process mapping, scenario testing and identification of vulnerabilities. This initial stage of implementation was completed by 31 March 2022 in line with PRA and FCA requirements.

The next cycle of implementation is underway to ensure that CUKL's Critical Business Services can remain with their Impact Tolerances in severe but plausible operational disruption scenarios by March 2025.

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 originates from the increase in severity and frequency of either acute physical risks, which are related to extreme weather events, or chronic physical events which stem from longer term shifts caused by climate change (e.g., average precipitation changes which may drive long-term shifts in agriculture and water availability).; and,
- Transition Risks result from action (or lack of action) to transition to a low-carbon economy, such as changes in regulations, technological developments, stakeholder expectations and legal implications.

Climate risk is an overarching risk that can act as a driver of other types of risk in the Citi risk taxonomy, such as credit risk from obligors exposed to high climate risk, reputational risk from increased stakeholder concerns about financing high carbon industries, and operational risk from physical climate risks to Citi's facilities. Climate Risk is integrated into business-as-usual risk management activities across the risk management lifecycle (risk identification, risk measurement, risk monitoring, risk control and risk reporting).

The Company considers Climate Risk as driver of existing risk categories in its strategy, governance, and risk management framework. Roles and responsibilities for the management of Climate Risk are assigned across the three lines of defence, including the Board, business lines, compliance, risk management and internal audit. Climate Risk Program established with dedicated Climate Risk Team within ERM in 2LoD to lead development and embedding of climate risk management capabilities into BAU risk governance, processes and controls. Citi has continued to integrate climate considerations into the priorities of Citi's and CUKL's Board of Directors and senior management.

Citi has established Climate Risk Management Framework and execution of a 24-month implementation plan is underway, selected policy-related documents have been also identified and updated to incorporate climate risk.

Citi manages and mitigates 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 Company. 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.

Reputation Risk

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

Liquidity

Liquidity is the ability of a financial institution to fund increases in assets and meet obligations as they come due, at a reasonable cost, under normal and stress circumstances. Liquidity risk is the risk that the institution will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without adversely affecting either daily operations or the financial condition.

Strategies and Processes of Liquidity Risk Management

CUKL is primarily funded by low-risk stable retail deposits. However, funding and liquidity risk may arise from several factors, many of which are mostly or entirely outside CUKL's control, such as disruptions in the financial markets, macroeconomic, geo-political and other conditions.

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

- Funding its existing asset base;
- Growing its core businesses,;
- Maintaining sufficient liquidity, structured appropriately, so that CUKL can operate under a variety of adverse circumstances, including potential Company-specific and/or market liquidity events in varying durations and severity; and,
- Satisfying regulatory requirements.

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

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

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

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

Structure and Governance of Liquidity Risk Management

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

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

As part of the LRMF, the following Committees perform an oversight role for liquidity risk related items:

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

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

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

CUKL's Funding and Liquidity Plan is prepared annually and the liquidity profile is monitored on an on-going basis and reported daily.

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

Reporting and Measurement of Liquidity Risk

The internal LRMF includes indicators enabling the assessment of CUKL's resilience to liquidity risk.

CUKL is required to comply with the liquidity requirements of the Regulator, by monitoring and reporting the liquidity metrics, namely the Liquidity Coverage Ratio and Net Stable Funding Requirement as defined in the CRD IV. LCR measures the stock of liquid assets against net cash outflows arising in a 30-day stress scenario. NSFR, which will be implemented in the EU through the CRR II in Jan 2022, is intended to ensure that a company has an acceptable amount of stable funding to support its assets and activities over the medium term (one year period).

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

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

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

High Quality Liquid Assets

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

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

Overall Liquidity Risk Profile

CUKL's annual ILAAP sets out its approach to manage funding and liquidity risk. UK ALCO reviews, challenges and approves the ILAAP. The forum includes senior members from different business units and functions. As such, the UK ALCO acts as a primary approver of CUKL's ILAAP before final approval from the Board and annual submission to the PRA. The ILAAP Forum, created in May 2021, makes recommendations for approval, proposals, and notifications of relevance to the UK ALCO, facilitating detailed analysis.

Concentration of funding and liquidity sources

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

Derivative exposures and potential collateral calls

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

Currency mismatch in the LCR

Cross-currency liquidity risk arises when there is a mismatch between the currency cash inflows and outflows. FX markets may be constrained in a crisis meaning that conversion from one currency to another cannot be guaranteed. This risk is common for international banks due to their cross-border operations and multicurrency approach to business. CUKL's retail deposits are primarily denominated in GBP, USD and EUR. Asset currency allocation is broadly in line with liabilities to mitigate significant cross-currency liquidity risk.

