

Citigroup Inc.

Basel II.5 Market Risk Disclosures

As of and For the Period Ended June 30, 2013



Table of Contents

Overview

- **Organization**..... 3
- **Capital Adequacy** 3
- **Basel II.5 Covered Positions**..... 3 - 4
- **Valuation and Accounting Policies**..... 4

Market Risk Measures and Risk-Weighted Assets

- **Market Risk-Weighted Assets**..... 5
- **Regulatory Value-at-Risk (VaR) and Backtesting** 6 - 7
- **Regulatory Stressed VaR**..... 8
- **Incremental Risk Charge**..... 8
- **Comprehensive Risk Measure**..... 8 - 9
- **Standard Specific Risk Charge**..... 10
- **Securitization and Resecuritization Positions** 10
- **De Minimis Exposures Charge** 10

Market Risk Management

- **Overview**..... 11
- **Securitization and Resecuritization Positions** 11 - 12
- **Model Review and Validation**..... 12
- **Stress Testing**..... 12
- **Soundness Standards**.....13

Overview

Organization

Citigroup Inc. (Citi) is a global diversified financial services holding company whose businesses provide consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services and wealth management. Citi has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions.

Citi currently operates, for management reporting purposes, via two primary business segments: Citicorp, consisting of Citi's Global Consumer Banking businesses and Institutional Clients Group; and Citi Holdings, consisting of Brokerage and Asset Management, Local Consumer Lending and Special Asset Pool. Although present in both of these business segments, Citi's market risk arises principally from trading and market making activities undertaken by Citi Securities and Banking within the Institutional Clients Group (ICG).

Capital Adequacy

Citi is subject to the risk-based capital guidelines issued by the Federal Reserve Board (FRB) which, as currently in effect, constitute the Basel I credit risk capital rules and, beginning January 1, 2013, also the final (revised) market risk capital rules (Basel II.5).¹

Basel II.5 substantially revised the market risk capital framework, and implemented a more comprehensive and risk sensitive methodology for calculating market risk capital requirements for defined "covered positions." Further, the U.S. version of the Basel II.5 rules also implemented 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. The market risk disclosures discussed herein provide quantitative information regarding Citi's market risk capital components and related risk-weighted assets, as well as qualitative information regarding Citi's risk management

¹ 77 FR 53060 (August 30, 2012). The final (revised) market risk capital rules are at 12 CFR part 3, appendix B (OCC); 12 CFR parts 208 and 225, appendix E (Federal Reserve Board); and 12 CFR part 325, appendix C (FDIC).

policies, practices and internal models, each as required under Basel II.5. These market risk disclosures were reviewed and approved in accordance with Citi's Basel Public Disclosure Policy, which has been approved by Citi's Board of Directors.

For additional information regarding Citi's capital adequacy and risk management policies and methodologies generally, see "Capital Resources and Liquidity" and "Managing Global Risk" in Citi's 2012 Annual Report on Form 10-K for the period ended December 31, 2012, as well as "Capital Resources and Liquidity" in Citi's Quarterly Report on Form 10-Q for the period ended June 30, 2013.

Basel II.5 Covered Positions

As defined under Basel II.5, covered positions include:

- (1) Trading assets or trading liabilities (whether on- or off-balance sheet), as reported for regulatory purposes, that meet the following conditions:
 - (a) The position is a "trading position" or hedges another covered position, other than trading positions that are hedges of Citi's banking book exposures. Within this context, a trading position means a position that is held for the purpose of short-term resale or with the intent of benefitting from actual or expected short-term price movements, or to lock in profits.
- AND
- (b) The position is free of any restrictive covenants on its tradability, or the banking organization, such as Citi, is able to hedge the material risk elements of the position in a two-way market.²

OR

² A two-way market means a market where there are independent bona fide offers to buy and sell so that a price reasonably related to the last sales price or current bona fide competitive bid and offer quotations can be determined within one day and settled at that price within a relatively short timeframe conforming to trade custom.

- (2) A foreign exchange or commodity position (other than any structural foreign currency positions³ chosen to be excluded and for which prior supervisory approval has been received), regardless of whether the position is a trading asset or trading liability.

Among the various types of exposures not considered to be a covered position are: (1) an intangible asset, including any servicing asset such as mortgage servicing rights; (2) any hedge of a trading position that is deemed to be outside the scope of Citi's hedging strategy; (3) any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper; (4) any position that Citi holds with the intent to securitize; or (5) any direct real estate holding.

