

CITIGROUP INC.
BASEL II.5 MARKET RISK DISCLOSURES
AS OF AND FOR THE PERIOD ENDED
MARCH 31, 2013



DATED AS OF MAY 15, 2013

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Qualitative Disclosures

Basis of Preparation and Review

The U.S. banking agencies issued revised market risk capital rules (Basel II.5), which became effective on January 1, 2013. Accordingly, Citigroup Inc. (Citi) reported its risk-based capital ratios as of March 31, 2013 reflecting the inclusion of market risk-weighted assets derived in accordance with the Basel II.5 rules. For further information, refer to Citi's Quarterly Report on Form 10-Q for the period ended March 31, 2013.

Basel II.5 substantially revised the market risk capital framework, and implements a more comprehensive and risk sensitive methodology for calculating market risk capital requirements for covered positions. Furthermore, the U.S. version of the Basel II.5 rules also implements the Dodd-Frank Wall Street Reform and Consumer Protection Act requirement that all federal agencies remove references to, and reliance on, credit ratings in their regulations, and replace these references with alternative standards for evaluating creditworthiness. As a result, the U.S. banking agencies provided alternative methodologies to external credit ratings which are to be used in assessing capital requirements on certain debt and securitization positions subject to the Basel II.5 rules.

Under Basel II.5, the market risk component of the risk-based capital ratios is measured as the sum of the capital requirements attributable to the following:

- Value-at-Risk (VAR)
- Stressed Value-at-Risk (SVAR)
- Incremental Risk Charge (IRC)
- Comprehensive Risk Measure (CRM) (or Correlation Trading)
- Securitization Charges
- Standard Specific Risk Charges (SSRC)
- De Minimis capital charges for positions not included in the VAR model.

Citi's Basel II.5 market risk disclosures reflect the measurement of market risk via application of Citi's internal models and standardized approaches with respect to covered positions (as defined by the Basel II.5 rules). Citi's internal models were approved by its primary U.S. banking regulators in December 2012. These approvals were contingent upon the implementation of several enhancements and refinements to its Basel II.5 market risk models and framework. Citi's Basel II.5 risk-weighted assets would be substantially higher absent the successful incorporation of these required enhancements and refinements. For additional information regarding Citi's internal models used in the calculation of these measures, see the 'Capital for Market Risk' section below.

The calculation of market risk from period to period may be materially impacted by changes in the treatment of certain portfolios, including as a result of updates in regulatory guidance, changes in regulatory treatment, or enhancements to models. Where material, such changes will be disclosed in this document and/or other publicly issued documents in the reporting period following the implementation of the change(s).

Citi's Basel II.5 market risk disclosures were reviewed and attested to internally, in compliance with Citi's Basel Public Disclosures Policy. There are no requirements that the Basel II.5 market risk disclosures be audited by an independent registered public accounting firm.

Risk Management of Covered Positions

Citi manages the market risk of covered positions in the trading and non-trading portfolios under established standards, policies, and governance frameworks that were created or enhanced to ensure that market risk capital charges are only applied to covered positions and that non-covered trading book positions receive the appropriate credit risk capital charges. Citi's policies have been reviewed by its primary U.S. banking regulators. For additional information regarding Citi's market risk management, refer to Citi's 2012 Annual Report on Form 10-K. [pp 102-106]

Citi's portfolio of covered positions as per Basel II.5 encompasses, among other things, price risk as well as foreign exchange and commodity risk in both the trading and non-trading portfolios. Price risk losses arise from fluctuations in the market value of covered positions resulting from changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and the respective implied volatilities of those risk factors, as well as from fluctuations in the market value of non-trading covered positions resulting from changes in foreign exchange and commodity risk.

Each business is required to establish, with approval from Citi's market risk management, a market risk limit framework for identified risk factors that clearly defines approved risk profiles and is within the parameters of Citi's overall risk tolerance and internal capital adequacy standards. These limits are monitored by independent market risk, Citi's country and business Asset and Liability Committees and the Global Finance and Asset and Liability Committee. In all cases, the businesses are ultimately responsible for the market risks taken and for remaining within their defined limits as well as ensuring that covered positions are handled in accordance with Citi's internal policies.