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

Liquidity Coverage Ratio Disclosure

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

As at 31 December 2022, CUKL's HQLA substantially consists of Level 1 eligible securities, as defined by liquidity standards, and is diversified across our major operating currencies.

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

Table 14: Quantitative information of LCR (UK LIQ1)

		Total unweighted value				Total weighted value			
		31 Dec 22	30 Sept 22	30 Jun 22	31 Mar 22	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets ("HQLA")	-	-	-	-	4,476.6	4,497.3	4,358.4	4,101.1
Cash outflows									
2	**Retail deposits and deposits from small business customers, of which:**	6,040.1	6,252.1	6,198.5	5,960.0	745.6	770.1	756.6	719.8
3	Stable deposits	2,355.4	2,440.5	2,467.8	2,433.4	117.8	122.0	123.4	121.7
4	Less stable deposits	3,684.7	3,811.6	2,730.7	3,526.6	627.8	648.1	633.3	598.1
5	**Unsecured wholesale funding**	8.3	4.0	1.3	0.8	8.3	4.0	1.3	0.8
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	8.2	4.0	1.3	0.8	8.3	4.0	1.3	0.8
8	Unsecured debt	-	-	-	-	-	-	-	-
9	**Secured wholesale funding**	-	-	-	-	-	-	-	-
10	**Additional requirements**	27.3	28.7	29.5	29.5	27.3	28.7	29.5	29.5
11	Outflows related to derivative exposures and other collateral requirements	27.3	28.7	29.5	29.5	27.3	28.7	29.5	29.5
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	-	-	-	0.0	-	-	-	0.0
14	**Other contractual funding obligations**	6.4	6.0	5.5	6.7	-	-	-	1.6
15	**Other contingent funding obligations**	12.0	12.2	12.3	12.5	6.0	6.1	6.2	6.2
16	**Total cash outflows**	-	-	-	-	787.2	809.0	793.6	757.9
Cash inflows									
17	**Secured lending (e.g. reverse repos)**	364.6	621.6	811.4	917.5	9.8	9.5	9.5	9.5
18	**Inflows from fully performing exposures**	129.9	146.7	155.9	158.0	86.8	99.3	105.4	105.2
19	**Other cash inflows**	1.4	0.9	0.9	0.7	3.4	0.9	0.9	0.7
UK-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)	-	-	-	-	-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-	-	-	-	-
20	**Total cash inflows**	495.8	769.2	968.2	1,076.2	100.1	109.7	115.8	115.4
UK-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
UK-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
UK-20c	Inflows Subject to 75% Cap	497.8	769.2	968.2	1,076.2	100.1	109.7	115.8	115.4

		Total Adjusted Value			
21	Liquidity Buffer	4,476.6	4,497.3	4,358.4	4,101.1
22	Total net cash outflows	687.1	696.6	675.2	639.8
23	Liquidity coverage ratio (%)	654.5%	648.8%	648.0%	642.6%

Net Stable Funding Ratio

The Net Stable Funding Ratio ("NSFR") is intended to reduce funding risk over a longer period horizon by requiring institutions to fund their assets and off-balance sheet activities with sufficiently stable sources of funding for a one-year period of extended stress. The ratio of available stable funding to required stable funding is required to be greater than 100%. Numbers shown below are based on the average values of four preceding quarters.

CUKL's sources of available stable funding are mainly derived from retail consumer deposits and capital items and instruments. CUKL's required stable funding comprises of high-quality bonds issued by government and supranational agencies and held-to-collect asset-backed securities collateralised by credit cards and residential mortgages.

Table 15: Net Stable Funding Ratio (UK LIQ2)

		Unweighted value by residual maturity (average)				Weighted value (average)
	in £ Million	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	284.0	-	-	104.0	388 .0
2	*Own funds*	284.0	-	-	52.0	336.0
3	*Other capital instruments*		-	-	52.0	52.0
4	Retail deposits		6,348.8	32.9	1.4	5,860.9
5	*Stable deposits*		2,318.6	-	-	2,202.7
6	*Less stable deposits*		4,030.2	32.9	1.4	3,658.2
7	Wholesale funding:		45.7	-	-	-
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		45.7	-	-	-
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	0.4	105.0	0.7	-	0.3
12	*NSFR derivative liabilities*	0.4				
13	*All other liabilities and capital instruments not included in the above categories*		105.0	0.7	-	0.3
14	**Total available stable funding (ASF)**					6,249.1
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					2,620.9
UK-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		580.7	363.8	1,668.3	1,719.8
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		267.9	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		123.0	39.5	150.0	172.2
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		132.7	12.5	16.4	86.5
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	*Performing residential mortgages, of which:*		-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		57.1	311.8	1,501.9	1,461.1
25	Interdependent assets		-	-	-	-
26	Other assets:	-	290.5	-	104.0	119.7
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		1.2	-	-	1.2
30	*NSFR derivative liabilities before deduction of variation margin posted*		289.3	-	-	14.5
31	*All other assets not included in the above categories*		0.0	-	104.0	104.0
32	Off-balance sheet items		-	-	-	-
33	**Total RSF**					1,839.5
34	**Net Stable Funding Ratio (%)**					342.2%