Accordingly, the characterization of an asset or liability as a "trading asset" or "trading liability" under U.S. generally accepted accounting principles (U.S. GAAP) does not determine whether such assets and liabilities are trading positions for Basel II.5 purposes. The scope of positions or exposures recognized as trading assets or trading liabilities for U.S. GAAP purposes is generally more expansive than trading positions under Basel II.5. Positions or exposures excluded from market risk capital treatment are subject to the credit risk capital rules as though carried in the banking book.

Citi has established policies and procedures for determining which of its U.S. GAAP trading assets, trading liabilities, and foreign exchange and commodity positions are covered positions under Basel II.5, including the establishment of a firm-wide governance committee that meets quarterly and serves as a decision-making body on key trading book boundary strategies and reporting approaches. Specifically, the committee reviews the intent and ability to trade using a number of key metrics including a review of expected holding period.

Valuation and Accounting Policies

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, as well as price-based and internal models such as Black-Scholes and Monte Carlo simulation. Alternative-Asset (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, Citi 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 of 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 additional information on Citi's fair value accounting methodology, see Note 21, "Fair Value Measurement," in the Notes to Consolidated Financial Statements of Citi's Quarterly Report on Form 10-Q for the period ended June 30, 2013.

³ A structural foreign currency position is defined as a position that is not a trading position and that is: (1) subordinated debt, equity, or a minority interest in a consolidated subsidiary that is denominated in a foreign currency; (2) capital assigned to a foreign branch that is denominated in a foreign currency; (3) a position related to an unconsolidated subsidiary or another item that is denominated in a foreign currency and that is deducted from the bank's Tier 1 and Tier 2 Capital; or (4) a position designed to hedge a bank's capital ratios or earnings.

Market Risk Measures and Risk-Weighted Assets

Market Risk-Weighted Assets

Under Basel II.5, Citi's market risk-weighted assets (RWA) are measured as the sum of the risk-weighted assets attributable to the following:

- Regulatory Value-at-Risk (VaR)
- Regulatory Stressed Value-at-Risk (SVaR)
- Incremental Risk Charge (IRC)
- Comprehensive Risk Measure (CRM)
- Standard Specific Risk Charge (SSRC)
- Securitization Charges
- De Minimis Exposures Charge (covered positions not included in the VaR model)

The following table sets forth the components of Citi's market risk-weighted assets as of June 30, 2013 and March 31, 2013. Market risk-weighted assets are one of the components of the denominator used in deriving Citi's risk-based capital ratios.

Table 1: Market Risk-Weighted Assets

<i>In millions of dollars</i>	June 30, 2013	March 31, 2013
VaR ¹	\$23,055	\$23,271
SVaR ²	36,011	34,617
IRC	10,743	9,308
CRM	11,132	14,217
SSRC	13,467	13,337
Securitization Charges ³	46,421	44,385
Other ⁴	3,771	6,802
Total	\$144,600	\$145,937

¹ Includes \$2,551 million add-on for Risk not in the VaR Model (RNIM) as of June 30, 2013.

² Includes \$5,951 million add-on for RNIM as of June 30, 2013.

³ Securitization Charges additionally include standard specific risk charges attributable to securitization positions as well as non-modeled correlation trading securitization positions.

⁴ Includes de minimis risk-weighted assets for covered positions which are not included in Citi's VaR model.

Citi's Basel II.5 market risk capital requirements, and related risk-weighted assets, reflect the application of Citi's internal models as well as prescribed standardized approaches with respect to covered positions, as appropriate. Citi's internal models are designed to be calibrated to capture all material risk factors. Any material risk factors that are identified through model validation (see "Model Review and Validation" below), are included as a risk-weighted asset "add-on" in accordance with Basel II.5.

Citi's Basel II.5 internal models and related framework were approved by the FRB and the Office of the Comptroller of the

Currency (OCC) in December 2012. These internal models are used to calculate:

- Regulatory VaR
- Regulatory SVaR
- IRC
- CRM

The approval of the FRB and OCC was, in certain instances, contingent upon Citi's implementation of model enhancements and refinements. These enhancements and refinements are reflected in Citi's June 30, 2013 calculation of market risk capital requirements and related risk-weighted assets, although they remain subject to the review and approval of the FRB and OCC. In the absence of such approval, Citi's market risk-weighted assets could be substantially higher than that presented at June 30, 2013.

