Citi UK PRA Regulated Legal Vehicles

Pillar 3 Disclosures

31 December 2015

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1. Overview

This document contains the Pillar 3 disclosures for Citigroup Global Markets Limited (CGML) and Citibank International Limited (CIL), the two principal UK operating subsidiaries of Citigroup (Citi) in 2015.

CGML is Citi's primary international broker-dealer. It has a major international presence as a dealer, market maker and underwriter in equity and fixed income securities and offers risk based solutions to producers, consumers and investors in commodity markets. CGML also provides corporate finance services to a wide range of corporate, institutional and government clients. CGML's trading activities encompass cash, exchange traded and over the counter (OTC) derivative markets. Its major counterparties are banks, investment banks, investment managers, insurers and hedge funds. It also has moderate trading exposure to corporate clients.

Up until 31 December 2015, CIL formed part of Citi's strategy in Europe, the Middle East and Africa (EMEA) in its capacity as a pan-European banking entity. It was headquartered in London and operated in seventeen countries through its UK head office, as well as a network of European branches and subsidiaries. In addition to the overseas passported branches, CIL had Citi Service Centres (CSCs) in Hungary and Poland that provide key operations and technology support services to other Citi affiliates.

As of 1 January 2016 CIL ceased to exist as a UK subsidiary and was merged with Citibank Europe PLC (CEP), an Irish affiliate, to form a single pan-European bank. This change was made as part of Citi's continued effort to simplify and rationalise its legal entity structure. Future versions of this document will therefore no longer contain any Pillar 3 disclosures for CIL.

The Capital Requirements Directive (CRD IV) package, which came into effect on 1 January 2014 and implements the provisions of the Basel Capital Accord in the EU, mandates a framework of capital adequacy regulation for banks and investment firms incorporating three distinct pillars.

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

In accordance with the requirements set out in CRD IV, the focus of the disclosures is on European Economic Area (EEA) parent institutions and firms which are significant subsidiaries of EEA parent institutions.

The disclosures have been published in the Investor Relations section of Citi's website and complement the group level materials included in the Citigroup 2015 and 2014 Annual Reports.

The basis of consolidation of each legal entity for prudential reporting purposes is on a solo basis. We are aware of no material practical or legal impediment to the prompt transfer of capital resources or repayment of liabilities among these entities, beyond the normal requirements imposed by company and other legislation.

Both legal vehicles contain capital resources which are comfortably above the statutory minimum requirements.

The following disclosures have been made purely for explaining the basis on which Citi has prepared and disclosed information about capital requirements and the management of certain risks and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any investment in or judgement on the group or any entity.

Citigroup Inc. (Citi) is a global diversified financial services holding company incorporated under the laws of the state of Delaware, and whose businesses provide consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, trade and securities services and wealth management. Citi has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions.

Citi currently operates, for management reporting purposes, via two primary business segments: Citicorp, consisting of Citi's Global Consumer Bank (GCB) and Institutional Clients Group (ICG) businesses; and Citi Holdings, consisting of businesses and portfolios of assets that Citi has determined are not central to its core Citicorp businesses.

1 All references to UK regulators are to the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Citicorp

Citicorp is a relationship-focused global bank serving businesses and consumers. It includes "core" Citi properties and has a presence in high-growth emerging markets around the world. Citicorp has worldwide deposit-taking capabilities that can be put to work with consumer and institutional customers in a diversified way to produce the highest returns, giving it a unique ability to deliver global capabilities locally and serve local clients globally. The principal Citicorp businesses, the Institutional Clients Group (ICG) and the Global Consumer Bank (GCB), are outlined in further detail below.

In 2015, Citicorp's UK business was almost entirely transacted on the books of CGML, CIL and Citibank NA London branch, the last of which falls outside the scope of these disclosures.

Institutional Clients Group (ICG)

Citi's ICG business comprises the following:

Markets and Securities Services

The main businesses within Markets and Securities Services are as follows:

- Commodities
- Credit
- Equities
- Foreign Exchange
- Rates
- Fixed Income Finance
- Multi Asset Group
- Prime Finance and Futures
- Securitised Markets

Banking

Citi's Banking business comprises the following:

- Capital Markets Origination (CMO)
- Corporate and Investment Banking
- Corporate Portfolio Management
- Private Bank
- Treasury and Trade Solutions (TTS)

CGML's business is almost entirely driven by Markets and Securities Services, CMO and Investment Banking based activity.

These business lines allow Citi to provide corporations, governments, institutions and investors with a broad range of products and services, including investment banking, securities trading, advisory services, foreign exchange, structured products, derivatives and lending.

CIL's business was driven by the following activity:

- Securities Services
- TTS
- Banking (including its Corporate Loans portfolio)
- Fixed Income (including Credit Trading).

CIL undertook fiduciary and custody services in the UK and through eight branches in Belgium, France, Greece, Netherlands, Ireland, Luxembourg, Spain and Sweden. These branches provided fiduciary and custody services predominantly to third party managed collective investment funds, with prime responsibility to safe-keep the funds' assets and to protect the interests of the associated investors. CEP is now responsible for providing these services going forward.

Citi Private Bank (CPB)

Citi Private Bank provides investment advice, financial planning and personalised wealth management products to high net worth clients.

CPB's strategy includes the provision of the full range of its Private Banking products and services through CEP's (formerly CIL's) extensive branch network. Marketing within the EEA is conducted generally on a cross-border basis from the UK, using the Banking Consolidation Directive passport. CPB had dedicated employees in CIL's Spain branch (now in CEP's Spain branch) and used CIL to book client accounts primarily for EU residents.

Global Consumer Bank (GCB)

CIL offered customer deposits (both current accounts and time deposits), savings accounts and market linked time deposits.

In addition, the GCB offered two further businesses through CIL, being the International Personal Bank (IPB) and the Non-Resident Indian (NRI) business. The IPB business serves higher net worth customers who may be international or based in the UK, while the NRI business caters for the Indian diaspora in the UK. The products offered by the IPB and NRI businesses include deposits, loan facilities and transactions in managed investments such as unit trusts and custodian services. These GCB services are now provided by CEP.

Citi Holdings

Citi Holdings is a group of non-core businesses that include attractive long-term businesses with strong market positions and certain residual assets held within a Special Asset Pool. However, they do not sufficiently enhance the capabilities of Citi's core business and in many ways compete for its resources.

Citi's management seeks to maximise the value of these businesses and has made substantial progress in divesting and exiting them. As at 31 December 2015, Citi Holdings held third party assets of $74 billion representing approximately 4% of Citi's total US GAAP (Generally Accepted Accounting Principles) assets. CGML's share of Holdings assets amounted to $0.3 billion.

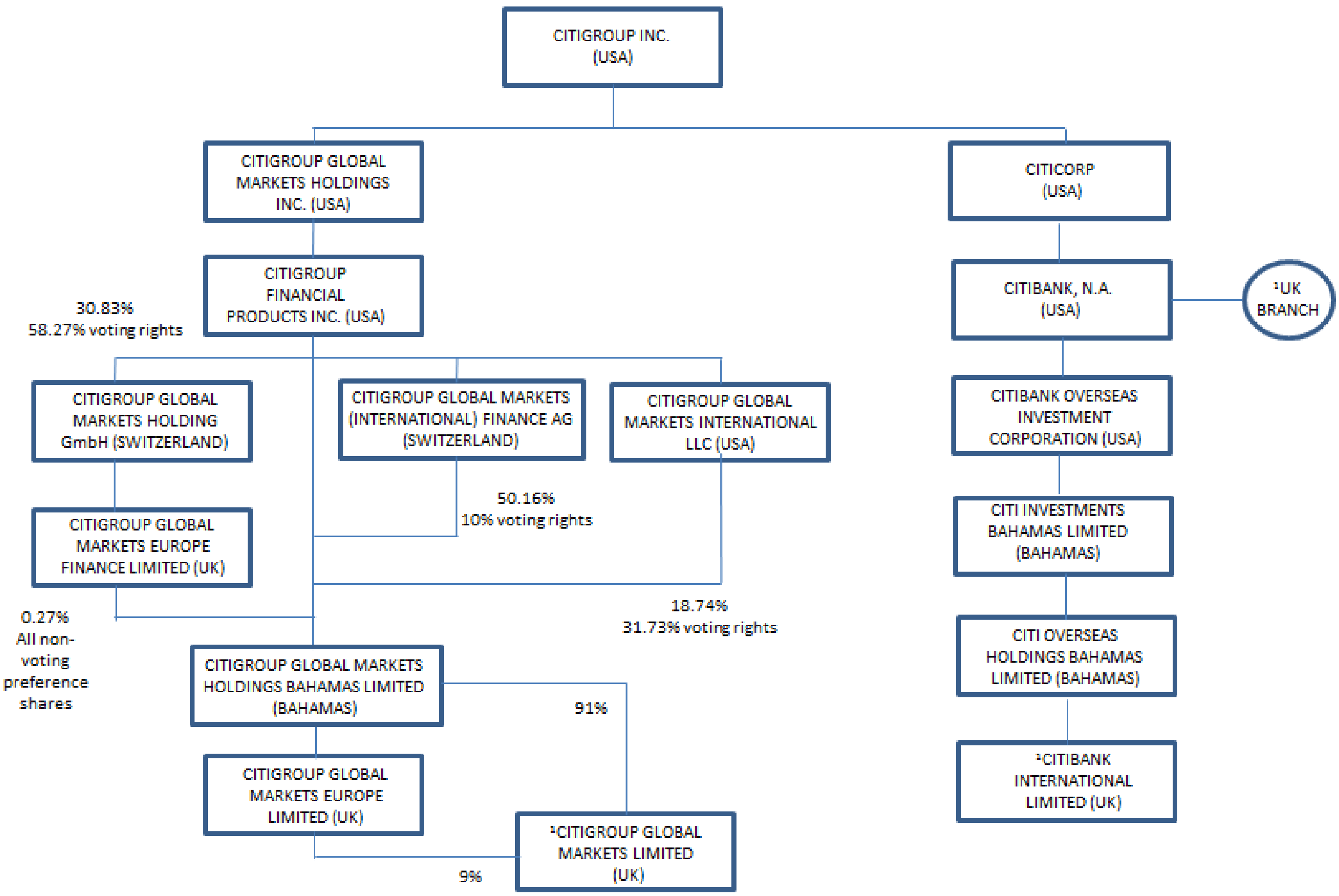
CIL also had a portfolio of held-to-maturity mortgage backed securities within the Special Asset Pool of $10 million which was overseen by Markets Treasury and will be divested when predetermined criteria are met.

Citibank, N.A.

Citi's principal banking (depository institution) subsidiary is Citibank, N.A., a national banking association, with offerings encompassing consumer finance, credit cards, mortgage lending and retail banking products and services; investment banking, commercial banking, cash management, trade finance and e-commerce products and services; and private banking products and services.

The following simplified organisation chart summarises the ownership structure of the PRA regulated UK legal vehicles as at 31 December 2015.

Figure 1: Extract from UK Organisation Chart as at 31 December 2015



Citibank International Limited
(i) Banking branches in: Austria, Belgium, Denmark, Finland, France, Greece, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Spain and Sweden;
(ii) Non-banking branches in Poland and Hungary;
(iii) Subsidiaries in England, Italy and Switzerland.

Citigroup Global Markets Limited
(i) Branches in: Czech Republic, France, Ireland, Israel, Italy, Spain, Switzerland and UAE;
(ii) Subsidiaries in: Monaco, Luxembourg and South Africa.

[1]Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority.

2. Risk Management Objectives and Policies

Citigroup believes that effective risk management is of primary importance to its overall operations. Accordingly, Citi's risk management process has been designed to monitor, evaluate and manage the principal risks it assumes in conducting its activities. Specifically, the activities that Citi engages in and the risks those activities generate must be consistent with Citi's underlying commitment to the principles of "Responsible Finance". For Citi, "Responsible Finance" means conduct that is transparent, prudent and dependable, and that delivers better outcomes for Citi's clients and society.

While the management of risk is the collective responsibility of all employees, Citi assigns accountability into three lines of defence:

- First line of defence: The business owns all of its risks, and is responsible for the management of those risks.
- Second line of defence: Citi's control functions (e.g., Risk, Compliance, etc.) establish standards for the management of risks and effectiveness of controls.
- Third line of defence: Citi's Internal Audit function independently provides assurance, based on a risk-based audit plan approved by Citi's Board of Directors that processes are reliable, and governance and controls are effective.

The Chief Risk Officer (CRO), working closely with the Citi Chief Executive Officer (CEO), established management committees, and with oversight from the Risk Management and Finance Committee of the Board of Directors, as well as the full Board of Directors, is responsible for:

- Establishing core standards for the management, measurement and reporting of risk;
- Identifying, assessing, communicating and monitoring risks on a company-wide basis;
- Engaging with senior management on a frequent basis on material matters with respect to risk-taking activities in the businesses and related risk management processes; and
- Ensuring that the Risk Management function has adequate independence, authority, expertise, staffing, technology and resources.

The Chief Risk Officer reports directly to the Citi CEO. The Risk Management organisation is structured so as to facilitate the management of risk across three dimensions: businesses, regions and critical products.

Each of the major business groups has a Business Chief Risk Officer who is the focal point for risk decisions such as setting risk limits or approving transactions in the business. There are Business Chief Risk Officers for Global Commercial, Global Consumer, the Institutional Clients Group and the Private Bank. The majority of the staff in Citi's independent Risk Management organisation report to these Business Chief Risk Officers.

Regional Chief Risk Officers, appointed in each of Asia, EMEA and Latin America, are accountable for all the risks in their geographic areas and are the primary risk contacts for the regional business heads and local regulators. In addition, there are Product Chief Risk Officers for a number of those risk areas of critical importance to Citi: currently fundamental credit, market and real estate risk, treasury, model validation and systemic risks. The Product Chief Risk Officers are accountable for the risks within their speciality and focus on specific issues across businesses and regions. The Product Chief Risk Officers serve as a resource to the Chief Risk Officer, as well as to the Business and Regional Chief Risk Officers, thereby better enabling them to focus on the day-to-day management of risks and responsiveness to business flow. There are also Chief Risk Officers for Citibank, N.A. and Citi Holdings as well as for the principal UK legal entities.

Each of the Business, Regional and Product Risk Officers, as well as the heads of groups in the Business Management team, report to Citi's Chief Risk Officer.

Within EMEA, the Regional Chief Risk Officer (EMEA CRO) acts as the CRO for CGML (and formerly CIL). The EMEA CRO reports directly to the Global CRO. The EMEA CRO role is formally inclusive of all divisions and aligned with the regional management structure to foster a more integrated approach to cross-divisional risks.

In order to facilitate the management of risk across the three dimensions (businesses, regions and products), the Office of the Chief Administrative Officer and Strategic Regulatory Relations focuses on re-engineering risk communications and relationships, including maintaining critical regulatory relationships.

Additionally, the following teams continue to provide support to the Risk Management function to ensure that the risk organisation has the appropriate infrastructure, processes and management reporting:

- The Country Risk Strategy and Optimisation group, which continues to enhance the risk capital model and ensure that it is consistent across all business activities;
- The Franchise Risk Architecture group, which ensures that Citi has integrated systems and common metrics, and thereby allows it to aggregate and stress test exposures across the institution; and
- The Operational Risk Management group, which oversees the management of operational risk across businesses and regions.

The Risk Committee for CGML (and likewise formerly CIL) assists the entity's Board in fulfilling its responsibilities including an oversight of the risks the entity faces, including its credit, market, liquidity, operational and certain other risks. The Committee ensures an alignment between entity strategy, capital adequacy, the macroeconomic environment and the development of a strategy to manage those risks in line with

Citi’s global risk strategy. The Risk Committee meets at a minimum quarterly and includes the executive and non-executive directors as well as representatives from Legal, Risk, Internal Audit, Compliance and Finance.

CGML's risk appetite framework includes principle-based qualitative boundaries to guide behaviour and quantitative boundaries within which the firm will operate, focusing on ensuring that it has sufficient capital resources in light of the risks to which the entity could be exposed. The legal entity risk appetite is set by the CGML Board, and incorporates management judgement regarding prudent risk taking and growth in light of the business environment within which the entity operates. The CGML Board of Directors, with input from senior Citi and CGML management, sets overarching expectations and holds management accountable for ensuring the risk profile remains within this appetite. Legal entity risk appetite considerations include assessments of current capital levels, planned capital actions and excess buffers or requirements.

A Citi-wide (including an EMEA-based) Business Practices Committee (BPC) (composed of regional senior management including the EMEA CRO) reviews practices involving potentially significant reputational or franchise issues. These committees review whether Citi’s business practices have been designed and implemented in a way that meets the highest standards of professionalism, integrity and ethical behaviour.

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

- The New Product Approval Committee (NPAC) is designed to ensure that significant risks, including reputational and franchise risks, in a new ICG product, service or complex transaction are identified and evaluated, determined to be appropriate, properly recorded for risk aggregation purposes, effectively controlled and have accountabilities in place.
- The Consumer Product Approval Committee (CPAC) approves new products, services, channels or geographies for GCB. Each region has a regional CPAC, and a global CPAC addresses initiatives with high anti money laundering (AML) risk or cross-border elements.
- The monthly UK Entity Risk and Control Forums hold monthly discussions with entity management around emerging risks facing Citi’s UK entities.
- The Investment Products Risk (IPR) Committee oversees two product approval committees that facilitate analysis and discussion of new retail investment products and services created and distributed by Citi.
- The Manufacturing Product Approval Committee (MPAC) is responsible for reviewing new or modified products or transactions created by Citi that are distributed to individual investors as well as third-party retail distributors.
- The Distribution Product Approval Committee (DPAC) approves new investment products and services, including those created by third parties as part of Citi’s “open architecture” distribution model, before they are offered to individual investors via Citi distribution businesses (e.g. Private Bank, Consumer, etc.).

CGML (and formerly CIL) senior management consider the Risk Management infrastructure as described in the subsequent chapters of this report as being adequate to capture and measure the risks taken as a result of the entities’ business profile and strategy.

The structure of the Risk Management organisation is set out in more detail in Figure 2. Figure 3 outlines the key capital metrics for both CGML and CIL as at 31 December 2015.

Figure 2: Risk Management Organisation

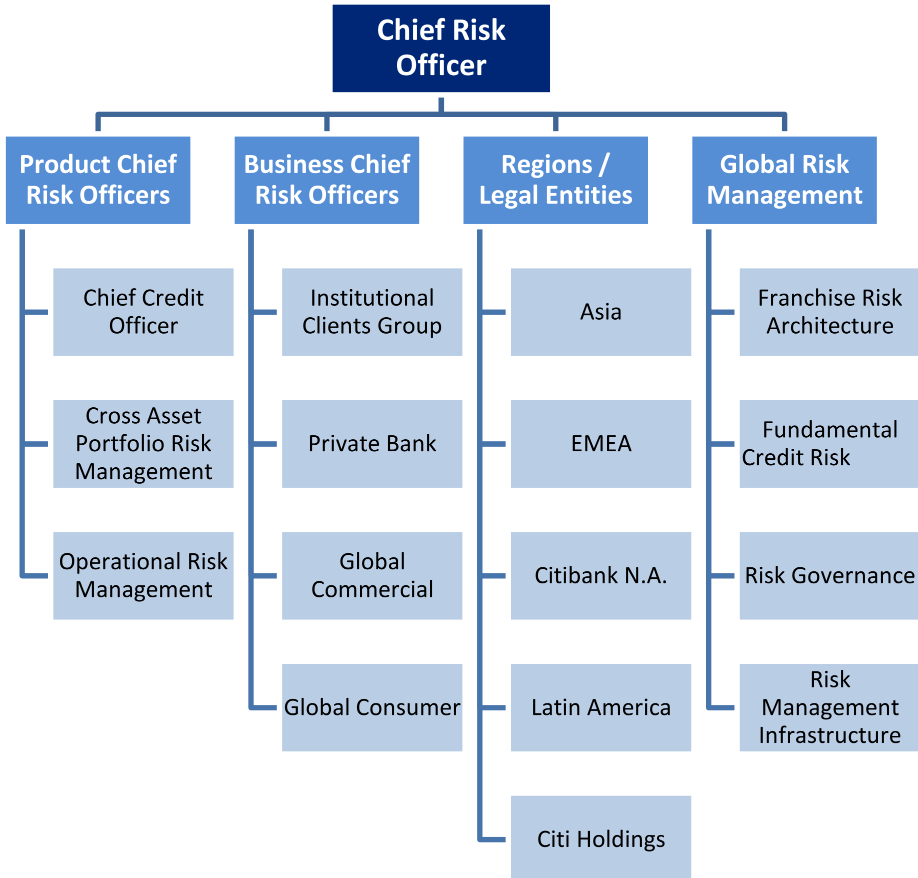


Figure 3: Key Metrics for CGML and CIL as at 31 December 2015

2.1 Credit Risk Management

Credit Risk Management Objectives and Policies

Credit risk is the potential financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit risk arises in many of Citi's business activities, including:

- wholesale and retail lending;
- repurchase agreements and reverse repurchase agreements;
- OTC derivative transactions;
- structured finance; and
- settlement and clearing activities.

An explanation of Citi's credit risk management policy can be found in "Managing Global Risk – Credit Risk" in Citi's 2015 Form 10-K, available on the Citigroup website.

Corporate Credit Risk

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

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

Consumer Credit Risk

Within GCB, credit risk management is responsible for establishing the Global Consumer Credit and Fraud 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 loan loss reserves and approving new products and new risks.

Scope and Nature of Risk Reporting and Measurement Systems

Citi uses a global risk reporting system to manage 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 are monitored and managed centrally at the portfolio level. The counterparty exposure profile for derivative counterparty credit risk is calculated using Monte Carlo simulation.

2.2 Market Risk Management

Market Risk Management covers the price risk in the firm's trading and accrual portfolios. There are policies in place governing the relevant methodologies for managing and measuring risk on both types of portfolio. The risk is then aggregated and reported on centralised risk systems.

Responsibility for hedging or otherwise mitigating market risk lies in the first instance with the business originating the risk. Risks taken must be commensurate with the risk appetite of the firm as set by senior management. The Risk Management function independently monitors market risks via a comprehensive system of limits and triggers.

Trading Portfolios

For traded product price risk, all traded risk exposures are aggregated in the CitiRisk Market Risk (CRMR) system daily. Price risk in Citi's trading portfolios is monitored using a series of measures, including but not limited to Value at Risk (VaR), stress testing and factor sensitivities.

CRMR is used as the primary engine to aggregate and calculate these measures, including the firm's VaR. VaR is monitored against limits on a daily basis, both at a global and legal entity level.

Accrual Portfolios

For accrual price risk, the risk is aggregated in a global system. Accrual risk exposures are fed into the system and risk reports are prepared by extracting the necessary data in the required form.

2.3 Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events, and includes reputation and franchise risk associated with business practices or market conduct.

Citi's operational risk is managed through a framework designed to balance strong corporate oversight with well-defined independent Risk Management. This framework, consistent with Citi's three lines of defence approach to risk Management, includes:

- recognised ownership of the risk by the businesses;
- oversight by Citi's independent control functions; and
- independent assessment by Citi's Internal Audit function.

