

Citigroup Inc.

Pillar 3

Basel III Market Risk Disclosures

For the Quarterly Period Ended June 30, 2014



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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, trade and securities 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 (ICG)*; and Citi Holdings, consisting of businesses and portfolios of assets that Citigroup has determined are not central to its core Citicorp businesses. Although present in both of these business segments, Citi's market risk arises principally from trading and market making activities undertaken by *ICG's* equity markets and fixed income markets businesses within *Markets and Securities Services*.

Capital Adequacy

Citi is subject to regulatory capital standards issued by the Federal Reserve Board (FRB) which, commencing with 2014, constitute the substantial adoption of the final U.S. Basel III rules (Final Basel III Rules), such as those governing the composition of regulatory capital (including the application of regulatory capital adjustments and deductions) and, for the second quarter of 2014, in conjunction with the granting of permission by the FRB to exit parallel reporting, approval to apply the Basel III "Advanced Approaches" framework in deriving risk-based capital ratios, which include the Basel III advanced measures for market risk.

The Basel III market risk capital rules, which substantially incorporate the former Basel II.5 rules, set forth a comprehensive and risk sensitive methodology for calculating market risk capital requirements with respect to "covered 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, such as that related to Citi's risk management policies, practices and internal models, each as required under Basel III. Moreover, these market risk disclosures were reviewed and approved in accordance with Citi's Basel Public Disclosure Policy, the latter of 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" in Citi's 2013 Annual Report on Form 10-K, as well as well as "Capital Resources" in Citi's Quarterly Report on Form 10-Q for the period ended June 30, 2014.

Basel III Covered Positions

As defined under Basel III, 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.¹

OR

- (2) A foreign exchange or commodity position (other than any structural foreign currency positions² 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) intangible assets, 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 III purposes. The scope of positions or exposures recognized as trading assets or trading liabilities for U.S. GAAP purposes is generally broader than permissible

¹ 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 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 banking organization's, such as Citi's, Tier 1 and Tier 2 Capital; or (4) a position designed to hedge a banking organization's, such as Citi's, capital ratios or earnings.

trading positions under Basel III. Positions or exposures excluded from market risk capital treatment are subject to the credit risk capital rules applicable to non-covered positions.

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 III, including the establishment of a firm-wide Basel III Boundary Governance Committee that meets quarterly and serves as a decision-making body on key trading book boundary strategies and reporting approaches. Specifically, the Basel III Boundary Governance Committee reviews the intent and ability to trade positions using a number of key metrics, including a review of the actual holding period of these positions.

Valuation and Accounting Policies and Methodologies

ASC 820-10 (formerly SFAS 157), *Fair Value Measurement*, defines fair value, establishes a consistent framework for measuring fair value and requires disclosures in Citi's consolidated financial statements about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Material covered positions under Basel III are carried at fair value on Citi's consolidated balance sheet.

Determination of fair value

Citi generally uses quoted market prices, when available, to determine the fair value of trading securities, including material covered positions under Basel III. In some cases where a market price is available, Citi nonetheless will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value. Similarly, any exchange-traded derivatives entered into by Citi are generally measured at fair value using quoted market (i.e., exchange) prices.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based parameters, such as interest rates, currency rates, option volatilities, etc. Citi may also apply a price-based methodology, which utilizes, where available, quoted prices or other market information obtained from recent trading activity in positions with the same or similar characteristics to the position being valued.

For bonds and secondary market loans traded over the counter, including securitization and resecuritization positions, Citi generally determines fair value utilizing valuation techniques, including discounted cash flows, price-based and internal models, such as Black-Scholes and Monte Carlo simulation. Fair value estimates from these internal valuation techniques are verified, where possible, to prices obtained from independent vendors.

When measured by notional value, the majority of derivatives entered into by Citi are cleared through central clearing houses. When measured by total fair value, the majority of derivatives entered into by Citi are over-the-counter (OTC) and settled bilaterally with counterparties without the use of an organized exchange or central clearing house. OTC and cleared derivatives are valued using internal

valuation techniques, as no quoted market prices exist for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. Citi generally determines the fair value of these instruments utilizing valuation techniques such as discounted cash flows and internal models, including Black-Scholes and Monte Carlo simulation. The fair value of derivative contracts reflect cash Citi has paid or received (for example, option premiums paid and received).