Citi's market risk capital requirements and resulting risk-weighted assets will vary from reporting period to reporting period and may be materially impacted by changes in the treatment of certain positions or portfolios, including updates in regulatory guidance or further refinements and enhancements to the models. Where material, such changes have been disclosed and will continue to be disclosed in this document and/or in Citi's Form 10-K or 10-Q, as appropriate, in the reporting period during which the changes were implemented.

Regulatory VaR

Under Basel II.5, Regulatory VaR is the estimate of the potential decline in the value of a position or a portfolio under normal market conditions. Regulatory VaR uses a 10-day time horizon and is calibrated to a 99% confidence interval. Citi's VaR model incorporates the volatilities and correlations of 300,000 market factors, making use of 180,000 time series, with risk sensitivities updated daily and model parameters updated weekly. Citi uses a three year look back period for correlations between risk factors and the greater of three years or, in most instances, what is effectively, a 30-day volatility. These market risk factors include material first and second-order risk sensitivities of various asset classes/risk types (such as interest rate, credit spread, foreign exchange, equity, and commodity risks).

Citi uses a single, independently approved Monte Carlo simulation VaR model for both Regulatory VaR and Risk Management VaR (see "VaR Model Review and Validation" in Citi's Quarterly Report on Form 10-Q for the period ended June 30, 2013). The portfolio composition of Citi's Regulatory VaR is materially different from Citi's Risk Management VaR (see "Total Trading and Credit Portfolio VaR" as discussed in Citi's Quarterly Report on Form 10-Q for the period ended June 30, 2013). Certain positions that are included in Citi's Risk Management VaR are not eligible for market risk treatment under Basel II.5. While Citi's confidence interval is 99% for both Risk Management VaR and Regulatory VaR, Citi uses a 1-day time horizon for Risk Management VaR and a 10-day time horizon for Regulatory VaR.

For covered positions that are not captured in Citi's Regulatory VaR, Citi calculates risk-weighted assets based on a de minimis risk add-on in accordance with the Basel II.5 requirements, or in accordance with an alternative methodology that has been approved by the FRB and OCC.

The following tables set forth Citi's Regulatory VaR risk-weighted assets, and the period end, high, low, and mean Regulatory VaR, as well as associated primary risk factors, as of and for the three months ended June 30, 2013.

Table 2: Regulatory VaR Risk-Weighted Assets

Regulatory VaR ¹	As of June 30, 2013	
	Regulatory VaR-Based Capital ²	Regulatory VaR RWA ³
\$547	\$1,640	\$23,055

¹ Based on a 60-day average and using a 10-day time horizon.

² Regulatory VaR times a capital multiplier of 3.

³ Regulatory VaR-Based Capital times 12.5 plus \$2,551 million add-on for risks not in the VaR model.

Table 2.1: 10-Day Regulatory VaR

	Three Months Ended June 30, 2013			
	As of June 30, 2013	High	Low	Mean ¹
	\$493	\$610	\$492	\$547
Interest Rate VaR ²	\$685	\$774	\$633	\$700
Credit Spread VaR ²	\$331	\$468	\$331	\$424
Equity Price VaR ²	\$66	\$143	\$32	\$60
Foreign Exchange VaR ²	\$102	\$221	\$69	\$120
Commodity Price VaR ²	\$39	\$63	\$21	\$37

¹ Mean is based on a 60-day average.

² Risk Factor VaRs are calculated on a standalone basis and are not additive. No diversification benefit can be inferred from these risk factor VaRs.

