

Citigroup Global Markets Limited

Pillar 3 Disclosures

30 September 2017



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1. Overview

This document contains the Pillar 3 disclosures for the quarter ended 30 September 2017 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 are 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 institutions, 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.

Figure 1: Key Metrics for CGML as at 30 September 2017

Common Equity Tier 1 Capital	Total Regulatory Capital	Pillar 1 Minimum Capital Requirements	Risk Weighted Assets	CET1 Capital Ratio	Total Capital Ratio	Leverage Ratio
\$12.4bn	\$17.1bn	\$9.8bn	\$122.7bn	10.07%	13.96%	3.63%

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., 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. Own Funds

In accordance with the PRA's capital standards, CGML is required to maintain a prescribed excess of regulatory capital over its minimum 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 as at 30 September 2017.

Table 1: Own Funds

USD millions	30-Sep-17
Common Equity Tier 1 Capital	
Paid up capital instruments	1,500
Retained earnings	951
Other comprehensive income	1,054
Other reserves	9,999
Deductions	
CVA	(157)
Prudent valuation adjustments	(274)
Other intangible assets	(178)
Defined benefit pension fund assets	(472)
Securitisation positions	(68)
Free deliveries	(3)
CET1 capital elements or deduction- Other	(3)
Total Common Equity Tier 1 Capital	12,351
Additional Tier 1 Capital	
Paid up capital instruments	1,800
Total Additional Tier 1 Capital	1,800
Tier 2 Capital	
Paid up capital instruments and subordinated loans	2,982
Total Tier 2 Capital	2,982
Total Own Funds, Net of Deductions	17,133
CET1 Capital Ratio	10.07%
Tier 1 Capital Ratio	11.53%
Total Capital Ratio	13.96%

4. 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 requirements 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 requirements 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 CGML, taking into account both normal business conditions and a variety of stressed scenarios. On at least an annual basis CGML prepares an Internal Capital Adequacy Assessment Process (ICAAP) document that sets out its risk appetite, capital requirements and associated policies and procedures.

The following table sets out CGML's Pillar 1 minimum capital requirements and Risk Weighted Assets (RWA's) as at 30 September 2017.

Table 2: Minimum capital requirements

30-Sep-17		
USD millions	Capital Required	RWAs
Counterparty and dilution risks and free deliveries	4,320	54,006
Credit risk	212	2,646
Contributions to the default fund of a CCP	27	336
Settlement / delivery risk	3	42
Traded debt instruments	961	12,011
Equity	537	6,715
Particular approach for position risk in CIUs	290	3,620
Foreign exchange	155	1,940
Commodities	82	1,025
Position, foreign exchange and commodities risks under IMA	1,065	13,318
Operational risk	1,500	18,750
Credit valuation adjustment	643	8,033
Large exposures in the trading book	21	267
Total	9,817	122,709

5. Leverage Ratio

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

In accordance with CRD IV, 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 requirement for the calculation and reporting of the leverage ratio has been implemented in the EU for reporting and disclosure purposes, but currently it is not a binding requirement. The leverage ratio during this transitional phase is set at a minimum level of 3%. As per the current rules the full CRD IV implementation is expected to be effective from 1 January 2018.

The following table sets out CGML's leverage ratio as at 30 September 2017.

Table 3: Leverage Ratio

USD millions	30-Sep-17
Total Leverage Exposure	389,864
Tier 1 Capital	14,151
Leverage Ratio	3.63%