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign-exchange rates, volatilities and correlation. Citi uses overnight indexed swap curves as fair value measurement inputs for the valuation of certain collateralized interest-rate related derivatives.

Market valuation adjustments

Liquidity adjustments are applied to ensure that the fair value reflects the liquidity, or illiquidity, of the market. The liquidity reserve may utilize the bid-offer spread for an instrument as one of the factors. Citi also applies market valuation adjustments to account for the size of the net open risk position on certain portfolios of financial instruments.

Counterparty credit-risk adjustments are applied to derivatives, such as over-the-counter uncollateralized derivatives, where the base valuation uses market parameters based on the relevant base interest rate curves. Not all counterparties have the same credit risk as that implied by the relevant base curve, so it is necessary to consider the market view of the credit risk of a counterparty in order to estimate the fair value of such an item.

Valuation process

Individual business units are responsible for the fair value measurement of substantially all assets and liabilities held by Citi, including trading account assets and liabilities. Product Control within Citi Finance performs independent price verification procedures to evaluate those fair value measurements and has authority over the valuation of financial assets and liabilities.

Based on the observability of inputs used, Product Control classifies the inventory as Level 1, Level 2 or Level 3 of the fair value hierarchy under ASC 820-10.³ When a position involves one or more significant inputs that are not directly observable, additional price verification procedures are applied. These procedures may include reviewing relevant historical data, analyzing profit and loss, valuing each component of a structured trade individually, and benchmarking, among others.

³ ASC 820-10 defines the fair value hierarchy as follows:

- Level 1 inputs as quoted prices for *identical* instruments in active markets;
- Level 2 inputs as quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are *observable* in active markets; and
- Level 3 inputs as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

In addition, the pricing models used in measuring fair value are governed by an independent control framework. Although the models are developed and tested by the individual business units, they are independently validated by Citi's Model Validation Group within Citi's independent risk management organization and reviewed by Citi Finance with respect to their impact on the price verification procedures. The purpose of this independent control framework is to assess model risk arising from models' theoretical soundness, calibration techniques where needed, and the appropriateness of the model for a specific product in a defined market. Valuation adjustments, if any, go through a similar independent review process as the valuation models. To ensure their continued applicability, models are independently reviewed annually. In addition, Citi's risk management organization approves and maintains a list of products permitted to be valued under each approved model for a given business.

For additional information on Citi's fair value accounting methodology and process, see Note 22, "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, 2014.

MARKET RISK MEASURES AND RISK-WEIGHTED ASSETS

Market Risk-Weighted Assets

Under Basel III, 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, 2014 and March 31, 2014.

Table 1: Market Risk-Weighted Assets

<i>In millions of dollars</i>	June 30, 2014 ⁽¹⁾	March 31, 2014 ⁽²⁾
Regulatory VaR ⁽³⁾	\$ 12,431	\$ 14,488
Regulatory SVaR ⁽⁴⁾	22,491	31,299
IRC	3,044	3,425
CRM	16,660	13,014
SSRC	29,001	29,367
Securitization Charges ⁽⁵⁾	24,566	27,461
Other ⁽⁶⁾	2,921	2,102
Total	\$111,114	\$121,156

- (1) Calculated using the advanced measures for market risk-weighted assets under the Final Basel III Rules.
- (2) Calculated under the Basel II.5 rules.
- (3) Includes \$ 3,716 million and \$1,760 million add-on for Risk Not In the VaR Model (RNIM) as of June 30, 2014 and March 31, 2014, respectively. In addition, the quarter-over-quarter decline in Regulatory VaR was primarily related to the exclusion of CVA hedges as covered trading positions under the Final Basel III Rules.
- (4) Includes \$ 9,348 million and \$5,642 million add-on for RNIM as of June 30, 2014 and March 31, 2014, respectively. In addition, the quarter-over-quarter decline in Regulatory SVaR was primarily related to the exclusion of CVA hedges as covered trading positions under the Final Basel III Rules.
- (5) Includes standard specific risk charges attributable to securitization positions, as well as non-modeled correlation trading securitization positions.
- (6) As of June 30, 2014 and March 31, 2014, includes \$370 million and \$408 million, respectively, representing the add-on for Risk Not in the IRC and CRM models. In addition, for both periods, includes RWA arising from de minimis exposures.