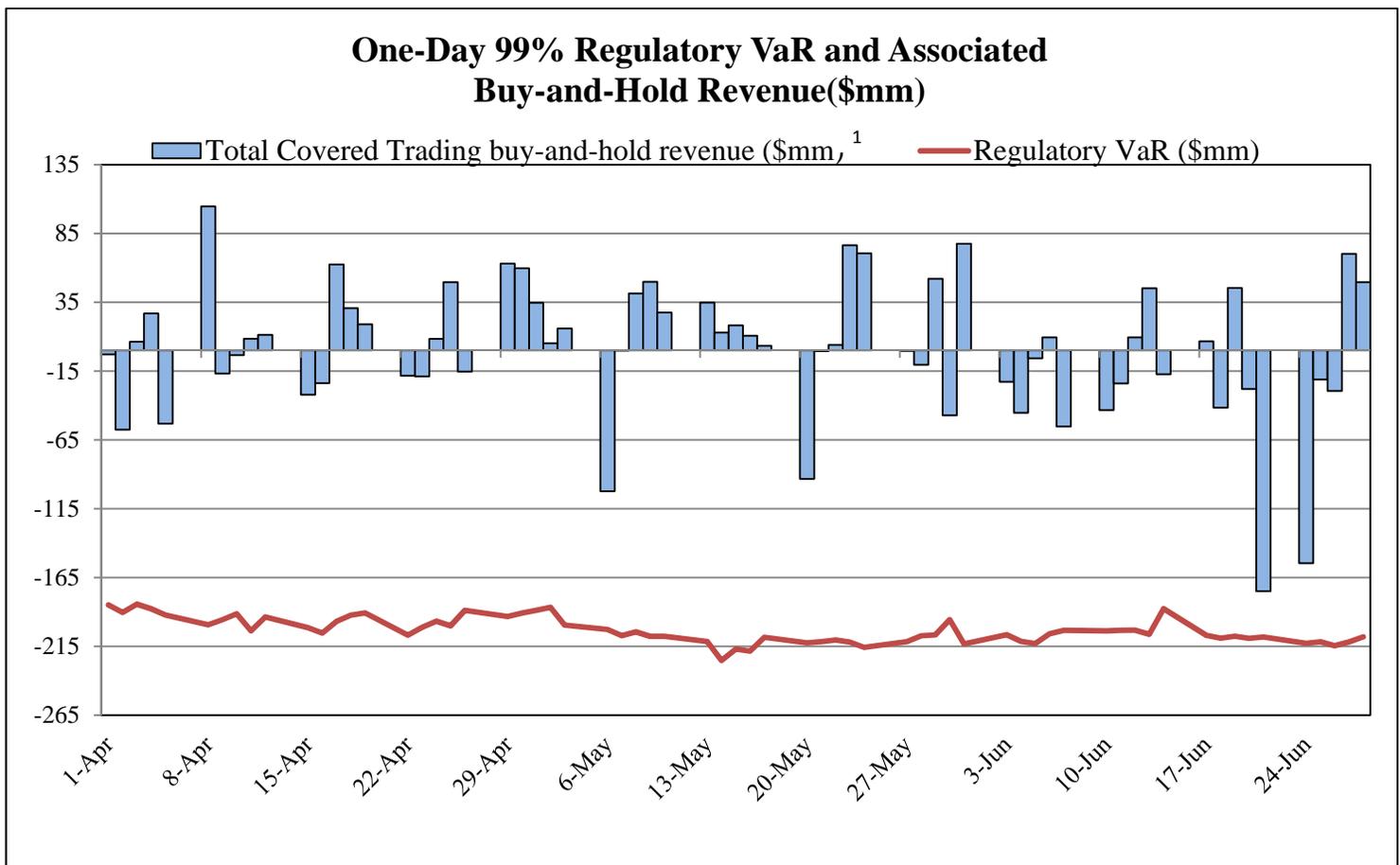
Regulatory VaR Backtesting

In accordance with Basel II.5, Citi is required to perform backtesting to evaluate the effectiveness of its VaR model and as a basis to determine its Regulatory VaR and Regulatory SVaR-based capital multiplier. Regulatory VaR backtesting is the process in which the daily 1-day VaR, at a 99% confidence interval is compared to the buy-and-hold revenue (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 Regulatory VaR and Regulatory SVaR capital multipliers, which can range between 3 and 4, are based upon the number of backtesting exceptions that occur on a rolling twelve month period, as well as the discretion the FRB and OCC. As of June 30, 2013, there were no backtesting exceptions observed for Citi's Regulatory VaR for the prior twelve months. Based on a 99% confidence level, Citi would expect two to three days in any one year where

buy-and-hold losses exceed the Regulatory VaR of the portfolio. Given the conservative calibration of Citi's VaR model (as a result of taking the greater of short and long term volatilities and fat tail scaling of volatilities), Citi would expect fewer exceptions under normal and stable market conditions. Periods of unstable market conditions could increase the number of backtesting exceptions.

Table 3 below presents a graph of the daily buy-and-hold revenue associated with covered positions compared to Citi's Basel II.5 1-day Regulatory VaR from April 1, 2013 through June 30, 2013. As the table indicates, potential losses observed on a single day did not exceed Citi's 99% 1-day Regulatory VaR during the previous 3 months.

