

NOTICE SUPPLEMENTING CITI'S TERMS OF BUSINESS FOR PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES IN RELATION TO THE BANK RECOVERY AND RESOLUTION DIRECTIVE

Dear Client,

We refer to Citi's Terms of Business for Professional Clients and Eligible Counterparties (as amended or supplemented from time to time) (the "**TOB**"). This is a written notice supplementing the TOB in accordance with clause 24.1 of the TOB and delivered to you in accordance with clause 22.2 of the TOB (the "**Notice**"). These supplemental terms are being provided to you in connection with regulatory guidance contained in the European Securities and Markets Authority's statement on "MiFID Practices for firms selling financial instruments subject to the BRRD resolution regime" dated 2 June 2016. These supplemental terms shall take effect from 21 November 2016.

Except to the extent that they are inconsistent with the definitions and interpretations of this Notice, the definitions and interpretations of the TOB shall apply to this Notice.

We wish to confirm with you the following:

The below new definitions are inserted into the TOB at Annex 1, Part 1, definitions:

"Bank Recovery and Resolution Directive" or **"BRRD"** means Directive 2014/59/EU.

"BRRD Financial Instrument" means all financial instruments issued by a BRRD Entity.

"BRRD Entity" means those EU entities within the scope of Directive 2014/59/EU, including EU credit institutions, certain EU investment firms and / or their EU subsidiaries or parents). For the avoidance of doubt, this includes certain Citi Companies.

"BRRD Resolution Authority" means any resolution authority empowered to apply the resolution tools or exercise the resolution powers under the BRRD.

The below new clause 5.4 is inserted into the TOB:

Directive 2014/59/EU (the "**Bank Recovery and Resolution Directive"** or "**BRRD**") sets out resolution tools and powers for BRRD Resolution Authorities in respect of BRRD Entities and when such tools and powers can be used. The BRRD also contains limitations on Member States contributing public finances to absorb losses or recapitalise BRRD Entities. The use of such tools and powers and the limitations on use of public finances may affect BRRD Financial Instruments or liabilities or obligations owed by a BRRD Entity. Certain of the resolution tools and powers are considered further in Annex V to these TOB.

We may offer, issue, or provide advice or other services in relation to BRRD Financial Instruments and liabilities and obligations of BRRD Entities and in deciding to deal with us generally, and in any particular case, you confirm that you are aware of the resolution tools and powers under the BRRD which may be exercised in respect of a BRRD Entity and the potential consequences on any BRRD Financial Instrument or other liability or obligation of a BRRD Entity. You also confirm that you are aware that (a) the tools and powers under the BRRD are subject to Member State implementation and that additional powers and tools may

apply in Member States and (b) non-EU equivalents of BRRD Entities (for the avoidance of doubt, this includes certain Citi Companies) may be subject to similar resolution tools and powers in jurisdictions outside of the EU.

The below new Annex V is inserted into the TOB:

General

The BRRD requires Member States to ensure that BRRD Resolution Authorities have the necessary powers to apply the following resolution tools to BRRD Entities: (1) the “bail-in” tool, (2) the “sale of business” tool, (3) the “bridge institution” tool, and (4) the “asset separation” tool. The resolution tools are described further below.

Broadly, the BRRD resolution powers include powers to: (a) take control of a BRRD Entity under resolution and exercise all the rights and powers conferred upon the shareholders, other owners and the management body of the BRRD Entity or to remove or replace the management body and senior management of the BRRD Entity; (b) transfer all or some of the shares or other instruments of ownership issued by, or some or all of the assets, rights or liabilities of (which may include instruments issued by), a BRRD Entity under resolution; (c) reduce, including to zero, the principal amount of or outstanding amount due in respect of certain liabilities of a BRRD Entity under resolution or to convert such liabilities into ordinary shares or other instruments of ownership of that BRRD Entity; (d) to cancel debt instruments issued by a BRRD Entity under resolution (other than certain secured liabilities); (e) reduce, including to reduce to zero, the nominal amount of shares or other instruments of ownership of a BRRD Entity under resolution and to cancel such shares or other instruments of ownership; (f) require a BRRD Entity under resolution to issue new shares or other instruments of ownership or other capital instruments, including preference shares and contingent convertible instruments; (g) except for certain secured liabilities, amend or alter the maturity of debt instruments and certain other liabilities issued by an BRRD Entity under resolution or amend the amount of interest payable under such instruments and liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period; (h) close out and terminate financial contracts or derivatives contracts; (i) override certain default provisions, contracts, or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation.