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

Citi maintains a system of policies to anticipate, mitigate and control operational risk. A consistent framework has also been established for monitoring, assessing and communicating both operational risk and the overall operating effectiveness of the internal control environment. As part of this framework, Citi has a Manager's Control Assessment (MCA) process to help managers self-assess key operational risks and identify and address weaknesses in the design and operating effectiveness of related, mitigating internal controls.

Other tools include Operational Risk Scenario Analysis, a forward-looking tool to manage operational risk, involving the identification and assessment by business managers and risk management experts of potential events with low probability but high severity. In addition, the UK Business Risk and Control Committee (BRCC) provides a forum for escalation and reporting of internal control, compliance, regulatory and risk issues, including operational loss events.

2.4 Liquidity Risk Management

Liquidity risk is defined as the risk that the firm will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without adversely affecting either daily operations or its financial condition.

Citi operates as a centralised treasury model, where the overall balance sheet is managed by Treasury, through its Global Franchise and Regional Treasurers. The EMEA Regional Treasurer is supported by the UK Treasurer who is responsible for Citi's UK legal entities' balance sheets and liquidity profiles. The UK Treasurer heads the EMEA Markets Liquidity and Balance Sheet Management group, which includes a liquidity management team responsible for managing liquidity on a day to day basis. The liquidity management team is specifically responsible for the UK legal entities' daily funding, liquidity risk management, liquidity stress testing and oversight of the Fixed Income and Equity Finance desks (including setting and monitoring limits).

The UK legal entities adhere to the Citi Global Liquidity Risk Management Policy which requires it to define its liquidity risk appetite and operate limit and trigger structures to ensure compliance. CGML (and formerly CIL) are also required to comply with the European Commission Delegated Act (2015/16) which sets out certain regulatory qualitative and quantitative standards for managing liquidity. The liquidity position for CGML (and formerly CIL) is calculated and reported to senior management on a daily basis and reviewed formally by the UK Asset and Liability Committee (ALCO) and Board of Directors.

Liquidity Risk Management Framework

The UK legal entities' liquidity risk management frameworks are defined by Citi's Global Liquidity Risk Management Policy (Policy). The Policy establishes the standards for defining, measuring, limiting and reporting liquidity risk to ensure the transparency and comparability of liquidity risk taking activities and the establishment of an appropriate risk appetite.

The Policy is collectively owned by the Citi Treasurer and the Citi Chief Risk Officer and is applicable to Citigroup Inc. and its consolidated subsidiaries. The Policy and any material amendments to it must be approved by the Citigroup Board of Directors.

As a part of the global framework, the UK legal entities are required to prepare a detailed plan of their liquidity position which also considers a forecast of future business activities. This plan is called the Funding and Liquidity Plan (FLP) and it addresses strategic liquidity issues and establishes the parameters for identifying, measuring, monitoring and limiting liquidity risk and sets forth key assumptions for liquidity risk management.

In short, the FLP is a strategic implementation of the global framework which is divided into the following components:

- Contingency Funding Plan (CFP);
- Intra-day liquidity risk management plan; and
- Balance Sheet Funding and Liquidity Plan.

Each entity's FLP is prepared annually and the liquidity profile is monitored on an on-going basis and reported daily. Liquidity risk is monitored using various ratios and limits in accordance with the Liquidity Risk Management Policy for Citi. The FLP includes analysis of the balance sheet as well as of the economic and business conditions impacting the major operating subsidiaries in the UK. As part of the FLP, liquidity limits, liquidity ratios and assumptions for periodic stress tests are reviewed and approved.

Funding and Liquidity Risk Governance

The UK ALCO is the primary governance committee for the balance sheet management of the UK legal entities. Among its key responsibilities are:

- Oversight of market and liquidity risks, transfer pricing and balance sheet management across businesses;
- Evaluation of capital adequacy and oversight of regulatory constraints;
- Oversight of balance sheet trends and mix;
- Oversight of liquidity levels, structure, metrics and policies, including Contingency Funding Plans;
- Review and approval of the annual FLP;
- Management and oversight of local regulatory requirements related to the balance sheet, including liquidity and market risk regulations;
- Adherence to capital standards and determination of dividend repatriation recommendations; and
- Assessment of market conditions and the macro-economic environment.

Citi's UK management team and UK ALCO monitor changes in the economic environment and any corresponding impact to the asset quality of Citi's local and consolidated balance sheets. The UK ALCO also functions as a forum for senior management to ensure adherence to corporate wide policies and procedures, regulatory requirements and rating agency commitments.

The membership of the UK ALCO includes the UK Citi Country Officer (CCO), CGML Chief Executive Officer (CEO) (chair), UK Chief Financial Officer (CFO), UK Treasurer, EMEA Regional Treasurer, UK Legal Entity Risk Manager, Independent Treasury Market Risk, Financing Desk Heads and other key business and functional heads. The UK ALCO committee meets on a monthly basis.

External Liquidity Risk Management Metrics

From a regulatory perspective, CGML (and formerly CIL) monitors its liquidity position against the European Commission Liquidity Coverage Ratio (LCR) and the PRA's Individual Liquidity Guidance (ILG) which advises entities of the amount and quality of High Quality Liquid Assets which it considers is appropriate, having regard to their liquidity risk profile. Prior to 1 October 2015 the ILG referenced liquidity metrics reported under BIPRU (Prudential Sourcebook for Banks, Building Societies and Investment Firms), whereas from 1 October 2015 the ILG references the LCR and also covers liquidity risks to which the Company is exposed but which are not captured by the LCR.

CGML also monitors its position against the Net Stable Funding Ratio (NSFR), adopting Basel III guidelines. Final European Commission rules and standards for the NSFR have not yet been set.

The LCR is designed to promote short term resilience of an entity's liquidity risk profile by ensuring that it has sufficient high quality liquid assets to survive an acute stress scenario lasting 30 days. The NSFR has a time horizon of one year and has been developed to promote a sustainable maturity structure of assets and liabilities.

The key regulatory liquidity metrics used by the entities are summarised below:

Stress Test	**ILG**	**LCR**	**NSFR**
Time Horizon	3 months	30 days	1 year
Calculation	Liquid assets to net cash outflows	Liquid assets to net cash outflows	Stable funding resources to stable funding requirements

Throughout the year CGML and CIL were in compliance with their ILG and LCR requirements.

Further details relating to asset encumbrance can be found in Appendices 2 and 3.

Internal Liquidity Risk Management Metrics

From an internal perspective, the entities use two stress tests to monitor their liquidity position. The first stress test covers a 12 month survival horizon in a highly stressed market disruption scenario (S2), whilst the other covers a 30 days horizon in a severely stressed market disruption scenario with a loss of confidence in Citi (LCR Prime):

Highly Stressed Market Disruption Scenario (Referred to as S2) – This scenario assumes market, credit and economic conditions are moderately to highly stressed with potential further deterioration covering a one year period. Access to the unsecured wholesale funding market is severely constrained and assumed to be unavailable. Access to the wholesale secured financing markets is also assumed to be constricted with the level of access based on the underlying collateral type. Potential changes in counterparty haircut requirements and other relevant market factors are considered when determining expected liquidity value; the severity of these impacts takes into account the quality of the underlying asset, as well as the depth of the relevant market. Other than for highly liquid assets, access should be primarily limited to the rollover of existing activity.

As a consequence of these conditions, Citi's long term ratings are downgraded one notch from their current levels. Scenario modelling is designed to reflect these conditions, and where appropriate, potential operational, collateral and counterparty constraints are factored in.

Loss of Confidence/Severe Market Disruption Scenario (Referred to as LCR Prime) **–**This is a stressed cash flow used to measure the short term (30 calendar days) survival horizon under a severe loss of confidence (idiosyncratic event) and severe market disruption scenario. The LCR Prime metric is aligned to the LCR regulatory framework, but utilises internal assumptions which are most appropriate for managing short term liquidity risk.

Overall, the LCR Prime stress test is more severe than S2, with both Citigroup and each UK legal entity assumed to experience a three-notch downgrade to their long term ratings and a one-notch downgrade to their short term ratings in their respective stress tests. Additionally, CGML's ability to roll over existing secured financing transactions is limited to only the highest quality of securities. This is coupled with more conservative stress assumptions relating to CGML's Prime Brokerage business and a loss of liquidity from its top five liquidity providers.

These metrics are calculated and monitored on a universal currency basis and in the most material currencies that constitute CGML's (and formerly CIL's) balance sheet (EUR, GBP and USD).

Stress Test	**LCR Prime**	**S2**
Time Horizon	30 days	1 year
Calculation	Liquid assets to net cash outflows	Liquid assets to net cash outflows

Both LCR Prime and S2 internal liquidity metrics were in surplus as at 31 December 2015.

Liquidity Stress Testing and Scenario Analysis Framework

Citi's use of stress testing and scenario analysis is intended to quantify the potential impact of a liquidity event on an entity's balance sheet and liquidity position, and to identify viable funding alternatives that can be utilised. These scenarios include:

- potential significant changes in key funding sources;
- market triggers (such as credit rating downgrades);
- potential incremental funding requirements; and

- political and economic conditions, including standard and stressed market conditions as well as entity-specific events.

Some tests span liquidity events over a full year while others may cover a more intense shock over a shorter period such as 30 days. These tests can identify potential mismatches between liquidity sources and uses over a variety of time horizons, and liquidity limits are set accordingly. The stress tests and potential mismatches may be calculated with varying frequencies, with several important tests performed daily. They are also performed for the material currencies that constitute the UK legal entities' balance sheets.

The stress testing framework ensures that sufficient contingent liquidity is maintained (the liquidity pool of highly liquid assets mentioned above) after considering the impact of key liquidity risks including:

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

Given the range of potential stresses, Citi maintains a series of contingency funding plans on a consolidated basis as well as for individual entities, including CGML and formerly CIL. The Contingency Funding Plan (CFP) is a key component of the global framework and it incorporates the management plan of contingent actions in the event of a crisis. An entity's CFP includes the "playbook" for addressing liquidity and funding challenges in crisis situations, triggers, procedures, roles and responsibilities, communication plan and key contact list to manage a liquidity event. The CFP defines a crisis committee responsible for decision making and execution of contingency plans to address both short-term and longer term disruptions in funding sources.

2.5 Conduct Risk Management

Citi manages conduct risk through the three lines of defence. For Citi, conduct risk is the risk that Citi's employees or agents may – intentionally or through negligence – harm customers, clients or the integrity of the markets, and thereby the integrity of the firm. Each employee in each line of defence is guided by Citi's Mission and Value Proposition – through which Citi asks its employees to ensure that their decisions are in clients' interests, create economic value and are always systemically responsible – and the principle of Responsible Finance – conduct that is transparent, prudent, and dependable. Citi's Leadership Standards, which are aligned with its Mission and Value Proposition, outline Citi's expectations of employees' behavior, and employees' performance is evaluated against those standards. Citi's businesses and functions are responsible for managing their conduct risks. Compliance advises Citi's businesses and other functions on conduct risks and associated controls. Internal Audit, among other things, assesses the adequacy and effectiveness of Citi's management of and controls for conduct risk.

In 2015, Citi issued a Conduct Risk Policy to further the objectives of its Compliance-led Conduct Risk Program, which was established in 2014 to enhance Citi's culture of compliance and control through the management, minimisation and mitigation of conduct risk. Citi uses the Manager's Control Assessment process – a process by which managers at Citi identify, monitor, measure, report on, and manage risks – to assess the design and operation of controls that are utilized to manage the institution's conduct risks. Citi also manages its conduct risk through other initiatives, including various culture-related efforts. The Conduct Risk Program is headed by the Global Head of Conduct, Governance and Emerging Risk Management, who is part of Compliance, and overseen by the Conduct Risk Steering Committee, which comprises senior representatives from businesses and functions.

3. Capital Resources

Under the PRA's minimum capital standards, the regulated UK legal entities are required to maintain a prescribed excess of capital resources over their capital resources requirements. Capital resources are measured and reported in accordance with the provisions of the Capital Requirements Regulation (CRR) Part 2.

Regulatory capital resources comprise the following distinct elements for CGML and CIL:

- Common Equity Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and capital reserves;
- Tier 2 Capital, which includes Long Term Subordinated Debt;
- Deductions from capital, which include:
  - intangible assets;
  - certain securitisation and free delivery positions;
  - defined benefit pension assets;
  - prudent valuation adjustments;
  - fair value gains and losses on derivative liabilities resulting from own credit standing; and
  - deferred tax balances relying on future profitability.

The following tables show the regulatory capital resources of CGML and CIL as at 31 December 2015 and 31 December 2014.

Table 1: Capital Resources as at 31 December 2015

	CGML US$ Million	CIL US$ Million
Common Equity Tier 1 Capital		
Paid up capital instruments*	1,500	2,604
Share premium*	0	95
Retained earnings*	1,958	(609)
Other reserves*	9,989	1,818
Common Equity Tier 1 Capital before regulatory adjustments	**13,447**	**3,908**
Deductions		
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	173	3
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	0	12
Value adjustments due to the requirements for prudent valuation	78	3
Goodwill	0	21
Other intangible assets	223	312
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0	34
Defined benefit pension fund assets	446	0
Securitisation positions	188	0
Free deliveries	0	0
CET1 capital elements or deduction- Other	4	37
Total regulatory adjustments to Common Equity Tier 1	1,112	422
Total Common Equity Tier 1 Capital	**12,335**	**3,486**
Tier 1 Capital Ratio	12.0%	16.8%
Additional Tier 1 Capital	0	0
Total Additional Tier 1 Capital	**0**	**0**
Tier 2 Capital		
Paid up capital instruments and subordinated loans	5,438	0
Standardised approach general credit risk adjustments	0	53
Total Tier 2 Capital	**5,438**	**53**
Total Capital Resources, Net of Deductions	**17,773**	**3,539**

*As per CGML and CIL audited Financial Statements for the year ended 31 December 2015.

Table 2: Capital Resources as at 31 December 2014

	CGML US$ Million	CIL US$ Million
Common Equity Tier 1 Capital		
Paid up capital instruments*	1,500	2,738
Share premium*	0	100
Retained earnings*	1,372	(829)
Other reserves*	9,989	1,835
Common Equity Tier 1 Capital before regulatory adjustments	**12,861**	**3,844**
Deductions		
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	279	3
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	0	12
Value adjustments due to the requirements for prudent valuation	88	3
Goodwill	0	22
Other intangible assets	217	294
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	29	26
Defined benefit pension fund assets	97	0
Securitisation positions	204	0
Free deliveries	16	0
CET1 capital elements or deduction- Other	4	39
Total regulatory adjustments to Common Equity Tier 1	932	399
Total Common Equity Tier 1 Capital	**11,929**	**3,445**
Tier 1 Capital Ratio	10.8%	17.4%
Additional Tier 1 Capital	0	0
Total Additional Tier 1 Capital	**0**	**0**
Tier 2 Capital		
Paid up capital instruments and subordinated loans	4,080	0
Standardised approach general credit risk adjustments	0	82
Total Tier 2 Capital	**4,080**	**82**
Total Capital Resources, Net of Deductions	**16,009**	**3,527**

*As per CGML and CIL audited Financial Statements for the year ended 31 December 2014.

4. Capital Adequacy

The firm's UK legal entities comply with the CRD IV minimum capital requirements to ensure that sufficient capital is maintained to cover all relevant risks and exposures. For this purpose, the firm calculates capital charges for market risk, counterparty risk and operational risk based upon a number of internal models and standardised approaches, as well as recognising a number of credit risk mitigation techniques in calculating the charges for credit and counterparty risk.

To assess the adequacy of capital to support current and expected future activities, the firm produces regular capital forecasts for all the main entities, taking into account both normal business conditions and a variety of stressed scenarios. As part of this process, the firm maintains an Internal Capital Adequacy Assessment Process (ICAAP) document which reviews the firm's risk appetite, capital requirements and associated policies and procedures.

CRD IV also introduces the leverage ratio as an additional capital requirement. The ratio is calculated by dividing Tier 1 capital by the total leverage exposure. The management of leverage risk for CGML and CIL is discussed in more detail in Section 4.1.

The following tables set out each entity's Pillar 1 minimum capital requirements in respect of market risk, credit risk, counterparty risk, concentration risk and operational risk as at 31 December 2015 and 31 December 2014. The Risk Weighted Assets (RWAs) from which these requirements are calculated have also been presented in the tables.

Table 3: Minimum Capital Requirements as at 31 December 2015

	Capital Required		RWAs	
	US$ Millions	US$ Millions	US$ Millions	US$ Millions
	CGML	CIL	CGML	CIL
Counterparty and dilution risks and free deliveries	3,137	83	39,210	1,033
Credit risk	54	1,167	681	14,583
Contributions to the default fund of a CCP	37	0	458	5
Settlement / delivery risk	11	7	135	89
Traded debt instruments	1,042	68	13,019	849
Equity	639	0	7,987	0
Foreign exchange	66	19	831	241
Commodities	123	0	1,541	0
Position, foreign exchange and commodities risks under internal models	1,150	0	14,370	0
Operational risk	1,500	275	18,750	3,437
Credit valuation adjustment	483	36	6,038	454
Large exposures in the trading book	0	0	0	0
Total	**8,242**	**1,655**	**103,019**	**20,690**

Table 4: Minimum Capital Requirements as at 31 December 2014

	Capital Required		RWAs	
	US$ Millions	US$ Millions	US$ Millions	US$ Millions
	CGML	CIL	CGML	CIL
Counterparty and dilution risks and free deliveries	3,103	62	38,782	775
Credit risk	84	1,217	1,046	15,213
Contributions to the default fund of a CCP	54	1	676	7
Settlement / delivery risk	6	0	75	0
Traded debt instruments	1,083	72	13,538	904
Equity	717	0	8,965	3
Foreign exchange	50	17	623	218
Commodities	175	0	2,182	0
Position, foreign exchange and commodities risks under internal models	1,814	0	22,678	0
Operational risk	1,500	191	18,750	2,388
Credit valuation adjustment	217	19	2,707	231
Large exposures in the trading book	0	7	0	92
Total	**8,803**	**1,587**	**110,022**	**19,834**

The following tables show each entity's minimum capital requirements for credit risk under the standardised approach as at 31 December 2015 and 31 December 2014, at 8% of the risk weighted exposure amounts for each of the standardised credit risk exposure classes. Please note that capital requirements in respect of counterparty risk are included in the previous tables.

Table 5: Minimum Capital Requirements in respect of Credit Risk under the Standardised Approach as at 31 December 2015

	Capital Required		RWAs	
	CGML	**CIL**	**CGML**	**CIL**
	US$ Millions	**US$ Millions**	**US$ Millions**	**US$ Millions**
Central governments and central banks	0	65	0	812
Regional governments and local authorities	0	0	0	4
Public sector entities	0	6	0	77
Multilateral development banks	0	0	0	0
International organisations	0	0	0	0
Institutions	12	41	153	518
Corporates	10	1,039	131	12,990
Retail	0	1	0	6
Secured by mortgages on immovable property	0	0	0	0
In default	0	0	0	0
Particularly high risk	0	0	0	0
Covered bonds	0	0	0	0
Securitisation positions	0	0	0	0
Institutions and corporates with a short-term credit assessment	13	0	166	2
Collective investment undertakings	0	0	0	0
Equity exposures	2	0	26	0
Other	16	14	204	172
Total	**54**	**1,167**	**681**	**14,583**

Table 6: Minimum Capital Requirements in respect of Credit Risk under the Standardised Approach as at 31 December 2014

	Capital Required		RWAs	
	CGML	**CIL**	**CGML**	**CIL**
	US$ Millions	**US$ Millions**	**US$ Millions**	**US$ Millions**
Central governments and central banks	0	1	0	10
Regional governments and local authorities	0	0	0	6
Public sector entities	0	3	0	40
Multilateral development banks	0	0	0	0
International organisations	0	0	0	0
Institutions	2	86	26	1,075
Corporates	26	1,145	325	14,311
Retail	0	1	0	13
Secured by mortgages on immovable property	0	0	0	3
In default	0	0	0	1
Particularly high risk	0	0	0	0
Covered bonds	0	0	0	0
Securitisation positions	0	8	0	104
Institutions and corporates with a short-term credit assessment	31	0	387	1
Collective investment undertakings	0	0	0	1
Equity exposures	3	0	36	0
Other	22	34	272	429
Total	**84**	**1,279**	**1,046**	**15,992**

4.1 Leverage Ratio

In accordance with CRD IV, the leverage ratio for CGML and CIL is calculated by dividing Tier 1 capital by the total of the entities' on and off-balance sheet exposures.

In January 2015, the EU's Official Journal published details of the European Commission's adoption of a delegated act for defining the leverage ratio for EU institutions. These definitions were adopted by CGML and CIL effective for March 2015 quarter end reporting.

The leverage ratio is a monitoring tool which will allow competent authorities to assess the risk of excessive leverage in their respective institutions. It aims to constrain the build-up of excess leverage in the banking sector.

The requirement for the calculation and reporting of the leverage ratio has been implemented in the EU for reporting and disclosure purposes but currently this is not set as a binding requirement. The leverage ratio during this transitional phase is set at a minimum ratio of 3%. The full CRDIV implementation is expected to be effective from 1 January 2018.

Following amendments to the leverage ratio calculation methodology on the adoption of Regulation (EU) 2015/62, CGML and CIL's ratios declined year on year. The changes in the calculation method resulted in increases in the leverage ratio exposure, as both an additional exposure for credit derivatives and balance sheet asset values for SFTs were included in the calculation of the leverage ratio exposure.

On 6 April 2016 the Basel Committee on Banking Supervision (BCBS) published a consultation paper on the Leverage Ratio, with final comments due by 6 July 2016. Among the areas subject to proposed revision in this consultative document are:

- measurement of derivative exposures;
- treatment of regular-way purchases and sales of financial assets;
- treatment of provisions;
- credit conversion factors for off-balance sheet items; and
- additional requirements for global systemically important banks.

The final design and calibration of the proposals will be informed by a comprehensive quantitative impact study and as such no account has been taken of these proposed revisions in these ratios.

The leverage ratio for CGML and CIL as defined by the most recent CRDIV requirements is set out in Table 7 below.

4.1.1 Management of Leverage Risk

The following points describe CGML's (and formerly CIL's) approach to managing the risk of excessive leverage.