Table 3: Regulatory VaR Backtesting Results



¹ Buy-and-hold revenue represents the daily mark-to-market profit-and-loss attributable to price movements in covered positions from the close of the previous business day. Buy-and-hold revenue excludes realized trading revenue, net interest, fees and commissions, intra-day trading profit-and-loss, and changes in reserves.

Regulatory Stressed VaR (SVaR)

Citi's Regulatory SVaR model methodology is the same as the Regulatory VaR methodology (99% confidence level and 10-day holding period), with the exception of the look back period. Specifically, the Regulatory SVaR uses model parameters such as volatilities and correlations calibrated to historical data from a continuous 12-month period that reflects significant financial stress appropriate to current portfolios. The Regulatory SVaR look back period is periodically calibrated using internal Citi methodologies and policies to determine the most severe stress period for Citi's current covered positions.

The following tables set forth the Regulatory SVaR risk-weighted assets, as well as the period end, high, low, and mean Regulatory SVaR as of and for the three months ended June 30, 2013.

Table 4: Regulatory SVaR Risk-Weighted Assets

<i>In millions of dollars</i>		<i>As of June 30, 2013</i>
Regulatory SVaR¹	Regulatory SVaR-Based Capital²	Regulatory SVaR RWA³
\$802	\$2,405	\$36,011

¹ Based on a 60-day average and using a 10-day time horizon.

² Regulatory SVaR times a capital multiplier of 3.

³ Regulatory SVaR-Based Capital times 12.5 plus \$5,950 million addition for risks not in the VaR model.

Table 4.1: 10-Day Regulatory SVaR

<i>In millions of dollars</i>			
<i>As of June 30, 2013</i>	<i>Three Months Ended June 30, 2013</i>		
	High	Low	Mean¹
\$731	\$1,168	\$589	\$802

¹ Based on a 60-day average and uses a 10-day time horizon.

Incremental Risk Charge (IRC)

IRC represents a charge to cover the default and credit migration risks of non-securitized credit products. IRC is measured over a one-year time horizon at a 99.9% confidence level under the assumption of constant positions. Liquidity horizons establish the effective holding period of the assets and are defined as the time that would be required to reduce exposure, or hedge all material risks, in a stressed market environment. A constant position assumption means that Citi maintains the same set of positions throughout the one-year time

horizon (regardless of the positions maturity date) in order to model profit and loss distributions.

Citi's IRC model is designed to capture market and issuer-specific concentrations, credit quality and liquidity horizons and recognizes the impact of correlations between default and migration events among issuers.

In June 2013, Citi modified the asset correlations in the IRC model. The asset correlations were recalibrated to make use of the asset correlations that are more representative of Citi's trading portfolio rather than including all available market data. In addition, the sampling frequency in the calibration was also adjusted to be more relevant to the IRC capital horizon. This modification moderately increased the IRC based on the risk profile tested in June 2013.

Set forth in the following tables are Citi's IRC risk-weighted assets, as well as the period end, high, low, and mean IRC charge as of and for the three months ended June 30, 2013.

Table 5: IRC Risk-Weighted Assets

<i>In millions of dollars</i>		<i>As of June 30, 2013¹</i>
IRC Charge	IRC RWA²	
\$859	\$10,743	

¹ IRC is calculated once per week.

² IRC RWA is the IRC Charge times 12.5.

Table 5.1: IRC

<i>In millions of dollars</i>			
<i>As of June 30, 2013</i>	<i>Three Months Ended June 30, 2013¹</i>		
	High	Low	Mean
\$859	\$1,050	\$638	\$846

¹ IRC is calculated once per week.

Comprehensive Risk Measure (CRM)

CRM is primarily comprised of correlation trading securitizations within the Credit Markets Division of Citi Securities and Banking. Credit correlation products refer to portfolio-based tranche products, and their hedges. The primary inputs to the valuation model used to price and risk manage these tranche products are credit default swap spreads and correlations between the individual credits within the portfolios. Correlation trading positions include both index and bespoke tranches, where index tranches mainly reference U.S. and European Credit indices.

As required under Basel II.5, the calculation of the Comprehensive Risk Measure (CRM) has two components: (i) a model-based measure and (ii) a capital surcharge which is calculated as 8% of the greater of: (1) the sum of the bank's specific risk add-ons for each net long correlation trading position, or (2) the sum of the bank's specific risk add-ons for each net short correlation trading position (both of which are calculated after permitted matching and offsetting under Basel II.5) which are included in the model.

