

CITIGROUP INC  
Form 10-Q  
October 30, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2014  
Commission file number 1-9924

Citigroup Inc.

(Exact name of registrant as specified in its charter)

Delaware

52-1568099

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

399 Park Avenue, New York, NY

10022

(Address of principal executive offices)

(Zip code)

(212) 559-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Non-accelerated filer

Large accelerated filer

Accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Common stock outstanding as of September 30, 2014: 3,029,488,232

Available on the web at [www.citigroup.com](http://www.citigroup.com)

Inside Cover Page

---

CITIGROUP INC. THIRD QUARTER 2014 — FORM 10-Q	
OVERVIEW	<u>2</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	<u>4</u>
Executive Summary	<u>4</u>
Summary of Selected Financial Data	<u>7</u>
SEGMENT AND BUSINESS—INCOME (LOSS) AND REVENUES	<u>9</u>
CITICORP	<u>11</u>
Global Consumer Banking (GCB)	<u>12</u>
North America GCB	<u>14</u>
EMEA GCB	<u>16</u>
Latin America GCB	<u>18</u>
Asia Global GCB	<u>20</u>
Institutional Clients Group	<u>22</u>
Corporate/Other	<u>26</u>
CITI HOLDINGS	<u>27</u>
BALANCE SHEET REVIEW	<u>29</u>
OFF-BALANCE-SHEET ARRANGEMENTS	<u>32</u>
CAPITAL RESOURCES	<u>33</u>
Current Regulatory Capital Standards	
Overview	
Basel III Transition Arrangements	
Basel III (Full Implementation)	
Supplementary Leverage Ratio	
Tangible Common Equity, Tangible Book Value	
Per Share and Book Value Per Share	
MANAGING GLOBAL RISK	<u>49</u>
Table of Contents—Credit, Market (Including Funding and Liquidity), Country and Cross-Border Risk Sections	<u>50</u>
FAIR VALUE ADJUSTMENTS FOR DERIVATIVES AND FAIR VALUE OPTION LIABILITIES	<u>94</u>
CREDIT DERIVATIVES	<u>96</u>
INCOME TAXES	<u>98</u>
DISCLOSURE CONTROLS AND PROCEDURES	<u>99</u>
DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT	<u>99</u>
FORWARD-LOOKING STATEMENTS	<u>100</u>
FINANCIAL STATEMENTS AND NOTES TABLE OF CONTENTS	<u>103</u>
CONSOLIDATED FINANCIAL STATEMENTS	<u>104</u>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	<u>112</u>
LEGAL PROCEEDINGS	<u>234</u>
UNREGISTERED SALES OF EQUITY, PURCHASES OF EQUITY SECURITIES, DIVIDENDS	<u>235</u>

## OVERVIEW

Citigroup's history dates back to the founding of Citibank in 1812. Citigroup's original corporate predecessor was incorporated in 1988 under the laws of the State of Delaware. Following a series of transactions over a number of years, Citigroup Inc. was formed in 1998 upon the merger of Citicorp and Travelers Group Inc.

Citigroup 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.

Citigroup 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 businesses and portfolios of assets that Citigroup has determined are not central to its core Citicorp businesses. For a further description of the business segments and the products and services they provide, see "Citigroup Segments" below, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 to the Consolidated Financial Statements.

Throughout this report, "Citigroup," "Citi" and "the Company" refer to Citigroup Inc. and its consolidated subsidiaries. This Quarterly Report on Form 10-Q should be read in conjunction with Citigroup's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the U.S. Securities and Exchange Commission (SEC) on March 3, 2014, including the historical audited consolidated financial statements of Citigroup reflecting certain realignments and reclassifications set forth in Citigroup's Form 8-K filed with the SEC on June 13, 2014 (2013 Annual Report on Form 10-K), and Citigroup's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014 filed with the SEC on May 2, 2014 (First Quarter of 2014 Form 10-Q) and August 1, 2014 (Second Quarter of 2014 Form 10-Q).

Additional information about Citigroup is available on Citi's website at [www.citigroup.com](http://www.citigroup.com). Citigroup's recent annual reports on Form 10-K, quarterly reports on Form 10-Q, proxy statements, as well as other filings with the SEC, are available free of charge through Citi's website by clicking on the "Investors" page and selecting "All SEC Filings." The SEC's website also contains current reports, information statements, and other information regarding Citi at [www.sec.gov](http://www.sec.gov).

Certain reclassifications, including a realignment of certain businesses, have been made to the prior periods' financial statements to conform to the current period's presentation. For information on certain recent such reclassifications, see Note 3 to the Consolidated Financial Statements.