Price Risk - Covered Positions

Price risk losses arise from fluctuations in the market value of covered positions resulting from changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and in their respective implied volatilities.

Price risk for Citi's covered positions is monitored using a series of measures, including but not limited to:

- VAR
- Stress Testing
- Factor Sensitivities
- Ex-Post Reviews of Covered Positions
- Trading Book Securitization and Re-Securitization
- Securitization and Re-Securitization Risk Mitigation
- Internal Model Review and Validation

Each material covered position portfolio across Citi's business segments has its own risk limit framework encompassing these measures and other controls, including trading mandates, permitted product lists, and a new product approval process for complex products.

Value-at-Risk

VAR estimates, at a 99% confidence level using a Monte Carlo simulation, the potential decline in the value of a position or a portfolio under normal market conditions. Citi's VAR methodology incorporates the factor sensitivities of a trading portfolio with the volatilities and correlations of those factors. Citi's VAR is based on the volatilities of, and correlations between, a multitude of market risk factors, as well as factors that track the specific issuer risk in debt and equity securities. See page 6 for a more detailed description of VAR.

Stress Testing

Citi uses two complementary approaches to stress testing across all major risk factors (i.e., equity, foreign exchange, commodity, interest rate and credit spreads): top-down systemic stresses and bottom-up business specific stresses. Systemic stresses are designed to quantify the potential impact of extreme market movements on a firm-wide basis, and are constructed using both historical periods of market stress and projections of adverse economic scenarios. Business specific stresses are designed to probe the risks of particular portfolios and market segments, especially those risks that are not fully captured in VAR and systemic stresses.

Factor Sensitivities

Factor sensitivities are expressed as the change in the value of a position for a defined change in a specific market risk factor, such as a change in the value of a Treasury bill for a one basis point change in the Treasury yield curve at a specific tenor. Citi's independent market risk management ensures that the factor sensitivities for all material covered positions are calculated and incorporated into the market risk management governance framework.

Ex-Post Reviews of Covered Positions

Citi's independent market risk management uses a number of internal controls to review covered positions to ensure that the regulatory capital treatment is in accordance with the Basel II.5 rules. These controls include, but are not limited to, reviews of realization of intent and ability to trade.

Trading Book Securitization and Re-Securitization

As for all covered positions, Citi manages its trading book securitization and re-securitization exposures within an established comprehensive risk management policy framework whereby each business and Citi's market risk management work together to monitor the covered securitization positions, changes in position, and changes in the portfolio structure. This includes, but is not limited to, the review of approved risk limits versus daily exposures using risk measures such as market values, risk factor sensitivities and stress loss scenarios. Securitization due diligence analysis is completed in line with the requirements of the Basel II.5 market risk rule. Citi manages risk through an annually approved limit structure to manage the risk and risk appetite for all covered securitization and re-securitization positions. These limits measure market value exposures, risk factor sensitivities, VAR and SVAR on a daily basis. In addition, regulatory risk capital and risk-weighted assets for specific risk measures are calculated monthly and are subject to a defined set of controls and governance within market risk, regulatory risk and finance management. This includes but not limited to the review of exposure classification and application of treatment type hierarchy to verify compliance with the securitization aspects of the rules. Clarifications to interpretive questions are issued through a formal capital interpretive forum and are reported to senior management. Citi's risk management framework includes a weekly scenario analysis in which all underlying risk

factors are stressed to determine portfolio sensitivity under stressed conditions. Re-securitized products in both the mortgage and credit businesses comply with a similar risk management process.

Securitization and Re-Securitization Risk Mitigation

Citi employs several risk mitigation approaches to manage risk appetite for its securitization and re-securitization exposures. Counterparty credit risk exposures are approved through the credit risk management policies and procedures. The securitization businesses comply with the credit risk approval process which includes full credit memos, as well as quarterly and annual compliance reviews. Citi uses a variety of hedging strategies, including corporate index hedges to mitigate systemic price and spread risks. Hedging decisions are made by the trading desk based on current market conditions with hedging strategies residing under Citi's market risk management policy framework. Citi's material hedging decisions are made in consultation with risk management and the Citigroup executive committee as appropriate. Any hedging proposals outside the scope of the desks permitted products would require approval by the New Product Approval Committee. For additional granularity, the securitization businesses are limited by product type limits and through additional product type and re-securitization limits, including mezzanine re-securitization limits.