The model-based measure of the CRM is an extension of the previously mentioned IRC model. Citi's CRM price risk model is based on a full revaluation of the portfolio inclusive of all material risk factors. Citi's CRM model uses a Monte Carlo simulation (like the IRC model); however, the CRM model includes additional risk factors that are only relevant for the firm's correlation trading portfolio.

Citi's model is intended to capture all material price risk including but not limited to the risks associated with the contractual structure of cash flows of the position, the issuer, and the underlying exposures. Through the use of these factors and others, the model simulates default risk and credit migration risk over a one-year time horizon with a 99.9% confidence interval, under the assumption of constant positions.

Asset correlation is a parameter in the CRM model. Citi's CRM model uses the same set of asset correlations that are used in the IRC model. The modified parameter calibration had a negligible impact on Citi's CRM based on the risk profile in June 2013.

The following tables present Citi's CRM risk-weighted assets and risk factors as of June 30, 2013, as well as the period end, high, low, and mean CRM Charge, as of and for the three months ended June 30, 2013.

Table 7: CRM Risk-Weighted Assets

<i>In millions of dollars</i>			
			As of June 30, 2013
CRM Charge¹	CRM RWA	8% CRM Surcharge²	Total CRM RWA³
\$381	\$4,767	\$6,365	\$11,132

¹ CRM is calculated once per week for the purpose of Basel II.5 CRM RWA.

² CRM Floor is based on Net Long fair value inclusive of netting as per Basel II.5.

³ Total CRM RWA = CRM Charge times 12.5 plus the 8% surcharge.

Table 7.1: CRM Charge

<i>In millions of dollars</i>			
As of June 30, 2013	Three Months Ended June 30, 2013¹		
	High	Low	Mean
\$368	\$510	\$218	\$381

¹ Charge based on a CRM that is calculated once per week.

Table 7.2: CRM Risk Factors

<i>In millions of dollars</i>	
	As of June 30, 2013¹
Default Risk	\$217
Recovery Rate Risk	108
Credit Spread Risk ²	15
Cross Gamma Risk	36
Correlation Risk	(9)
Total CRM	\$368

¹ CRM is inclusive of diversification benefits across risk factors and are additive.

² Credit spread risk includes credit migration risk.

The following table presents the net market value of all correlation trading securitization positions included in the CRM model, inclusive of all hedges, as of June 30, 2013. Correlation securitizations that are not included in the CRM model are not included in the figures in table 7.3 below; these positions are included in Table 8 "Covered Trading Securitization and Resecuritization Positions" below.

Table 7.3: Net Market Value of Correlation Trading Positions included in the CRM

<i>In millions of dollars</i>	As of June 30, 2013
Correlation Net Long Market Value	\$48,195
Correlation Net Short Market Value	(57,718)
Total Market Value	(\$9,522)

¹ Represents the market value of net long positions that received CRM Charges.

² Represents the market value of net short positions that received CRM Charges.

Standard Specific Risk Charge (SSRC)

Specific risk is the risk of loss from changes in the market value of a position that could result from factors other than market movements and includes event risk,⁴ default risk, and idiosyncratic risk.⁵

Standard specific risk charges include any debt or equity position which has not received a modeled-specific risk charge (i.e. Regulatory VaR, CRM, or IRC) or a non-modeled securitization charge. Based on the Basel II.5 rules, standard specific risk charges are derived by taking a percentage of the market value where the percentage is a function of the product type, time to maturity, and Citi's internal credit rating. All modeled specific risk charges are discussed in the relevant sections of these disclosures.

Securitization and Resecuritization Positions

A covered trading securitization and resecuritization is an on- or off-balance sheet financing structure that creates credit exposures, arising from either a traditional or a synthetic securitization. A traditional securitization is a transaction with the following attributes:

- All or a portion of the credit risk of the underlying assets is transferred to third parties other than through the use of credit derivatives or guarantees;
- The credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority;
- Performance of the transaction is solely dependent on the performance of the underlying assets; and
- All or substantially all of the underlying assets are financial assets.⁶

A synthetic securitization shares the same attributes as a traditional securitization except that all or a portion of the credit risk of the underlying assets is transferred through the use of credit derivatives or guarantees.⁷

Resecuritization is a securitization in which one or more of the underlying exposures is a previously securitized position. Furthermore, a resecuritization position means a covered

position that is: (i) an on- or off-balance sheet exposure to a resecuritization; or (ii) an exposure that directly or indirectly references a resecuritization.