Remuneration Statement

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

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

Remuneration Governance

CUKL Remuneration Committee

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

The RemCo met 7 times in 2022 and for the 2022 performance year the RemCo comprised the following members:

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

The detailed roles and responsibilities of the RemCo are set out in its Charter as delegated and approved by the Board.

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

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

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

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

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

The RemCo is empowered to draw upon internal and external expertise and advice as it determines appropriate. It has the ability to review the appointment of external remuneration consultants that the Board and/or the RemCo may decide to engage for advice or support. The RemCo did not engage independent consultants in 2022, but external consultants have advised on various remuneration matters for 2022, where required.

Global Remuneration Committee

The RemCo acts as the remuneration committee of the Company, whereas the Compensation, Performance Management and Culture Committee (the "CPC Committee") fulfils the RemCo role at the Group level.

The CPC Committee is a duly constituted committee of the Board of Directors of the US parent company, Citi and oversees Citi's global remuneration policies and practices.

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

It annually reviews the compensation structures for senior executives of Citi and a number of highly compensated and/or regulated individuals, in accordance with guidelines established by the CPC Committee and provides oversight of the design and structure of incentive programs globally in the context of risk management.

The CPC Committee's Terms of Reference are documented in the CPC Committee Charter, which establishes the scope and mandate of the CPC Committee's responsibilities and the general principles governing the remuneration policy of the Company globally.

The latest Charter is available online: https://www.citigroup.com/rcs/citigpa/storage/public/compculturecharter1.pdf

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

EMEA Remuneration Oversight Group

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

Material Risk Takers

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

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

Those captured include, but are not limited to:

- Members of the management body or Senior Management;

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

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

Citi's Compensation Philosophy

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

The Company's Compensation Philosophy is consistent with Citi's Compensation Philosophy which is available online at: https://www.citigroup.com/rcs/citigpa/storage/public/comp-phil-policy.pdf.

The Compensation Philosophy describes Citi's approach to balancing six primary objectives that Citi's compensation programs are designed to achieve.

Citi's (and therefore the Company's) Compensation Philosophy is closely linked to the ongoing work on embedding appropriate culture, including through the Citi Mission and Value Proposition and the Citi Leadership Principles. The Compensation Philosophy also sets out Citi's commitment to managing risk through its compensation programs, and the oversight from the CPC Committee on the design and operation of Citi's compensation programs. Citi's Compensation Philosophy applies to all of its foreign subsidiaries and branches, save where exceptions are required by local law

In order to reinforce the relationship between compensation and risk and control, specific principles emphasis that incentive compensation should:

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

Citi's Mission, Value Proposition

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

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

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

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

Environmental, Social and Governance

Environmental, Social, and Governance ("ESG") considerations are an essential part of Citi's firm-wide strategy and integrated into business and long-term priorities. ESG metrics are reflected in certain goals across Citi globally, and these are cascaded to selected individuals in both global and regional roles.

Reinforcing gender neutrality and inclusion, continues to be a key focus area, particularly as Citi considers this to be one of the key elements of its ESG approach, and is one of the sustainable development goals highlighted in the Citi 2021 ESG Report. Citi is committed to reducing pay gaps by increasing the diversity of workforce, including increasing the representation of women at all levels, particularly at senior levels and in high-paying roles, as well as other underrepresented demographics.

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

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

Design and Structure of Remuneration

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

The Remuneration Policy is subject to review at least annually, as Citi refines its remuneration policies and practices at global, regional and entity levels or as required by law or regulation. In 2022 the Remuneration Policy, remuneration guidelines and associated processes were reviewed to ensure alignment to regulatory requirements.