Internal Model Review and Validation

Significant internal model and model parameter changes must be independently validated within Citi's risk management organization, including a review by Citi's model validation group and further approval from its model validation review committee which is composed of senior quantitative risk management officers. If a significant model change occurs, parallel model runs are undertaken prior to implementation. In addition, significant model and assumption changes are subject to the periodic reviews and approval by Citi's U.S. banking regulators. For further information, refer to the Market Risk section of Citi's 2012 Annual Report on Form 10-K. [pp 105 "VAR Model Review and Validation"]

Capital for Market Risk

Covered positions for use in the market risk component of the capital ratios are determined in accordance with Basel II.5 and are monitored in accordance with Citi's Basel II.5 policies and governance committees. Material covered positions consist of market making activities within our global markets business unit.

Valuation of Covered Positions

When available, Citi uses quoted market prices to determine the fair value of trading securities such as some government and exchange-traded equity securities. The fair value of bonds and secondary market loans traded over the counter are generally determined utilizing valuation techniques, including discounted cash flows, price based and internal models such as Black-Scholes and Monte Carlo simulation. Alt-A mortgage securities, as well as other mortgage exposures, are also valued utilizing price-based and discounted cash flow valuation techniques.

When the principal market for a portfolio of loans is the securitization market, the Company uses the securitization price to determine the fair value of a portfolio. The securitization price is derived from the assumed proceeds of a hypothetical securitization in the current market, adjusted for transformation costs and securitization uncertainties such as market conditions and liquidity.

High-grade and mezzanine asset-backed security (ABS) collateralized debt obligation (CDO) positions are valued based on the underlying assets of each high-grade and mezzanine ABS CDO. For most of the lending and structuring direct subprime exposures, fair value is determined utilizing observable transactions, other market data for similar assets in markets that are not active and other internal valuation techniques.

Where possible, fair value estimates from internal valuation techniques are verified to prices obtained from independent vendors. Vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable. Fair values may also be determined through the use of quoted prices for recent trading activity in securities with the same or similar characteristics to the security being valued.

For further information, please refer to the Fair Value Measurements footnote (footnote 25) in the Notes to Consolidated Financial Statements included within Citi's Annual Report on Form 10-K for the year ended December 31, 2012 (Citi's 2012 10-K). [pp 250-268]

Internal Models

The market risk component of Citi's risk-based capital ratios is calculated using both internal models and standardized approaches, as appropriate. Citi's models are calibrated to capture all material risk factors. Those material risk factors that are not captured in the models noted below are included as an RWA add-on as per Basel II.5. Citi's independently and regulatory approved models consist of:

- Value-at-Risk (VAR)
- Stressed Value-at-Risk (SVAR)
- Incremental Risk Charge (IRC)
- Correlation Trading or the Comprehensive Risk Measure (CRM) inclusive of the floor surcharge

Value-at-Risk

Citi uses an independently approved Monte Carlo simulation VAR model which has been designed to capture material risk sensitivities (such as first and second-order sensitivities of positions to changes in market prices) of various asset classes/risk types (such as interest rates, foreign exchange, equity, and commodity risks) at a 99% confidence interval. Citi believes its VAR model is conservatively calibrated to incorporate the greater of short-term (effectively the most recent month) and long-term (three years with a "fat tail scaling factor") market volatility. The Monte Carlo simulation involves approximately 300,000 market factors, making use of 180,000 time series, with risk sensitivities updated daily and model parameters updated weekly. Citi's VAR is based on the correlations between a multitude of market risk factors, as well as factors that track the specific issuer risk in debt and equity securities. Additionally, for covered positions that are not included in the Value-at-Risk model, Citi calculates a De Minimis risk RWA add on in accordance with Basel II.5.

Capital for Market Risk

Stressed Value-at-Risk

SVAR model methodology is the same in all respects to the VAR methodology with the exception of the look back period used for the covariance matrix of volatilities and correlations. The look back period for the SVAR is calibrated using internal Citi methodology policies to determine the most severe stress period for Citi's covered positions. This look back period is periodically recalibrated to ensure that the stress period chosen is still the most severe based upon Citi's current covered positions.

