

CITIGROUP GLOBAL MARKETS LIMITED

(Registered Number: 01763297)

UNAUDITED INTERIM REPORT AND FINANCIAL STATEMENTS

for the six months ended 30 June 2014

CITIGROUP GLOBAL MARKETS LIMITED

These condensed interim financial statements are unaudited

INTERIM MANAGEMENT REPORT

for the six months ended 30 June 2014

The Directors present their Report and the unaudited financial statements of Citigroup Global Markets Limited (the Company) for the six months ended 30 June 2014.

Business environment

The Company is a wholly-owned indirect subsidiary of Citigroup Inc. (Citi) and is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA.

The Company is headquartered in London and operates globally, generating the majority of its business from the Europe, Middle East and Africa (EMEA) region, with the remainder coming from Asia-Pacific, Japan and the Americas. As at 30 June 2014, the Company had twelve branch offices and five subsidiaries across EMEA. The Portugal branch was closed in July 2014.

Citi conducts its business through two primary operating segments: Citicorp, consisting of its 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.

The Company is Citi's international broker-dealer, providing dealing, market making, underwriting and investment banking services to a wide range of corporate, institutional and government clients. The Company's business falls within the ICG segment of Citi's operations.

Citi's business areas are managed globally across a number of legal entities, including the Company. There are certain businesses that transact on a number of different entities, with costs on a legal entity other than the entity in which the associated revenues are recorded. There are a number of transfer pricing agreements in place within Citi that move either costs or revenues between different legal vehicles to ensure that the entities are fairly compensated for their involvement in transactions. The Company is a party to a number of these agreements. A more detailed description of the Company's activities and its transfer pricing agreements are set out in the Company's full year financial statements.

Gross Profit

Total income was \$1,976 million (2013: \$1,715 million) which represents an increase of \$261 million or 15%.

Commission income and fees of \$1,157 million (2013: \$1,049 million) saw an increase in Rates revenues as client flows to the Company increased as a result of Dodd Frank legislation, coupled with higher capital markets earnings due to a recovery in primary market activity and some notable transactions during the period.

Net dealing income of \$768 million (2013: \$584 million) resulted from increased government bond trading in the Rates business following improved sentiment regarding the US and European economies, together with a \$38 million positive variance in Credit Valuation Adjustment.

Net interest income fell from \$82 million to \$51 million. Savings on the repayment and repricing of the Company's subordinated debt were offset by a decrease in interest income within Credit Markets, as a result of lower inventory holdings as investors withdrew from local bonds following Federal Reserve tapering announcements at the end of 2013.

Operating Expenses

Operating expenses were broadly flat at \$1,641 million compared to \$1,618 million in 2013. Adverse impact of FX movements was offset by one-off charges in 2013 (including severance) and the implementation of CRD IV in 2014. As a result of these regulatory developments the composition of employee costs materially changed and some compensation expenses have been deferred over a number of years. Severance was lower due to a repositioning reserve recognised in early 2013.

Balance Sheet

Total assets of \$285 billion (31 December 2013: \$234 billion) increased primarily due to derivative financial instruments and particularly interest rate swaps. The June balance sheet also reflected a return to higher levels of activity following the quieter year end period. Regulatory changes have led to an increasing number of clients directly transacting with the Company, particularly in the Rates business.

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Total liabilities, excluding shareholders' funds, of \$272 billion (31 December 2013: \$222 billion) reflected similar increases in derivative balances, together with higher collateralised financing transactions driven by greater client activity.

Future outlook

Consistent with the strategy adopted for Citi as a whole, the Company's strategic priorities are the execution of the group level objectives for those markets and products in which the entity operates. In particular this entails the development of holistic and integrated solutions for Citi's target market investor, corporate, public sector and financial institution clients; and the selective growth of wallet share in Rates, Credit and other asset classes where Citi has compelling client and/or product value propositions and competitive strengths. There remains a focus to ensure the company maintains a structural underlying profitability.

The Company continues to closely monitor on-going events affecting the region and its clients. Such uncertainty could have a continued negative impact on investor activity, and thus on the Company's activity levels and results in 2014. In addition, the continuous reforms to the regulatory environment, both in the United Kingdom (UK) and globally, could impact on future results.

Key performance indicators

In addition to the financial results of the Company, senior management considers the monitoring of the following key financial and non-financial items critical to the Company's future: risk profile, regulatory capital, leverage and liquidity, external ratings and future regulatory developments. Please refer to the Strategic Report of the Company's financial statements for the year ended 31 December 2013 for further information.

Risk Management

The financial risk management objectives and policy and the exposure to market, credit, operational, country and liquidity risk have been disclosed in the risk management policies in the Strategic Report of the Company's financial statements for the year ended 31 December 2013 and have not materially changed in the reporting period.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Interim Management Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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INTERIM MANAGEMENT REPORT

for the six months ended 30 June 2014

Directors

The Directors who held office during the period ended 30 June 2014 were:

Non-Executive

J P Asquith (Chairman)

D J Challen (resigned 31 March 2014)

S H Dean

D L Taylor

M L Jones was appointed as Non-Executive Director on 8 September 2014.