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

Fixed Remuneration

Fixed remuneration is set appropriately to attract, retain and motivate employees in line with market practices. Fixed remuneration primarily reflects an employee's professional experience and organisational responsibilities as set out in the employee's job description and terms of employment, and includes the following elements:

- Salary;
- Pension and benefits that are offered to employees as part of their overall reward package; and,
- Role Based Allowances ("RBAs") forming part of the package for a limited number of roles.

In line with regulatory requirements, RBAs are granted to a limited number of roles. The rationale for granting an RBA is clearly articulated by reference to the eligibility criteria, including details on the responsibilities and the scope of the role. RBAs are subject to additional approvals.

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

Variable Remuneration

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

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

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

The Transformation Program Award ("TPA") has been introduced for senior leaders who have been identified as critical to the remediation program linked to the long-term success of Citi's transformation. The scheme focuses on driving excellence in its risk and control environment, its operations and Citi's service to clients.

Deferrals and Retention Periods

Awards made under the DIRAP are typically awarded in cash and Citi equity and are subject to mandatory deferral periods where the individual's total annual variable compensation exceeds globally set thresholds.

For MRTs at least 50% of the upfront and deferred components of variable remuneration are delivered in equity. For the 2022 performance year, deferred cash awards were discontinued. The deferred portion of incentive awards for MRTs under Citi's DIRAP were settled entirely in deferred Citi equity. The total percentage deferred remained consistent with prior years. Citi believes that awarding equity and deferred awards is an effective means of aligning employee interests with those of shareholders and other stakeholders.

Variable remuneration is not paid through vehicles or methods that might facilitate non-compliance with relevant regulatory requirements, including CRD V or CRR II.

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

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

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

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

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

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

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

Ratio of Variable to Fixed Remuneration

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

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

De-minimis

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

For 2022 performance year, 3 MRTs benefitted from this derogation with their remuneration totalling £0.41 million in fixed and £0.07 million variable.

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

Performance Adjustment Measures on Remuneration

Performance Based Vesting / Material Adverse Outcome

Deferred awards granted prior to 1 January 2022 which are subject to MRT deferral schedules have Performance Based Vesting ("PBV") conditions as an additional ex-post adjustment mechanism that may result in the cancellation of all or part of unvested amounts. These conditions ensure an appropriate balance for risk and aligns the actual pay-out to employees with business performance.

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

The PBV for deferred cash awards is discretionary with the pay-out contingent on whether the participant had a significant responsibility for a Material Adverse Outcome ("MAO").

Deferred awards granted post 1 January 2022 which are subject to MRT deferral schedules have revised MAO conditions as an ex-post adjustment mechanism that may result in the cancellation of all or part of unvested amounts.

Malus and Clawback

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

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

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

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

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

Capital and Liquidity Planning

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

Link between Pay and Performance

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

Determination of Bonus Pools

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

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

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

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

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

Individual Performance

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

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

For 2022, the Performance Management Framework ("PM Framework") was changed to ensure alignment to Citi priorities, especially risk and control performance expectations across all employees and increased accountability and ownership at the individual level supporting Citi's cultural transformation.

The PM Framework is applicable to all Citi employees globally and the structure leverages four overarching pillars (Leadership, Risk & Control, Financial Performance3, and Client & Franchise Outcomes) against which all employees set their performance and development goals for the performance year. Employee performance is evaluated on a four-point scale at year end by a manager assessment. Evaluation ratings generated through this PM Framework will be used for employee compensation determinations.

Pillar ratings are converted to two performance ratings: a "How" rating (composed solely by the Leadership performance pillar evaluation) and a "What" rating (auto-calculated based on the combined ratings of the applicable sub-pillars). The two performance ratings ("How", "What") carry equal weight, however there is no overall combined rating.

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

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

[3] The financial performance pillar is not applicable for employees in Independent Risk Management, Internal Audit, and ICRM.

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

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

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

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

Certain employees are also subject to a range of enhanced performance assessment and accountability processes. Citi's conduct, risk performance and accountability processes and framework continue to be refined, with further enhancements implemented for 2022 which included:

- Launching a review of metrics and behavioural statements by AML and Sanctions that feeds independently into the Compensation Accountability Rational Tool ("CART") at year end;
- Updates to the Accountability Framework Impact Grid, such as: simplified compensation impact ranges, alignment to the four-point rating scale, and new guidelines for handling and associated impacts of multiple instances for conduct disciplines; and,
- Implementation of the Accountability Framework Technology Solution - a new technology tool for an automated system-based scope decision making process.