Citi's total market risk-weighted assets of \$111,114 million at June 30, 2014 excludes various hedges against the market sensitivity of the credit valuation adjustments (CVA) for derivative counterparty risk, which were included in March 31, 2014 risk-weighted assets under Basel II.5. Under the Final Basel III Rules, hedges against the market sensitivity of CVA are no longer considered covered positions effective with the second quarter of 2014. Citi's total market risk-weighted assets at March 31, 2014, assuming the exclusion of CVA hedges, would have been \$110,053 million.

The following table sets forth a rollforward of Citi's market risk-weighted assets for the three months ended June 30, 2014.

Table 1.1: Market Risk-Weighted Assets Rollforward

<i>In millions of dollars</i>	Three Months Ended June 30, 2014
Balance, beginning of period	\$121,156
Impact of adoption of Basel III ⁽¹⁾	(11,103)
Net decrease in risk levels ⁽²⁾	(2,119)
Net increase due to model and methodology updates ⁽³⁾	3,180
Net change	\$(10,042)
Balance, end of period	\$111,114

- (1) Primarily related to the exclusion of CVA hedges as covered trading positions under the Final Basel III Rules.
- (2) Primarily related to increased downside protection in the equity markets business as, well as a reduction in non-modeled securitizations.
- (3) Primarily related to standard model parameter updates and two VaR model enhancements. For additional information regarding the VaR model enhancements, see "Regulatory Value-at-Risk" section below.

Citi's Basel III 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 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 RNIM "add-on" in accordance with Basel III.

In December 2012, Citi's internal models and related market risk capital framework were approved by the FRB and the Office of the Comptroller of the Currency (OCC). 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 internal model enhancements and refinements. These enhancements and refinements are reflected in Citi's June 30, 2014 and March 31, 2014 calculations of market risk capital requirements and related risk-weighted assets. Model approvals remain subject to ongoing review and approval of the FRB and OCC. In the absence of such approvals, Citi's market risk-weighted assets could be substantially higher than that presented at June 30, 2014 and March 31, 2014.

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, due to updated regulatory guidance, regulatory reviews or further refinements and enhancements to Citi's internal models. Where material, such changes are disclosed in Citi's Basel III Market Risk

Disclosures and/or in Citi's Form 10-K or 10-Q, as appropriate, in the reporting period during which the changes were implemented.

Regulatory Value-at-Risk (VaR)

Regulatory VaR is the estimate of the potential decline in the value of a position or a portfolio under normal market conditions. Citi uses a three year look back period for correlations between risk factors and the greater of three years or, in most instances, effectively 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. Such 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 daily in some instances, and weekly for all others. The portfolio composition of Citi's Regulatory VaR is, however, materially different from Citi's Risk Management VaR. Certain positions that are included in Citi's Risk Management VaR are not covered positions and therefore are not eligible for market risk capital treatment under Basel III. 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 additional information on Citi's Risk Management VaR model, see "Managing Global Risk – Market Risk – Price Risk – Trading Portfolios" in Citi's Quarterly Report on Form 10-Q for the period ended June 30, 2014.

In the second quarter of 2014, Citi implemented two VaR model enhancements that were reviewed by the U.S. banking agencies as well as Citi's Model Validation Group. Specifically, Citi enhanced the correlation among mortgage products and also introduced industry sectors (financial and non-financial) into the credit spread component of the VaR model.

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

The following table sets forth Citi's Regulatory VaR and related capital requirement, as well as risk-weighted assets as of June 30, 2014.

Table 2: Regulatory VaR Risk-Weighted Assets

<i>In millions of dollars</i>		
As of June 30, 2014		
Regulatory VaR⁽¹⁾	Regulatory VaR-Based Capital⁽²⁾	Regulatory VaR RWA⁽³⁾
\$232	\$697	\$12,431

(1) 60-day average, for which each daily VaR is based on a 10-day time horizon.

(2) Regulatory VaR times a capital multiplier of 3.

- (3) Regulatory VaR-Based Capital times 12.5 plus \$3,716 million add-on for RNIM.
- Immaterial differences in calculations above may exist due to rounding.

Presented in the following table are Citi's period end and high, low and mean Regulatory VaR, as well as associated primary risk factors, as of and for the three months ended June 30, 2014.