Executive

J Bardrick

J C Cowles

P McCarthy

Z Turek

Directors' indemnity

Throughout the period and at the date of this report the Company is party to a group-wide indemnity policy which benefits all of its current directors and is a qualifying third party indemnity provision for the purpose of section 236 of the Companies Act 2006.

Auditors

The Company has elected not to have an audit of these interim financial statements. A full audit will be performed at 31 December 2014.

By order of the Board.



J Robson

Secretary

30 October 2014

Incorporated in England and Wales

Registered office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB

Registered Number: 01763297

CITIGROUP GLOBAL MARKETS LIMITED

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INTERIM PROFIT AND LOSS ACCOUNT

for the six months ended 30 June 2014

	30 June 2014	30 June 2013
	\$ Million	\$ Million
Commission income and fees	1,157	1,049
Net dealing income	768	584
Interest receivable	410	515
Interest payable	<u>(359)</u>	<u>(433)</u>
Gross profit	1,976	1,715
Operating expenses	(1,641)	(1,618)
Other finance income / (expense)	2	(1)
Other income	<u>2</u>	<u>4</u>
Operating profit on ordinary activities before taxation	339	100
Tax on profits on ordinary activities	(14)	(8)
Profit for the period	<u><u>325</u></u>	<u><u>92</u></u>

The accompanying notes on pages 8 to 10 form an integral part of these financial statements.

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INTERIM STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

for the six months ended 30 June 2014

	30 June 2014	30 June 2013
	\$ Million	\$ Million
Profit for the period	325	92
Net movement in STRGL in respect of the pension scheme	(35)	(23)
Total recognised gain for the period	<u>290</u>	<u>69</u>

INTERIM RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

for the six months ended 30 June 2014

	30 June 2014	30 June 2013
	\$ Million	\$ Million
Profit for the period	325	92
Capital Contribution	-	1,500
Share based payment transactions	37	(37)
Other recognised losses relating to the period (net)	(35)	(23)
Opening shareholder's funds	12,754	10,119
Closing shareholder's funds	<u>13,081</u>	<u>11,651</u>

The accompanying notes on pages 8 to 10 form an integral part of these financial statements.

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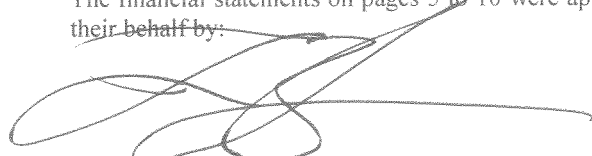
INTERIM BALANCE SHEET

as at 30 June 2014

	30 June 2014 \$ Million	31 Dec 2013 \$ Million
Fixed assets		
Tangible fixed assets	218	221
Fixed asset investments	41	50
	<u>259</u>	<u>271</u>
Current assets		
Debtors	118,295	111,623
Investments	161,888	119,574
Cash at bank and in hand	4,490	2,805
Debtors: amounts due after more than one year		
Debtors	5	13
	<u>284,678</u>	<u>234,015</u>
Creditors: amounts falling due within one year		
Creditors	267,559	217,219
Subordinated loans	-	-
	<u>267,559</u>	<u>217,219</u>
Net current assets	<u>17,119</u>	<u>16,796</u>
Total assets, less current liabilities	<u>17,378</u>	<u>17,067</u>
Creditors: amounts falling due after more than one year		
Creditors	99	160
Subordinated loans	4,200	4,200
	<u>4,299</u>	<u>4,360</u>
Provisions for liabilities	95	56
Net assets excluding net pension asset	<u>12,984</u>	<u>12,651</u>
Net pension asset	97	103
Net assets	<u><u>13,081</u></u>	<u><u>12,754</u></u>
Capital and reserves		
Called up share capital	1,500	1,500
Capital reserve	9,989	9,989
Profit and loss account	1,592	1,265
Shareholder's funds	<u><u>13,081</u></u>	<u><u>12,754</u></u>

The accompanying notes on pages 8 to 10 form an integral part of these financial statements.

The financial statements on pages 5 to 10 were approved by the Directors on 30 October 2014 and were signed on their behalf by:



J Bardrick
Director
Registered Number: 01763297

CITIGROUP GLOBAL MARKETS LIMITED

These condensed interim financial statements are unaudited

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

This report comprises the unaudited condensed interim financial statements of CGML as at and for the six months ended 30 June 2014.

The financial statements of the Company at the year ended 31 December 2013 are available upon request from the Company's registered office at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB.

2. Statement of compliance

These condensed interim financial statements have been prepared and approved by the Directors in accordance with the EU Transparency Directive as implemented in the UK via the Disclosure and Transparency Rules issued by the FCA. The condensed financial statements have been prepared in accordance with pronouncements on interim reporting issued by the Accounting Standards Board. They do not include all the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2013.

3. Principal accounting policies

The accounting policies applied by the Company in these condensed financial statements are the same as those applied by the Company in its financial statements for the year ended 31 December 2013.