Other Key Remuneration Policies

Guarantees

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

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

Buyouts

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

Retention Payments

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

Severance

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

- Should not provide for a disproportionate reward, but should represent appropriate compensation for early termination of employment;
- Should not reward failure, misconduct or be paid where immediate termination of the employment contract is permitted. ('Failure' is to be assessed on a case by case basis);
- Are not paid to employees transferring between Citi legal entities, unless required by law; and,
- Should only be paid where there is a redundancy situation or in exceptional circumstances where a severance payment may need to be paid, for example in order to mitigate a legal risk or a franchise risk, and subject to pre-approval in accordance with the relevant Guidelines.

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

Remuneration of Control Function Employees

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

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

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

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

Dual Regulated MRTs

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

Stockholding Requirements

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

Personal Hedging

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

Employees are prohibited from engaging in personal hedging strategies or taking out remuneration or liability related contracts of insurance that undermine or may undermine any risk alignment effects of their remuneration arrangements.

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

Disclosure Requirements

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

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

Table 16: Remuneration awarded for the financial year (UK REM1)

	GBP million [1]		MB Supervisory function [2]	MB Management function [3]	Other senior management [4]	Other identified staff [5]
1	Fixed remuneration	**Number of identified staff** [6]	2	-	-	10.0
2		**Total fixed remuneration** [7]	0.2	-	-	2.2
3		Of which: cash-based	0.2	-	-	1.9
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms [8]	-	-	-	0.3
9	Variable remuneration	**Number of identified staff**	-	-	-	10.0
10		**Total variable remuneration** [9]	-	-	-	1.0
11		Of which: cash-based	-	-	-	0.4
12		*Of which: deferred*	-	-	-	-
UK-13a		Of which: shares or equivalent ownership interests [10]	-	-	-	0.6
UK-14a		*Of which: deferred*	-	-	-	0.4
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-14b		*Of which: deferred*	-	-	-	-
UK-14x		Of which: other instruments	-	-	-	-
UK-14y		*Of which: deferred*	-	-	-	-
15		Of which: other forms	-	-	-	-
16		*Of which: deferred*	-	-	-	-
17	**Total remuneration (2 + 10)**		0.2	-	-	3.1

Additional Notes

[1] All non-GBP awards are converted using the European Commission exchange rates for December 2022.
[2] The management Body ("MB") in its Supervisory Function, includes external Non-Executive Directors and Independent Non-Executive Directors of the Board as at 31 December 2022, as the management body acting in its role of overseeing and monitoring management decision-making, as defined in point (8) of Article 3(1) CRD.
[3] The MB in its Management Function reflects Executive Directors of the Board who are employed by the Company as at 31 December 2022, as members of the MB who are responsible for its Management functions.
There was one member of the MB in its Management Function in 2022, whose remuneration figures are provided on an aggregated basis (within 'Other Identified Staff') in order to maintain appropriate confidentiality of individual's data.
[4] Senior Management as defined in point (9) of Article 3(1) CRD, includes formal members of the UK Executive Committee, employed by CUKL as at 31 December 2022.
[5] Other identified staff includes those individuals deemed to be Material Risk Takers ("MRTs"), whose professional activities have a material impact on the institution`s risk profile in accordance with the criteria set out in the Commission Delegated Regulation on identified staff implementing Article 94(2) CRD and where appropriate in addition based on institutions´ criteria. The population includes any MRTs employed by CUKL, as at 31 December 2022. It excludes those individuals already captured under MB Supervisory function, MB Management function or other senior management.
[6] Identified Staff is reported as headcount (full integer) for the MB, with a full time equivalent approach applied for Other Senior Management and Other Identified Staff, and numbers adjusted accordingly for any part time employees.
[7] Fixed remuneration in cash includes salary and role based allowances where applicable.
[8] Fixed remuneration in other forms includes the value of pension and benefits.
[9] Variable remuneration awarded in respect of 2022 performance year. In accordance with the shareholder approval obtained in 2022, the variable component of remuneration of an MRT for any one year can be set up to a maximum of 200% of the fixed remuneration.
[10] Share-based awards are made in Citi shares and represent value at grant.

Business Conduct

Conduct Risk Management

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

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

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

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

Conflict of Interest Policy

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

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

The Code sets expectations as to personal and related-party business dealings. There are additional responsibilities for Senior Leaders. Directors and senior executives of Citi 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 Company 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 authorised to know such information.