As described above, Citigroup is managed pursuant to the following segments:

On October 14, 2014, Citigroup announced that it intends to exit its consumer businesses in 11 markets as well as its consumer finance business in Korea. For additional information, see “Executive Summary” and “Global Consumer \*Banking” below. Effective in the first quarter of 2015, these businesses will be reported as part of Citi Holdings. Citi intends to release a revised Quarterly Financial Data Supplement reflecting this realignment prior to the release of first quarter of 2015 earnings information.

The following are the four regions in which Citigroup operates. The regional results are fully reflected in the segment results above.

3

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### EXECUTIVE SUMMARY

On October 30, 2014, Citi announced that it had adjusted downward its third quarter of 2014 financial results, from those previously reported on October 14, 2014, due to a \$600 million (pretax and after-tax) increase in legal expenses recorded within Citicorp (within Corporate/Other). For additional information, see Citi's Form 8-K filed with the SEC on October 30, 2014. Citi's results of operations and financial condition for the third quarter of 2014, as reported in this Quarterly Report on Form 10-Q for the period ended September 30, 2014, reflects the impact of this adjustment.

#### Third Quarter of 2014—Solid Business Performance and Continued Progress on Execution Priorities

Citi's third quarter of 2014 results reflected solid performance in both Global Consumer Banking (GCB) and the Institutional Clients Group (ICG) as well as positive earnings in Citi Holdings. In GCB, revenues, loans and deposits grew in every region, and in ICG, revenues increased across markets, investment banking and treasury and trade solutions from the prior-year period.

Citi also continued to make progress on its execution priorities during the third quarter, including:

**Efficient resource allocation and disciplined expense management:** Citi continued to benefit from savings resulting from its previously-announced repositioning actions, as well as ongoing efforts to simplify and streamline the organization. As part of these efforts, on October 14, 2014, Citigroup announced strategic actions to accelerate the transformation of GCB by focusing on those markets where it believes it has the greatest scale, growth potential and ability to provide meaningful returns to its shareholders. As part of these actions, Citigroup intends to exit its consumer businesses in 11 markets, plus its consumer finance business in Korea (for additional information on the markets included in these actions, see "Global Consumer Banking" below). Upon completion of these actions, which Citi expects to be substantially completed by the end of 2015, the new GCB footprint will continue to serve nearly 57 million clients in 24 markets that capture over 95% of GCB's revenue base as of September 30, 2014. Citi will also continue to serve its institutional clients in these markets, which continue to be an important part of Citi's global network.

**Wind down of Citi Holdings:** During the current quarter, Citi completed the sales of its consumer businesses in Greece and Spain, which contributed to a 7% decline in Citi Holdings assets during the quarter. Citi Holdings' assets declined by \$19 billion, or 16%, from the prior-year period.

**Utilization of deferred tax assets (DTAs):** Citi further reduced its DTAs by approximately \$700 million during the third quarter of 2014, and has utilized approximately

\$2.9 billion year-to-date in 2014 (for additional information, see "Income Taxes" below).

During the remainder of 2014, Citi intends to remain focused on its execution priorities while also being mindful of the continued challenging and somewhat volatile macroeconomic environment, including geopolitical tensions, slower growth in certain markets (including in the emerging markets) and uncertainty over the timing of interest rate increases. Further, while Citi has made progress on its expense reduction efforts, legal and related expenses are likely to remain elevated and Citi expects to continue to incur higher regulatory and compliance costs (see "Expenses" below).

#### Third Quarter of 2014 Summary Results

##### Citigroup

Citigroup reported third quarter net income of \$2.8 billion or \$0.88 per diluted share, compared to \$3.2 billion or \$1.00 per share in the third quarter of 2013. Results in the third quarter of 2014 included negative \$371 million

(negative \$228 million after-tax) of CVA/DVA, which included a \$474 million one-time pretax charge related to the implementation of funding valuation adjustments (FVA) on over-the-counter derivatives (for additional information, see “Fair Value Adjustments for Derivatives and Fair Value Option Liabilities” below and Note 22 to the Consolidated Financial Statements), compared to negative \$336 million (negative \$208 million after-tax) in the third quarter of 2013. Third quarter of 2013 results also included a \$176 million tax benefit related to the resolution of certain tax audit items recorded in Corporate/Other.

