Citigroup Global Markets Limited

Pillar 3 Disclosures

For the quarter ended 30 September 2016

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1. Overview

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

In accordance with 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 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 advisory 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 regulatory capital which is 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 within the group.

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 September 2016

Total Common Equity Tier 1 Capital	Total Regulatory Capital	Total Minimum Capital Requirements	Excess Regulatory Capital	Risk Weighted Assets	CET1 Capital Ratio	Leverage Ratio
$12.3bn	$17.0bn	$8.3bn	$8.7bn	$104bn	11.8%	3.6%

4. Regulatory Capital

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

The following table sets out the regulatory capital of CGML.

Table 1: Regulatory Capital as at 30 September 2016

$ Millions	
Paid up capital instruments	1,500
Retained earnings	1,067
Accumulated other comprehensive income	891
Other reserves	9,989
Total Common Equity Tier 1 Capital before adjustments[1]	13,447
Total regulatory adjustments to Common Equity Tier 1 Capital	(1,130)
Total Common Equity Tier 1 Capital	12,317
Total Tier 1 Capital	12,317
Total Tier 2 Capital	4,692
Total Regulatory Capital net of deductions	**17,009**
Common Equity Tier 1 Capital Ratio	11.83%
Tier 1 Capital Ratio	11.83%
Total Capital Ratio	16.33%

[1]As per CGML Annual 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 large exposures 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 CGML's capital to support current and expected future activities, the firm prepares regular capital forecasts. 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, this is principally compromised of counterparty and credit risk, market risk, operational risk, and Credit Valuation Adjustment risk. 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 September 2016

$ Millions	Capital Requirement	RWAs
Credit and Counterparty Risk	3,573	44,668
Market Risk	2,636	32,946
Operational Risk	1,500	18,750
Credit Valuation Adjustment Risk	568	7,097
Default Fund Contribution Requirement	31	382
Large Exposures Risk	20	253
Settlement/Delivery Risk	3	34
Total Requirements	**8,330**	**104,130**

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 allows 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 September 2016

$ Millions	
Total Tier 1 Capital	12,317
Total Leverage Exposure	342,309
Leverage Ratio	**3.60%**