Internal Alerts and Reporting of Breaches

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

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

- HR employee, or labour relations representative;
- Internal legal counsel;
- ICRM Officer;
- Citi Security and Investigative Services ("CSIS"); and,
- The Citi Ethics Office.
- In-business Risk and Control Officer'
- Independent Risk Management (IRM) Officer

The Citi Ethics Office is responsible for administering Citi's Ethics Hotline, which employees across Citi and other third-parties can use to raise concerns. Reports to the Citi Ethics Office can be made anonymously to the extent permitted by applicable laws and regulations. All contacts to the Citi Ethics Office and related investigations are treated as confidentially as possible, consistent with the need to investigate the matter, and subject to applicable laws and regulation. The CUKL Whistle-blowers' Champion, a Non-Executive Director, oversees the independence, effectiveness and integrity of CUKL's whistleblowing programme.

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

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

Appendix 1: UK Senior Management and Board Disclosures

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

Board Composition, Role and Effectiveness

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

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

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

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 Regulator's expectations for legal entity focus, Citi also appoints a CEO for CUKL.

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

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

Additionally, Susan Shakespeare resigned as an Executive Director and Chief Executive Officer of CUKL in February 2023. She was succeeded by Rakesh Das following receipt of PRA and FCA approval. There are no other foreseeable changes anticipated to the composition of the Board.

Distinction between the roles of Executive and Non-Executive Directors

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

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

- Full and unhindered access to the business, which involves the receipt of detailed presentations given by business or control functions;
- Support from the UK Company Secretariat; and,
- Technical training in the form of Board tutorials. These regular tutorials cover a wide range of subjects including but not limited to capital and liquidity requirements, client money and assets regulations, anti-money laundering rules, regulation relating to anti-bribery and corruption, and recovery and resolution planning.

Diversity

The Board is committed to ensuring that the Board and management body are comprised of individuals with diverse backgrounds, perspectives and values. Our focus on cognitive diversity fosters innovation, robust challenge, avoids group think and also ensures we better serve our clients and stakeholders.

The Board and management body are working towards meeting the gender representation targets agreed across Citi and the 30% target in the Women in Finance Charter. CUKL has adopted the Citi approach to diversity which is published here: https://www.citigroup.com/citi/diversity.

As of 31 December 2022, 33% of the Board were female. Subsequent to Susan Shakespeare's resignation and Rakesh Das' appointment, 17% of the Board were female.

Table 17: Directorships held by Citibank UK Limited Board of Directors as of 31 December 2022

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

Table 18: Membership held by Citibank UK Limited Board of Directors as of 31 December 2022

Name	Gender	Role	Duration of Board Membership
Joanne Dawson	Female	Independent Non-Executive Director – Chair	3 years 7 months
James Rawlingson	Male	Independent Non-Executive Director	3 years 7 months
James Bardrick	Male	Executive Director	3 years 8 months
Paul Hodes	Male	Executive Director	1 year 4 months
Anoop Ghai	Male	Executive Director	4 years 9 months
Susan Shakespeare	Female	Executive Director – Chief Executive Officer	3 years 3 months

Non-Executive Directors of CUKL

Joanne Dawson (Chair)

Joanne Dawson was appointed as Chair of the CUKL Board in 2019. She also chairs the Board Remuneration Committee and is a member of the Risk & Audit Committee. The Board benefits from her extensive knowledge of the Wealth Management sector alongside significant experience in UK governance, business transformation, culture change, risk management, balance sheet management and people leadership.

In addition to chairing CUKL, Joanne was previously a Director of Prudential Assurance Company (the life company subsidiary of M&G plc) and is also an Executive Coach. She has previously served on the Boards of St James's Place, Esure and the Association of British Insurers and was a senior adviser to the Boston Consulting Group. In her executive career, she sat on the Executive Committee of Lloyds Banking Group with responsibility for Private Banking, Wealth Management & International Businesses, the ExCo & Board of HBOS as CEO Insurance & Investment Division and held senior positions in Retail Banking, Wealth Management, Bancassurance, General Insurance & Operations with Halifax, TalkTalk and Green Flag.

James Rawlingson

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

James has over 30 years' experience in the Financial Services sector in the UK and internationally focussing on investment banking and wealth management. His past Executive roles have included Chief Financial Officer ("CFO") of SG Warburg & Co, UK CFO of UBS Wealth and Group CFO of Coutts.

James currently holds additional Non-Executive Director roles including Chairman of Novai Ltd, an innovative AI driven biotech company, Chair of Audit Committee of Brooks Macdonald Plc, an investment manager and public company, and Chair of the Audit and Risk Assurance Committee at Wilton Park, an executive agency of the Foreign Office and a role to which he was appointed by the Foreign Secretary.

Executive Directors of CUKL

Susan Shakespeare (Director and Chief Executive Officer of CUKL till February 2023)

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

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

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

Susan resigned from the CUKL Board and as CEO in February 2023.