- Daily Capital Monitoring: this is conducted for CGML's (and formerly CIL's) capital ratios (Common Equity Tier 1 (CET1), Tier 1 and total capital ratios). The excess capital over Pillar 1 and Pillar 2 requirements (including the Individual Capital Guidance and Capital Planning Buffer) and over the internal Capital Action Trigger, are also monitored daily. The latter is an internal trigger set to ensure that the entity holds enough of a capital excess to permit timely management decisions in case of unforeseen short term circumstances.
- Legal Entity Capital Limits: For CGML there are both legal entity capital usage limits and business specific regulatory capital targets. These limits and targets are subject to detailed monitoring and review by both business and finance subject matter experts and reported to senior management on a weekly basis.
- Balance Sheet and Regulatory Capital Quarterly Reforecasts: For CGML there are quarterly reforecasts of the Pillar 1 requirements for all businesses. These forecasts are owned by the businesses and are vetted by the regional Markets head.
- All the above tools are monitored and controlled through the monthly UK ALCO process. The UK ALCO is the primary governance committee for the management of CGML's balance sheet. Amongst the responsibilities of the UK ALCO are the provision of balance sheet oversight of trends and mix, ensuring prudent legal entity balance sheet management and overseeing the local regulatory requirements related to the balance sheet. The UK ALCO is also responsible for approving CGML's FLP on an annual basis.
- Stress Testing: On a weekly basis, the trading books of the entities are stress tested for market risk across a range of scenarios. A trigger has been set for the largest loss of the three 1-in-25 year scenarios that are run weekly, and potential stress losses above this trigger will be escalated to the entity CEO, CRO and Treasurer.

Table 7: Leverage Ratio as at 31 December 2015 and 31 December 2014

	2015	2015	2014	2014
	CGML	CIL	CGML	CIL
	US$ Millions	US$ Millions	US$ Millions	US$ Millions
Securities Financing Transaction Exposure				
Balance Sheet assets exposure value for SFTs	93,645	8,898	0	0
Add-on for counterparty credit risk	23,535	0	48,246	1
Total Securities Financing Transaction Exposure	117,180	8,898	48,246	1
Derivative Exposure				
Current replacement cost	17,579	672	17,929	416
Add-on for Mark-to-Market Method	103,772	690	118,502	743
Written Credit Derivatives	13,668	0	0	0
Total Derivative Exposure	135,019	1,361	136,431	1,159
On-Balance Sheet Exposures (excluding derivatives and SFTs)				
On-Balance Sheet Items	63,440	21,436	53,604	23,124
Asset amounts deducted from tier 1 capital	(673)	(371)	(347)	(381)
Total On-Balance Sheet Exposures (excluding derivatives and SFTs)	62,767	21,065	53,257	22,743
Off-Balance Sheet Exposures	0	9,974	0	10,699
Total Off-Balance Sheet Exposures	0	9,974	0	10,699
Total Leverage Exposure	**314,966**	**41,298**	**237,934**	**34,602**
Tier 1 Capital	**12,335**	**3,486**	**11,929**	**3,445**
Leverage Ratio	**3.92%**	**8.44%**	**5.01%**	**9.96%**

5. Credit Risk

5.1 Credit Risk Management

5.1.1 Overview

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit risk arises in many of Citigroup's business activities, as outlined in 2.1.

5.1.2 Corporate Credit Risk

For corporate clients and investment banking activities across the organisation, the credit process is grounded in a series of fundamental policies, as outlined in 2.1.

Wholesale exposures are classifiably-managed (individually rated) and retail exposures are delinquency-managed (portfolio based). Wholesale exposures are primarily found in ICG (including Citi Private Bank), as well as Corporate Treasury. Additionally, classifiably-managed exposures are found in certain commercial business lines within GCB and Citi Holdings. Typical financial reporting categories that include wholesale exposures are deposits with banks, debt securities held-to-maturity or available-for-sale, loans and off-balance sheet commitments such as unused commitments to lend and letters of credit.

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

For regulatory capital purposes, standardised risk weights are applied for wholesale credit risk.

Use of Risk Parameter Estimates

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

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

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

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

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

As discussed above, Citi's wholesale exposures primarily relate to activities in the ICG. Citi's ICG businesses that incur credit, market, operational and franchise risk are covered by an ICG Risk Management manual (ICG Risk Manual) which sets forth the ICG's core risk principles, policy framework, limits, definitions, rules and standards for identifying, measuring, approving and reporting risk.

Obligors are assigned a risk rating through a process governed by the ICG Risk Manual. Total facilities to an obligor are also approved in accordance with the ICG Risk Manual. The ICG Risk Manual requires an annual comprehensive analysis of each obligor and all proposed credit exposures to that obligor.

Independent Risk Management periodically reviews exposures across the banking book and trading book portfolios to ensure compliance with various limit and concentration constructs. Quarterly reviews are conducted of certain high risk exposures in the ICG.

5.1.3 Consumer Credit Risk

Within the Global Consumer Bank, Credit Risk Management is responsible for establishing the Global Consumer Credit and Fraud 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 loan loss reserves and approving new products and new risks.

5.1.4 Counterparty Risk

An assessment of the risk that a counterparty will not fulfil its financial obligations is fundamental to the bank's management of counterparty credit risk. The process for approving a counterparty's risk exposure limits is two-fold: guided by the core credit policies, procedures and standards and by the experience and judgement of credit risk professionals. These credit policies are applied across the firm's ICG businesses – see further information in Section 5.2.

5.1.5 Credit Risk Procedures

Credit risk principles, policies and procedures typically require:

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

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

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

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

5.1.6 Credit Risk Mitigation

As part of its risk management activities, the firm uses various risk mitigants to hedge portions of the credit risk in its portfolio, in addition to outright asset sales.

The utilisation of collateral is of critical importance in the mitigation of risk. In-house legal counsel, in consultation with approved external legal counsel, will determine whether collateral documentation is enforceable and gives the firm the right to liquidate or take possession of collateral in a timely manner in the event of the default, insolvency, bankruptcy or other defined credit event of the obligor.

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

Netting is generally permitted for the following types of transaction:

- Securities Financing Transactions (SFTs);
- Exchange Traded Derivatives (ETDs);
- Over The Counter (OTC) derivative transactions; and
- In some cases, certain margin lending transactions subject to margin loan agreements.

Roughly 85% of the collateral taken by CGML against OTC derivative exposures is in the form of cash. In respect of SFTs, the majority of the collateral is in the form of:

- cash;
- long-term debt securities rated one category below investment grade or better;
- investment grade short-term debt securities; or
- public equity securities.

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

5.1.7 Impairment

Corporate loans are identified as impaired and placed on a cash (non-accrual) basis when it is determined, based on actual experience and a forward-looking assessment of the collectability of the loan in full, that the payment of interest or principal is doubtful or when interest or principal is 90 days past due, except when the loan is well collateralized and in the process of collection. Any interest accrued on impaired corporate loans is reversed at 90 days and charged against current earnings, and interest is thereafter included in earnings only to the extent actually received in cash. When there is doubt regarding the ultimate collectability of principal, all cash receipts are thereafter applied to reduce the recorded investment in the loan. For payment-in-kind (PIK) corporate loans placed on non-accrual, PIK interest would not be accrued or added to the reported principal balance.

Impaired corporate loans are written down to the extent that principal is judged to be uncollectible. Impaired collateral-dependent loans, where repayment is expected to be provided solely by the sale of the underlying collateral and there are no other available and reliable sources of repayment, are written down to the lower of cost or collateral value. Cash-basis loans are returned to an accrual status when all contractual principal and interest amounts are reasonably assured of repayment and there is a sustained period of repayment performance in accordance with the contractual terms.

Impairment is described in more detail in Section 5.3.

5.1.8 Internal Economic Capital

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

5.1.9 Credit Valuation Adjustments

Credit Valuation Adjustments (CVA) and, Funding Valuation Adjustments (FVA) are applied to OTC derivative instruments in which the base valuation generally discounts expected cash flows using the relevant base interest rate curve for the currency of the derivative (e.g., LIBOR for uncollateralized U.S.Dollar derivatives). As not all counterparties have the same credit risk as that implied by the relevant base curve, a CVA is necessary to incorporate the market view of both counterparty credit risk and Citi's own credit risk in the valuation. FVA reflects a market funding risk premium inherent in the uncollateralised portion of derivative portfolios and in collateralised derivatives where the terms of the agreement do not permit the reuse of the collateral received.

Citi's CVA and FVA methodology is composed of two steps.

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

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

5.1.10 Wrong Way Risk

A number of the UK legal vehicles incur both general and specific wrong way risk in their business. Wrong way risk (WWR) occurs when a movement in a market factor causes Citi's exposure to a counterparty to increase at the same time as the counterparty's capacity to meet its obligations is decreasing. Stated differently, WWR occurs when exposure to a counterparty is negatively correlated with the credit quality of the counterparty. There are two main types of WWR:

- Specific WWR arises when the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty.
- General WWR is less definite than specific WWR and occurs where the credit quality of the counterparty is subject to impairment due to changes in macroeconomic factors.

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

Citi requires that transactions involving specific WWR, as well as highly correlated WWR, are approved by independent Risk Management prior to commitment, along with post-trade ongoing risk reporting and reviews by senior management to determine appropriate management and risk mitigation. Risk mitigants for specific WWR transactions include increased margin requirements and offsetting or terminating transactions.

Citi's WWR policy further uses ongoing product stress testing to identify potential general WWR using simulated macro-economic scenarios. General WWR reports are reviewed on an ongoing basis by senior management to determine appropriate management and mitigation.

5.1.11 Credit Ratings Downgrade

CGML is party to collateralised OTC derivative contracts in which a downgrade of the firm will give rise to the obligation to post additional collateral to the counterparty.

The actual amount of collateral which CGML would be required to provide to third parties in such an event depends on the net exposure to those counterparties at that time and varies according to the current market value of the contracts outstanding.

These risks are captured as part of Citi's liquidity risk management framework.

5.2 Counterparty Risk

The following tables summarise the counterparty credit risk exposures arising from OTC derivatives held by CGML and CIL as at 31 December 2015 and 31 December 2014, indicating the benefits of legally enforceable netting agreements and collateral arrangements.

Table 8: OTC Derivative Exposures as at 31 December 2015

	Exposure	
	CGML	**CIL**
	US$ Millions	**US$ Millions**
Gross positive fair value of contracts	379,924	1,814
Netting benefits	(323,918)	(311)
Netted credit exposure	56,006	1,502
Benefits of modelling collateral	(20,986)	(156)
Net derivatives credit exposure	**35,020**	**1,346**

Table 9: OTC Derivative Exposures as at 31 December 2014

	Exposure	
	CGML	**CIL**
	US$ Millions	**US$ Millions**
Gross positive fair value of contracts	458,233	3,133
Netting benefits	(410,839)	(1,598)
Netted credit exposure	47,394	1,535
Benefits of modelling collateral	(16,935)	(170)
Net derivatives credit exposure	**30,459**	**1,365**

5.2.1 Counterparty Credit Risk Exposures

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

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

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

- Potential Future Exposure;
- Probability of Default; and
- Loss at Default.

Repo-style transactions consist of repurchase or reverse repurchase transactions, or securities borrowing or securities lending transactions, including transactions in which Citi acts as agent for a customer and indemnifies the customer against loss, and are based on securities taken or given as collateral, which are marked-to-market, generally daily. Eligible margin loans are extensions of credit collateralised by liquid and readily marketable debt or equity securities, or gold, which also satisfy other conditions under the CRD IV rules.

5.2.2 Methodology Used to Assign Credit Limits

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

- core credit policies;
- procedures and standards;
- experience and judgement of credit risk professionals; and
- the amount of exposure at risk.

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

While internal ratings are the starting point in establishing credit assessments, a range of factors, such as quality of management and strategy, nature of industry and regulatory environment, among others, are also taken into consideration for obligor limits and approval levels. Exposure to credit risk on derivatives is also impacted by market volatility, which may impair the ability of clients to satisfy their obligations to Citi. Credit risk analysts conduct daily monitoring versus limits and any resulting issues are escalated to credit officers and business management as appropriate. Usage against the credit limits may reflect netting agreements and collateral.

5.2.3 Counterparty Credit Risk Capital Calculations

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

For OTC derivatives, CGML uses two approaches: IMM and CEM (as mentioned in 5.2.1). For IMM, the firm uses a constant covariance Monte Carlo simulation of potential future exposure to determine an expected positive exposure (EPE) measure as an input to Citi's EAD calculation. The model is calibrated with historical volatilities subject to a set of independent internal validation and statistical back-testing standards. The model utilises a standard supervisory alpha multiplication factor of 1.4. For those positions which fall outside of the scope of the firm's IMM model permission, CGML uses the CEM approach. This method assigns to each transaction a regulatory stipulated exposure based on the mark-to-market value and a measure of potential future exposure which is a percentage of notional driven by residual maturity and the type of contract, i.e. interest rate, equities etc.

CIL used CEM for its entire counterparty credit risk exposures.

Netting agreements and margin collateral may be recognised as credit risk mitigants provided they meet certain eligibility criteria as described below.

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

5.2.4 Derivative Master Netting Agreements

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

Citi considers the level of legal certainty regarding enforceability of its offsetting rights under master netting agreements and credit support annexes to be an important factor in its risk management process. For example, Citi generally transacts much lower volumes of derivatives under master netting agreements where Citi does not have the requisite level of legal certainty regarding enforceability. For further information on Citi's policies regarding master netting agreements, see Note 23- "Derivative Activities" in the Notes to the Consolidated Financial Statements of Citi's 2015 Form 10-K.

5.2.5 Policies for Securing, Valuing and Managing Collateral

Citi's policies and procedures cover management and governance of financial assets (including securing and valuing collateral) utilised for the purpose of mitigating the credit risk of OTC derivatives, repo-style transactions and eligible margin loans. Specifically, businesses are required to establish standard eligibility criteria for collateral usage and review processes for approving non-standard collateral. Industry standard legal agreements combined with internal reviews for legal enforceability are used to achieve a perfected security interest in the collateral. Additionally, Risk Management establishes guidelines on appropriate collateral haircuts related to repo-style transactions and eligible margin loans. A haircut is the percentage of reduction in current market value applicable to each type of collateral and is largely based on liquidity and price volatility of the underlying security. Potential correlations between the exposure and the underlying collateral are reflected through the setting of appropriately greater haircuts.

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

Additionally, for eligible margin loans, procedures are established to ensure an appropriate level of allowance for credit losses.

5.2.6 Primary Types of Collateral

Cash collateral and security collateral in the form of G10

(Group of Ten) government debt securities are generally posted to secure the net open exposure of OTC derivative transactions, at a counterparty level, whereby the receiving party is free to co-mingle or re-hypothecate such collateral in the ordinary course of business. Non-standard collateral, such as corporate bonds, municipal bonds, U.S. agency securities and mortgage-backed securities, may also be pledged as collateral for OTC derivative transactions. Collateral posted to open and maintain a master netting agreement with a counterparty in the form of cash and securities may from time to time be segregated in an account at a third-party custodian pursuant to a tri-party account control agreement.

With respect to SFTs, the majority of the collateral is in the form outlined in 5.1.6.

5.2.7 Credit Default Swap Activity

The tables below set out the notional value of CGML's CDS transactions as at 31 December 2015 and 31 December 2014. CDS activity carried out by CIL was not material.

Table 10: Notional Value of CGML's CDS Transactions as at 31 December 2015

	Protection Bought	Protection Sold
	US$ Millions	**US$ Millions**
Index CDS	181,787	181,610
Single name and other CDS	284,130	283,635
Total	**465,917**	**465,244**

Table 11: Notional Value of CGML's CDS Transactions as at 31 December 2014

	Protection Bought	Protection Sold
	US$ Millions	**US$ Millions**
Index CDS	310,515	310,996
Single name and other CDS	352,185	352,729
Total	**662,700**	**663,725**

5.3 Credit Risk

5.3.1 Credit Exposures

The total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation are set out below as at 31 December 2015 and 31 December 2014 for each major operating entity. These exposures include both banking book and trading book activity and have been calculated in accordance with the regulatory requirements applicable to the respective legal entities.

Please note that CGML's OTC derivative exposures covered by its IMM permission are shown net of credit risk mitigation in the table below. Further information on the benefits of netting and collateral for these positions is shown in section 5.2. SFT exposures are shown gross, without any benefits of credit risk mitigation.

Credit exposures in the Figures in Section 5.3 include unused commitments and potential future credit exposure for derivative contracts based on Risk Management data.

Table 12: Credit Exposures as at 31 December 2015

	31-Dec-15	**2015 Average**
Legal Entity	**US$ Millions**	**US$ Millions**
CGML	288,193	286,630
CIL	47,741	45,217

Table 13: Credit Exposures as at 31 December 2014

	31-Dec-14	**2014 Average**
Legal Entity	**US$ Millions**	**US$ Millions**
CGML	269,793	272,802
CIL	48,104	47,553

5.3.2 Credit Risk Breakdown by Geography

The following charts set out the geographical distribution of credit exposures for CGML as at 31 December 2015 and 2014, broken down by sector.

Figure 4: CGML – Geographical Analysis as at 31 December 2015

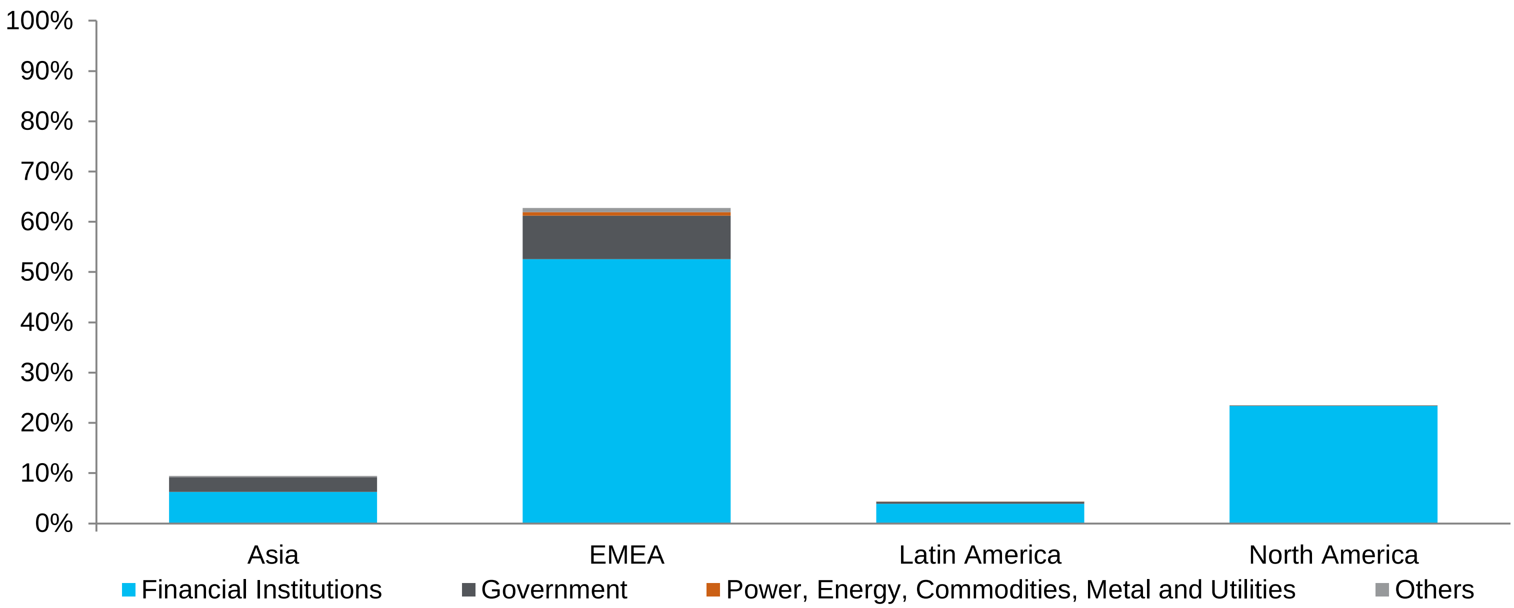
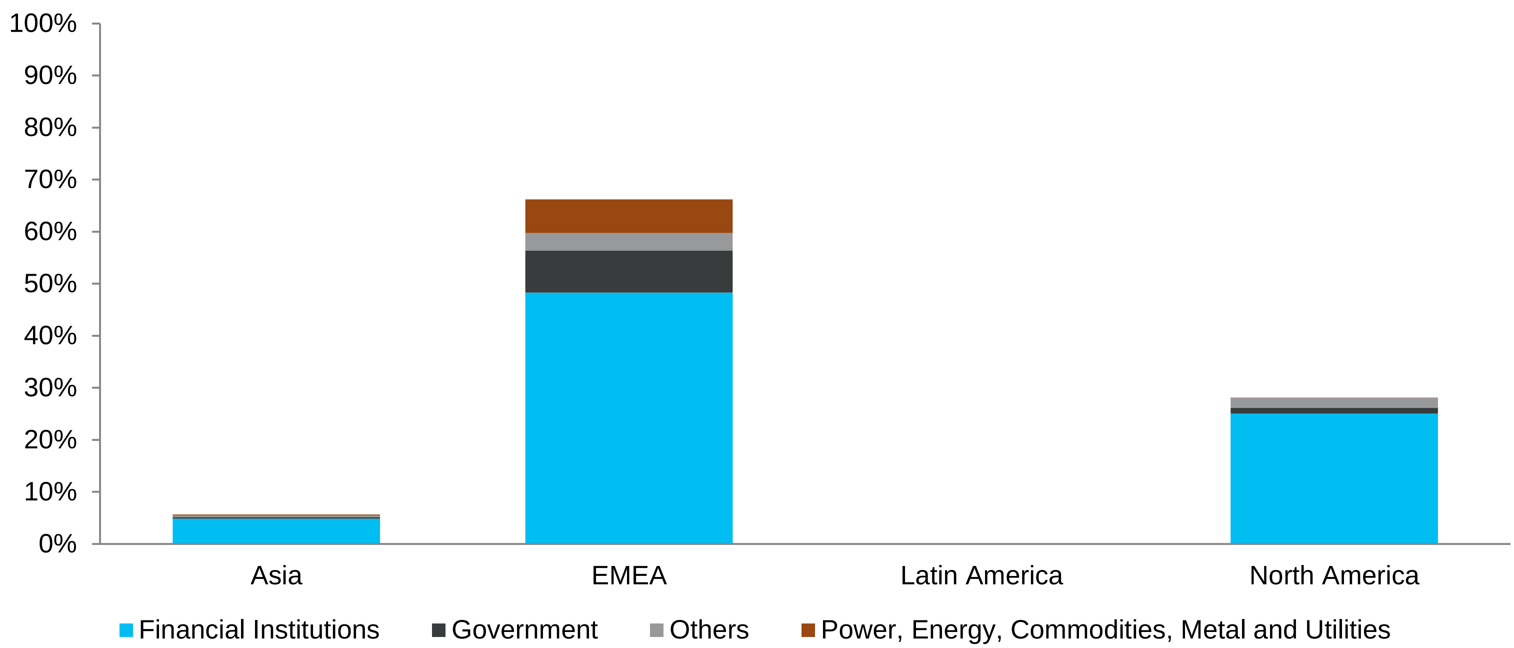


Figure 5: CGML – Geographical Analysis as at 31 December 2014



The following charts set out the geographical distribution of credit exposures for CIL as at 31 December 2015 and 2014, broken down by sector.