Incremental Risk Charge

IRC is a measure of potential losses due to default and credit migration over a one-year time horizon at a one-tailed, 99.9% confidence level under the assumption of constant positions. Citi's IRC model captures the concentration effect through a multi-factor structure that models the default correlations among the issuers.

Comprehensive Risk Measure

CRM estimates the price risk of covered credit correlation positions within the trading book. The model is based on a full revaluation Monte Carlo simulation, whereby all material risk factors (including default and credit migration) are simulated over a one year time horizon with a 99.9% confidence interval, under the assumption of constant positions.

Quantitative Disclosures

Table 1.1

Table 1.1 below summarizes the components of Citi's market risk-weighted assets (RWA) as of March 31, 2013, December 31, 2012, and March 31, 2012.

<i>In billions of dollars</i>	<i>March 31, 2013 ⁽¹⁾</i>	<i>December 31, 2012 ⁽²⁾</i>	<i>March 31, 2012 ⁽²⁾</i>
VAR ⁽³⁾	23.3	17.3	17.4
SVAR ⁽³⁾	34.6		
IRC	9.3		
CRM	14.2		
Securitization Charges	44.4		
Standard Specific Risk Charges	13.3	24.3	23.3
Other ⁽⁴⁾	6.8		
Total Market Risk-Weighted Assets	145.9	41.6	40.7

(1) Calculated under Basel II.5 rules.

(2) Calculated under Basel I rules.

(3) As of March 31, 2013, VAR and SVAR include additional RWA to those initially calculated under the VAR model to reflect both the effect of removing certain positions subsequently not considered by Citi's primary U.S. banking regulators to be covered positions under Basel II.5 and also to capture certain risk factors not otherwise included in the VAR model. These positions were formerly considered covered positions by Citi's primary U.S. banking regulators under the Basel I market risk capital rules. The regulatory mandated reclassification of these positions as being excluded from Citi's VAR model commenced April 1, 2013, and will be reflected as appropriate in the calculation of VAR and SVAR RWA going forward.

(4) Includes De Minimis Risk for covered positions not included in the VAR model, as well as a management adjustment.

Table 1.2

Table 1.2 below summarizes Citi's VAR based capital requirement over a 10 day time horizon inclusive of the capital multiplier, SVAR based capital requirement over a 10 day time horizon inclusive of the capital multiplier, IRC based capital requirement over a 1 year time horizon and CRM capital requirement over a 1 year time horizon.

<i>In millions of dollars</i>	<i>Capital Requirement</i>			
	<i>VAR ⁽¹⁾</i>	<i>SVAR ⁽¹⁾</i>	<i>IRC</i>	<i>CRM</i>
For the Period Ended March 31, 2013				
Mean	882	2,091	553	610
Low	549	1,055	357	402
High	1,193	3,462	818	883
As of March 31, 2013	574	1,326	745	402

(1) The impact of the reclassification of the covered positions described in footnote (3) in Table 1.1 is excluded from the table above.

Table 1.3

Table 1.3 below summarizes the material risk factors contributing to Citi's VAR capital requirement over a 10 day time horizon. These risk factors are presented on a standalone basis and are not additive. Although these risk factors include a diversification benefit within each risk factor, no diversification benefit can be inferred across these risk factors.

<i>In millions of dollars</i>	<i>Interest Rate Risk⁽¹⁾</i>	<i>Credit Spread Risk⁽¹⁾</i>	<i>Equity Price Risk</i>	<i>Foreign Exchange Risk⁽¹⁾</i>	<i>Commodity Price Risk⁽¹⁾</i>
<i>For the Period Ended March 31, 2013</i>					
Mean	245	187	56	106	35
Low	169	151	27	63	17
High	362	223	105	227	61
<i>As of March 31, 2013</i>	193	183	44	85	33

(1) The impact of the reclassification of the covered positions described in footnote (3) in Table 1.1 is excluded from the table above.

Table 1.4

Table 1.4 below summarizes Citi's aggregate modeled Comprehensive Risk Measure (CRM), as well as the marginal contribution of each risk component. These amounts are inclusive of the diversification benefit across risk factors and are additive.