When exercising such powers, the BRRD requires Member States to ensure that the BRRD Resolution Authorities have certain powers, including to: (a) remove rights to acquire further shares or other instruments of ownership; (b) discontinue the listing and admission to trading of financial instruments; (c) cancel or modify the terms of a contract to which the BRRD Entity under resolution is a party or substitute a recipient as a party; (d) provide for continuity arrangements necessary to ensure that the resolution action is effective and, where relevant, the business transferred may be operated by the recipient.

The exercise of the resolution tools is subject to certain pre-conditions: the BRRD Resolution Authority must determine that the BRRD Entity is failing or likely to fail (e.g., the institution is infringing or likely to infringe the requirements for continuing authorisation by the BRRD Resolution Authority, the assets of the institution are, or it is considered will be in the near future, less than its liabilities, the institution is, or is considered will be in the near future, unable to pay its debts or other liabilities as they fall due), that there is no reasonable prospect

that alternative measures will prevent failure within a reasonable timeframe, and that resolution action is necessary in the public interest.

The BRRD also contains financial stabilisation tools based on the provision of extraordinary public financial support: the “public equity support” tool, whereby a Member State participates in the recapitalisation of a BRRD Entity, and the “temporary public ownership” tool, whereby the a Member State may take the BRRD Entity into temporary public ownership. However, these tools are only permitted to be used as a matter of last resort and require a specified level of contribution to loss absorption and recapitalisation by existing shareholders and creditors before they may be used.

In addition, the BRRD requires BRRD Resolution Authorities to be empowered to write down or convert additional tier 1 instruments and tier 2 instruments. This power can be exercised independently of, or in combination with, resolution action. Additionally the power is required to be exercised in certain circumstances, including where: (a) the determination has been made that the conditions for resolution action have been met, before any resolution action has been taken, (b) the BRRD Resolution Authority determines that unless the power is exercised, the BRRD Entity will no longer be viable, and (c) in certain cases where extraordinary public financial support is required. The power may therefore be exercised before the point of resolution.

The resolution tools and powers described above and below are in addition to early intervention measures provided for under the BRRD, including to: (a) remove or replace one or more members of the management body of a BRRD Entity; (b) require changes to the institutions business strategy; (c) implement one or more measures set out in the institution’s recovery plan; (d) require changes to the legal or operational structure of the institution.

There remains uncertainty regarding the specific factors which the BRRD Resolution Authority would consider in deciding whether to exercise its resolution tools and powers in relation to a BRRD Entity. Moreover, as the BRRD Resolution Authority may have considerable discretion in relation to how and when it may exercise such tool or power, you may not be able to refer to publicly available criteria in order to anticipate a potential exercise of such power and consequently its potential effect in respect of any BRRD Financial Instruments that you hold or obligations or liabilities you are owed.

Resolution tools

Bail-in

The bail-in tool involves a BRRD Resolution Authority (for the purpose of stabilisation and loss absorption) recapitalising the BRRD Entity by cancelling all, or a portion of, the principal amount of, or interest on, certain (typically unsecured) liabilities of a BRRD Entity, and/or converting such liabilities into another security, including ordinary shares of the surviving entity, if any.