Rakesh Das (Director and Chief Executive Officer of CUKL from March 2023)

Rakesh was appointed as CEO and a statutory director of CUKL in March 2023 and is also responsible for the UK Consumer Bank and EMEA International Personal Bank franchise.

An established and versatile executive leader with over 38 years of banking experience across Consumer Products, Operations and Technology, Franchise Governance, Risk and Control as well as Internal Audit. Has also led significant franchise wide projects.

Has a track record of growing, strengthening, and transforming businesses with the delivery of both financial and non-financial goals. With Citigroup he has held key regional leadership positions covering Asia and Europe, which include, Regional Chief Auditor, Head of Franchise Governance, Business Head for Retail Lending, Head of Transformation and Strategic Initiatives and led the divestiture of the 13-consumer business in Asia/EMEA.

James Bardrick

James is Citi's Country Officer for the UK and Cluster Head for the UK, and Jersey. He is CEO of Citigroup Global Markets Limited and a member of the Supervisory Board of Citigroup Global Markets Europe AG in Frankfurt.

James co-chaired Citi's Brexit contingency planning and implementation work and is a member of Citi's London Interbank Offered Rate ("LIBOR") Transition Program and is the designated UK Senior Manager for LIBOR. James was Co-head of Citi's Corporate and Investment Banking business for EMEA from 2009 to 2014 and is currently a Vice Chairman of EMEA Banking, Capital Markets & Advisory.

James is the Chairman of the British Banking Association and is a member of The City UK Advisory Council and was a founding director of UK Finance and continues to Chair its Capital Markets & Wholesale Board. He also sits on The Financial Markets Standards Board Advisory Council and is a member of the UK Government Department of Business & Trade Investment Council. 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 Teach First Business Leaders Council. He also on the board of Canary Wharf Multifaith Chaplaincy.

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

Anoop Ghai

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

Prior to moving to Jersey Anoop served as Portfolio Manager and Senior Team member in Real Estate Finance for Citi's ICG Markets business. He joined Citi over 30 years ago and has held a number of roles in Citi's UK based Consumer and Markets franchises, including Credit Director for UK Consumer, Credit Director for European Card Acquiring and Head of Commercial Mortgage-Backed Securities Conduit. Anoop has also served as a Senior Credit Officer since 2000 and led our efforts to manage a large loan portfolio through the recent crisis. Before joining Citi, he was a Corporate Banking Relationship Manager at Bank of America.

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

Paul Hodes

Paul Hodes is Global Wealth Management Asia Investments Head for Citigold, Citibank Private Client, and High Net Worth. In addition, Paul is also the country Wealth Management Head for CUKL

Paul Hodes has more than 30 years' experience in Wealth Management in banking and investments working in the UK, Europe, Asia Pacific, the U.S. and Japan.

Prior to this role, Paul headed Citi Consumer Bank Wealth Management for Asia Pacific and EMEA. From 2007 to 2010, Paul managed Citibank Malaysia Retail Bank. Paul was elected to the Board of Governors of the Financial Planning Association of Malaysia. From December 2003 to December 2007, Paul was based in Singapore as Citibank's Asia Pacific Regional Wealth Management Business Development Head managing Brokerage, Portfolio Finance and Liability Products across 13 countries.

From April 2001 to November 2003, Paul was the Wealth Management Head for Citi International Personal Banking in London, responsible for offshore products and advisory distributed though branches in the UK, Luxembourg, Switzerland and Monaco.

From June 1998 to April 2001, Paul was the Investment Marketing Director for Citibank Japan and a member of the team that launched the investments business in 1998. Paul began his career in 1985 at Morgan Guaranty Trust in London. He also spent 11 years at Fidelity Investments in Boston and Tokyo, working in a number of sales and marketing roles.

Appendix 2: Capital Instruments Main Features

The template is a redacted format of Annex VII of the PRA rulebook and provides details of CUKL's regulatory own fund instruments and eligible liabilities instruments

Table 19: Main features of regulatory own funds instruments and eligible liabilities instruments