Figure 6: CIL – Geographical Analysis as at 31 December 2015

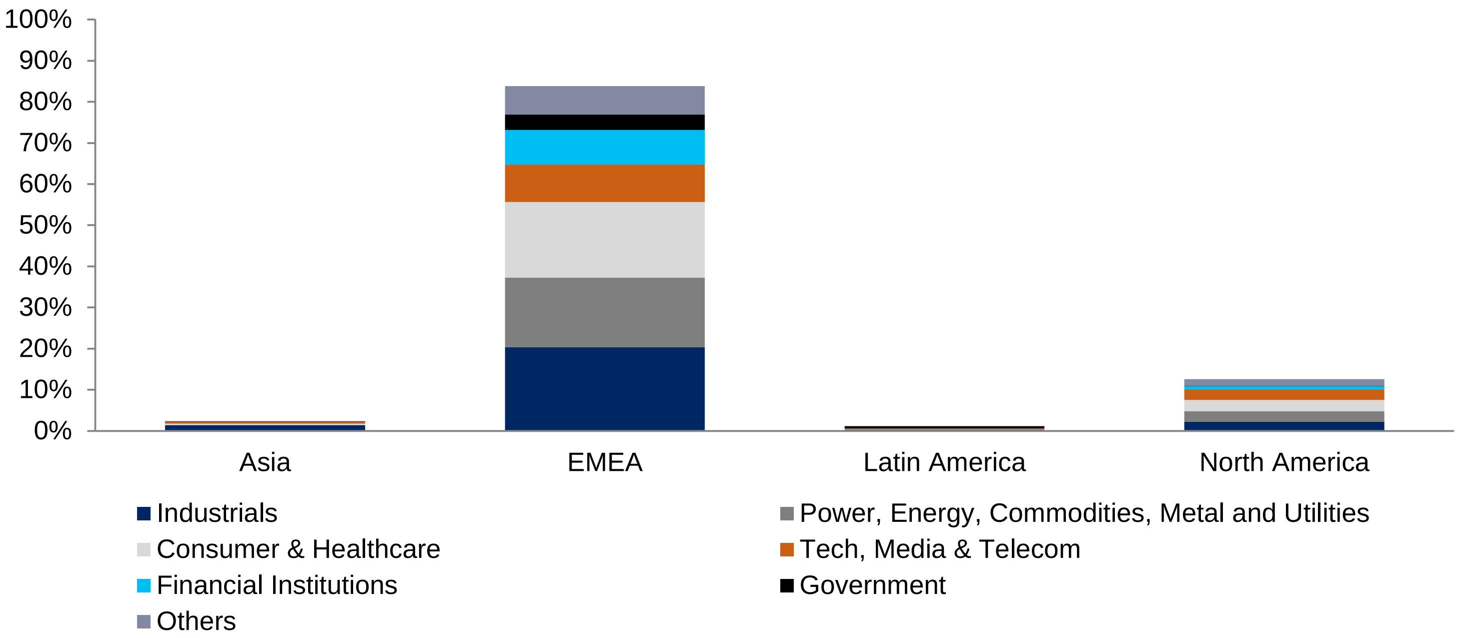
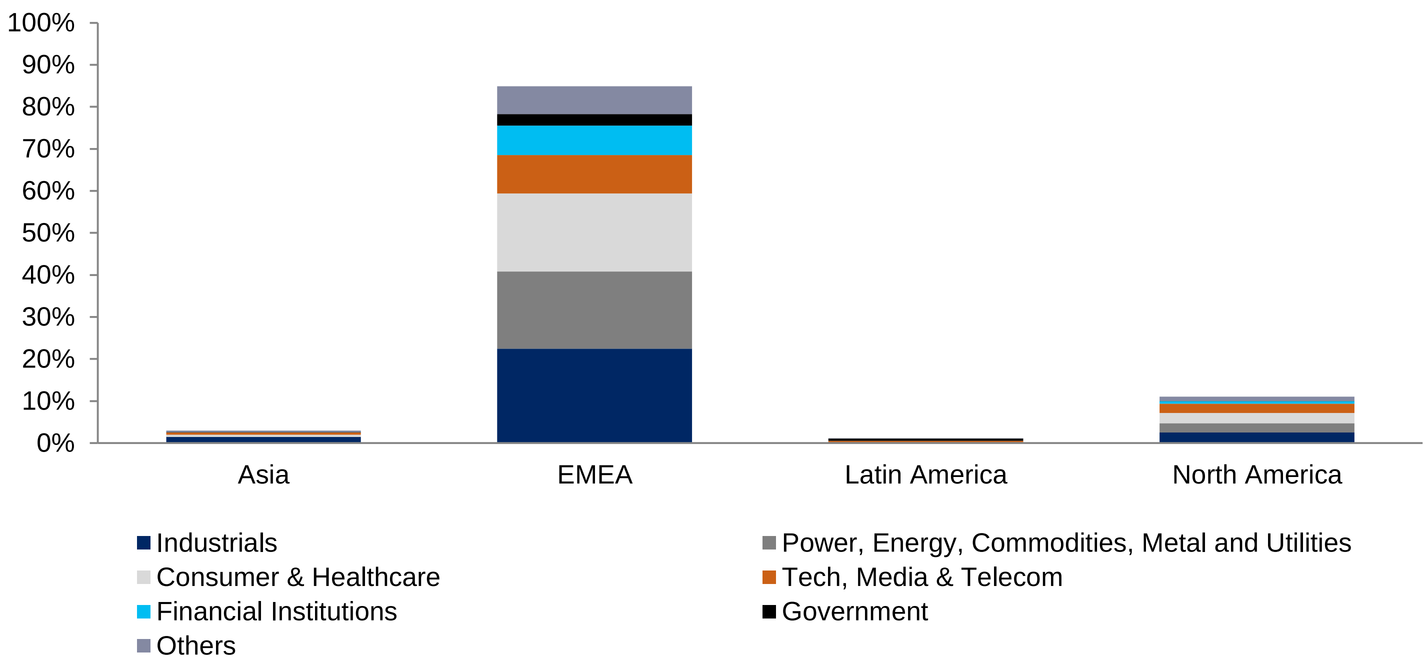


Figure 7: CIL – Geographical Analysis as at 31 December 2014



5.3.3 Credit Risk Breakdown by Sector

The following charts set out the sector distribution of credit exposures for CGML as at 31 December 2015 and 2014.

Figure 8: CGML – Sector Analysis as at 31 December 2015

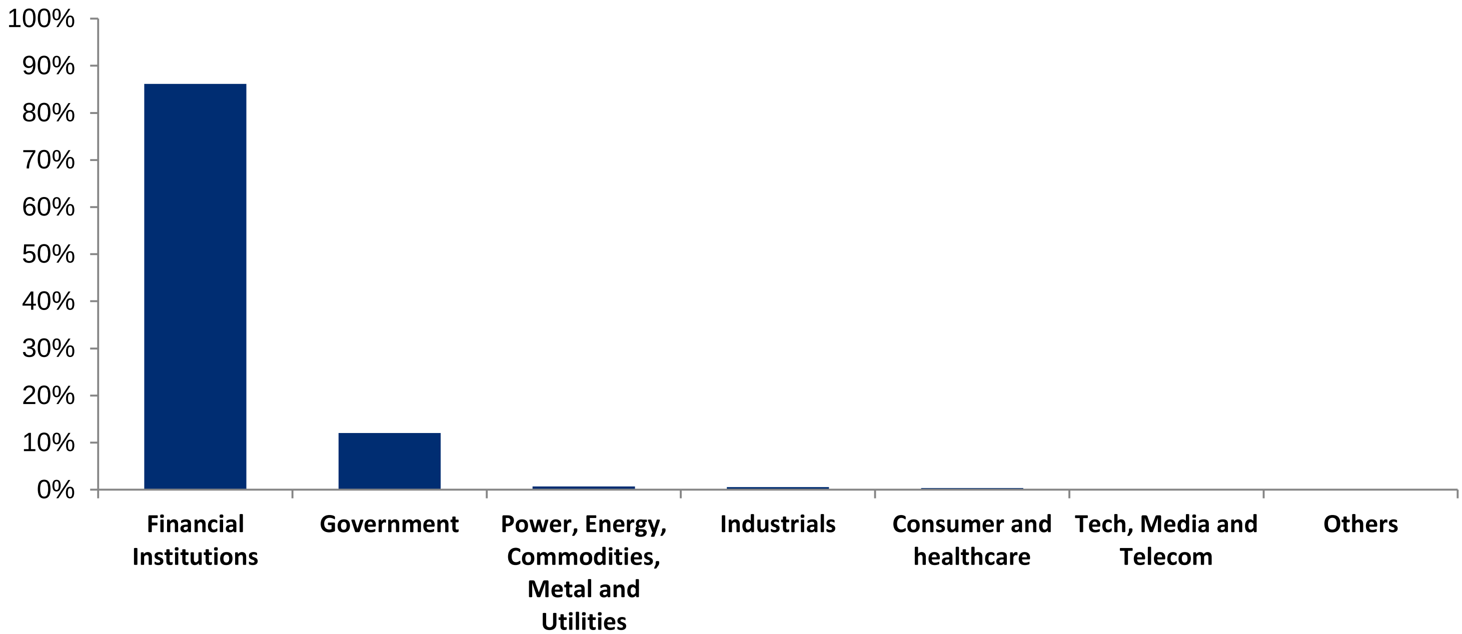
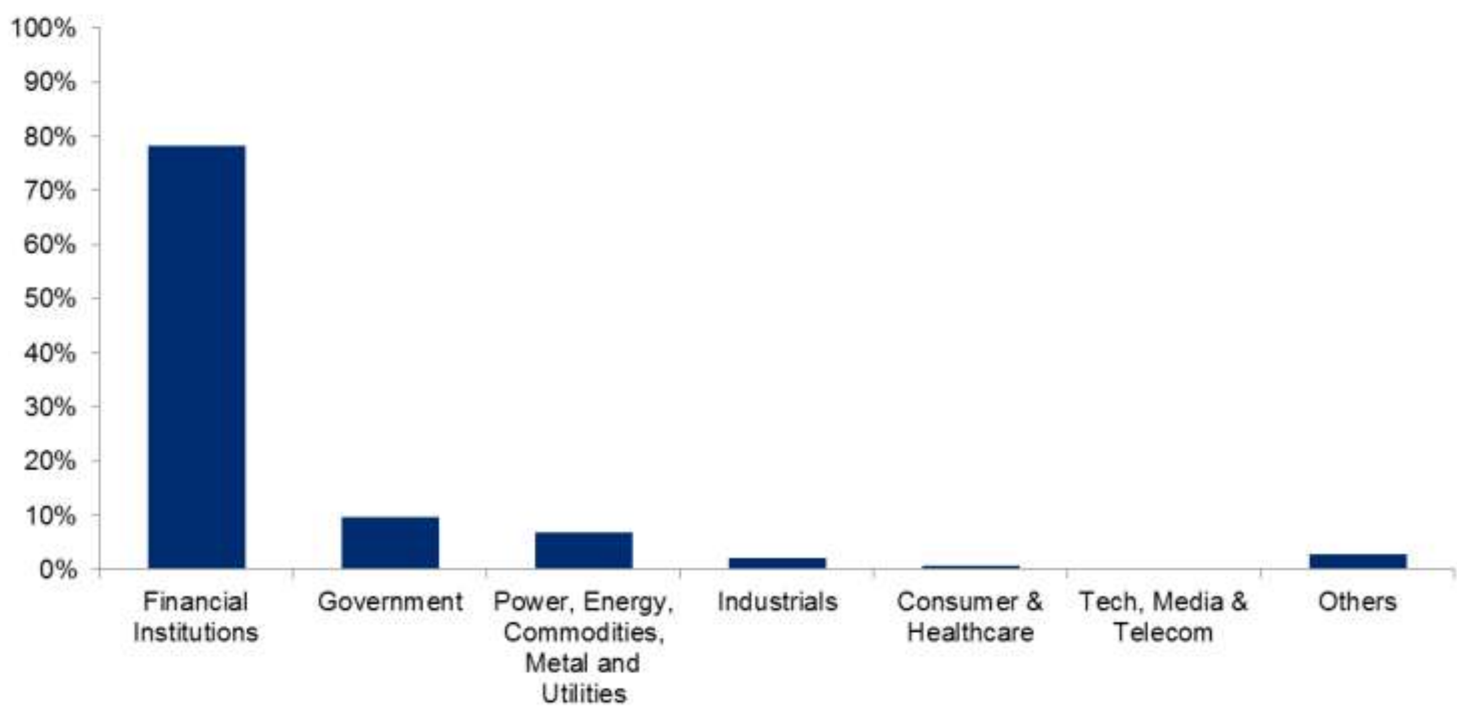


Figure 9: CGML – Sector Analysis as at 31 December 2014



The following charts set out the sector distribution of credit exposures for CIL as at 31 December 2015 and 2014.

Figure 10: CIL – Sector Analysis as at 31 December 2015

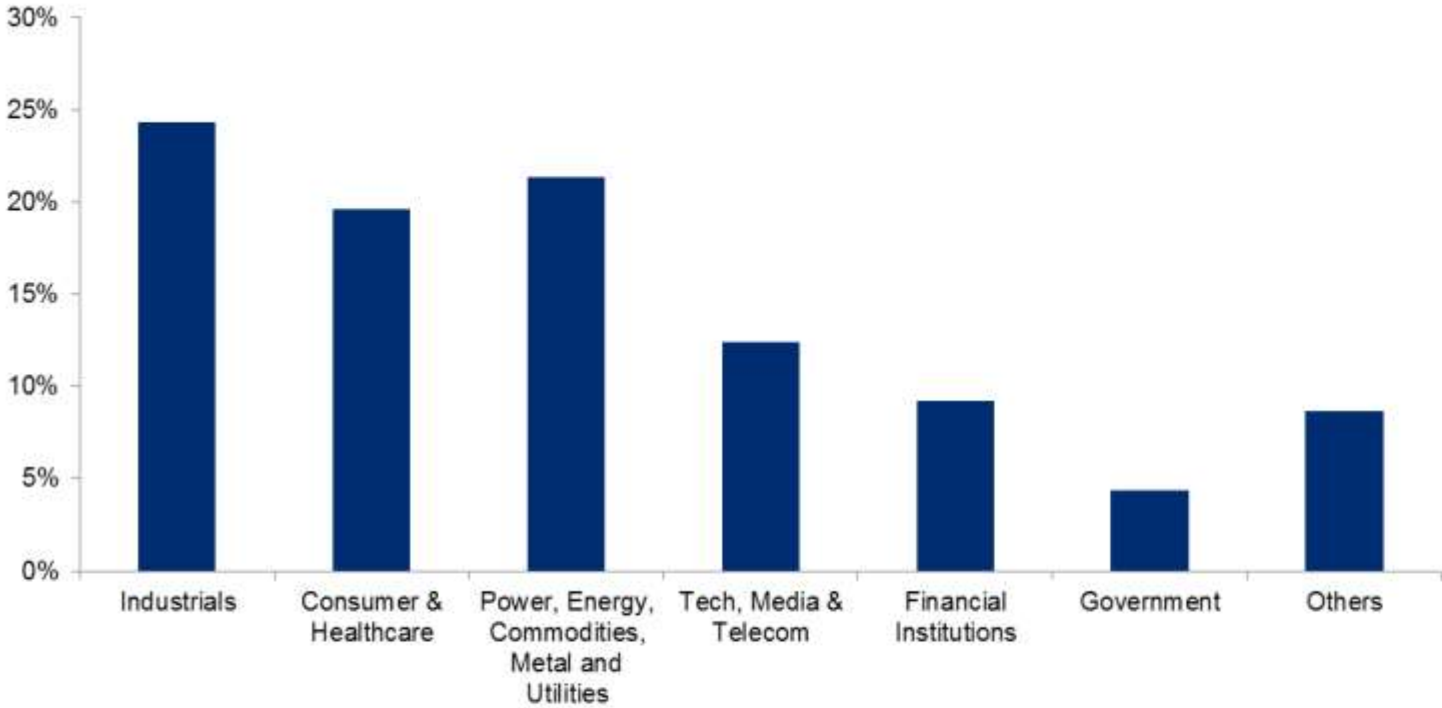
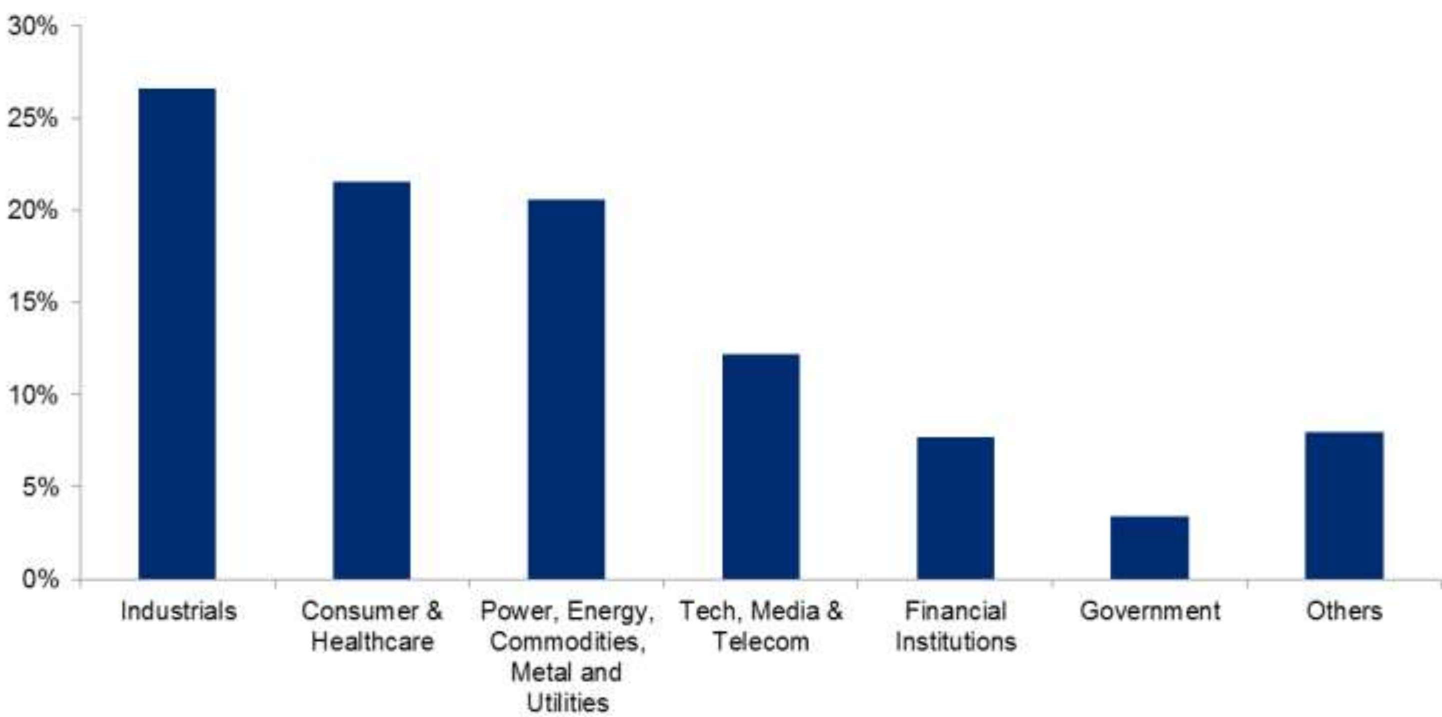


Figure 11: CIL – Sector Analysis as at 31 December 2014



5.3.4 Credit Risk Breakdown by Maturity

The following charts set out the residual maturity distribution of credit exposures for CGML as at 31 December 2015 and 2014.

Figure 12: CGML – Maturity Analysis as at 31 December 2015

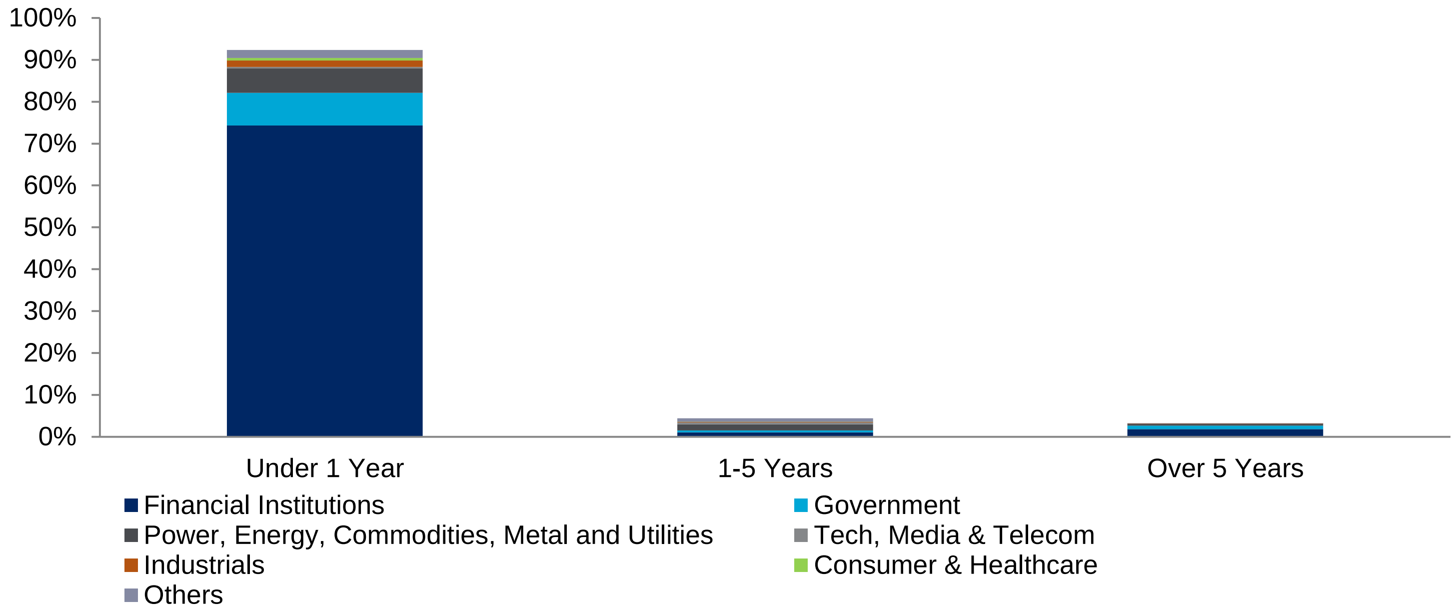
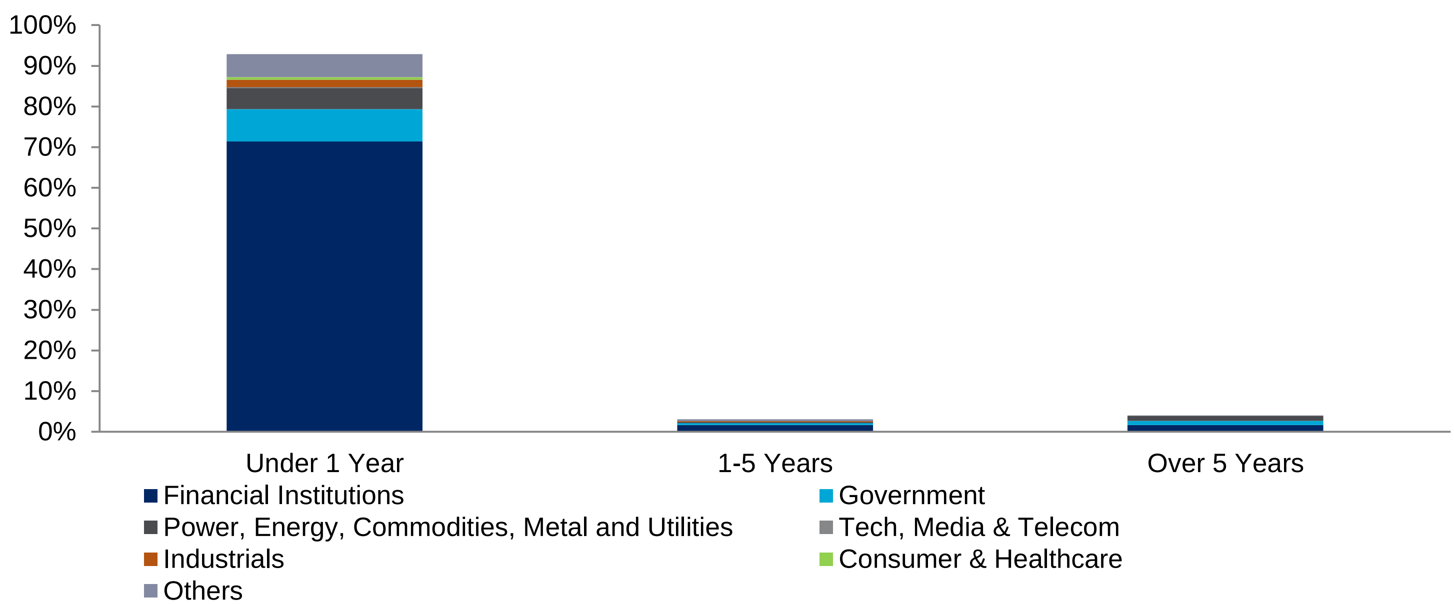


Figure 13: CGML – Maturity Analysis as at 31 December 2014



The following charts set out the residual maturity distribution of credit exposures for CIL as at 31 December 2015 and 2014.