<i>In millions of dollars</i>	<i>March 31, 2013</i>
Default Risk	213
Recovery Rate Risk	152
Correlation Risk	(24)
Credit Spread Risk ⁽¹⁾	47
Cross Gamma Risk	14
Total CRM	402

(1) Includes migration risk.

Table 1.5

Table 1.5 below summarizes the net market value of all covered positions included in Citi's Correlation Trading Comprehensive Risk Measurement model, as well as the Net Present Value (NPV) of the net long and net short covered positions used to calculate the 8% Correlation Trading surcharge under Basel II.5. The net long and net short market values are inclusive of the netting allowed under Basel II.5 and are not additive.

<i>In millions of dollars as of March 31, 2013</i>	<i>Market Value</i>
Correlation Comprehensive Risk Measure	(12.8)
Correlation Net Long (NPV) used in 8% Surcharge ⁽¹⁾	44,386
Correlation Net Short (NPV) used in 8% Surcharge ⁽²⁾	14,944

(1) Represents the market value (NPV) of net long positions that received comprehensive risk measure charges.

(2) Represents the market value (NPV) of net short positions that received comprehensive risk measure charges.

Table 1.6

Table 1.6 below summarizes the market value of Citi's non-modeled (i.e., not included in the Comprehensive Risk Measurement model above) covered trading book securitization positions by type of exposure.

<i>In billions of dollars as of March 31, 2013</i>	<i>On Balance Sheet</i> ⁽¹⁾	<i>Off Balance Sheet</i> ⁽²⁾	<i>Total</i>
CMBS ⁽³⁾	1.41	0.57	1.98
RMBS ⁽⁴⁾	2.26	0.40	2.65
CDO/CLO ⁽⁵⁾	2.90	0.38	3.28
Nth-to-Default ⁽⁶⁾	-	0.04	0.04
Other ABS ⁽⁷⁾	0.83	-	
Trading Book Securitizations	7.40	1.38	8.78

(1) Represents the market value (NPV) of cash positions that received non-modeled securitization charges.

(2) Represents the market value (NPV) of derivative positions that received non-modeled securitization charges.

(3) CMBS: Commercial Mortgage-Backed Securities.

(4) RMBS: Residential Mortgage-Backed Securities.

(5) CDO/CLO: Collateralized Debt Obligations / Collateralized Loan Obligations.