Excluding CVA/DVA in both periods and the tax benefit in the third quarter of 2013, Citi reported net income of \$3.1 billion in the third quarter of 2014, or \$0.95 per diluted share, compared to \$3.3 billion, or \$1.02 per share, in the prior-year period. The 6% year-over-year decrease was driven by higher expenses and a higher effective tax rate, partially offset by increased revenues and a decline in credit costs (for additional information, see “Income Taxes” below).

Citi’s revenues, net of interest expense, were \$19.6 billion in the third quarter of 2014, up 9% versus the prior-year period. Excluding CVA/DVA, revenues were \$20.0 billion, up 10% from the third quarter of 2013, as revenues rose 8% in Citicorp and 30% in Citi Holdings. Net interest revenues of \$12.2 billion were 6% higher than in the prior-year period, mostly driven by lower funding costs. Excluding CVA/DVA, non-interest revenues were \$7.8 billion, up 16% from the prior-year period, driven by the higher revenues in ICG and GCB in Citicorp and higher non-interest revenues in Citi Holdings.

#### Expenses

Citigroup expenses increased 11% versus the prior-year period to \$13.0 billion, largely driven by higher legal and related expenses and repositioning costs in Citicorp. Citi incurred legal and related costs of \$1.6 billion (compared to \$677

million in the prior-year period) and repositioning charges of \$382 million (compared to \$133 million in the prior-year period).

Excluding the impact of legal and related costs, repositioning charges and the impact of foreign exchange translation into U.S. dollars for reporting purposes (FX translation), which increased reported expenses by approximately \$13 million in the third quarter of 2014 as compared to the prior-year period, expenses were \$11.0 billion compared to \$10.9 billion in the prior-year period. The modest increase from the prior-year period primarily reflected an adjustment to incentive compensation expense driven by better than anticipated performance year-to-date in ICG as well as higher regulatory and compliance costs, partially offset by continued cost reduction initiatives and the overall decline in Citi Holdings assets.

Citicorp's expenses were \$12.1 billion, up 17% from the prior-year period, primarily reflecting higher legal and related expenses, largely in Corporate/Other (\$1.4 billion in the current quarter, compared to \$82 million in the prior-year period), higher repositioning costs (\$374 million in the current quarter, compared to \$130 million in the prior-year period), higher regulatory and compliance costs and the adjustment to incentive compensation expense in ICG noted above, partially offset by efficiency savings. Citi expects legal and related expenses in Citicorp will likely remain elevated and episodic going forward. Further, consistent with its execution priorities, Citi currently expects its repositioning charges in the fourth quarter of 2014 to remain at approximately the same level as those recorded in the third quarter of 2014.

Citi Holdings' expenses were \$892 million, down 36% from the prior-year period, reflecting lower legal and related expenses as well as productivity savings and the ongoing decline in Citi Holdings assets, partially offset by \$59 million of costs related to the sales of the consumer operations in Greece and Spain.

#### Credit Costs and Allowance for Loan Losses

Citi's total provisions for credit losses and for benefits and claims of \$1.8 billion declined 11% from the third quarter of 2013. Net credit losses of \$2.1 billion were down 14% versus the prior-year period. Consumer net credit losses declined 9% to \$2.1 billion, reflecting continued improvements in the North America mortgage portfolio within Citi Holdings, as well as North America Citi-branded cards in Citicorp. Corporate net credit losses decreased to negative \$18 million in the third quarter of 2014 compared to positive \$96 million in the prior-year period, reflecting improvements in ICG.

The net release of allowance for loan losses and unfunded lending commitments was \$552 million in the third quarter of 2014 compared to a \$675 million release in the prior-year period. Citicorp's net reserve release increased to \$408 million, due to higher reserve releases in North America GCB, international GCB and ICG, reflecting improved credit trends. Citi Holdings' net reserve release, decreased 79% to \$144 million, primarily due to lower releases related to the North America mortgage portfolio.

Citigroup's total allowance for loan losses was \$16.9 billion at quarter end, or 2.60% of total loans, compared to

\$20.6 billion, or 3.16%, at the end of the prior-year period. The decline in the total allowance for loan losses reflected the continued wind down of Citi Holdings and overall continued improvement in the credit quality of Citi's loan portfolios.

The consumer allowance for loan losses was \$14.6 billion, or 3.87% of total consumer loans, at quarter end, compared to \$17.9 billion, or 4.63% of total loans, at September 30, 2013. Total non-accrual assets fell to \$8.0 billion, a 19% reduction compared to September 30, 2013. Corporate non-accrual loans declined 38% to \$1.4 billion, while consumer non-accrual loans declined 13% to \$6.3 billion, both reflecting the continued improvement in credit trends.