Figure 14: CIL – Maturity Analysis as at 31 December 2015

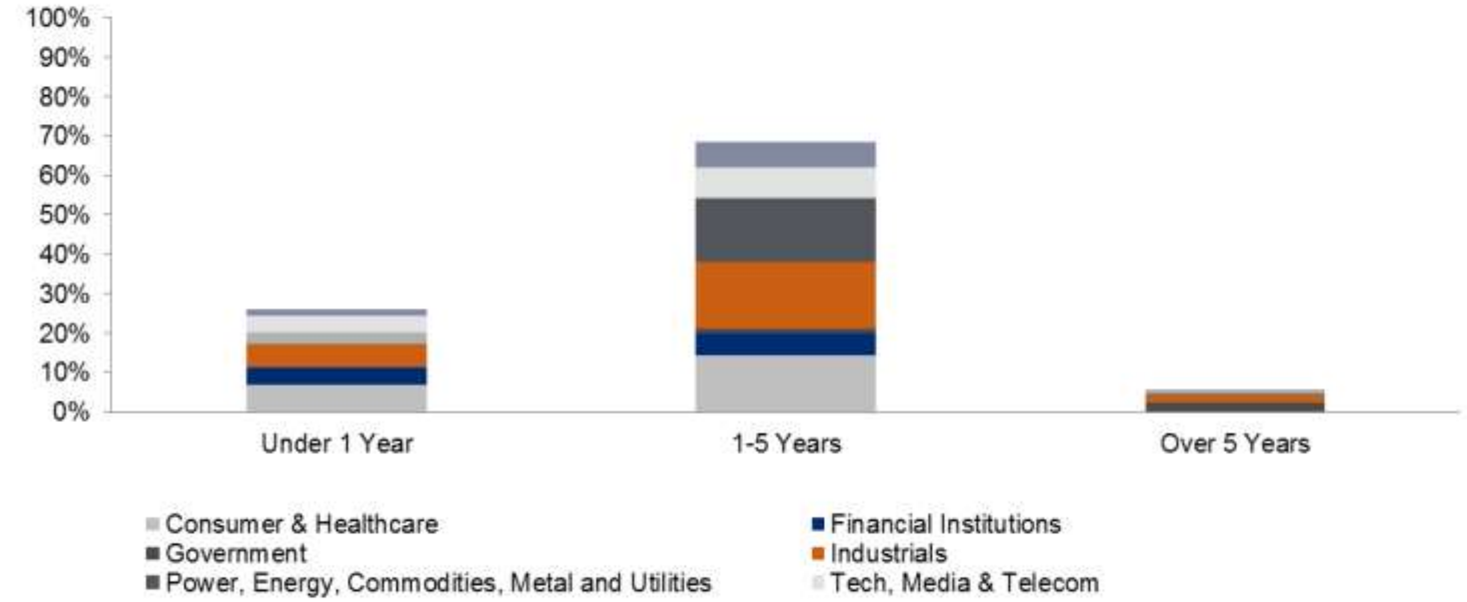
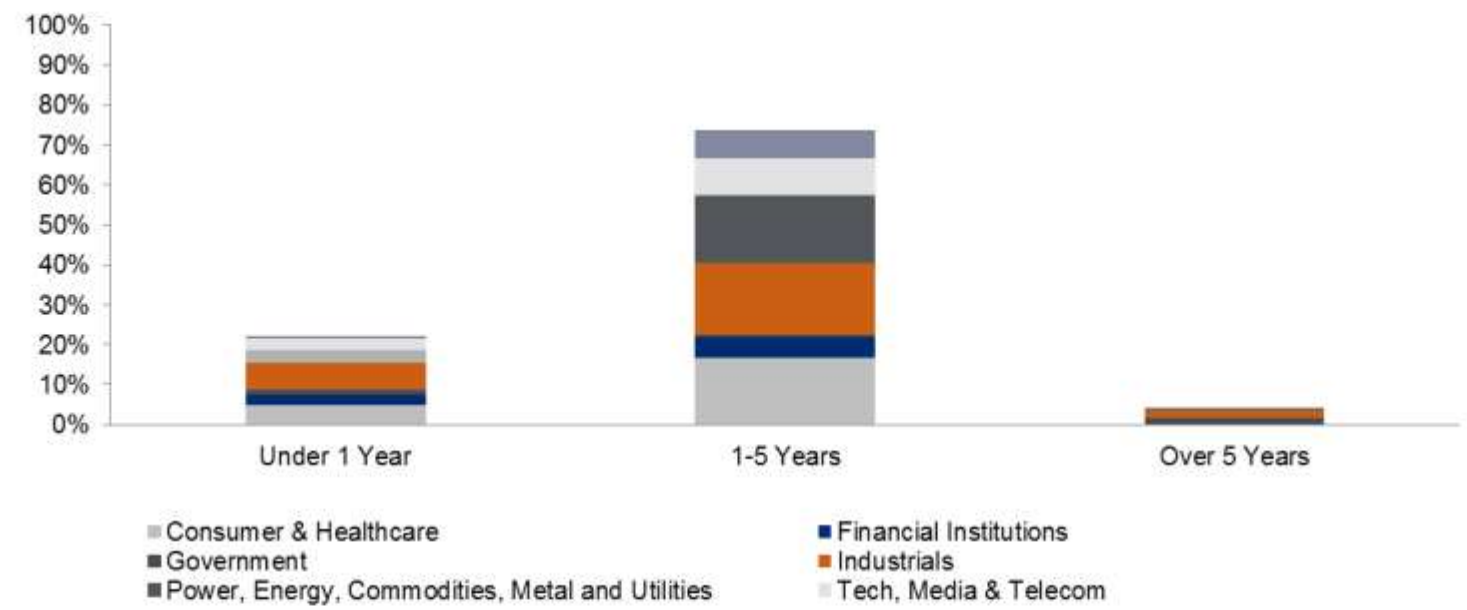


Figure 15: CIL – Maturity Analysis as at 31 December 2014



Please note that intercompany exposures are not included in the above charts for CGML and CIL.

5.3.5 Impairment

5.3.5.1 Impairment of Financial Assets

Under International Financial Reporting Standards (IFRS), the firm assesses whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired on an ongoing basis (including at each balance sheet date). A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ("a loss event") and that loss event has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. Objective evidence that a financial asset or a portfolio is impaired includes observable data that comes to the attention of the firm about the following loss events:

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

The firm first assesses whether objective evidence of impairment exists:

- individually, for financial assets that are individually significant; and
- individually or collectively, for financial assets that are not individually significant.

If the firm determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

For loans and advances and for assets held to maturity the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows considering collateral, discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and is included in the income statement.

Following impairment, interest income is recognised using the original effective interest rate which is used to discount the future cash flows for the purpose of measuring the impairment loss.

For the purposes of the collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics by using a grading process that considers obligor type, industry, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the likelihood of receiving all amounts due under a facility according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those of the group.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as for assets held at amortised cost. However, impairment charges are recorded as the entire cumulative net loss that has previously been recognised directly in equity. Reversals of impairment of debt securities are recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement. Increases in the fair value of equity shares after impairment are recognised directly in equity.

5.3.5.2 Wholesale Impairment

Rather than measuring delinquency for a wholesale customer or for a facility to that customer by the number of days past due, impaired wholesale credit exposures are classified as either substandard or doubtful:

Substandard

A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardise the timely repayment of its obligations.

Doubtful

An asset classified as doubtful has all the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

The value of the wholesale exposures in these categories as at 31 December 2015 and 31 December 2014 is shown in Tables 14 and 15 respectively.

Table 14: Impaired Wholesale Exposures as at 31 December 2015

	CGML	CIL
Exposure	**US$ Millions**	**US$ Millions**
Substandard	116	522
Doubtful	118	152
	235	**674**

Table 15: Impaired Wholesale Exposures as at 31 December 2014

	CGML	CIL
Exposure	**US$ Millions**	**US$ Millions**
Substandard	163	937
Doubtful	6	55
	170	**992**

These numbers include both drawn and undrawn but committed facilities and also counterparty exposures arising from OTC derivatives and SFTs. Given the relatively small number of obligors which are classified as doubtful or substandard, no further geographical or product analysis of these amounts is provided for reasons of materiality.

5.3.5.3 Retail Impairment

The retail exposure impairments as defined above, including collective impairment of retail portfolios and past due exposures, as at 31 December 2015 and 31 December 2014 are shown for CIL in the tables below. CGML has no retail exposure.

Table 16: Impaired Retail Exposures as at 31 December 2015

	CIL
Exposure	**US$ Millions**
Retail*	18
	18

Table 17: Impaired Retail Exposures as at 31 December 2014

	CIL
Exposure	**US$ Millions**
Retail	11
	11

*As per the CIL audited Financial Statements for the year ended 31 December 2015.

The retail value adjustments and provisions for CIL as at 31 December 2015 and 31 December 2014 are shown in the tables below.

Table 18: Retail Value Adjustments and Provisions as at 31 December 2015

	CIL US$ Millions
Real Estate	0
Retail*	1
	1

Table 19: Retail Value Adjustments and Provisions as at 31 December 2014

	CIL US$ Millions
Real Estate	0
Retail	1
	1

*As per the CIL audited Financial Statements for the year ended 31 December 2015.

5.3.5.4 Movements in Impaired Exposures

For those assets held at cost, typically in the banking book, the tables below show the movements in impairments over 2015 and 2014.

Table 20: Movements in Impairments during 2015

	CIL Wholesale US$ Millions	CIL Retail US$ Millions
Impairments at 1 January 2015	64	(1)
Foreign exchange adjustments	(3)	0
Increase / (decrease) in credit loss allowances and provisions recognised in the income statement	22	0
Amounts written off	(12)	0
Disposals	0	0
Recoveries	0	0
Other	(3)	2
Impairments at 31 December 2015*	**68**	**1**

*As per the CIL audited Financial Statements for the year ended 31 December 2015.

Table 21: Movements in Impairments during 2014

	CIL Wholesale US$ Millions	CIL Retail US$ Millions
Impairments at 1 January 2014	94	133
Foreign exchange adjustments	(4)	(6)
Increase / (decrease) in credit loss allowances and provisions recognised in the income statement	3	1
Amounts written off	(21)	(1)
Disposals	0	(119)
Recoveries	(8)	0
Other	0	(8)
Impairments at 31 December 2014*	**64**	**1**

*As per the CIL audited Financial Statements for the year ended 31 December 2014.

Where assets are held at fair value, typically in the trading book, part of the fair value movement relates to credit exposure. However it is not always practicable to determine what portion of the fair value movement relates to credit exposures, and hence no such disclosure is provided for these assets.

5.4 Credit Quality Analysis

Standardised Credit Risk Exposures

The nominated ECAIs used by the firm are Standard and Poor's, Moody's and Fitch. These are used for all credit risk exposure classes.

Credit assessments applied to items in the trading book and banking book alike are assigned in accordance with the requirements of CRD IV.

The credit quality assessment scale assigns a credit quality step to each rating provided by the ECAIs, as set out in the table below.

Table 22: Credit Quality Assessment Scale

Credit Quality Step	Standard and Poor's	Moody's	Fitch
Step 1	AAA to AA-	Aaa to Aa3	AAA to AA-
Step 2	A+ to A-	A1 to A3	A+ to A-
Step 3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
Step 4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
Step 5	B+ to B-	B1 to B3	B+ to B-
Step 6	CCC+ and below	Caa1 and below	CCC+ and below

Risk weightings are assigned to each exposure depending on its credit quality step and other factors, including exposure class and maturity. Exposures for which no rating is available are treated in a similar way to those under Credit Quality Step 3. The table below sets out a simplified summary of how credit quality is linked to risk weighting.

Table 23: Simplified Summary of Risk Weightings by Credit Quality Step

Credit Quality Step	Governments and Central Banks	Corporates	Institutions >3 Months Maturity
Step 1	0%	20%	20%
Step 2	20%	50%	50%
Step 3	50%	100%	50%
Step 4	100%	100%	100%
Step 5	100%	150%	100%
Step 6	150%	150%	150%

The following tables set out the exposure values for CGML and CIL as at 31 December 2015 and 31 December 2014 (before and after credit risk mitigation) associated with each exposure class and credit quality step. These exposures are calculated according to the relevant regulatory requirements.

Table 24: Credit Quality Step Analysis of Exposure before and after Credit Risk Mitigation as at 31 December 2015

	Credit Quality Step	CGML Gross (US$ Millions)	CGML Net (US$ Millions)	CIL Gross (US$ Millions)	CIL Net (US$ Millions)
Central governments & Central Banks	1	32,382	14,190	7,995	7,897
	2	81	38	10	10
	3	844	208	101	101
	4	526	176	0	0
	5	21	21	17	17
	6	0	0	190	190
	Unrated	2	0	366	366
		33,855	14,634	8,679	8,581
Regional Governments & local Authorities	1	178	178	0	0
	2	120	119		
	3	8	8	117	64
	4	1	1		
	Unrated	802	671	61	61
		1,109	976	179	126
Public Sector Entities	1	42	14	212	208
	5	0	0	65	65
	Unrated	640	640	109	109
		682	654	386	382
Multilateral Development Banks	1	2	2	1,005	1,005
	4	0	0	1	1
		2	2	1,007	1,007
International Organisations	1	0	0	109	109
		0	0	109	109
Institutions	1	6,587	1,778	300	300
	2	82,129	23,275	10,358	531
	3	3,676	1,212	249	249
	4	355	144	42	42
	5	382	171	14	14
	6	7	1	22	22
	Unrated	61,858	11,781	593	593
		154,995	38,362	11,578	1,751
Corporates (1)	1	1,605	674	1,470	1,470
	2	8,774	781	4,263	4,263
	3	6,346	2,315	5,730	5,730
	4	356	91	821	821
	5	11	11	54	54
	6	0	0	4	4
	Unrated	78,645	22,119	12,674	12,544
		95,737	25,990	25,017	24,886
Retail	Unrated	0	0	9	9
		0	0	9	9
Securitisation positions	1	0	0	33	33
	2	0	0	280	280
	Unrated	0	0	11	11
		0	0	324	324
Institutions and Corporates with a Short Term Credit Assessment	1	599	272	270	4
	2	898	665	3	3
	3	45	44	0	0
	Unrated	0	0	1	1
		1,542	981	274	8
Collective Investment Undertakings	Unrated	89	52	0	0
		89	52	0	0
Equity Exposures	2	2	2	0	0
	Unrated	25	25	0	0
		27	27	0	0
Other items	1	0	0	1	1
	Unrated	155	155	178	178
		155	155	179	179
Total		**288,193**	**81,833**	**47,741**	**37,361**

(1) Corporates include hedge funds.

Note: Pre-credit risk mitigation is shown as Gross. Post-credit risk mitigation is shown as Net.

Table 25: Credit Quality Step Analysis of Exposure before and after Credit Risk Mitigation as at 31 December 2014

	Credit Quality Step	CGML Gross (US$ Millions)	CGML Net (US$ Millions)	CIL Gross (US$ Millions)	CIL Net (US$ Millions)
Central governments & Central Banks	1	22,216	11,034	9,443	9,326
	2	254	207	0	0
	3	665	644	144	144
	4	1,007	862	0	0
	5	16	16	31	31
	6	1	1	0	0
	Unrated	16	4	0	0
		24,175	12,768	9,618	9,501
Regional Governments & local Authorities	1	23	23	0	0
	2	6	6	0	0
	3	42	42	0	0
	4	20	20	0	0
	Unrated	1,038	945	72	9
		1,129	1,036	72	9
Public Sector Entities	1	0	0	5	5
	4	0	0	73	73
	Unrated	491	491	30	12
		491	491	108	90
Multilateral Development Banks	1	751	97	398	398
		751	97	398	398
International Organisations	1	0	0	123	123
		0	0	123	123
Institutions	1	7,783	1,876	817	432
	2	94,737	22,177	9,459	887
	3	3,669	1,503	253	253
	4	585	131	216	216
	5	166	87	16	16
	6	3,932	68	15	15
	Unrated	46,043	17,392	948	779
		156,915	43,234	11,724	2,598
Corporates (1)	1	1,006	623	1,545	1,545
	2	2,798	918	4,347	4,022
	3	512	349	6,402	6,302
	4	26	26	428	426
	5	3	3	358	358
	Unrated	78,398	23,418	11,914	11,536
		82,742	25,337	24,993	24,189
Retail	Unrated	0	0	18	18
		0	0	18	18
Secured By Mortgages On Immovable Property	Unrated	0	0	3	3
		0	0	3	3
In Default	Unrated	0	0	1	1
		0	0	1	1
Securitisation positions	1	0	0	172	172
	2	4	4	140	140
		4	4	312	312
Institutions and Corporates with a Short Term Credit Assessment	1	2,742	2,291	287	1
	2	96	76	1	1
	3	32	27	0	0
		2,871	2,394	288	2
Collective Investment Undertakings	Unrated	43	32	1	1
		43	32	1	1
Equity Exposures	Unrated	36	36	0	0
		36	36	0	0
Other items	Unrated	635	635	446	446
		635	635	446	446
Total		**269,793**	**86,064**	**48,104**	**37,691**

(1) Corporates include hedge funds.

Note: Pre-credit risk mitigation is shown as Gross. Post-credit risk mitigation is shown as Net.

5.5 Credit Risk Mitigation

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

Generally, in consultation with legal counsel, Citi determines whether collateral documentation is legally enforceable and gives Citi the right to liquidate or take possession of collateral in a timely manner in the event of the default, insolvency, bankruptcy or other defined credit event of the obligor. Also in consultation with legal counsel, Citi approves relevant jurisdictions and counterparty types for netting purposes. Off-balance sheet netting and netting of the collateral against the exposure is permitted under approved circumstances.

Valuation

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

Reporting

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

Collateral Concentrations

Apart from the concentration of cash as the predominant form of collateral accepted in respect of margined OTC derivative transactions and sovereign government bonds within SFTs, there were no other material concentrations of collateral as at 31 December 2015.

Other Forms of Credit Risk Mitigation

The companies covered by this disclosure do not generally use credit derivatives to mitigate their own counterparty risk exposure, but Citi does use credit derivatives for this purpose when exposure is viewed at a global level, and such hedging is carried out by certain US affiliate companies.

Exposures

The following tables set out the exposures covered by credit risk mitigation in the calculation of RWAs under the standardised approach for each major operating legal vehicle as at 31 December 2015 and 31 December 2014. The tables do not include the benefits of modelling collateral in respect of OTC derivative exposures covered by CGML's IMM permission, which are described in other sections of this disclosure.

Table 26: Exposures Covered by Credit Risk Mitigation as at 31 December 2015

	CGML US$ Millions	CIL US$ Millions
Covered by Eligible Financial Collateral		
Central Governments and Central Banks	19,222	98
Regional Governments and Local Authorities	132	53
Public Sector Entities	29	4
Institutions	116,633	9,827
Corporates(1)	69,746	131
Institutions and Corporates with a Short Term Credit Assessment	560	266
Collective Investment Undertakings	36	0
Total	**206,359**	**10,380**
Of which covered by guarantees or credit derivatives		
Central Governments and Central Banks	0	98
Regional Governments and Local Authorities	0	53
Public Sector Entities	0	4
Corporates(1)	0	381
Total	**0**	**536**

(1) Corporates include hedge funds.

Table 27: Exposures Covered by Credit Risk Mitigation as at 31 December 2014

	CGML US$ Millions	CIL US$ Millions
Covered by Eligible Financial Collateral		
Central Governments and Central Banks	11,408	116
Regional Governments and Local Authorities	93	63
Public Sector Entities	0	17
Multilateral Development Banks	654	0
Institutions	113,681	9,126
Corporates(1)	57,406	804
Institutions and Corporates with a Short Term Credit Assessment	476	286
Collective Investment Undertakings	11	0
Total	**183,728**	**10,413**
Of which covered by guarantees or credit derivatives		
Central Governments and Central Banks	0	116
Regional Governments and Local Authorities	0	63
Public Sector Entities	0	7
Corporates(1)	3,550	452
Total	**3,550**	**638**

(1) Corporates include hedge funds.

6. Market Risk

In accordance with an Internal Model Approach (IMA) permission granted by the PRA, CGML utilises Value at Risk (VaR) models to determine the own funds capital requirement for market risk for a number of its businesses.

The market risk capital requirements of CGML and CIL are summarised in Section 4 (Capital Adequacy). Market Risk is responsible for a significant proportion of CGML's overall capital requirements.

6.1 Market Risk Management

Price risk in trading portfolios is monitored by the firm using a series of measures, including:

- Factor sensitivities;
- VaR;
- Stress testing.

Factor sensitivities represent the change in the value of a position for a defined change in a market risk factor, such as a change in the value of a Treasury bill for a one basis point change in interest rates. Citigroup's independent Market Risk Management function ensures that factor sensitivities are calculated, monitored and, in most cases, limited, for all relevant risks taken in a trading portfolio.