Table 2.1: 10-Day Regulatory VaR by Risk Factors

<i>In millions of dollars</i>	As of	Three Months Ended		
	June 30, 2014	June 30, 2014		
Risk Factors		High	Low	Mean⁽¹⁾
Interest Rate	\$190	\$271	\$142	\$210
Credit Spread	226	299	216	263
Equity Price	37	72	19	31
Foreign Exchange	87	188	67	103
Commodity Price	34	59	28	43
Diversification Benefit ⁽²⁾	(347)	NM	NM	(418)
Total VaR	\$227	\$313	\$171	\$232

- NM: Not meaningful

(1) Mean is based on a 60-day average used for VaR-based RWA.

(2) Diversification benefit is the result of correlation between risk factors and, due to this benefit, the total VaR on a given day will be lower than the sum of the VaRs relating to each individual risk factor. No diversification benefit can be inferred for the High and Low VaRs related to each of the respective risk factors as they may come from different close of business dates.

The following table sets forth the period end and high, low and mean Regulatory VaR for each of Citi's material portfolios of covered positions, as of and for the three months ended June 30, 2014.

Table 2.2: 10-Day Regulatory VaR by Material Portfolios

<i>In millions of dollars</i>	As of	Three Months Ended		
	June 30, 2014	June 30, 2014		
Material Portfolios		High	Low	Mean⁽¹⁾
ICG	\$225	\$300	\$166	\$232
Other ⁽²⁾	18	35	18	28
Diversification Benefit ⁽³⁾	(16)	NM	NM	(28)
Total VaR	\$227	\$313	\$171	\$232

- NM: Not meaningful

(1) 60-day average, for which each daily VaR is based on a 10-day time horizon.

(2) Primarily related to Corporate Treasury and Citi Holdings covered positions.

(3) Diversification benefit is the result of correlation between portfolios and, due to this benefit, the total VaR on a given day will be lower than the sum of the VaRs relating to each individual portfolio. No diversification benefit can be inferred for the highs and lows of respective material portfolios as they may be derived from different close of business dates.