#### Capital

Citi continued to grow its regulatory capital during the third quarter of 2014, primarily through net income and a further reduction of its DTAs. Citigroup's Tier 1 Capital and Common Equity Tier 1 Capital ratios, on a fully implemented basis, were 11.4% and 10.7% as of September 30, 2014, respectively, compared to 10.9% and 10.5% as of September 30, 2013 (all based on the Advanced Approaches for determining risk-weighted assets). Citigroup's estimated Supplementary Leverage ratio as of September 30, 2014, based on the revised final U.S. Basel III rules, was



6.0% compared to 5.3% as of September 30, 2013 (on a pro forma basis to conform to the current period presentation). For additional information on Citi's capital ratios and related components, see "Capital Resources" below.

#### Citicorp

Citicorp net income decreased 22% from the prior-year period to \$2.6 billion. CVA/DVA, recorded in the ICG, was negative \$316 million (negative \$194 million after-tax) in the third quarter of 2014, including a \$430 million one-time pretax charge related to the implementation of FVA, compared to negative \$332 million (negative \$206 million after-tax) in the prior-year period (for a summary of CVA/DVA by business within ICG for the third quarters of 2014 and 2013, see "Institutional Clients Group" below). Excluding CVA/DVA in both periods and the tax benefit in the prior-year period described above, Citicorp's net income was \$2.8 billion, down 17% from the prior-year period, as higher expenses, a higher effective tax rate and lower income from discontinued operations were partially offset by higher revenues and continued improvement in credit.

Citicorp revenues, net of interest expense, increased 8% from the prior-year period to \$18.0 billion. Excluding CVA/DVA, Citicorp revenues were \$18.3 billion in the third quarter of 2014, up 8% from the prior-year period. GCB revenues of \$9.6 billion increased 4% versus the prior-year period. North America GCB revenues rose 5% to \$5.0 billion, reflecting higher revenues in each of retail banking, Citi-branded card and Citi retail services. Retail banking revenues rose 9% to \$1.2 billion versus the prior-year period, reflecting continued volume growth and abating spread headwinds, as well as higher revenues in the U.S. mortgage business driven by a repurchase reserve release of approximately \$50 million in the current quarter. Citi-branded cards revenues of \$2.1 billion

were up 1% versus the prior-year period as purchase sales grew and an improvement in spreads mostly offset the impact of lower average loans. Citi retail services revenues increased 8% to \$1.6 billion, mainly reflecting the impact of the Best Buy portfolio acquisition in September 2013. North America GCB average deposits of \$170 billion grew 2% year-over-year and average retail loans of \$47 billion grew 9%. Average card loans of \$109 billion increased 3%, and purchase sales of \$63 billion increased 5% versus the prior-year period. For additional information on the results of operations of North America GCB for the third quarter of 2014, see “Global Consumer Banking-North America GCB” below.

International GCB revenues (consisting of EMEA GCB, Latin America GCB and Asia GCB) increased 3% versus the prior-year period to \$4.6 billion. Excluding the impact of FX translation, international GCB revenues rose 5% from the prior-year period, driven by 6% growth in Latin America GCB, 4% growth in Asia GCB and 1% growth in EMEA GCB (for the impact of FX translation on the third quarter of 2014 results of operations for each of EMEA GCB, Latin America GCB and Asia GCB, see the table accompanying the discussion of each respective business’ results of operations below). This growth in international GCB revenues, excluding the impact of FX translation, mainly reflected volume growth in all regions and higher investment sales revenues in Asia GCB, partially offset by the ongoing impact of regulatory changes and the Korean franchise repositioning in Asia GCB, as well as the previously-disclosed market exits in EMEA GCB. For additional information on the results of operations of EMEA GCB, Latin America GCB and Asia GCB for the third quarter of 2014, see “Global Consumer Banking” below. Year-over-year, international GCB average deposits increased 3%, average retail loans increased 6%, investment sales increased 29%, average card loans increased 2% and card purchase sales increased 4%, all excluding the impact of FX translation.