VaR estimates the potential decline in the value of a position or a portfolio under normal market conditions. The firm's VaR methodology incorporates the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors and is expressed as the risk to the firm over a one-day holding period, at a 99% confidence level. Citigroup's VaR is based on the volatilities of and correlations between a multitude of market risk factors, as well as factors that track the specific issuer risk in debt and equity securities.

Stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements. It is performed on both individual trading portfolios, as well as on aggregations of portfolios and businesses. Independent Market Risk Management, 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.

Each trading portfolio has its own market risk limit framework encompassing these measures as well as other controls, including permitted product lists and a new product approval process for new or complex products.

6.2 Market Risk Regulatory Capital

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

The VaR model, as described above, is designed to capture potential market losses at a 99% confidence level over a one day holding period. The key components of the VaR model are the variance/covariance matrix of market variables and the sensitivity of Citi's trading portfolio to those variables. The variance/covariance matrix is calibrated using three years of market data, with some volatility adjusted up to capture fat tail effects at a 99% confidence level over a one day period, and others adjusted up to capture short term spikes in volatility. Market variations simulated from the matrix by a Monte Carlo methodology are applied to the set of factor sensitivities to generate a forecast distribution of one day profit and loss, from which the VaR can be computed. The factor sensitivities are designed to capture all material market risks on each trading asset, both linear and non-linear in nature.

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

Citi's Monte Carlo VaR/SVaR model incorporates a full covariance matrix. The volatilities and correlations are built from thousands of market factors with actual time series from the last three years for VaR and a one-year stress period for SVaR. Proxy rules exist for market factors that do not have a sufficiently long time series or where the relevant data are inappropriate for matrix construction (e.g. due to gaps, unreliable sources, too short history). Aggregation of VaR/SVaR components by market factors or portfolios is fully integrated into the model. The model accepts as inputs the full risk profile from all trading activity in the form of risk factor sensitivities. Revaluation grids are used for nonlinear positions. 10-day VaR/SVaR numbers are calculated directly from 10-day volatility estimates. Production and reporting takes place on a daily basis and for any requested sub-portfolio or market factor.

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

A Monte Carlo in-house 6-factor copula model is used for the correlations between issuers. The correlation depends mainly on the risk rating, region and industry sector of the issuer, and thus provides a richer correlation structure than what has been observed with 1-factor copula models. The model is calibrated annually to the public data of over 20,000 companies maintained within Citi's databases and has been the subject of independent model validation. The migration and default of each issuer are modelled consistently by a single normal random variable which is mapped to the inverse normal cumulative distribution of the transition matrix to determine whether a migration or a default happens. The transition matrix is based on publicly available data from rating agencies. The scope of the issuers that are used for the calibration of the model encompasses the full spectrum of relevant trading products. The model accepts as inputs the jump-to-default amounts and the spread sensitivities from every debt issuer with interest rate exposure in Citi's systems. Recovery rates are also simulated with their parameters properly calibrated to market data.

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

The highest, lowest, mean and year end levels of the daily VaR, SVaR and IRC measures during 2015 and 2014 were as follows:

Table 28: CGML Key VaR Metrics in 2015

VaR	USD Thousands
Highest	31,040
Lowest	10,197
Mean	18,524
31-Dec-15	**12,538**

SVaR	USD Thousands
Highest	152,879
Lowest	31,670
Mean	49,026
31-Dec-15	**61,980**

IRC	USD Thousands
Highest	567,162
Lowest	127,469
Mean	266,316
31-Dec-15	**231,378**

Table 29: CGML Key VaR Metrics in 2014

VaR	USD Thousands
Highest	44,785
Lowest	19,349
Mean	31,498
31-Dec-14	**20,168**

SVaR	USD Thousands
Highest	114,545
Lowest	38,805
Mean	70,160
31-Dec-14	**57,443**

IRC	USD Thousands
Highest	1,084,860
Lowest	410,908
Mean	801,965
31-Dec-14	**515,162**

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

The graphs below illustrate a comparison of the daily end-of-day VaR measure with the one-day change in the portfolio's value by the end of the subsequent business day (hypothetical PandL) for each day in 2015 and 2014.

Figure 16: CGML Combined VaR for Businesses within the IMA Scope 2015

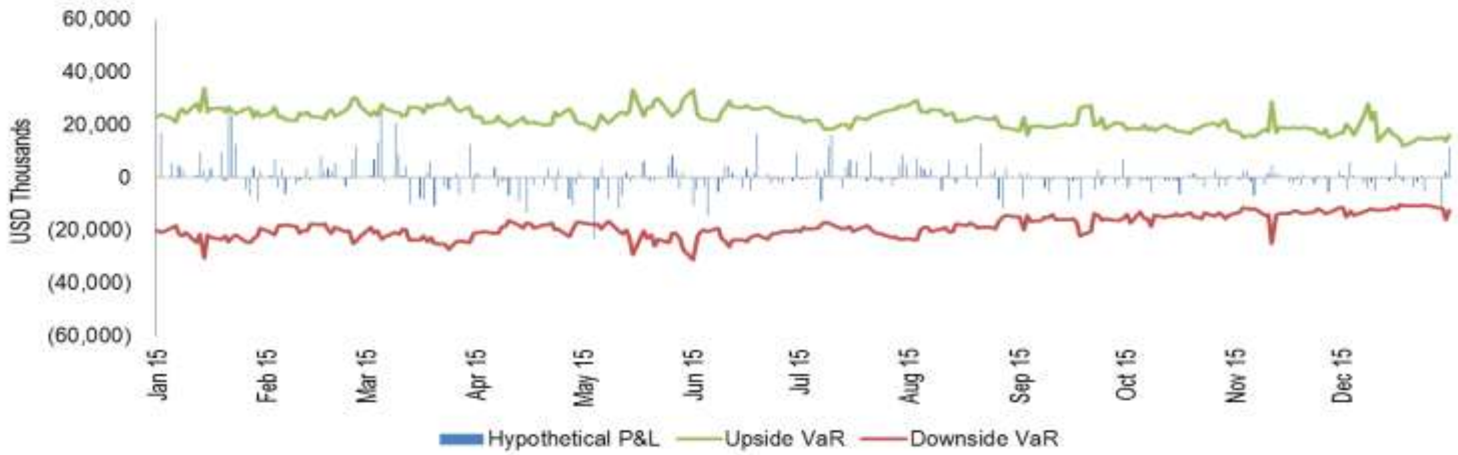
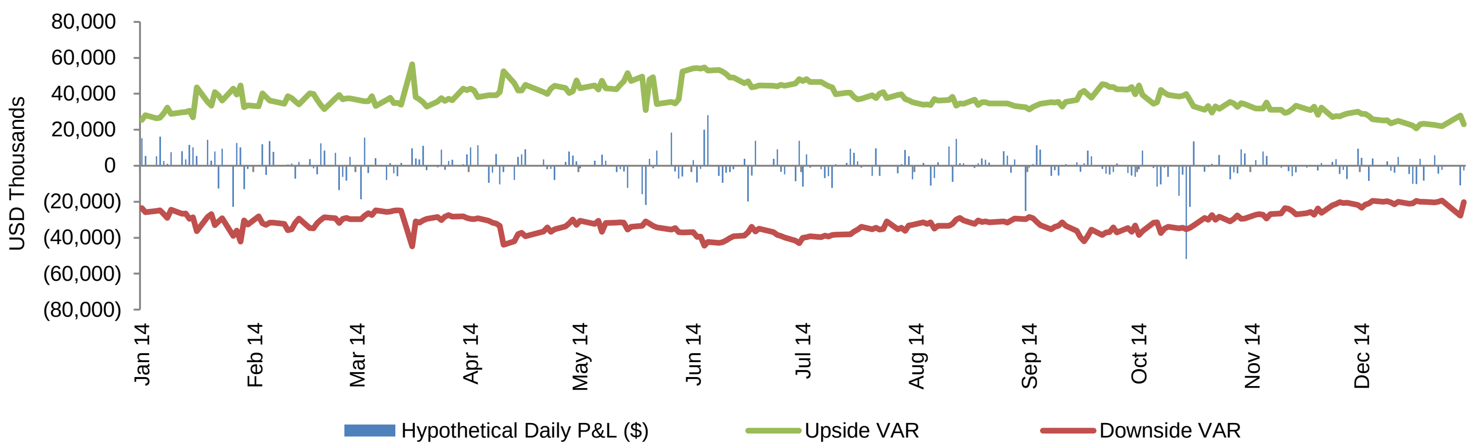


Figure 17: CGML Combined VaR for Businesses within the IMA Scope 2014



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

Citi employs two complementary approaches to stress testing: top-down systemic stresses and bottom-up business specific stresses. Systemic stresses are designed to quantify the potential impact of extreme market movements on a firm-wide basis, and are constructed using both historical periods of market stress and projections of adverse economic scenarios. Business specific stresses are designed to probe the risks of particular portfolios and market segments, especially those risks that are not fully captured in either the VaR model or the systemic stresses.

Total revenues of the trading business consist of:

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

Citi's UK legal entities maintain the necessary systems, controls and documentation to demonstrate appropriate standards in respect of valuation, reporting and valuation adjustments.

7. Operational Risk

Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events, and includes reputation and franchise risk associated with business practices or market conduct in which Citi is involved.

Operational risk is inherent in Citigroup's global business activities, as well as the internal processes that support those business activities, and can result in losses arising from events related to the following, among others:

- Fraud, theft and unauthorised activities;
- Employment practices and workplace environment;
- Clients, products and business practices;
- Physical assets and infrastructure; and
- Execution, delivery and process management.

Operational Risk Measurement and Stress Testing

Citi's UK legal entities have been applying the Advanced Measurement Approach (AMA) in deriving their operational risk regulatory capital requirements since 2007. Pursuant to the AMA, Citi employs units of measure for calculating operational risk capital. Separately, loss severity and frequency are modelled independently and, as required under the AMA, both internal and external event data are used. The capital results are subsequently modified each quarter by applying a "qualitative adjustment factor" to reflect the current business environment and internal control factors. Citi uses insurance for the purposes of partially mitigating operational risk; however, such insurance does not have a material impact on Citi's operational risk capital.

Further, scenario analysis is used as a management tool to provide a forward-looking view of specified, identified operational risks. Scenario analysis is conducted by major legal entity business as a systematic process of obtaining opinions from business managers and risk management experts to derive reasoned assessments of the likelihood and loss impact of plausible, high-severity operational risk losses. Scenario analysis results are used to benchmark the capital model.

Conduct Risk

Citi's approach to conduct risk is outlined earlier in these disclosures under Section 2.5.

8. Non-Trading Book Exposures

8.1 Non-Trading Book Equity Exposures

Citi's UK legal vehicles have a small number of equity investments which are held outside the trading book. This category includes investments in clearing houses, exchanges and other strategic investments which are required to be held for membership, access or relationship purposes, and which are otherwise not traded. They are carried on the balance sheet at fair value where this is readily determinable. Where this is not the case, the investment is carried at cost. The market price is deemed to be the fair value for exchange traded equities.

Table 30: Non-Trading Book Equity Exposures as at 31 December 2015

	US$ Millions
Investments Held at Fair Value	23
Investments Held at Cost	8
Total	**31**

Table 31: Non-Trading Book Equity Exposures as at 31 December 2014

	US$ Millions
Investments Held at Fair Value	32
Investments Held at Cost	21
Total	**53**

8.2 Interest Rate Risk in the Non-Trading Book

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

- At any given time, there may be an unequal amount of assets and liabilities which are subject to market rates due to maturation or repricing. Whenever the amount of liabilities subject to repricing exceeds the amount of assets subject to repricing, a company is considered "liability sensitive." In this case, a company's NIR will deteriorate in a rising rate environment.
- The assets and liabilities of a company may reprice at different speeds or mature at different times, subjecting both "liability sensitive" and "asset sensitive" companies to NIR sensitivity from changing interest rates. For example, a company may have a large amount of loans that are subject to repricing this period, but the majority of deposits are not scheduled for repricing until the following period. That company would suffer from NIR deterioration if interest rates were to fall.

NIR in the current period is the result of customer transactions and the related contractual rates originated in prior periods as well as new transactions in the current period; those prior period transactions will be impacted by any changes in rates on floating rate assets and liabilities in the current period.

Due to the long-term nature of many of the firm's portfolios, NIR will vary from quarter to quarter even assuming no change in the shape or level of the yield curve as the assets and liabilities reprice.

Interest Rate Risk Governance

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

Interest Rate Risk Measurement

Citigroup's principal measure of risk to NIR is Interest Rate Exposure (IRE). IRE measures the change in expected NIR in each currency resulting solely from potential changes in forward interest rates. Factors such as changes in volumes, spreads, margins and the impact of prior-period pricing decisions are not captured by IRE. IRE assumes that businesses make no additional changes in pricing or balances in response to the potential rate changes.

The IRE measures the potential change in expected net interest earnings over an accounting horizon of 12 months, 2 years, 5 years and 10 years and has been broken down into the main currencies on each company's balance sheet. The following tables show the IRE measures for CIL over a 12 month horizon as at 31 December 2015 and 31 December 2014 assuming a parallel upward shift of interest rates by 100 bps. A positive IRE indicates a potential increase in earnings while a negative IRE indicates a potential decline in earnings.

As shown in the table below, the exposures as of 2015 year-end are immaterial.

Table 32: CIL Interest Rate Exposure as at 31 December 2015

		GCB	ICG	TOTAL
		US$ Millions	US$ Millions	US$ Millions
12 Months	**USD**	0.24	(0.15)	0.08
	EUR	0.38	1.01	1.40
	GBP	0.18	(2.26)	(2.08)

Table 33: CIL Interest Rate Exposure as at 31 December 2014

		GCB	ICG	Total
		US$ Millions	US$ Millions	US$ Millions
12 Months	**USD**	0.60	2.20	2.80
	EUR	0.20	(5.80)	(5.50)
	GBP	1.60	15.30	16.80

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

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9. Securitisation Activity

Citi's UK legal entity securitisation activities fall within the ICG business segment.

Within ICG, securitisation activity is conducted within *Global Securitised Products (GSP)* and *Global Securitised Markets (GSM)*. GSM is further split into three items: (i) Commercial Real Estate (CRE), (ii) Residential Real Estate (Resi) and (iii) Asset Backed Security (ABS) Trading.

Global Securitised Products

This group within the ICG structures and underwrites securitisations of financial assets primarily for financial institutions across EMEA.

The desk originates and distributes (both via bank loan syndication and capital markets) secured risk based mainly on tranching and rating of that risk.

Global Securitised Markets

Commercial Real Estate

The CRE team is focused on (i) financing of commercial real estate backed projects, (ii) non-performing loan financing and (iii) acquisition of performing/re-performing commercial real estate portfolios. Collateral assets include hotels, warehouses, office and shopping centres among others. Once funded, the loans are then syndicated through a partial or whole sale, or potentially securitised. The securitisation exit strategy, however, has not been implemented since 2007.

Market events since the financial crisis have had a marked effect on the business, with the ability to distribute risk in the capital markets curtailed. The basic business model ("origination, execution, distribution") remains unchanged, and the focus will be to further develop distribution channels.

Most of the CRE team's activity is conducted on the books of Citibank NA and CEP, with some positions booked on Citigroup Financial Products Inc. and Citicorp North America Inc., and CGML sets as the arranger.

Residential Real Estate

The Resi team primarily finances acquisitions of performing and re-performing residential mortgage portfolios, but recently has been expanding financings of warehouse loans for residential mortgage businesses. The primary exit strategy is securitisation and/or distribution of the financed pools via RMBS. Some loans are held on the books until maturity.

The market has recently been providing good opportunities for residential mortgage securitisation, as the acquired assets are often performing loans, and investors have been moving towards high quality assets in response to fears of non-investment grade assets underperforming.

The desk conducts its financing business on Citibank N.A. and CEP with CGML as arranger of financing, and arranges any new RMBS issuances on CGML and CEP.

ABS Trading

The ABS desk actively trades new issuances, existing ABS, RMBS and CMBS securities and real estate loans. The ABS desk is also a risk taker for the Resi team's financing activity, hedging any existing risk on residential loans. Trading activities on ABS, CMBS and RMBS is done on CGML, whereas loans are traded on the bank.

The ECAIs used by the ICG securitisation business are as follows:

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

Approaches to Calculating Risk Weighted Exposure Amounts

Where applicable, the firm's capital requirements for securitisation activity are calculated in accordance with CRD IV.

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

CIL has historically securitised a number of different asset classes including commercial mortgages, credit card receivables and residential mortgages as a means of strengthening the balance sheet and accessing competitive financing rates in the market. Under these securitisation programs, assets are sold into a trust and used as collateral by the trust to obtain financing. The cash flows from assets in the trust service the corresponding trust securities. If the structure of the trust meets certain accounting guidelines, trust assets are treated as sold and are no longer reflected as assets of the company. If these guidelines are not met, the assets continue to be recorded as the company's assets, with the financing activity recorded as liabilities on its balance sheet.

There are two key accounting determinations that must be made relating to securitisations.

- First, for each securitisation entity with which it is involved, the company makes a determination of whether the entity should be considered a subsidiary of the company and be included in its consolidated financial statements or whether the entity is sufficiently independent that it does not need to be consolidated. The company consolidates those securitisation entities where it has power over its activities, exposure or rights to variable returns from its involvement with the securitisation entity and has the ability to use its power to affect those returns. Subsidiary undertakings, including special purpose entities that are directly or indirectly controlled by the group, are consolidated.

- Second, in the case where Citi originated or owned the financial assets transferred to the securitisation entity, a decision must be made as to whether that transfer is considered a sale under the appropriate accounting framework. Financial assets are derecognised when the right to receive cash flows from the assets has expired or the group has transferred substantially all the risks and rewards of ownership.
  - If it is a sale, the transferred assets are removed from the company's consolidated balance sheet with a gain or loss recognised.
  - Alternatively, when the transfer would be considered to be a financing rather than a sale, the assets will remain on the company's consolidated balance sheet with a corresponding liability recognised in the amount of proceeds received.

Interests in the securitised and sold assets may be retained in the form of subordinated interest-only strips, or other subordinated tranches, spread accounts, servicing rights and derivative instruments. Broadly, commercial mortgage and other loans related to securitisations are classified within loans and advances to customers, the corresponding liabilities are classified within debt securities in issue.

Gains or losses on securitisation and sale depend in part on the previous carrying amount of the loans involved in the transfer. Should the assets be derecognised (see above), gains are recognised at the time of securitisation and are reported in other revenue.

In the cases where the firm does not consolidate and achieves a sale, the company values its securitised retained interests at fair value using financial models that incorporate observable and unobservable inputs. More specifically, these models estimate the fair value of these retained interests by determining the present value of expected future cash flows, using modelling techniques that incorporate management's best estimates of key assumptions, including prepayment speeds, credit losses and discount rates, when observable inputs are not available. In addition, internally calculated fair values of retained interests are compared to recent sales of similar assets, if available.

The firm is also involved with various securitised vehicles sponsored by third parties. Such involvement includes but is not limited to:

- trading and investing in securities issued by those securitised vehicles. Such assets are reflected in trading account assets, assets available-for-sale, or assets held to maturity depending on management's intent for the specific security;
- executing derivative instruments, such as interest rate swaps, with those securitised vehicles;
- acting as arranger and assisting in the placement of securities issued by those securitised vehicles to third-party investors.

The firm does not consolidate securitised vehicles sponsored by third parties.

Subordinated interest-only strips or other subordinated tranches held by CIL are measured at fair value. Key assumptions in measuring fair value are the appropriate discount rate, prepayment rates, and anticipated defaults/credit losses. Total subordinated interests are not material for CIL.

There were no contractual obligations on the company to provide financial support for securitised assets, nor did the company intend to provide such support. However, the company did provide certain standard representations and warranties related to the securitised assets.

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

Any securitisation positions (such as Asset Backed Securities or Mortgage Backed Securities) purchased as part of a trading strategy are accounted for at fair value through earnings.

Securitisation Exposures in the Trading Book

The following tables set out the aggregate amount of securitisation positions held in the trading book by CGML as at 31 December 2015 and 31 December 2014.

Table 34: Aggregate Amount of Trading Book Securitisation Positions held as at 31 December 2015

	CGML
	US$ Millions
On Balance Sheet	596
Off Balance Sheet	5
Total	**601**

Table 35: Aggregate Amount of Trading Book Securitisation Positions held as at 31 December 2014

	CGML
	US$ Millions
On Balance Sheet	1,113
Off Balance Sheet	36
Total	**1,149**

The following tables set out the capital treatment applied to securitisation positions held in the trading book by CGML as at 31 December 2015 and 31 December 2014. There were no securitisation exposures in CIL's trading book at these dates.

Table 36: Capital Treatment applied to CGML's Trading Book Securitisation Positions as at 31 December 2015

	CGML			
(US$ Millions)	**On Balance Sheet**		**Off Balance Sheet**	
Risk Weighting	**Exposure**	**Capital Resources Requirement**	**Exposure**	**Capital Resources Requirement**
At 20%	155	4	0	0
At 50%	69	3	0	0
At 100%	62	6	5	0
At 350%	128	39	0	0
Deducted from Capital	183	0	0	0
Total	**596**	**51**	**5**	**0**

Table 37: Capital Treatment applied to CGML's Trading Book Securitisation Positions as at 31 December 2014

	CGML			
(US$ Millions)	**On Balance Sheet**		**Off Balance Sheet**	
Risk Weighting	**Exposure**	**Capital Resources Requirement**	**Exposure**	**Capital Resources Requirement**
At 20%	249	9	0	0
At 50%	256	11	0	0
At 100%	222	23	30	2
At 350%	186	52	0	0
Deducted from Capital	200	0	6	0
Total	**1,113**	**95**	**36**	**2**

Citi has a well-established risk management framework for securitisations. Further details are set out below.

Credit Risk Managers are responsible for:

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

Market Risk Managers are responsible for:

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

The ICG trading book securitisation business is subject to the ICG policy "Rules Governing Market Risk". All major generic sources of risk and stress losses are covered by the desk's limit structures. Granularity within these limit structures is further enhanced through product-types, country risk and ratings. The business operates under an approved permitted products list which applies at the desk level. Concentration limits may also exist by obligor name depending on the business. Stress testing is completed in various formats including weekly stress tests, monthly Top Ten Risk reports and annual exercises. In addition, Risk Management performs ad hoc stress tests when determined as necessary. For those risks not fully captured in VaR or the linear stresses, a business specific stress test (BSST) is developed and produced in conjunction with the linear stresses. The BSSTs are reviewed at least quarterly to ensure relevance and completeness.

Securitisation Exposures in the Banking Book

The positions securitised by the firm and subject to the securitisation framework are all of the traditional type. There are no re-securitisation exposures and no assets awaiting securitisation on the books of the UK legal entities. There was no instance of CIL acting as a sponsor for third party securitisation deals.