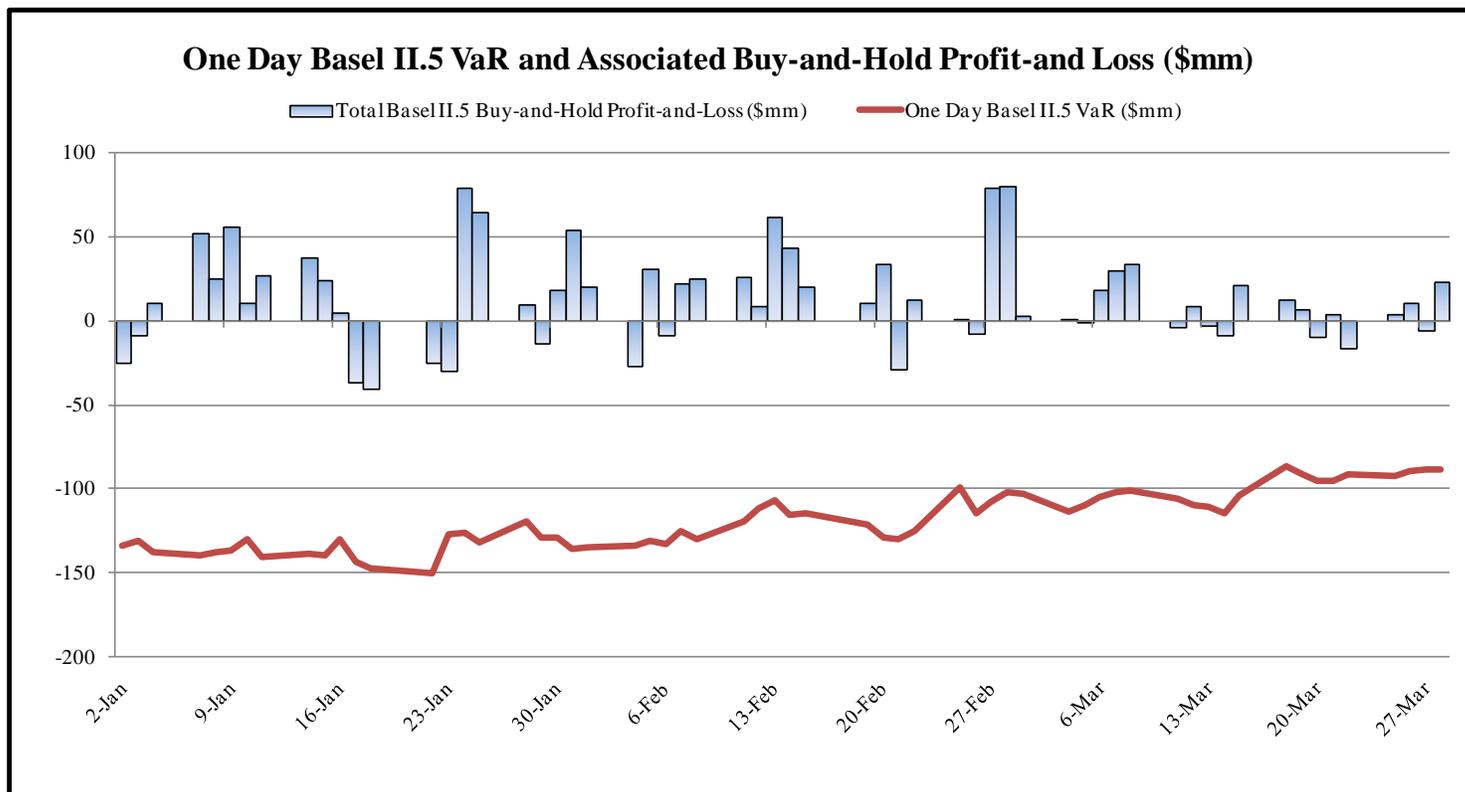
(6) Nth-to-Default credit derivative means a credit derivative that provides credit protection only for the nth-defaulting reference exposure in a group of reference exposures.

Citi's portfolio primarily consists of first to default exposures.

(7) Other Asset-Backed Securities.

Basel II.5 VAR Backtesting

Basel II.5 VAR backtesting is the process in which the daily Basel II.5 1 day VAR at a 99% confidence interval is compared to the buy-and-hold (or clean) profit and loss (e.g., the profit and loss impact if the portfolio is held constant at the end of the day and re-priced the following day). Citi's capital multiplier is based upon the number of backtesting exceptions that occur on a rolling twelve month period, as well as the discretion of Citi's primary U.S. banking regulators. Citi's capital multiplier can range between three and four. Based on the 99% confidence level of Citi's VAR model, Citi would expect two to three days in any one year where buy-and-hold losses exceed the VAR of the portfolio. Given the conservative calibration of its VAR model, Citi would expect fewer exceptions under normal and stable market conditions. Periods of unstable market conditions could increase the number of backtesting exceptions. In the first quarter of 2013 no backtesting exceptions were observed for Citi's Basel II.5 VAR. Additionally, Citi had no backtesting exceptions in 2012 for Basel I VAR. The following graph shows the daily buy-and-hold trading revenue compared to the VAR for Citi's Basel II.5 VAR during the first quarter of 2013. The backtesting is produced in conjunction with Citi's internal backtesting policies and governance committees.



- (1) Citi changed its methodology for backtesting in the fourth quarter of 2012 from using dirty profit and loss to buy-and-hold profit and loss which is more accurate for the purposes of backtesting the VAR model and in line with Basel II.5 rules.
- (2) Buy-and-hold profit and loss represents the daily mark-to-market revenue movement attributable to covered positions from the close of the previous business day. Buy-and-hold profit and loss excludes realized trading revenue, net interest, fees and commissions, intra-day trading profit and loss on new and intra-day trades and changes in reserves.
- (3) The impact of the reclassification of the covered positions described in footnote (3) in Table 1.1 is excluded from the VAR graph above.