ICG revenues were \$8.4 billion in the third quarter of 2014, up 14% from the prior-year period. Excluding CVA/DVA, ICG revenues were \$8.7 billion, or 13% higher than the prior-year period. Banking revenues of \$4.3 billion, excluding CVA/DVA and the impact of mark-to-market gains on hedges related to accrual loans within corporate lending (see below), increased 11% from the prior-year period, primarily reflecting growth in investment banking revenues. Investment banking revenues increased 32% versus the prior-year period, driven by a 90% increase in advisory revenues to \$318 million, a 51% increase in equity underwriting to \$298 million and a 9% increase in debt underwriting revenues to \$632 million. Private bank revenues, excluding CVA/DVA, increased 8% to \$663 million from the prior-year period, as growth in client volumes was partially offset by the impact of spread compression. Corporate lending revenues rose 130% to \$533 million, including \$91 million of mark-to-market gains on hedges related to accrual loans compared to a \$147 million loss in the prior-year period. Excluding the mark-to-market impact on hedges related to accrual loans in both periods, corporate lending revenues rose 17% versus the prior-year period to \$442 million, reflecting growth in average loans and improved funding costs, partially offset by lower loan yields.

Treasury and trade solutions revenues increased by 1% compared to the prior-year period as volume and fee growth was partially offset by the impact of spread compression globally.

Markets and securities services revenues of \$4.3 billion, excluding CVA/DVA, increased 8% from the prior-year period. Fixed income markets revenues of \$3.0 billion, excluding CVA/DVA, increased 5% from the prior-year period, reflecting higher securitized products revenues as well as an improvement in rates and currencies. Equity markets revenues of \$763 million, excluding CVA/DVA, were up 14% versus the prior-year period, reflecting improved client activity in derivatives. Securities services revenues of \$600 million increased 8% versus the prior-year period primarily due to increased volumes, assets under custody and overall client activity. For additional information on the results of operations of ICG for the third quarter of 2014, see “Institutional Clients Group” below. Corporate/Other revenues decreased to \$8 million from \$42 million in the prior-year period, driven mainly by hedging activities. For additional information on the results of operations of Corporate/Other for the third quarter of 2014, see “Corporate/Other” below.

Citicorp end-of-period loans increased 3% versus the prior-year period to \$576 billion, with 2% growth in consumer loans and 3% growth in corporate loans.

Citi Holdings

Citi Holdings' net income was \$238 million in the third quarter of 2014 compared to a net loss of \$115 million in the third quarter of 2013. CVA/DVA was negative \$55 million (negative \$34 million after-tax) in the third quarter of 2014, including a \$44 million one-time pretax charge related to the implementation of FVA, compared to negative \$4 million (negative \$2 million after-tax) in the prior-year period. Excluding the impact of CVA/DVA, Citi Holdings net income was \$272 million, reflecting higher revenues, the lower expenses and lower net credit losses, partially offset by a lower net loan loss reserve release.

Citi Holdings' revenues increased 26% to \$1.6 billion from the prior-year period. Excluding CVA/DVA, Citi Holdings revenues increased 30% to \$1.6 billion from the prior-year period. Net interest revenues increased 11% year-over-year to \$858 million, largely driven by lower funding costs. Non-interest revenues, excluding CVA/DVA, increased 61% to \$785 million from \$486 million in the prior-year period, primarily driven by gains on sales, the most significant of which were the sales of the consumer operations in Greece and Spain, partially offset by losses on the redemption of debt associated with funding Citi Holdings assets. For additional information on the results of operations of Citi Holdings for the third quarter of 2014, see "Citi Holdings" below.

Citi Holdings' assets were \$103 billion, 16% below the prior-year period, and represented approximately 5% of Citi's total GAAP assets and 14% of its risk-weighted assets under Basel III as of quarter-end (based on the Advanced Approaches for determining risk-weighted assets).

