Citigroup Global Markets Limited

Pillar 3 Disclosures

For the quarter ended 30 June 2016

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1. Overview

This document contains the Pillar 3 disclosures for the quarter ended 30 June 2016 for Citigroup Global Markets Limited (CGML), the principal UK operating subsidiary of Citigroup (Citi).

In accordance with the European Banking Authority (EBA) guidelines, CGML has made an assessment of the requirement to disclose information more frequently than annually and as a result has deemed it appropriate to disclose the enclosed information every quarter. The disclosures will be published in the Investor Relations section of Citi's website.

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.

CGML maintains capital resources which are comfortably above the minimum regulatory requirements.

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

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

2. Risk Management

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., Finance, 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.

3. Key Metrics for CGML as at 30 June 2016

Total Common Equity Tier 1 Capital	Total Capital Resources	Total Minimum Capital Requirements	Excess Capital Resources	Risk Weighted Assets	CET1 Capital Ratio	Leverage Ratio
$12.3bn	$17.8bn	$8.4bn	$9.4bn	$105bn	11.8%	3.7%

4. Capital Resources

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

The following table sets out the regulatory capital resources of CGML as at 30 June 2016.

Table 1: Capital Resources as at 30 June 2016

US$ Millions	CGML
Paid up capital instruments*	1,500
Retained earnings*	1,958
Other reserves*	9,989
Common Equity Tier 1 Capital before regulatory adjustments	13,447
Total regulatory adjustments to Common Equity Tier 1 Capital	1,123
Total Common Equity Tier 1 Capital	12,324
Total Tier 1 Capital	12,324
Total Tier 2 Capital	5,473
Total Capital Resources, Net of Deductions	**17,797**
Tier 1 Capital Ratio	11.8%
Common Equity Tier 1 Capital Ratio	11.8%
Total Capital Ratio	17.0%

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

5. Capital Adequacy

CGML complies with the CRD IV minimum capital requirements to ensure that sufficient capital is maintained to cover all relevant risks and exposures. For this purpose, the firm calculates capital charges for market risk, credit risk, counterparty risk, operational risk and concentration 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 prepares regular capital forecasts for the entity. As part of this process, the firm maintains an Internal Capital Adequacy Assessment Process (ICAAP) document which explains the firm's risk appetite, capital requirements and associated policies and procedures.

The following table sets out CGML's Pillar 1 minimum capital requirements in respect of credit risk, market risk, operational risk, counterparty risk and concentration risk as at 30 June 2016. The Risk Weighted Assets (RWAs) from which these requirements are calculated are also presented in the table.

Table 2: Minimum Capital Requirements as at 30 June 2016

	CGML	
US$ Millions	**Capital Required**	**RWAs**
Credit risk	3,638	45,476
Contributions to the default fund of a CCP	25	313
Market risk	2,590	32,372
Operational risk	1,500	18,750
Credit valuation adjustment	605	7,559
Settlement / delivery risk	19	240
Large exposure risk	13	159
Total	**8,390**	**104,869**

The following table shows CGML's minimum capital requirements for credit and counterparty risk under the standardised approach as at 30 June 2016, at 8% of the RWA's for each of the standardised credit risk exposure classes.

Table 3: Minimum Capital Requirements in respect of Credit and Counterparty Risk under the Standardised Approach as at 30 June 2016

	CGML	
US$ Millions	**Capital Required**	**RWAs**
Central governments & central banks	150	1,878
Corporates	2,327	29,093
Institutions	1,017	12,717
Other*	35	442
Public sector entities	46	581
Institutions and corporates with a short-term credit assessment	61	765
Total	**3,638**	**45,476**

* Other includes equity exposures, regional governments & local authorities and collective investment undertakings

6. Leverage Ratio

CRD IV introduces the leverage ratio as an additional capital adequacy measure. The leverage ratio for CGML is calculated by dividing Tier 1 capital by the total of the entity's on and off-balance sheet exposures.

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. The leverage ratio during the current transitional phase is set at a minimum of 3% and at present is not a binding requirement. The full CRD IV implementation is expected to be effective from 1 January 2018.

The leverage ratio for CGML as defined by the most recent CRD IV requirements is set out in the table below.

Table 4: Leverage Ratio as at 30 June 2016

	CGML
US$ Millions	
Tier 1 Capital	**12,324**
Total Leverage Exposure	**337,508**
Leverage Ratio	**3.7%**