Among others, Citi's securitized assets span several collateral types including corporate debt instruments (in cash and synthetic form), credit card receivables and mortgages. The objective of Citi's securitization trading book is to make a market in securitized products and to facilitate clients in securitizing their financial assets. Citi may also provide administrative, asset management, underwriting, liquidity facilities and/or other services to the resulting securitization entities and may continue to service some of these financial assets.

The table below sets forth the net market value of Citi's non-modeled trading book securitization and resecuritization positions (i.e., excluding modeled credit correlation trading securitizations), by product type, as of June 30, 2013.

Table 8: Covered Trading Securitization and Resecuritization Positions

<i>In millions of dollars</i>	As of June 30, 2013		
	On-Balance Sheet¹	Off-Balance Sheet²	Total
Exposures Type			
CMBS ³	\$1,550	\$1,220	\$2,760
RMBS ⁴	2,500	330	2,830
CDOs/CLOs ⁵	2,730	170	2,910
Other ABS ⁶	790	20	810
Total Market Value	\$7,570	\$1,740	\$9,310

¹ The net market value of cash securitization that received non-modeled securitization charges.

² The net market value of derivative positions that received non-modeled securitization charges.

³ Commercial Mortgage-Backed Securities.

⁴ Residential Mortgage-Backed Securities.

⁵ Collateralized Debt Obligations/Collateralized Loan Obligations.

⁶ Asset-Backed Securities.

De Minimis Exposures Charge

De Minimis exposures charges are applied to covered trading positions that are not captured in Citi's Regulatory VaR. The sum of the absolute value of those positions is multiplied by 12.5 to arrive at the applicable RWA under Basel II.5.

⁴ Event risk is the risk of loss on equity or hybrid equity positions as a result of a financial event, such as a company merger, acquisition, spin-off, or dissolution.

⁵ Idiosyncratic risk is the risk of loss in the value of a position that arises from changes in risk factors unique to that position.

⁶ Financial assets may be loans, commitments, receivables, asset-backed securities, mortgage-backed securities, other debt securities, equity securities or credit derivatives.

⁷ Securitization exposure includes tranching guarantee arrangements whereby an entity transfers some of the credit risk of the underlying exposures to one or more third parties but also retains a portion with differing seniority levels.

Market Risk Management

Overview

Citi manages the market risk of covered positions in its trading and non-trading portfolios under established standards, policies, and governance frameworks that were created or enhanced to ensure that Basel II.5 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 the FRB and OCC. For additional information regarding Citi's market risk management generally, see Citi's 2012 Annual Report on Form 10-K.

The market risk of Citi's trading portfolio of covered positions encompasses, among other things, the price risk losses which arise from fluctuations in the market value of covered positions from changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices, as well as changes in implied volatility for option products referencing these markets. Citi's non-trading portfolio of covered positions also experiences fluctuations in market value resulting from changes in foreign exchange and commodity prices.

Market risks are derived in accordance with established standards to ensure consistency across Citi's businesses and enable market risk sensitivities to be aggregated. The measurement used for covered trading positions and non-covered trading positions include:

- VaR
- Stress Testing
- Factor Sensitivities
- Internal Model Review and Validation

Each business segment (Citicorp and Citi Holdings) 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. Included in this limit framework are additional controls which detail trading mandates, permitted product lists, and a new product approval process for complex products. Ultimately, the businesses are 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.

Covered positions are subject to periodic reviews by independent market risk and product control to confirm both the realization of intent and ability to trade. Positions failing to meet the criteria of intent and ability to trade are reclassified as non-trading book positions and the appropriate regulatory capital treatment is applied.

Securitization and Resecuritization Positions

Citi manages its securitization and resecuritization positions within an established risk management policy framework whereby each business and Citi's market risk management work together to monitor the covered trading book securitization positions, changes in positions, and changes in the portfolio structure. This includes, but is not limited to, the review of approved risk limits versus daily positions using risk measures such as market values, risk factor sensitivities and stress loss scenarios. Securitization due diligence analysis is completed in accordance with the requirements of Basel II.5. This includes a pre-trade analysis and documentation of that analysis within three days of the trade date. The analysis demonstrates a comprehensive understanding of the features of a securitization that would materially affect the performance of the position. On a quarterly basis, follow-up reviews are performed to evaluate and update the securitization risk characteristics as appropriate. Citi manages the risk appetite for all covered securitization and resecuritization positions through a limit structure which is approved annually by market risk management. These limits measure market value positions, 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 is not limited to, a review of the exposure classification and application of treatment type hierarchy which is used to verify compliance with Basel II.5 around securitization transactions. 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.