## RESULTS OF OPERATIONS

## SUMMARY OF SELECTED FINANCIAL DATA—PAGE 1

Citigroup Inc. and Consolidated Subsidiaries

In millions of dollars, except per-share amounts and ratios	Third Quarter			Nine Months			
	2014	2013	% Change	2014	2013	% Change	
Net interest revenue	\$12,187	\$11,511	6	% \$35,892	\$34,823	3	%
Non-interest revenue	7,417	6,393	16	23,178	23,817	(3)	)
Revenues, net of interest expense	\$19,604	\$17,904	9	% \$59,070	\$58,640	1	%
Operating expenses	12,955	11,679	11	40,625	36,116	12	
Provisions for credit losses and for benefits and claims	1,750	1,959	(11)	) 5,454	6,442	(15)	)
Income from continuing operations before income taxes	\$4,899	\$4,266	15	% \$12,991	\$16,082	(19)	)%
Income taxes	1,985	1,080	84	5,873	4,777	23	
Income from continuing operations	\$2,914	\$3,186	(9)	)% \$7,118	\$11,305	(37)	)%
Income (loss) from discontinued operations, net of taxes <sup>(1)</sup>	(16)	)92	NM	(1)	)89	NM	
Net income before attribution of noncontrolling interests	\$2,898	\$3,278	(12)	)% \$7,117	\$11,394	(38)	)%
Net income attributable to noncontrolling interests	59	51	16	154	177	(13)	)
Citigroup's net income	\$2,839	\$3,227	(12)	)% \$6,963	\$11,217	(38)	)%
Less:							
Preferred dividends-Basic	\$128	\$110	16	% \$352	\$123	NM	
Dividends and undistributed earnings allocated to employee restricted and deferred shares that contain nonforfeitable rights to dividends, applicable to Basic EPS	44	61	(28)	) 108	217	(50)	)
Income allocated to unrestricted common shareholders for Basic EPS	\$2,667	\$3,056	(13)	)% \$6,503	\$10,877	(40)	)%
Add: Interest expense, net of tax, and dividends on convertible securities and adjustment of undistributed earnings allocated to employee restricted and deferred shares with nonforfeitable rights to dividends, applicable to diluted EPS	—	—	—	\$—	\$2	(100)	)
Income allocated to unrestricted common shareholders for diluted EPS	\$2,667	\$3,056	(13)	) \$6,503	\$10,879	(40)	)%
Earnings per share							
Basic							
Income from continuing operations	\$0.89	\$0.98	(9)	)% \$2.14	\$3.55	(40)	)%
Net income	0.88	1.01	(13)	) 2.14	3.58	(40)	)
Diluted							
Income from continuing operations	\$0.88	\$0.98	(10)	)% \$2.14	\$3.55	(40)	)%
Net income	0.88	1.00	(12)	) 2.14	3.57	(40)	)
Dividends declared per common share	0.01	0.01	—	0.03	0.03	—	

Statement continues on the next page, including notes to the table.

## SUMMARY OF SELECTED FINANCIAL DATA—PAGE 2

Citigroup Inc. and Consolidated Subsidiaries

In millions of dollars, except per-share amounts, ratios and direct staff At September 30:	Third Quarter			Nine Months		
	2014	2013	% Change	2014	2013	% Change
Total assets	\$1,882,849	\$1,899,511	(1 )%			
Total deposits	942,655	955,460	(1 )			
Long-term debt	223,842	221,593	1			
Citigroup common stockholders' equity	203,304	195,603	4			
Total Citigroup stockholders' equity	212,272	200,846	6			
Direct staff (in thousands)	243	252	(4 )			
Performance Metrics						
Return on average assets	0.59	%0.69	%	0.49	%0.80	%
Return on average common stockholders' equity <sup>(2)</sup>	5.3	6.4		4.4	7.8	
Return on average total stockholders' equity <sup>(2)</sup>	5.3	6.5		4.4	7.7	
Efficiency ratio	66	65		69	62	
Basel III Ratios—Transition Arrangements						
Common Equity Tier 1 Capital <sup>(3)</sup>	12.97	%N/A				
Tier 1 Capital <sup>(3)</sup>	12.97	N/A				
Total Capital <sup>(3)</sup>	14.40	N/A				
Tier 1 Leverage <sup>(4)</sup>	9.03	N/A				
Basel III Ratios—Full Implementation						
Common Equity Tier 1 Capital <sup>(5)</sup>	10.66	%10.50	%			
Tier 1 Capital <sup>(5)</sup>	11.43	10.93				
Total Capital <sup>(5)</sup>	12.77	13.15				
Estimated Supplementary Leverage Ratio <sup>(6)</sup>	5.99	5.26				
Citigroup common stockholders' equity to assets	10.80	%10.30	%			
Total Citigroup stockholders' equity to assets	11.27	10.57				
Dividend payout ratio <sup>(7)</sup>	1.1	1.0				
Book value per common share	\$67.11	\$64.49	4 %			
Ratio of earnings to fixed charges and preferred stock dividends	2.37x	2.02x		2.16x	2.25x	

(1) Discontinued operations include Credicard, Citi Capital Advisors and Egg Banking credit card business. See Note 2 to the Consolidated Financial Statements for additional information on Citi's discontinued operations.

The return on average common stockholders' equity is calculated using net income less preferred stock dividends divided by average common stockholders' equity. The return on average total Citigroup stockholders' equity is calculated using net income divided by average Citigroup stockholders' equity.

Capital ratios reflecting the capital (numerator) derived under the transition provisions of the final U.S. Basel III rules, which became effective January 1, 2014, and risk-weighted assets (denominator) based on the Advanced Approaches for determining total risk-weighted assets.