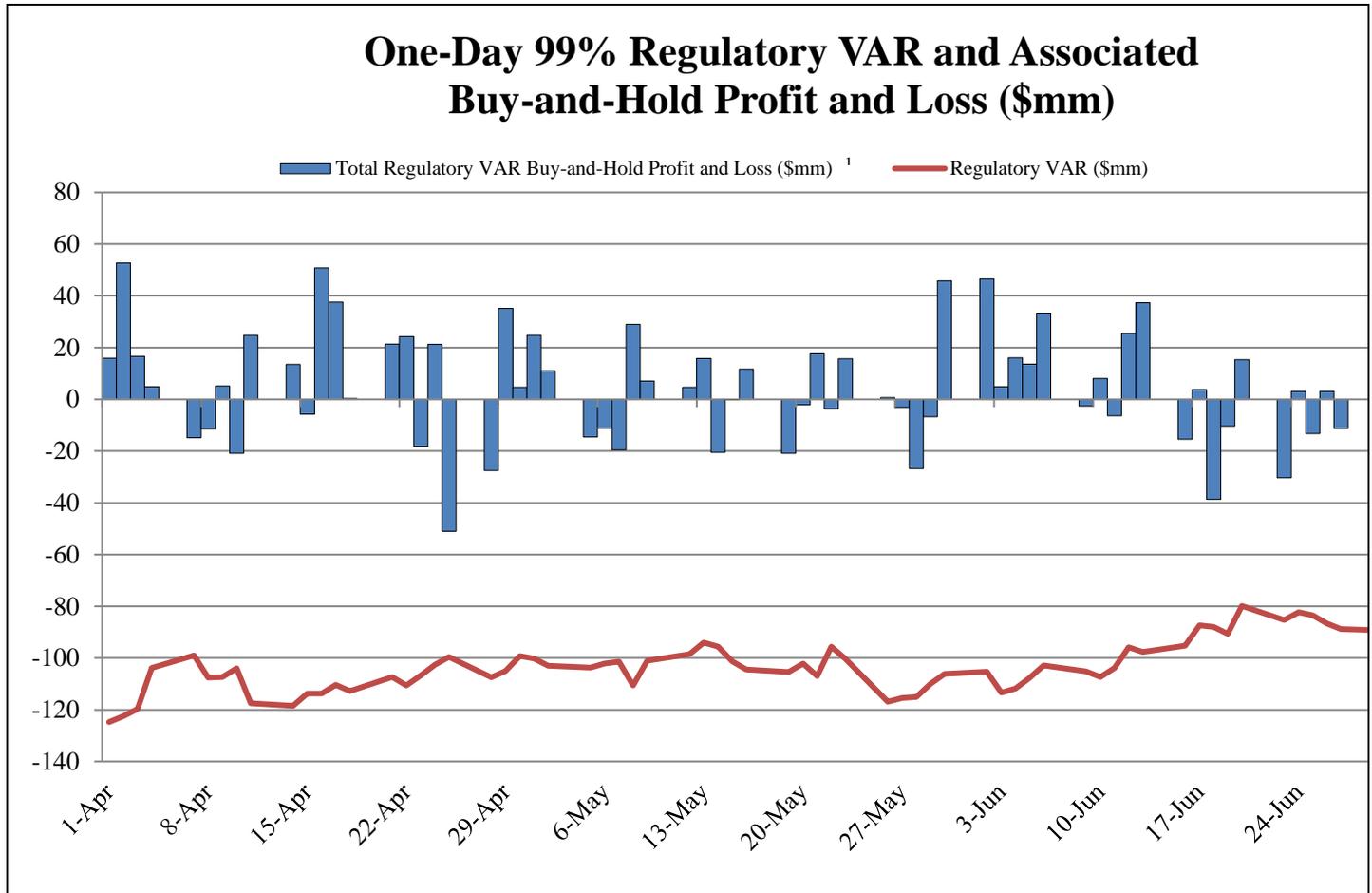
Regulatory VaR Backtesting

In accordance with Basel III, 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.⁴ 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 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 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 12-month period, as well as the discretion of the FRB and OCC. As of June 30, 2014, there were no backtesting exceptions observed for Citi's Regulatory VaR for the prior 12 months. Based on a 99% confidence level, Citi would expect two to three days in any one year where buy-and-hold losses exceeded the Regulatory VaR. 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.

The graph below presents the daily buy-and-hold profit and loss associated with all of Citi's covered positions compared to Citi's 1-day Regulatory VaR from April 1, 2014 through June 30, 2014. As the table indicates, potential losses observed on a single day did not exceed Citi's 1-day 99% Regulatory VaR during this three month period.

⁴ For additional information on Regulatory SVaR, see "Regulatory Stressed Value-at-Risk (SVaR)" below.

Regulatory VaR Backtesting Results



(1) Buy-and-hold profit and loss 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 Value-at-Risk (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 table sets forth Citi's Regulatory SVaR and related capital requirement, as well as risk-weighted assets as of June 30, 2014.

Table 3: Regulatory SVaR Risk-Weighted Assets

<i>In millions of dollars</i>	As of June 30, 2014	
Regulatory SVaR⁽¹⁾	Regulatory SVaR-Based Capital⁽²⁾	Regulatory SVaR RWA⁽³⁾
\$350	\$1,051	\$22,491

- (1) 60-day average, for which each daily VaR is based on a 10-day time horizon.
- (2) Regulatory SVaR times a capital multiplier of 3.
- (3) Regulatory SVaR-Based Capital times 12.5 plus \$9,348 million add-on for RNIM.
- Immaterial differences in calculations above may exist due to rounding.

The following table presents period end and high, low and mean Regulatory SVaR, for each of Citi's material portfolios of covered positions, as of and for the three months ended June 30, 2014.

Table 3.1: 10-Day Regulatory SVaR by Material Portfolio

<i>In millions of dollars</i>	As of June 30, 2014	Three Months Ended June 30, 2014		
Material Portfolio		High	Low	Mean⁽¹⁾
ICG	\$424	\$677	\$120	\$347
Other ⁽²⁾	64	138	62	87
Diversification Benefit ⁽³⁾	(69)	NM	NM	(84)
Total SVaR	\$419	\$662	\$192	\$350

- (1) 60-day average, for which each daily VaR is based on a 10-day time horizon.
- (2) Primarily related to Corporate Treasury and Citi Holdings covered positions.
- (3) Diversification benefit is the result of correlation between portfolios and, due to this benefit, the total SVaR on a given day will be lower than the sum of the SVaRs relating to each individual portfolio. No diversification benefit can be inferred for the highs and lows of respective material portfolios as they may be derived from different close of business dates.

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 1-year time horizon at a 99.9% confidence

level under the assumption of constant positions. A constant position assumption means that Citi maintains the same set of positions throughout the 1-year time horizon (regardless of the maturity date of the positions) in order to model profit and loss distributions. 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.