Citi employs several risk mitigation approaches to manage risk appetite for its securitization and resecuritization positions. Counterparty credit risk positions are approved through the credit risk management policies and procedures. Securitization and resecuritization are subject to product limits to ensure diversification in Citi's portfolio. These limits include mezzanine resecuritization limits.

Citi uses a variety of hedging strategies, including corporate index hedges, to mitigate systemic price and spread risks. Hedging decisions are made by the business 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 previously approved products would require approval by Citi's New Product Approval Committee (NPAC).

Model Review and Validation

As discussed above, Citi received approval from the FRB and OCC for its Basel II.5 VaR, SVaR, IRC and CRM models, subject to Citi's implementation of certain model enhancements and refinements which remain subject to the approval of the FRB and OCC. These models are subject to continuing review and annual validation by Citi's model validation group and the model validation review committee who provide senior independent oversight of model validation and assessment processes.

Generally, Citi's model review and model validation process entails reviewing the model framework, major assumptions, and implementation of algorithms. In addition, as part of the model validation process, product specific backtesting on hypothetical portfolios are periodically completed and reviewed with the FRB and OCC. Furthermore, backtesting is performed against the actual change in market value of transactions on a quarterly basis at multiple levels of the organization (trading desk level, ICG business segment and Citi), and the results are also shared with the FRB and OCC.

Significant model and assumption changes must be independently validated within Citi's risk management organization. This validation process includes 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. In the event of significant model changes, parallel model runs are undertaken prior to implementation. In addition, significant model and assumption

changes are subject to periodic reviews and approval by the FRB and OCC.

Stress Testing

Stress testing is performed on a regular basis to estimate the impact of extreme market movements. It is performed on individual positions, trading portfolios, as well as an aggregate portfolio of multiple trading portfolios.

Independent market risk management, in conjunction with the businesses, develops both systemic and specific stress scenarios, reviews the output of periodic stress testing exercises, and uses the information to make judgments on the ongoing appropriateness of exposure levels and limits.

Citi uses two complementary approaches to market risk 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.

Soundness Standards

At the core of Citi's capital assessment framework is a focus on safety, soundness, credibility and confidence, aimed to ensure Citi remains well capitalized through economic cycles. The decision-making and review process for capital-related actions by Citi is evaluated as part of a combined Comprehensive Capital Analysis and Review and Internal Capital Adequacy Assessment Process (CCAR/ICAAP).

Citi utilizes a robust capital optimization process as part of its capital planning which includes both quantitative and qualitative considerations. Citi uses the CCAR scenarios as one of the elements to size its capital actions in baseline and stressed economic environments. The ICAAP framework is designed to provide a comprehensive view on capital adequacy which extends beyond the quantitative results of stress testing, and incorporates material risk identification including internal and external considerations. Citi also incorporates liquidity stress testing into its overall capital assessment framework, so that Citi maintains an adequate liquidity and funding profile in baseline and stressed economic environments. The CCAR/ICAAP is the process by which the Citigroup's Board of Directors evaluates and approves capital actions at least annually.

Citi submitted its 2013 CCAR to the FRB on January 7, 2013 and published the required summary of its results under the FRB's Supervisory Severely Adverse Scenario in March 2013. As previously disclosed, the FRB advised Citi that it had no objection to the planned capital actions requested by Citi as part of its 2013 CCAR submission, which included a common stock buyback program and the maintenance of its quarterly common stock dividends.

Citi submitted its 2013 Mid-Cycle Stress Test to the FRB on July 5, 2013 and will publish the required summary of its results under the Bank Holding Company Severely Adverse Scenario between September 15 and September 30, 2013. The FRB will not provide an objection or non-objection to Citi's Mid-Cycle Stress Test.

For additional information regarding Citi's 2013 CCAR, see Citi's Investor Relations website. For additional information on Citi's capital planning and risk management processes, see Citi's 2012 Annual Report on Form 10-K.