(4) The leverage ratio represents Tier 1 Capital divided by quarterly adjusted average total assets.

(5) Capital ratios based on the final U.S. Basel III rules, with full implementation assumed for capital components; risk-weighted assets based on the Advanced Approaches for determining total risk-weighted assets.

Citi's estimated Supplementary Leverage ratio for the third quarter of 2014 is based on the revised final U.S. Basel III rules. Citi's estimated Supplementary Leverage ratio for the third quarter of 2013 is presented on a pro forma basis to conform to the current period presentation.

(7) Dividends declared per common share as a percentage of net income per diluted share.

N/A Not available.

8

---

## SEGMENT AND BUSINESS—INCOME (LOSS) AND REVENUES

The following tables show the income (loss) and revenues for Citigroup on a segment and business view:

## CITIGROUP INCOME

In millions of dollars	Third Quarter		% Change	Nine Months		% Change	
	2014	2013		2014	2013		
Income (loss) from continuing operations							
<b>CITICORP</b>							
<b>Global Consumer Banking</b>							
North America	\$1,185	\$894	33	% \$3,282	\$3,052	8	%
EMEA	1	13	(92	) 31	36	(14	)
Latin America	338	264	28	948	966	(2	)
Asia	413	364	13	1,008	1,168	(14	)
Total	\$1,937	\$1,535	26	% \$5,269	\$5,222	1	%
<b>Institutional Clients Group</b>							
North America	\$888	\$508	75	% \$3,245	\$2,748	18	%
EMEA	461	374	23	1,797	2,031	(12	)
Latin America	294	427	(31	) 1,065	1,426	(25	)
Asia	690	431	60	1,753	1,741	1	
Total	\$2,333	\$1,740	34	% \$7,860	\$7,946	(1	)%
Corporate/Other	\$(1,598	)\$20	NM	\$(2,488	)\$(374	)NM	
Total Citicorp	\$2,672	\$3,295	(19	)%\$10,641	\$12,794	(17	)%
Citi Holdings	\$242	\$(109	)NM	\$(3,523	)\$(1,489	)NM	
Income from continuing operations	\$2,914	\$3,186	(9	)%\$7,118	\$11,305	(37	)%
Discontinued operations	\$(16	)\$92	NM	\$(1	)\$89	NM	
Net income attributable to noncontrolling interests	59	51	16	% 154	177	(13	)%
Citigroup's net income	\$2,839	\$3,227	(12	)%\$6,963	\$11,217	(38	)%

## CITIGROUP REVENUES

In millions of dollars	Third Quarter		% Change	Nine Months		% Change		
	2014	2013		2014	2013			
<b>CITICORP</b>								
<b>Global Consumer Banking</b>								
North America	\$4,989	\$4,739	5	% \$14,554	\$14,902	(2	)%	
EMEA	347	359	(3	)	1,053	1,091	(3	)
Latin America	2,357	2,272	4		6,949	6,913	1	
Asia	1,944	1,862	4		5,755	5,790	(1	)
Total	\$9,637	\$9,232	4	% \$28,311	\$28,696	(1	)%	
<b>Institutional Clients Group</b>								
North America	\$3,178	\$2,439	30	% \$9,882	\$9,261	7	%	
EMEA	2,263	2,147	5		7,486	7,988	(6	)
Latin America	1,015	1,095	(7	)	3,267	3,541	(8	)
Asia	1,915	1,691	13		5,433	5,733	(5	)
Total	\$8,371	\$7,372	14	% \$26,068	\$26,523	(2	)%	
Corporate/Other	\$8	\$42	(81	)%	\$184	\$162	14	%
Total Citicorp	\$18,016	\$16,646	8	% \$54,563	\$55,381	(1	)%	
Citi Holdings	\$1,588	\$1,258	26	% \$4,507	\$3,259	38	%	
Total Citigroup net revenues	\$19,604	\$17,904	9	% \$59,070	\$58,640	1	%	



## CITICORP

Citicorp is Citigroup's global bank for consumers and businesses and represents Citi's core franchises. Citicorp is focused on providing best-in-class products and services to customers and leveraging Citigroup's unparalleled global network, including many of the world's emerging economies. Citicorp is physically present in approximately 100 countries, many for over 100 years, and offers services in over 160 countries and jurisdictions. Citi believes this global network provides a strong foundation for servicing the broad financial services needs of its large multinational clients and for meeting the needs of retail, private banking, commercial, public sector and institutional clients around the world.