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 credit migration events among issuers.

Set forth in the following table is Citi's IRC and IRC risk-weighted assets as of June 30, 2014.

Table 4: IRC Risk-Weighted Assets

<i>In millions of dollars</i>	As of June 30, 2014⁽¹⁾
IRC⁽²⁾	IRC RWA⁽³⁾
\$244	\$3,044

- (1) IRC-based RWA is calculated using the greater of the mean and period end IRC charge (see table 4.1 below).
- (2) IRC is calculated once per week.
- (3) IRC RWA is the IRC times 12.5.

- Immaterial differences in calculation above may exist due to rounding.

Presented in the following table is the period end and high, low and mean IRC for each of Citi's material portfolios of covered positions as of and for the three months ended June 30, 2014.

Table 4.1: IRC by Material Portfolio

<i>In millions of dollars</i>	As of June 30, 2014	Three Months Ended June 30, 2014		
Material Portfolio		High	Low	Mean
ICG	\$252	\$252	\$186	\$217
Other ⁽¹⁾	25	34	19	28
Diversification Benefit ⁽²⁾	(33)	NM	NM	(28)
Total IRC	\$244	\$244	\$182	\$217

- NM: Not meaningful

- (1) Primarily related to Citi Holdings covered positions.
- (2) Diversification benefit is the result of correlation between portfolios and, due to this benefit, the total IRC on a given day will be lower than the sum of the IRCs relating to each individual portfolio. No diversification benefit can be inferred for the highs and lows of respective material portfolios as they may be derived from different close of business dates.

Comprehensive Risk Measure (CRM)

CRM is primarily comprised of correlation trading securitization positions within *ICG's Markets and Securities Services*.

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.

The calculation of the CRM under Basel III 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 Citi's specific risk add-ons for each net long correlation trading position, or (2) the sum of Citi's specific risk add-ons for each net short correlation trading position (both of which are calculated after permitted matching and offsetting under Basel III), which are included in the model.

The model-based measure of the CRM is an extension of the IRC model discussed above. 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 Citi's correlation trading portfolio.

Citi's CRM 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 market risk factors the model simulates default risk and credit migration risk over a 1-year time horizon with a 99.9% confidence interval, under the assumption of constant positions.

The following tables present Citi's CRM risk-weighted assets and market risk factors as of June 30, 2014, as well as the period end, high, low and mean CRM Charge, as of and for the three months ended June 30, 2014.

Table 5: CRM Risk-Weighted Assets

<i>In millions of dollars</i>		As of June 30, 2014	
CRM Charge⁽¹⁾	CRM RWA⁽²⁾	8% CRM Surcharge⁽³⁾	Total CRM RWA⁽⁴⁾
\$807	\$10,094	\$6,566	\$16,660

- (1) CRM Charge is calculated once per week.
- (2) CRM-based RWA is calculated using the greater of the mean and period end CRM Charge (see Table 5.1 below).
- (3) A CRM floor is based on the fair value of net long positions (inclusive of netting).
- (4) Total CRM RWA = CRM Charge times 12.5 plus the 8% surcharge.

- Immaterial differences in calculations above may exist due to rounding.

Table 5.1: CRM Charge

<i>In millions of dollars</i>	Three Months Ended June 30, 2014		
As of June 30, 2014	High	Low	Mean
CRM Charge			
\$807	\$1,279	\$471	\$789

Table 5.2: CRM Risk Factors

<i>In millions of dollars</i>	As of June 30, 2014⁽¹⁾
Default Risk	\$798
Recovery Rate Risk	(25)
Credit Spread Risk ⁽²⁾	27
Cross Gamma Risk	(1)
Correlation Risk	8
Total CRM	\$807

- (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, 2014. Correlation trading securitization positions that are not included in the CRM model are included in Table 8 "Covered Trading Securitization and Resecuritization Positions" below.

Table 5.3: Correlation Trading Securitization Positions (included in CRM Model)

<i>In millions of dollars</i>	As of June 30, 2014
Net Short Market Value	\$(60,623)
Net Long Market Value	60,140
Total Net Market Value	\$ (483)

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 broad market movements and includes event risk,⁵ default risk and idiosyncratic risk.⁶

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 III rules, standard specific risk charges are derived by applying a percentage of the market value, based on 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.