Tables 38 and 39 show the outstanding securitisation amounts as at 31 December 2015 and 2014, whilst Tables 40 and 41 show the aggregate securitisation amounts by category as at 31 December 2015 and 2014 on the banking book of CIL. CGML does not have a banking book.

Table 38: Banking Book Securitisations Outstanding as at 31 December 2015

	CIL
	US$ Millions
Dolphin Master Issuer series	**28**
FCC Minotaure	**11**
Gosforth Funding	**6**
Total	**45**

Table 39: Banking Book Securitisations Outstanding as at 31 December 2014

	CIL
	US$ Millions
Holland Euro Denominated MBS	**105**
Dolphin Master Issuer series	**31**
Gosforth Funding	**15**
FCC Minotaure	**15**
Arkle	**6**
Total	**172**

Table 40: Aggregate Amount of Securitisation Positions Retained or Purchased as at 31 December 2015

	CIL
	US$ Millions
RMBS	45
Total	**45**

Table 41: Aggregate Amount of Securitisation Positions Retained or Purchased as at 31 December 2014

	CIL
	US$ Millions
RMBS	172
Total	**172**

There are no off balance sheet securitisation exposures in the banking book.

The capital treatment for all securitisation positions held in the banking book is the standardised approach. The capital treatment applied to the positions held at 31 December 2015 and 31 December 2014 is set out below.

Table 42: Capital Treatment applied to Banking Book Securitisation Positions held at 31 December 2015

(USD millions)	**CIL**	
Risk Weighting	**Exposure**	**Capital Resources Requirement**
At 20%	45	1
At 50%	0	0
At 100%	0	0
At 350%	0	0
Deducted from Capital	0	0
Total	**45**	**1**

Table 43: Capital Treatment applied to Banking Book Securitisation Positions held at 31 December 2014

(USD millions)	**CIL**	
Risk Weighting	**Exposure**	**Capital Resources Requirement**
At 20%	172	3
At 50%	0	0
At 100%	0	0
At 350%	0	0
Deducted from Capital	0	0
Total	**172**	**3**

10. 2015 Remuneration Statement

Citi's Compensation Philosophy

Employee compensation is a critical tool in the successful execution of our corporate goals.

As long-term value creation requires balancing strategic goals, so does developing compensation programs that incent balanced behaviours. Citi's Compensation Philosophy describes our approach to balancing the five primary objectives that our compensation programs and structures are designed to achieve.

Citi's compensation objectives for 2015, as outlined below, have been specifically created to encourage prudent risk-taking, while attracting the world-class talent necessary to see the company through to success.

Shareholder Alignment

- Compensate executives through an objective framework that aims to strengthen the link between pay and performance by using a balanced scorecard approach with financial metrics and non-financial objectives that, in combination, are expected to improve risk-adjusted returns to shareholders.
- Provide meaningful portions of incentive compensation in the form of equity to help build a culture of ownership and to align employee interests with those of shareholders and other stakeholders.
- Require that executive officers maintain an ownership of 75% of the net shares acquired through incentive compensation programs and that they hold a substantial amount of vested Citi stock for at least one year after the end of their service as executive officers.
- Defer the delivery of significant portions of incentive compensation with vesting over a number of years and tie the amounts delivered to longer-term performance of the company to better link long-term shareholder value creation to the interests of management and to enhance alignment with risk outcomes.
- Provide for clawbacks in cases of improper risk-taking and material adverse outcomes in the years following the awarding of incentive compensation.
- Size incentive compensation to reflect company performance as well as industry and environmental factors, while maintaining strong capital levels.
- Recognize capital planning outcomes in senior management incentive compensation awards, to improve alignment with both shareholder interests and regulatory guidance.

Ethics and Culture

- Promote conduct based on the highest ethical standards through performance assessments, incentive compensation programs and, where appropriate, disciplinary actions, and communicate throughout the organization that acting with integrity at all times is the foundation of our business.
- Enhance a business culture that supports accountability and a zero-tolerance environment for unethical conduct, through appropriate compensation and employment decisions.

Risk Management

- Develop and enforce risk management controls that reduce incentives to create imprudent risks for Citi and its businesses, and that reward a thoughtful balance of risk and return.
- Exercise discretion within a framework designed to make appropriate trade-offs between risk and reward.
- Encourage prudent risk-taking through multiple incentive compensation program processes for all employees who manage or influence material risks, including (a) rigorous performance management processes, (b) bonus pool funding and individual bonus determination processes that reflect risk-adjusted performance, and (c) deferrals that keep a meaningful portion of incentives at risk for future performance outcomes.
- Evaluate incentive compensation program results on an iterative basis, recognizing that validation and monitoring may result in future changes.
- Communicate clearly to all employees that poor risk management practices and imprudent risk-taking activity will lead to an adverse impact on incentive compensation, including the loss of incentive compensation and the reduction or elimination of previously awarded incentive compensation.
- Differentiate compensation decisions based on demonstrated risk management behaviours.
- Appoint only independent directors to the Committee, to provide independent review and approval of the firm's overall compensation philosophy.
- Set expectations of management regarding risk balancing in incentive compensation programs engaging, where appropriate, independent advisors to assist the Committee. Such advisors should provide no other services to Citi.
- Involve Citi's control functions, including Independent Risk, Compliance and Internal Audit, in compensation governance and oversight.

Regulatory Guidance

- Design incentive compensation programs with the recognition that global regulation of bank incentive compensation is evolving and that Citi's programs must be responsive to emerging trends and best practices.
- Where appropriate, develop innovative and industry-leading approaches that reconcile regulatory considerations and other stakeholder interests in compensation structures and designs.
- Promote understanding of the design and implementation of

incentive compensation programs by outlining compensation policies, procedures and practices in public disclosures.

Attract and Retain Talent

- Compensate employees based on ability, contributions and risk-adjusted performance demonstrated over time, balanced with appropriate recognition for short-term results and contributions.
- Provide compensation programs that are competitive within global financial services to attract the best talent to successfully execute the company's strategy.
- Differentiate individual compensation to reflect employees' current or prospective contributions, based on both financial and non-financial performance such as risk and compliance behaviour, and to reward those employees who demonstrate ingenuity and leadership.
- Provide discretionary incentive compensation, including equity awards, that is variable within guidelines prescribed by management and the Committee using a rigorous objective framework of goal-setting and performance evaluation for all highly paid professionals.
- Clearly and consistently communicate Citi's approach to compensation throughout the year, cascading such communications broadly to employees through key value statements such as Citi's Code of Conduct and the statements and actions of senior management and managers generally.

Remuneration Governance

Global Remuneration Committee

The Personnel and Compensation Committee (P&C Committee) of the Board of Directors of Citigroup Inc., oversees Citi's global remuneration policies and practices. It annually reviews the compensation structures for members of senior management and other highly compensated or regulated individuals. The P&C Committee, with the assistance of the Chief Risk Officer, also reviews the design and structure of compensation programs relevant to all employees in the context of risk management.

The P&C Committee's terms of reference are documented in the P&C Committee Charter, which establishes the scope and mandate of the P&C Committee's responsibilities and the general principles governing the remuneration policy of the firm globally. The Charter (updated for 2016) is available online at: http://www.citigroup.com/citi/investor/data/percompcharter.pdf?ieNocache=248.

The P&C Committee members are all independent non-executive directors, selected and appointed on account of their background and experience in business and their capability to fulfil their responsibilities as P&C Committee members. For the performance year 2015, the P&C Committee members were: William S. Thompson, Jr. (Chairman), Dr Judith Rodin, Diana L. Taylor and Michael E. O'Neill. Biographies and details around the compensation paid to P&C Committee members are in the 2016 Proxy Statement. The P&C Committee met 12 times in 2015 and each Director attended at least 75% of all meetings.

The P&C Committee is supported by Human Resources and Citi's control functions, including Independent Risk and Legal.

The P&C Committee also draws on considerable experience of the other non-executive directors of the Board of Citigroup Inc. It is also empowered to draw upon internal and external expertise and advice as it determines appropriate and in its sole discretion and Citi pays the fees of any such external advisors. The Committee appointed Frederic W Cook & Co ("Cook & Co") in 2012 to provide the Committee with independent advice on Citi's compensation programs for senior management. Cook & Co reports solely to the Committee and the Committee has sole authority to retain, terminate, and approve the fees of Cook & Co. Cook & Co does no other work for Citi.

EMEA Remuneration Committee

In 2010 Citi established the EMEA1 Remuneration committee ("EMEA RemCo"), in order to provide regional oversight on remuneration matters for the EMEA region. The EMEA RemCo is a sub-committee of the EMEA Governance Committee. The P&C Committee retains ultimate oversight of Citi's remuneration matters. In 2011, Citi appointed a non-executive director of the P&C Committee and EMEA Governance Committee to the EMEA RemCo.

The 2015 EMEA RemCo comprised the EMEA Chief Executive Officer and EMEA Chief Administrative Officer, and EMEA Heads of Risk, Compliance, Human Resources, Legal, and Finance, and a non-Executive Director.

Material Risk Takers

In accordance with the PRA and FCA Codes, Citi maintains a record of its Material Risk Takers, which comprises the categories of staff whose professional activities are determined as having a material impact on the firm's risk profile. For the 2015 performance year, Material Risk Takers were identified principally using Citi's understanding of the European Banking Association's criteria for identifying staff as set out in Commission Delegated Regulation (EU) No 604/2014.

Design and Structure of Remuneration

Fixed Remuneration – Salary, Role-Based Allowances ("RBAs") and Benefits

Citi's fixed remuneration is set to appropriately attract, retain and motivate employees, in line with market practices, and is benchmarked against market data by role.

RBAs have been assigned to roles, not employees, on the basis of the following, non-exhaustive list of factors: a) the size and complexity of the role, b) the breadth of responsibility and territory covered by the role and, c) the strategic importance of the role, territory or market to the business.

Pension and other non-cash benefits are offered to Citi EMEA employees as part of an overall reward package which is designed to be sufficiently competitive to attract, retain and motivate employees. Citi EMEA aims to provide pension and other benefits across all units/business groups, which are competitive against the external market.

Variable Compensation

Discretionary Incentive and Retention Award Plan

Citi's Discretionary Incentive and Retention Award Plan (DIRAP) is Citi's main discretionary variable compensation plan, and applies globally. It is designed to incentivise, reward and retain employees based on their current and prospective performance and contribution. Awards made under the DIRAP are typically awarded in the form of cash and/or Citi stock.

Cash awarded for the 2015 performance year to Material Risk Takers under DIRAP is included under "2015 Cash" in Table 44.

Use of Stock and Deferred Cash as Deferred Compensation

Citi operates a mandatory deferral policy, where total annual variable compensation of an individual awarded under DIRAP exceeds globally set thresholds. For Material Risk Takers, 2015 variable compensation subject to deferral was typically awarded in the form of Citi stock and deferred cash. Citi believes that awarding deferred stock and deferred cash are effective means of aligning employee interests with those of stockholders and other stakeholders.

Deferred Equity Awards

The Capital Accumulation Program (CAP) is the main programme under which Citi may make awards of deferred Citi stock to selected employees. Deferred stock awards are subject to the terms of the CAP plan.

Deferred equity awarded under CAP to Material Risk Takers for the 2015 performance year is included in "2015 Equity" and EU Short Term Awards made to Material Risk Takers are included in "2015 Vested Outstanding" in Table 44. Prior years unvested CAP awards are included in the "Outstanding Deferred – Unvested" amounts in Table 44.

Short Term Equity Awards

Material Risk Takers receive a portion of their "immediate" variable compensation in the form of an immediately vesting stock award (EU Short Term Award or "EUSTA"), which is subject to a 6-month retention period on vesting. EUSTA awarded for the 2015 performance year to Material Risk Takers under DIRAP is included under "2015 Vested Outstanding" in Table 44.

Deferred Cash Awards

A portion of 2015 deferred remuneration was awarded to Material Risk Takers in the form of a deferred cash award. Deferred Cash awarded for the 2015 performance year to Material Risk Takers is outlined in Table 44 as '2015 Deferred Cash'.

Deferrals and Retention Periods

Citi EMEA operates a standard or "default" deferral policy period of four years for non-Material Risk Takers, which it considers captures the duration of most risks in a proportionate manner.

Deferred variable compensation awarded to Material Risk Takers is awarded in the form of deferred stock and deferred cash. In accordance with EBA Guidelines, Material Risk Takers were subject to deferral rates of 40% to 100% depending on their level of total compensation. Deferred awards for Material Risk Takers vest over at least three years, subject to a further minimum six-month retention period once vested. In regards to the remaining portion of variable compensation, 10-30% is paid as immediately vesting stock (EUSTA) subject to a minimum six-month sales restriction and the remainder is paid in immediate cash.

Material Risk Takers who fall within de-minimis thresholds are subject to to Citi's mandatory deferrals.

Clawback

At Citi's discretion, for Material Risk Takers, the unvested deferred portion of the 2015 awards may be subject to adjustment based on the following:

- There is reasonable evidence of employee misbehaviour or material error; or
- There is reasonable evidence that an employee was involved with or responsible for conduct which resulted in significant losses in connection with their employment or failed to meet appropriate standards of fitness and propriety; or
- The firm or the relevant business unit suffers a material downturn in its financial performance; or
- The firm or the relevant business unit suffers a material failure of risk management; or
- The participant received the award based on materially inaccurate audited publicly reported financial statements; or
- The participant knowingly engaged in providing materially inaccurate information relating to audited publicly reported financial statements; or
- The participant materially violated any risk limits established or revised by senior management and/or risk management; or
- The participant engaged in gross misconduct.

In addition, following the introduction of new rules around clawback, all vested cash and stock amounts related to variable remuneration awarded to Material Risk Taker are subject to clawback for a period of at least seven years from date of award.

Performance Based Vesting Condition

Deferred equity awards made to Material Risk Takers are subject to a formulaic performance based vesting condition that may result in the cancellation of all or part of unvested amounts in the event of losses in their relevant business.

Deferred cash awards made to Material Risk Takers are subject to discretionary performance based vesting, which may result in cancellation of unvested awards where an employee has significant responsibility for a material adverse outcome, such as events which lead to serious financial or reputational harm to

Citi.

Key Remuneration Policies

Guarantees, Buyouts and Retention Payments

Guaranteed incentive awards for Citi EMEA employees can generally be made only in exceptional circumstances, where there is a strong capital base and by reference to the first year of service.

Guaranteed awards which buy out equity or similar instruments which are forfeited as a result of resigning employment with another employer and joining Citi EMEA are generally permitted but must not be more generous in either amount or terms than that provided by the former employer. Tables 44 includes 2015 guaranteed and buy out awards made to Material Risk Taker hires.

Guaranteed awards made for the purposes of retaining employees can only generally be made in exceptional circumstances, for example, during major restructuring, during a merger process; or where a business is winding down, such that particular staff needs to be retained on business grounds. No guaranteed retention awards were made to Material Risk Takers in 2015.

Severance

Severance pay is generally discretionary unless otherwise required by local law or workplace agreements. Payments related to the termination of employment are designed in a way that does not reward failure.

Ratio of Fixed to Variable Remuneration

Citi seeks to balance the components of reward between fixed and variable, and between short term and long-term components. Annual fixed remuneration for senior employees is regularly reviewed by the P&C Committee. Citi operates a fully flexible remuneration policy, including the possibility to pay zero variable remuneration. For relevant employees, an annual review of the balance between fixed and variable compensation takes place and, where required, adjustments are made to the fixed element of pay to ensure that an appropriate balance of fixed versus variable continues to be maintained on an ongoing basis. The aggregate of fixed remuneration paid to Material Risk Takers for 2015 is set out in Table 44.

Following the introduction of CRD IV Citi has obtained shareholder approval to apply a fixed to variable ratio of 1:2 for Material Risk Takers in 2015.

Personal Hedging

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

In addition, Citi's Corporate Personal Trading Policy and Standards prohibits "Covered Employees" (separately defined for this purpose) and related persons from hedging in any manner (other than currency hedges) unvested restricted stock or deferred stock awarded under CAP or restricted shares, or otherwise having a financial interest in having Citi securities decline in value.

Certain "Covered Employees" are subject to restrictions on specific types of trading in Citi shares. The following transactions in Citi securities are prohibited:

- Short sales
- Sales of naked calls
- Purchases of puts for speculative purposes
- Speculative option strategies (i.e. straddles, combinations and spreads) when the Covered Employee does not have an underlying position in Citigroup securities that would permit the Covered Employee to make delivery if the options were to be exercised; and
- Any transactions related to the hedging of unvested CAP or Restricted shares

Link between Pay and Performance

Citi is committed to responsible compensation practices and structures. Citi seeks to balance the need to compensate its employees fairly and competitively based on their performance, while assuring that their compensation reflects principles of risk management and performance metrics that reward long-term contributions to sustained profitability.

Exceptional employees, and exceptional efforts by those employees, have been required to implement Citi's strategy where there continues, despite the downturn in certain businesses, to be worldwide competition for proven talent in many parts of the financial services industry and a difficult global economic climate.

Citi's compensation practices are constantly evolving to ensure that our discretionary incentive and retention compensation programmes reduce the potential for imprudent risk-taking that may undermine Citi's business objectives and the franchise. Risk continues to be a primary consideration in designing Citi's compensation programmes. Further, Citi's performance management processes for all Citi employees is designed to ensure that discretionary pay decisions incorporate considerations of risk, as well as individual, business unit and overall Citi performance.

Citi's programmes incorporate both ex-ante and ex-post features to adjust for risk and current and future performance:

- At the Citi level, management has developed a robust process for risk-adjusting the annual discretionary incentive and retention compensation pools for which annual incentive and retention awards are made.
- Citi enhanced its performance evaluation process to formally integrate opinions of personnel from the independent control functions in the performance evaluations of Material Risk Takers.
- As noted above, deferred awards made to Material Risk Takers include a performance-based vesting (PBV) features and clawback provisions which may result in cancellation of unvested awards.

- A significant proportion of deferred awards is made in the form of Citi common stock and is therefore inherently performance-based. Citi has trading policies that limit hedging strategies that might otherwise undermine the risk alignment effects of their remuneration arrangements.
- Vesting of the deferred awards does not accelerate upon termination of employment except in the case of death, so an employee's interest remains aligned with those of stockholders even after termination of employment.

Individual Performance

One of Citi's key compensation principles is to "promote meritocracy by recognising employee contributions".

The performance assessment of all Material Risk Takers is based on individually tailored goals, and an assessment against Citi's Leadership Standards:

Develop our people:

- Builds talent and teams for Citi by creating a culture of meritocracy and transparency, and celebrating excellence, initiative and courage
- Inspires and empowers the team to work collaboratively to achieve superior results
- Creates an environment where people hold themselves to the highest ethical standards
- Models personal growth and consistently provides coaching and feedback in support of ongoing development and retention
- Attracts great talent, builds a diverse talent pipeline, and recognizes, rewards, promotes based on performance

Drives value for clients:

- Enables economic value and positive social impact for clients, companies, governments, and communities
- Puts clients first by anticipating, understanding, and exceeding their expectations and needs
- Acts as a trusted partner to clients by delivering superior advice, products and services
- Brings the best of Citi and knowledge of global issues and market trends to create value and good will with clients
- Drives innovation, competitive differentiation and speed to market by actively learning from others

Works as a partner:

- Works collaboratively across the firm and encourages others to achieve the best results for Citi and our clients
- Exemplifies global leadership by embracing unique perspectives from across Citi to achieve the best solutions
- Challenges self and colleagues to higher levels of performance by actively listening and engaging in constructive dialogue
- Treats people with respect and assumes the intentions of others are based on common goals and shared purpose

Champion's progress:

- Champions a culture of high standards, pushes for progress, embraces change and challenges the status quo in support of Citi's vision and global strategy
- Communicates a vision that is forward looking and responsive to changes in the environment
- Inspires enthusiasm and mobilizes resources for productive and innovative change
- Exhibits confidence and agility in challenging times
- Sets a positive tone when implementing Citi-wide change initiatives

Lives our values:

- Ensures systemically responsible outcomes while driving performance and balancing short and long term risks
- Sets the standard for the highest integrity in every decision
- Leads by example; willing to make difficult choices in support of Citi and our stakeholders
- Makes Citi better for all by putting the clients' and Citi's interests ahead of individual or team interests
- Has the courage to always do what's right and the humility to learn from mistakes

Deliver results:

- Sets high standards and achieves performance objectives by creating a clear path toward ethical and sustainable results
- Translates Citi's strategy into effective business plans while proactively overcoming obstacles
- Prioritizes and provides a clear line of sight to the most critical work
- Sets goals and measures progress to ensure the organization is focused on ethics, execution, and results
- Expects self and team to consistently meet/exceed expectations

Citi conducts an annual independent review process pursuant to which the control functions (Compliance, Finance, Independent Risk, Internal Audit and Legal) provide an evaluation of risk behaviours of Material Risk Takers. The risk behaviour rating from the independent review process is included in the performance evaluation system to inform the performance review conducted by the individual's manager. The performance evaluation system includes formal risk goals for all Material Risk Takers as well as a formal manager-provided risk rating.

Whilst the appraisal system reflects performance in the current year, any compliance or risk related breach in the previous performance period that is discovered in the current performance period will be taken into account when determining the individual's rating. For Material Risk Takers material errors which occur in a previous performance period but are discovered in the current performance period may result in an adjustment of unvested deferred compensation (i.e. clawback) and/or current year end variable compensation.

Remuneration of Control Function Employees

In terms of remuneration for employees in control functions, whilst remuneration levels are influenced by Citi's overall performance, individual compensation is determined within the function and pay decisions are based on assessments against measurable goals and targets which are set by each function. Compensation of Control Function employees is regularly benchmarked against external market data.

Citi maintains the independence of key control functions (e.g. Compliance and Risk) to minimise any scope for potential conflicts of interests. Accordingly, there should be no conflict of interest on account of any business' potential to influence individual awards in the control function. Citi ensures performance management and compensation decisions for function personnel are directed by function management, and not the business unit.