As per the financial statements as at the year end, during 2013 the Company changed its accounting policy for the recognition and derecognition of regular way purchases or sales of financial assets from trade date accounting to settlement date accounting as permitted under FRS 26.

The financial statements have been prepared in US Dollars, which is the functional currency of the Company, and any reference to \$ in these financial statements refers to US Dollars.

As permitted under section 400 of the Companies Act 2006, consolidated financial statements have not been prepared because the Company is a wholly owned subsidiary of Citigroup Global Markets Europe Limited (CGMEL) which prepares annual consolidated financial statements and is incorporated and registered in England and Wales.

Under the wholly owned group exemption of FRS 8, "Related Party Disclosures", the Company is not required to disclose all transactions with other group companies and investees of the group qualifying as related parties.

The Company has taken the subsidiary undertaking exemption permitted by FRS 1, "Cash Flow Statements", and has not prepared a cash flow statement. The Company's results are included in the consolidated financial statements of Citigroup Inc., the Company's ultimate parent company. Citigroup Inc. makes its financial statements available to the public on an annual basis.

4. Use of assumptions, estimates and judgements

The results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The assumptions and estimates used in the preparation of the financial statements are described in detail in the Company's financial statements for the year ended 31 December 2013.

5. Turnover and results

As permitted by paragraph 4 of Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No 410), the format of the profit and loss account has been adapted to the circumstances of the Company. Instead of turnover, the Directors have reported commission income and fees, net dealing income and interest income less interest expense in determining the gross profit of the Company.

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NOTES TO THE FINANCIAL STATEMENTS

6. Tax on profit on ordinary activities

The company's effective tax rate for the six months ended 30 June 2014 was 4.02% (for the six months ended 30 June 2013: 7.91%). This variance in effective rate compared with the standard rate of 22% was primarily a result of tax relief available on the payment of previously accrued compensation costs and subordinated debt interest.

The main rate of corporation tax for the year beginning 1 April 2013 reduced from 24% to 23% and further reduced to 21% for the year beginning 1 April 2014 which results in a weighted average tax rate of 22% for the six months to June 2014 (6 months to June 2013: 23.5%).

The UK Government announced that the corporation tax rate will reduce to 20% from 1 April 2015. The reduction in corporation tax rate to 23% was enacted in July 2012 and the reduction in corporation tax rate to 21% and 20% was enacted in July 2013. Deferred tax is not recognised on the UK losses and timing differences due to uncertainty around the timing of their reversal.

7. Called up share capital

The Company's share capital comprises:

	2014 \$ Million	2013 \$ Million
Authorised:		
1,644,000,000 ordinary shares of \$1 each	1,644	1,644
	<u>1,644</u>	<u>1,644</u>
Allotted, called-up and fully paid:		
1,499,626,620 ordinary shares of \$1 each	1,500	1,500
	<u>1,500</u>	<u>1,500</u>

8. Reserves

The Company's reserves comprise:

	Capital reserve \$ Million	Profit and loss account \$ Million	Total \$ Million
At 1 January 2014	9,989	1,265	11,254
Profit for the period	-	325	325
Net movement in STRGL in respect of pension scheme	-	(35)	(35)
Share based payment transactions	-	37	37
At 30 June 2014	<u>9,989</u>	<u>1,592</u>	<u>11,581</u>

The capital reserve includes capital contributions from the parent company, which are distributable.

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NOTES TO THE FINANCIAL STATEMENTS

9. Financial instruments and risk management

All aspects of the Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 31 December 2013.

10. Group structure

The Company's immediate parent undertaking is CGMEL, a company registered in England and Wales. The Company's ultimate parent company and ultimate controlling party is Citigroup Inc, incorporated in the State of Delaware, United States of America.

The audited consolidated financial statements of CGMEL are made available to the public annually in accordance with Companies House regulations and may be obtained from its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

The audited consolidated financial statements of Citigroup Inc are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from <http://www.citigroup.com/citi/investor/overview.html>

11. Segmental analysis

As outlined in the Interim Management Report, the Company is Citi's international broker dealer and management reviews its performance by geography, in the same way as Citigroup Inc. reports its performance.

Citi is organised into five regions, Asia Pacific, EMEA, Japan, Latin America and North America.

	Asia Pacific	EMEA	Japan	Latin America	North America	Total Regional	Other / Corp	Total
Revenue by Region	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million
30 June 2014	110	1,065	8	8	79	1,270	706	1,976
30 June 2013	96	981	15	(2)	34	1,124	591	1,715
Increase (decrease) compared to prior period	14	84	(7)	10	45	146	115	261

	Asia Pacific	EMEA	Japan	Latin America	North America	Total Regional	Other / Corp	Total
Assets by Region	\$ Billion	\$ Billion	\$ Billion	\$ Billion	\$ Billion	\$ Billion	\$ Billion	\$ Billion
30 June 2014	9	163	14	2	97	285	-	285
31 December 2013	7	116	14	3	94	234	-	234
Increase (decrease) compared to prior period	2	47	-	(1)	3	51	-	51

* Other / Corporate items relate to Intercompany Revenues as mentioned in the Company's full year financial statements.