5 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.

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

Securitization and Resecuritization Positions

A covered securitization or resecuritization position, carried in the trading book, is an on- or off-balance sheet financing structure that typically creates tranches credit exposures and which arises from either a traditional (cash) or 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.⁷

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.⁸

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.

Citi's securitized assets consist of several collateral types including, among others, 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, 2014.

⁷ Financial assets may be loans, commitments, receivables, asset-backed securities, mortgage-backed securities, other debt securities, equity securities or credit derivatives.

⁸ Securitization exposure includes tranche 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.

**Table 6: Covered Trading Securitization and
Resecuritization Positions (Non-CRM Modeled)**

<i>In millions of dollars</i>	As of June 30, 2014		
Exposure Type	On-Balance Sheet⁽¹⁾	Off-Balance Sheet⁽²⁾	Total
CMBS ⁽³⁾	\$ 920	\$1,500	\$2,420
RMBS	1,730	190	1,920
CDOs/CLOs	1,940	150	2,090
Other ABS ⁽⁴⁾	420	5	425
Total Market Value	\$5,010	\$1,845	\$6,855

- (1) The net market value of cash securitization positions that received non-modeled securitization charges.
- (2) The net market value of derivative positions that received non-modeled securitization charges.
- (3) CMBS = Commercial Mortgage-Backed Securities.
- (4) ABS = Asset-Backed Securities.

De minimis Exposures Charge

As previously noted, a de minimis exposures charge is applied to covered positions that are not captured in Citi's VaR model. The sum of the absolute value of these positions is multiplied by 12.5 to arrive at the applicable RWA under Basel III.

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 III 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 2013 Annual Report on Form 10-K.

The market risk of Citi's trading portfolio of covered positions encompasses, among other things, price risk losses. Price risk losses arise from fluctuations in the market value of covered positions due to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices, as well as changes in the 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 risk is calculated 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

Citi requires that each business segment (Citicorp and Citi Holdings) 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 Citi's independent market risk management organization, Citi's country and business Asset and Liability Committees and Citigroup's 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, Citi's businesses are responsible for the market risks taken and for remaining within their defined limits, as well as ensuring that covered positions are managed in accordance with Citi's internal policies.

Citi's independent market risk management and Product Control within Finance periodically review covered positions 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 will be subject to the credit risk capital rules.

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 collaboratively 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 III, including pre-trade analysis and supporting documentation 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 of 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 for securitization transactions under Basel III.

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 credit risk management policies and procedures. Securitization and resecuritization positions are subject to product limits to ensure diversification in Citi's portfolio. These limits include mezzanine resecuritization position limits.

Citi also uses a variety of hedging strategies for its covered positions, including corporate index hedges, to mitigate systemic price and spread risks. Business trading desks make hedging decisions based on current market conditions in accordance with hedging strategies residing under Citi's market risk management policy framework. Citi's material hedging decisions are made in consultation with Citi's risk management organization 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 resident within *ICG*.

Model Review and Validation

Citi's models are subject to ongoing independent review and annual validation by Citi's Model Validation Group and the Model Validation Review Committee (composed of senior quantitative risk management officers) within Citi's risk management organization, who provide senior independent oversight of model validation and assessment processes.

Generally, Citi's model review and model validation process involves 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 is periodically completed and reviewed with the FRB and OCC. Furthermore, Citi performs backtesting against the actual change in market value of transactions on a quarterly basis at multiple levels of the organization (trading desk, *ICG* and company-wide), and shares the results with the FRB and OCC.

In the event of significant model changes, Citi also undertakes parallel model runs prior to implementation. In addition, the FRB and OCC periodically review and approve significant model and assumption changes.

Stress Testing

Citi performs stress testing on a regular basis to estimate the impact of extreme market movements. It is performed on individual positions, trading portfolios, as well as in aggregate inclusive of multiple trading portfolios. Citi's independent market risk management organization, after consultations 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 the annual Comprehensive Capital Analysis and Review (CCAR), which includes 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. Citi also incorporates an evaluation of its liquidity position and assesses the firm's material risks, which extend beyond the quantitative results of stress testing and include both internal and external considerations. In addition, the CCAR is the process by which Citi's Board of Directors evaluates and approves capital actions.

For additional information on Citi's capital planning and risk management processes, see Citi's 2013 Annual Report on Form 10-K.