Table 44: Fixed and Variable Compensation of Citi PRA Code Staff for the 2015 Performance Year

		2015 Fixed	2015 Variable Compensation Awarded in 2015 (i)					Other Variable Compensation (i)			
	Employees	Base Salary (£ million)	2015 Cash (£ million)	2015 Vested Outstanding (£ million)	2015 Equity (£ million)	2015 Deferred Cash (£ million)	Guarantees –Recruitment (iii) (£ million)	Outstanding Deferred – Unvested (iii) (£ million)	Outstanding Deferred - Vested (ii) (£ million)	Buy-Out of Forfeited Deferrals from Prior Employer (v) (£ million)	Severance (£ million)
CGML	**450**	**£ 184.58**	**£ 34.47**	**£ 27.58**	**£ 73.86**	**£ 73.92**	**£ 4.33**	**£ 127.50**	**£ 71.08**	**£ 13.75**	**£ 1.08**
Other Material Risk Takers	440	£ 175.60	£ 33.77	£ 26.88	£ 68.33	£ 68.38	£ 4.33	£ 120.06	£ 63.86	£ 13.75	£ 1.08
Senior Management (iv)	10	£ 8.98	£ 0.70	£ 0.70	£ 5.54	£ 5.54		£ 7.45	£ 7.22	£ -	£ -
Other	**229**	**£ 73.64**	**£ 15.98**	**£ 12.71**	**£ 22.47**	**£ 22.23**		**£ 39.03**	**£ 21.75**	**£ 0.77**	**£ 2.15**
Other Material Risk Takers	222	£ 70.32	£ 15.50	£ 12.37	£ 20.99	£ 20.78		£ 37.19	£ 20.53	£ 0.77	£ 2.15
Senior Management (iv)	7	£ 3.32	£ 0.48	£ 0.33	£ 1.48	£ 1.46		£ 1.85	£ 1.21	£ -	£ -
Grand Total	**679**	**£ 258.22**	**£ 50.46**	**£ 40.29**	**£ 96.33**	**£ 96.15**	**£ 4.33**	**£ 166.54**	**£ 92.82**	**£ 14.52**	**£ 3.22**

Additional Notes

i) All non GBP payments converted using 2015 Year-End FX Rates (GBP/USD 1.53103261)

ii) Outstanding Deferred - consists of:

a). Options -outstanding deferred vested calculated by using fair value of options fixed at grant less outstanding amortisation. Outstanding deferred unvested valuation equals remaining amortisation balance as at 29th February 2016

b). Shares - valued using closing price 19th February 2016 (USD38.99)

iii) Guaranteed Amounts are included within Variable Compensation

iv) Senior Management defined as members of EMEA Operating Committee

v) Buy-Outs relate to amounts awarded in 2015

vi) To ensure consistency of reporting year on year the as at date has been extended to 29th February 2016 to include the later grant date of variable deferred compensation.

Table 45: Fixed and Variable Compensation of Citi PRA Code Staff for the 2014 Performance Year

		2014 Fixed	2014 Variable Compensation Awarded in 2014 i).					Other Variable Compensation i).			
	Employees	2014 Fixed (£million)	2014 Cash (£million)	2014 Vested Outstanding (£million)	2014 Equity (£million)	2014 Deferred Cash (£million)	Guarantees - Recruitment iii). (£million)	Outstanding Deferred - Unvested ii). (£million)	Outstanding Deferred - Vested ii). (£million)	Buy-Out of Forfeited Deferrals from Prior Employer (£million)	Severance (£million)
CGML	**388**	**£ 172.23**	**£ 24.29**	**£ 19.20**	**£ 65.78**	**£ 65.68**	**£ 0.83**	**£ 137.54**	**£ 63.73**	**£ 4.66**	**£ 1.41**
Other Material Risk Takers	377	£ 162.90	£ 23.21	£ 18.12	£ 60.65	£ 60.55	£ 0.83	£ 128.97	£ 55.40	£ 4.66	£ 1.41
Senior Management iv)	11	£ 9.33	£ 1.08	£ 1.08	£ 5.13	£ 5.13	£ -	£ 8.56	£ 8.33	£ -	£ -
Other	**224**	**£ 77.16**	**£ 15.49**	**£ 10.56**	**£ 21.89**	**£ 21.41**	**£ -**	**£ 49.94**	**£ 19.83**	**£ 1.89**	**£ 3.29**
Other Material Risk Takers	217	£ 74.33	£ 14.70	£ 9.92	£ 20.86	£ 20.43	£ -	£ 48.38	£ 18.69	£ 1.66	£ 3.29
Senior Management iv)	7	£ 2.83	£ 0.79	£ 0.63	£ 1.04	£ 0.99	£ -	£ 1.56	£ 1.14	£ 0.23	£ -
Grand Total	**612**	**£ 249.39**	**£ 39.77**	**£ 29.76**	**£ 87.68**	**£ 87.09**	**£ 0.83**	**£ 187.48**	**£ 83.55**	**£ 6.55**	**£ 4.71**

NOTES:

i). All non GBP payments converted using 2014 Year-End FX Rates (GBP/USD 1.65366312)

ii). Outstanding Deferred - consists of:

a). Options -outstanding deferred vested calculated by using fair value of options fixed at grant less outstanding amortisation. Outstanding deferred unvested valuation equals remaining amortisation balance as at 27th February 2015

b). Shares - valued using closing price 27th Feb 2015 ($52.42)

iii). Guaranteed Amounts are included within Variable Compensation

iv). Senior Management defined as members of EMEA Operating Committee

v). Buy-Outs relate to amounts awarded in 2014

vi). To ensure consistency of reporting year on year the as at date has been extended to 27th February 2015 to include the later grant date of variable deferred compensation

Table 46: 2015 Remuneration Banding for Annual Compensation of Individuals Earning at Least EUR 1 Million

Total Compensation	Number of Individuals
EUR 1 million to below EUR 1.5 million	126
EUR 1.5 million to below EUR 2 million	51
EUR 2 million to below EUR 2.5 million	32
EUR 2.5 million to below EUR 3 million	11
EUR 3 million to below EUR 3.5 million	6
EUR 3.5 million to below EUR 4 million	7
EUR 4 million to below EUR 4.5 million	6
EUR 4.5 million to below EUR 5 million	1
EUR 5 million to below EUR 6 million	2
EUR 6 million to below EUR 7 million	9
EUR 7 million to below EUR 8 million	2
EUR 8 million to below EUR 9 million	0
EUR 9 million to below EUR 10 million	1
EUR 10 million to below EUR 11 million	0
EUR 11 million to below EUR 12 million	0
EUR 12 million to below EUR 13 million	1
Total	**255**

11. Appendix 1: UK Senior Management and Board Disclosures

The following senior management disclosures are made in accordance with CRR Article 435.2

Recruitment and Diversity Policy for the CGML and CIL Board of Directors

Board Composition, Role and Effectiveness

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

Both entities have a combination of Non-Executive Directors who are either:

- UK based and independent from any of Citi's businesses;
- on the parent company's Board (in order to provide direct linkage between the main and subsidiary boards), but who are independent within the standards applicable to the parent board; or
- former Citi executives who have a deep understanding of its business.

All new Non-Executive Directors receive training on their significant influence function and Companies Act responsibilities, as well as Citi familiarisation for independent Non-Executive Directors.

The selection process for Non-Executive Directors is rigorous and consists of several interviews. The interviewers include the CEO of the relevant legal entity, the EMEA Chief Administrative Officer and the EMEA Chief Legal Officer. All Board appointments are required to be formally approved by the UK Nominations Committee and the PRA.

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 PRA's expectations for legal entity focus, Citi also appoints a Chief Executive Officer (CEO) for both CGML and CIL.

Distinction Between the Roles of Executive and Non-Executive Directors

A fundamental distinction is drawn between the roles of executive and non-executive directors. Non-Executive Directors do not have any business line responsibility, but have oversight responsibilities consistent with the approach recommended in the Combined Code on Corporate Governance. To this end, non-executive directors chair both the Governance Committee and the Audit Committee of the relevant legal entity. The Non-Executive Directors set the agendas for those Committee meetings and determine any follow up actions. The Non-Executive Directors are also not limited in their oversight to specific business operations.

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

- full and unhindered access to the business, which involves the receipt of detailed presentations given by business or control functions;
- administrative support in the form of an assistant for the Chairman and office facilities on the executive floor of Citigroup's London offices in Canary Wharf for UK-based Non-Executive Directors; and
- technical training in the form of Board tutorials. These regular tutorials cover a wide range of subjects including capital and liquidity requirements, client assets and client money regulations, anti-money laundering rules, regulation relating to anti-bribery and corruption, and recovery and resolution planning.

Non-Executive Directors of CGML and CIL

Jonathan Asquith (Chairman)

Number of Directorships Held: 4

In addition to his role at Citi, Jonathan is chairman of Dexion Capital PLC and deputy Chairman of 3i Group. His previous experience includes terms as a non-executive director of Ashmore Group PLC from 2008 to 2012 and as Chief Financial Officer and Vice Chairman of Schroders PLC between 2002 and 2008. He spent 18 years in the investment banking industry with Morgan Grenfell and Deutsche Bank.

Susan Dean

Number of Directorships Held: 2

Susan spent 24 years in various management roles at Citi, most recently as ICG Chief Financial Officer up until her departure as an executive in 2011. Previous roles included EMEA Head of Finance, Operations and Technology with responsibility for over 9,000 staff across the firm. During her time at Citi, Susan also served as a member of Citi's EMEA Operating Committee, Pension Advisory Board, UK Legal Vehicles Governance Committee and UK Legal Vehicles Audit Committee. Prior to joining Citi's legacy firm, Salomon Brothers in 1987 as Vice President, Susan worked for Merrill Lynch's Strategy Group.

Diana Taylor

Number of Directorships Held: 7

Diana Taylor has been an independent director of Citigroup Inc. since July 2009. As well as being Vice Chair of Solera Capital LLC, she is a Senior Adviser at Wolfensohn Fund Management, L.P., where she previously worked as Managing Director.

From 2003 to 2007, Ms. Taylor served as Superintendent of Banks of New York State Banking Department, where she also oversaw the regulation of the mortgage industry, and money service businesses. Prior to this, she served as Governor Pataki's Deputy Secretary for Finance and Housing between 1996 and 1999. Before that, Ms. Taylor worked for several years in the energy business, first as Vice President of KeySpan Energy and then as Chief Financial Officer at the Long Island Power Authority. She was a founding partner and president of M.R. Beal & Company.

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

Executive Directors of CGML and CIL

James (Jim) Cowles (Director of CGML and CIL)

Number of Directorships Held: 3

Jim Cowles was named Citi's Chief Executive Officer for Europe, Middle East & Africa (EMEA) in January 2013. Prior to assuming his current position, he was Chief Operating Officer for EMEA and Head of Western Europe at Citi. He has also served as Head of Markets for Citi in EMEA, Global Head of Equities and Global Head of Equity Capital Markets.

Jim joined Smith Barney in 1979. Other previous roles have included: Head of Equities (EMEA), Deputy Head of Investment Banking, Head of Real Estate Investment Banking and Commercial Mortgage Trading, Head of Debt Capital Markets and Head of Direct Investments.

Peter McCarthy (Director of CGML and CIL)

Number of Directorships Held: 5

Peter McCarthy was appointed Citi's Chief Administrative Officer for EMEA in February 2012. He has spent 28 years in various management roles at Citi including CAO of Citi's Markets business in EMEA. Prior to joining Citi, Peter spent 6 years working in the European Financial Control division of Merrill Lynch.

Zdenek Turek (Director of CGML)

Number of Directorships Held: 3

In addition to his role as Citi Cluster Head for Western Europe, Zdenek Turek also serves as EMEA Head of Corporate Banking and is on the Board of Citibank Europe PLC and Bank Handlowy w Warsawie S.A.

Up until recently, Zdenek was CEO of Central and Eastern Europe and Country Corporate Officer for Russia. From 2005 to 2008, he was Citi Country Officer for South Africa and Division Head for Africa, responsible for the bank's business in the region. From 2002 to 2005, Zdenek was Citi Country Officer for Hungary and also oversaw the Central European cluster (Hungary, the Czech Republic, Romania, Slovakia and Bulgaria).

Zdenek joined Citi in 1991 in Prague, where he held a number of Banking and Corporate Finance management roles before moving to Citi Romania in 1998 as Citi Country Officer. Prior to joining Citi, he was a member of the Foreign Exchange Department of the Central Bank of Czechoslovakia. He then joined A.I.C., an Austrian-owned management consulting company as Deputy Head of its corporate advisory representative office in Prague. He is also a member of the Board of the American Chamber of Commerce in Russia.

James Bardrick (Director and Chief Executive Officer of CGML and CIL)

Number of Directorships Held: 4

James Bardrick is Citi's Country Officer for the United Kingdom. Prior to this appointment, he was Co-head of Corporate and Investment Banking for EMEA, with specific responsibility for Corporate Banking from 2009 to 2014. He sits on Citi's Institutional Clients Group's Global Executive Committee, Citi's EMEA Operating, Governance and Risk Committees.

James is a Business Senior Credit Officer and has been with the firm for 27 years. During this time he has developed a broad experience of global client relationship management and coverage as well as providing strategic and transaction advice through many advisory, equity and debt financing transactions. Prior to joining Citi, James worked as an engineer and in marketing for GKN PLC and for Tomkins PLC.

12. Appendix 2: 2015 Asset Encumbrance Disclosures for CGML

Assets

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	66,302,358,009		247,564,443,978	
Equity instruments	9,288,302,950	9,288,302,950	906,478,291	906,478,291
Debt securities	38,772,677,360	38,772,677,360	5,920,287,474	5,920,287,474
Other assets	18,241,377,698		240,737,678,213	

Collateral received

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	155,281,233,752	26,140,479,892
Equity instruments	34,144,084,377	1,369,857,310
Debt securities	118,175,037,328	23,484,996,900
Other collateral received	2,962,112,047	1,285,625,682
Own debt securities issued other than own covered bonds or ABSs	0	0

Encumbered assets/collateral received and associated liabilities

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	242,138,757,303	118,283,608,162

Information on importance of encumbrance

As at 31 December 2015, the carrying value of assets on CGML's UK GAAP balance sheet was $313.9bn. This included approximately 14% debt securities, 3% equity instruments, and 83% Other assets. Of the total amount, approximately 21% or $66.3bn is considered to be encumbered. Assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. Unencumbered other assets primarily relates to derivative instruments which cannot be encumbered under UK GAAP, and receivables related to secured financing assets.

CGML also receives cash and securities collateral from on/off balance sheet secured financing transactions including reverse repos, stock borrows, prime brokerage margin loans, and also derivatives. The fair value of collateral received from these transactions was $181bn. This included 78% debt securities, 20% equity instruments, and 2% other collateral. Of the total amount, approximately 86% or $155bn of total cash and securities collateral received is considered to be encumbered.

Sources of encumbrance for both assets and securities collateral received include secured financing transactions such as repo and stock lending as well as customer and firm short position coverage and derivative margining.

Encumbrance plays an essential role in the funding and liquidity management of CGML through its secured financing, derivative and customer activities, and as such encumbrance levels are monitored and managed appropriately. The level of encumbrance related to transactions with other members within the group is immaterial considering the level of total encumbrance.

CGML primarily uses standard collateral agreements such as Credit Support Annexes ("CSAs") and Global Master Repurchase Agreements ("GMRAs") and collateralises at appropriate levels in line with industry standards.

The rationale for the significant difference between 2015 and 2014 is due to the refinement of the reporting methodology with the main impacts coming from 2015 Reporting is based on UK GAAP balance sheet rather than US GAAP balance sheet. In addition 2015 includes for Reverse repo related activity both the Assets and Collateral received templates and not just in the collateral received template.

The data provided represents balances at 31 December 2015.

13. Appendix 3: 2014 Asset Encumbrance Disclosures for CGML

Assets

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	62,848,989,368		11,420,709,103	
Equity instruments	6,873,944,313	6,873,944,313	922,741,506	922,741,506
Debt securities	38,572,768,971	38,572,768,971	8,559,077,694	8,559,077,694
Other assets	17,402,276,085		1,938,889,903	

Collateral received

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	147,147,645,758	20,714,831,707
Equity instruments	29,054,383,785	936,730,358
Debt securities	115,070,209,856	18,005,375,929
Other collateral received	3,023,052,116	1,772,725,420
Own debt securities issued other than own covered bonds or ABSs	0	0

Encumbered assets/collateral received and associated liabilities

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	103,014,195,407	120,433,431,764

Information on importance of encumbrance

As at 31 December 2014, the carrying amount of CGML's long inventory was $74.3 billion. This included approximately 63% debt securities, 11% equity instruments, and 26% other assets. Of the total amount, approximately 85% or $62.9 billion is considered to be encumbered.

Additionally, CGML also receives cash and securities collateral from secured financing transactions such as reverse repos, stock borrows and Prime Brokerage margin debits. The carrying amount of collateral received from these transactions was $167 billion. This included 79% debt securities, 18% equity instruments, and 3% other collateral. Of the total amount, approximately 88% or $147 billion of total cash and securities collateral received is considered to be encumbered.

Sources of encumbrance for both long inventory and securities collateral received include secured financing transactions such as repo and stock lending as well as customer and firm short position coverage. The carrying amount of assets which are encumbered for these transactions is approximately $105 billion.

The carrying amount of assets which are encumbered for selected financial liabilities is approximately $15 billion. The sources of encumbrance for these assets are OTC derivatives.

The nature of a broker dealer is to finance assets on a secured basis. As such, one would expect a greater level of encumbrance due to short coverage, stock loan and repo transactions.

14. Appendix 4: 2015 Asset Encumbrance Disclosures for CIL

Assets

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution*	970,617,610		20,974,415,630	
Equity instruments	0	0	12,248,843	0
Debt securities	568,538,976	568,538,976	1,260,858,941	1,261,626,414
Other assets	402,078,635		19,701,307,846	

Collateral received

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	761,880,703	5,498,498,274
Equity instruments	0	0
Debt securities	761,880,703	5,498,498,274
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	0	0

Encumbered assets/collateral received and associated liabilities

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	1,127,172,640	332,875,784

Information on importance of encumbrance

As at 31 December 2015, the carrying value of assets on CIL were £21.9bn. This included approximately 8.3% debt securities, 0.1% equity instruments and 91.6% other assets. Of the total amount approximately 4% or £1bn was considered to be encumbered. Assets were considered encumbered when they had been pledged or used to secure, collateralise or credit enhance a transaction which impacted the transferability and free use.

Additionally, CIL also received securities collateral from reverse repo transactions. The carrying amount of collateral received from these transactions were £6.3bn. 100% of collateral received was in the form of Debt securities. Approximately 12% or £0.8bn of total securities collateral received was considered to be encumbered.

Asset encumbrance were not significant for CIL as its funding and liquidity model was based on funding through retail and corporate deposits and unsecured borrowings as opposed to secured financing. The main source of encumbrance related to OTC derivative margining with other entities within the group.

CIL primarily used standard collateral agreements such as Credit Support Annexes (“CSAs”) and Global Master Repurchase Agreements (“GMRAs”) and collateralised at appropriate levels in line with industry standards.

The data provided represents balances at 31 December 2015.

**Does not equal the sum of "Equity Securities", "Debt Securities" and "Other Assets" due to the inclusion of "Loans on Demand" and "Loand and Advances Other Than Loans on Demand". The latter two are not displayed on the EBA disclosure on asset encumbrance template.*

15. Appendix 5: 2014 Asset Encumbrance Disclosures for CIL

Assets

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution*	990,869,591		19,773,013,196	
Equity instruments	0	0	12,714,591	0
Debt securities	699,939,099	706,920,557	2,951,131,904	2,952,013,427
Other assets	249,212,076		3,348,200,204	

Collateral received

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	730,992,662	4,806,813,287
Equity instruments	0	0
Debt securities	730,992,662	4,806,813,287
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	0	0

Encumbered assets/collateral received and associated liabilities

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	130,468,801	249,212,076

Information on importance of encumbrance

As at 31 December 2014, the carrying amount of CIL's long inventory was £20.7 billion. This included approximately 17% debt securities, 0.1% equity instruments, and 17% other assets. Of the total amount approximately 5% or £1billion is considered to be encumbered.

Additionally, CIL also receives securities collateral from reverse repo transactions. The carrying amount of collateral received from these transactions was £5.5 billion. 100% of collateral received was in the form of debt securities. Approximately 15% or £0.7 billion of total securities collateral received is considered to be encumbered.

The carrying amount of assets which are encumbered for selected financial liabilities is £249 million. The sources of encumbrance for these assets are OTC derivatives.

Asset encumbrance is relatively lower for CIL relative to CGML as the funding model is based on funding through retail and corporate deposits and unsecured borrowings as opposed to secured financing.

**Does not equal the sum of "Equity Securities", "Debt Securities" and "Other Assets" due to the inclusion of "Loans on Demand" and "Loans and Advances Other Than Loans on Demand". The latter two are not displayed on the EBA disclosure on asset encumbrance template.*

16. Glossary

ABS	Asset Backed Securities
ALCO	Asset and Liability Committee
AMA	Advanced Measurement Approach
BIPRU	Prudential Sourcebook for Banks, Building Societies and Investment Firms
BPC	Business Practices Committee
BRCC	Business Risk and Control Committee
BSST	Business Specific Stress Test
CAP	Capital Accumulation Programme
CCO	Citi Country Officer
CCP	Central Counterparty Clearing House
CDS	Credit Default Swap
CEM	Current Exposure Method
CEO	Chief Executive Officer
CET 1	Common Equity Tier 1
CFO	Chief Finance Officer
CFP	Contingency Funding Plan
CGML	Citigroup Global Markets Limited
CIL	Citibank International Limited
CMO	Capital Markets Origination
CORA	Credit and Operational Risk Analytics
CPAC	Consumer Product Approval Committee
CPB	Citi Private Bank
CRD	Capital Requirements Directive
CRE	Commercial Real Estate
CRMR	CitiRisk Market Risk
CRO	Chief Risk Officer
CSA	Credit Support Annex
CSC	Citi Service Centre
CVA	Credit Valuation Adjustment
DIRAP	Discretionary Incentive and Retention Award Plan
DPAC	Distribution Product Approval Committee
EAD	Exposure at Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
EEA	European Economic Area
EMEA	Europe, Middle East and Africa
EPE	Expected Positive Exposure
EU	European Union
EUSTA	EU Short-Term Award
ETDs	Exchange Traded Derivatives
FCA	Financial Conduct Authority
FLP	Funding and Liquidity Plan

FRR	Facility Risk Rating
FX	Foreign Exchange
G10	Group of Ten (refers to the countries that have agreed to participate in the General Arrangements to Borrow (GAB))
GAAP	Generally Accepted Accounting Principles
GCB	Global Consumer Banking
GSM	Global Securitised Markets
GSP	Global Securitised Products
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Institutional Clients Group
IFRS	International Financial Reporting Standards
ILG	Individual Liquidity Guidance
IMA	Internal Model Approach
IMM	Internal Models Method
IPB	International Personal Bank
IPR	Investments Products Risk
IRC	Incremental Risk Charge
IRE	Interest Rate Exposure
ISDA	International Swaps and Derivatives Association
KEPSP	Key Employee Profit Sharing Plan
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
MCA	Manager's Control Assessment
MPAC	Manufacturing Product Approval Committee
NIR	Net Interest Revenue
NPAC	New Product Approval Committee
NRI	Non-Resident Indian
NSFR	Net Stable Funding Ratio
OIS	Overnight Indexed Swap
ORR	Obligor Risk Rating
OTC	Over The Counter
P&C	Personnel and Compensation
PBV	Performance Based Vesting
PD	Probability of Default
PRA	Prudential Regulation Authority
PRR	Position Risk Requirement
PSU	Performance Share Units
RemCo	Remuneration Committee
Resi	Residential Real Estate
RMBS	Residential Mortgage Backed Securities
RWA	Risk Weighted Assets
SFT	Securities Financing Transaction

SVaR	Stressed Value at Risk
TTS	Treasury and Trade Solutions
VaR	Value at Risk
WWR	Wrong Way Risk