		CET1	AT1	Tier 2
1	Issuer	Citibank UK Limited	Citibank UK Limited	Citibank UK Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A
2a	Public or private placement	Private Placement	Private Placement	Private placement
3	Governing law(s) of the instrument	English Law	English Law	English Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No	No
Regulatory treatment				
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Perpetual Notes	Subordinated Loans
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	Nil	GBP 52 million	GBP 52 million
9	Nominal amount of instrument	GBP 1.00	GBP 52 million	GBP 52 million
9a	Issue price	GBP 1.00	GBP 52 million	GBP 52 million
9b	Redemption price	N/A	GBP 52 million	GBP 52 million
10	Accounting classification	Shareholder's equity	Shareholder's equity	Liability - Amortised cost
11	Original date of issuance	29/03/2018	27/08/2019	27/08/2019
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No Maturity	No Maturity	27/08/2029
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes
15	Write-down features	No	Yes	Yes
16	If write-down, write-down trigger(s)	N/A	Contractual write down if CET1 Capital Ratio of CUKL falls below 7%. BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers	BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers and if any resolution entity in Citi is under resolution.
17	If write-down, full or partial	N/A	Fully or partially	Fully or partially
18	If write-down, permanent or temporary	N/A	Permanent	Permanent
19	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
19a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
19b	Ranking of the instrument in normal insolvency proceedings	1 - Ordinary Shares	2 - AT1 Instruments	3 - Subordinated notes
20	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Unsecured Fixed Rate Securities	Long-term subordinated loan facility (Senior Subordinated Facility)	Senior Subordinated Facility
21	Non-compliant transitioned features	No	No	No
22	If yes, specify non-compliant features	N/A	N/A	N/A
22a	Link to the full term and conditions of the instrument (signposting)	N/A – Private Placement	N/A – Private Placement	N/A – Private Placement

Appendix 3: Omissions

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

Table 20: Non-disclosed tables

Table	Rationale
UK REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	As per disclosure requirements by proportionality level, outlined in Table D section 2.30, in PRA Supervisory Statement SS2/17, as CUKL is a Proportionality Level 2 Company, data contained within these templates is not required to be disclosed by CUKL.
UK REM3 – Deferred remuneration	
UK REM4 – Remuneration of 1 million EUR or more per year	
UK REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	As per disclosure requirements in PRA Supervisory Statement SS2/17, aggregate quantitative information on remuneration, broken down by business area is required to be disclosed. However, for the 2022 CUKL population, all individuals (excluding members of the Management Body) would be reported under the same business. Therefore, there is no additional business breakdown available, over and above the data already provided in Table UK REM1 – remuneration awarded for the financial year.

Abbreviations

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

AFS	Available For Sale
ALCO	Asset and Liability Committee
AML	Anti Money Laundering
AT1	Additional Tier 1
BoE	Bank of England
CBNA	Citibank NA
CCF	Credit Conversion Factor
CCP	Central Counterparty Clearing House
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Finance Officer
Citi	Citigroup Inc.
CoB	Continuity of Business
CRD	Capital Requirements Directive
CRE	Commercial Real Estate
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CUKL	Citibank UK Limited
DIRAP	Discretionary Incentive and Retention Award Plan
EAD	Exposure at Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
ECL	Estimated Credit Loss
EMEA	Europe, Middle East and Africa
EMEA ROG	EMEA Remuneration Oversight Group
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ESRM	Environmental and Social Risk Management
EU	European Union
EVE	Economic Value of Equity
EVS	Economic Value Sensitivity
FCA	Financial Conduct Authority
FCCM	Financial Collateral Comprehensive Method
FPC	Financial Policy Committee
FX	Foreign Exchange
HMT	His Majesty's Treasury
HQLA	High Quality Liquid Assets

HR	Human Resources
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Institutional Clients Group
ICRM	Independent Compliance Risk Management
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Model Approach
IMM	Internal Model Method
IRE	Interest Rate Exposure
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LREQ	Leverage Ratio Capital Requirement
LRMF	Liquidity Risk Management Framework
MAO	Material Adverse Outcome
MB	Management Body
MiFID II	Markets in Financial Instruments Directive II
MREL	Minimum Requirements for Eligible Liabilities
MRTs	Material Risk Takers
MSBF	Margin and Securities Backed Finance
NIR	Net Interest Revenue
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
ORM	Operational Risk Management
OTC	Over The Counter
PBV	Performance Based Vesting
PBWM	Personal Banking and Wealth Management
PD	Probability of Default
PRA	Prudential Regulation Authority
PTIP	Personal Trading & Investment Policy
RBAs	Role Based Allowances
RemCo	Remuneration Committee
RLAP	Resolution Liquidity Adequacy and Positioning
RMBS	Residential Mortgage Backed Securities
RWA	Risk Weighted Assets
SA-CCR	Standardised Approach for counterparty credit risk
SA-CR	Standardised Approach to Credit Risk
SEC-SA	Securitisation Standardised Approach
SFT	Securities Financing Transaction
SREP	Supervisory Review and Evaluation Process