The BRRD Resolution Authority must apply the bail-in tool in accordance with a specified preference order. In particular, the BRRD Resolution Authority must write-down or convert debts in the following order: (i) common equity tier 1 items, (ii) additional tier 1 instruments, (iii) tier 2 instruments, (iv) other subordinated debt and (v) other eligible liabilities.

“sale of business”, “bridge institution”, and “asset separation” resolution tools

As well as the bail-in tool, the sale of business, bridge institution, and asset separation resolution tools include broad powers to transfer assets or liabilities of a BRRD Entity. The BRRD Resolution Authority has the power to:

(i) sale of business tool: direct the sale of the BRRD Entity or the whole or part of its business on commercial terms;

(ii) bridge institution tool: transfer all or part of the business of the BRRD Entity to a bridge institution (an entity created for such purpose that is wholly or partially in public control); and,

(iii) asset separation tool: separate assets, rights or liabilities of a BRRD Entity by transferring assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this tool can only be used together with another resolution tool).

In all cases, the exercise of such powers will not require your consent to be effective and will not need to comply with procedural requirements under general company or securities law.

Impact of resolution tools and powers

The impact on BRRD Financial Instruments and liabilities or obligations of a BRRD Entity in resolution (particularly in respect of bail-in) depends crucially on the rank of the instrument, liability or obligation in the resolution creditor hierarchy, which may have changed due either to the specified order of preference for the bail-in tool or due to the introduction, required by the BRRD, of depositor preference (specification of the resolution creditor hierarchy of deposits from natural persons and micro, small and medium sized enterprises).

In the event of resolution, the value of BRRD Financial Instruments may be reduced to zero and or liabilities may be converted into ordinary shares or other instruments of ownership for the purposes of stabilisation and loss absorption and the exercise of the resolution tools and powers may limit a BRRD Entity’s ability to satisfy liabilities or obligations (including repayment obligations). The terms of existing BRRD Financial Instruments (e.g., date of maturity or interest rates payable) could be altered and payments could be suspended.

The BRRD requires the resolution tools and powers to be exercised in accordance with the general principle that no creditor shall incur greater losses than would have been incurred if the BRRD Entity had been wound up under normal insolvency proceedings, (the "**no creditor worse off**" principle). This means that, in certain circumstances, you may have a right to compensation if the treatment that you receive as a result of a BRRD Resolution Authority exercising a BRRD resolution power or tool is less favourable than the treatment that you would have received under normal insolvency proceedings. This assessment must be based on an independent valuation of the BRRD Entity. Compensation payments, if any, may be considerably later than contractual payment dates (in the same way that there may be a delay in recovering value in the event of insolvency).

Notwithstanding the foregoing, the exercise by a BRRD Resolution Authority of any of the above resolution powers or tools (including the bail-in tool) could cause you to lose some or all of any investment you make in BRRD Financial Instruments.

Moreover, trading behaviour in relation to BRRD Financial Instruments, including market prices and volatility, may be affected by the use or any suggestion of the use of these powers and accordingly, in such circumstances, BRRD Financial Instruments are not necessarily expected to follow the trading behaviour associated with other types of securities. In particular:

- the liquidity of the secondary market in any BRRD Financial Instruments may be sensitive to changes in financial markets;
- existing liquidity arrangements (for example, re-purchase agreements by the issuing BRRD Entity) might not protect you from having to sell BRRD Financial Instruments at substantial discount below their principal amount, in case of financial distress of the issuing BRRD Entity;

There can be no assurance that the use of any BRRD resolution tools or powers by the BRRD Resolution Authority or the manner in which they are exercised will not materially adversely affect your rights as a holder of BRRD Financial Instruments, the market value of any investment you may have in BRRD Financial Instruments and/or a BRRD Entity's ability to satisfy any liabilities or obligations it has to you.

Yours faithfully,

CITIGROUP GLOBAL MARKETS LIMITED
CITIBANK N.A., LONDON BRANCH
CITIBANK EUROPE LIMITED