Citicorp consists of the following operating businesses: Global Consumer Banking (which consists of consumer banking in North America, EMEA, Latin America and Asia) and Institutional Clients Group (which includes Banking and Markets and securities services). Citicorp also includes Corporate/Other. At September 30, 2014, Citicorp had \$1.8 trillion of assets and \$928 billion of deposits, representing 95% of Citi's total assets and 98% of Citi's total deposits, respectively.

In millions of dollars except as otherwise noted	Third Quarter			Nine Months		% Change	
	2014	2013	% Change	2014	2013		
Net interest revenue	\$11,329	\$10,735	6	% \$33,159	\$32,510	2	%
Non-interest revenue	6,687	5,911	13	21,404	22,871	(6)	)
Total revenues, net of interest expense	\$18,016	\$16,646	8	% \$54,563	\$55,381	(1)	)%
Provisions for credit losses and for benefits and claims							
Net credit losses	\$1,750	\$1,795	(3	)% \$5,460	\$5,581	(2	)%
Credit reserve build (release)	(381 )	(104 )	NM	(1,100 )	(722 )	(52	)
Provision for loan losses	\$1,369	\$1,691	(19	)% \$4,360	\$4,859	(10	)%
Provision for benefits and claims	52	51	2	144	160	(10	)
Provision for unfunded lending commitments	(27 )	108	NM	(78 )	116	NM	
Total provisions for credit losses and for benefits and claims	\$1,394	\$1,850	(25	)% \$4,426	\$5,135	(14	)%
Total operating expenses	\$12,063	\$10,283	17	% \$33,675	\$31,639	6	%
Income from continuing operations before taxes	\$4,559	\$4,513	1	% \$16,462	\$18,607	(12	)%
Income taxes	1,887	1,218	55	5,821	5,813	—	
Income from continuing operations	\$2,672	\$3,295	(19	)% \$10,641	\$12,794	(17	)%
Income (loss) from discontinued operations, net of taxes	(16 )	92	NM	(1 )	89	NM	
Noncontrolling interests	55	45	22	149	165	(10	)
Net income	\$2,601	\$3,342	(22	)% \$10,491	\$12,718	(18	)%
Balance sheet data (in billions of dollars)							
Total end-of-period (EOP) assets	\$1,780	\$1,778	—	%			
Average assets	1,788	1,735	3	\$1,784	\$1,742	2	%
Return on average assets	0.58	%0.76	%	0.79	%0.98	%	
Efficiency ratio (Operating expenses/Total revenues)	67	62		62	57		
Total EOP loans	\$576	\$561	3				
Total EOP deposits	\$928	\$914	2				
NM Not meaningful							

## GLOBAL CONSUMER BANKING

Global Consumer Banking (GCB) consists of Citigroup's four geographical consumer banking businesses that provide traditional banking services to retail customers through retail banking, commercial banking, Citi-branded cards and Citi retail services. GCB is a globally diversified business with 3,436 branches in 35 countries around the world as of September 30, 2014. For the nine months ended September 30, 2014, GCB had \$399 billion of average assets and \$333 billion of average deposits.

GCB's overall strategy is to leverage Citi's global footprint and seek to be the preeminent bank for the emerging affluent and affluent consumers in large urban centers. As of September 30, 2014, Citi had consumer banking operations in 120, or 80%, of the world's top 150 cities. In credit cards and in certain retail markets, Citi serves customers in a somewhat broader set of segments and geographies.

Citi intends to continue to optimize its branch footprint and further concentrate its presence in major metropolitan areas. Consistent with its strategy, on October 14, 2014, Citi announced that it intends to exit its consumer businesses in the following markets: Costa Rica, El Salvador, Guatemala, Nicaragua, Panama and Peru (in Latin America); Japan, Guam and its consumer finance business in Korea (in Asia); and the Czech Republic, Egypt and Hungary (in EMEA). Citi expects to substantially complete its exit from these businesses by the end of 2015. These consumer businesses, consisting of approximately \$29 billion of assets, \$7 billion of consumer loans and \$26 billion of deposits, each as of September 30, 2014, will be reported as part of Citi Holdings beginning in the first quarter of 2015. For additional information, see "Executive Summary" above.

In millions of dollars except as otherwise noted	Third Quarter			Nine Months			
	2014	2013	% Change	2014	2013	% Change	
Net interest revenue	\$7,366	\$7,100	4	% \$21,604	\$21,333	1	%
Non-interest revenue	2,271	2,132	7	6,707	7,363	(9)	)
Total revenues, net of interest expense	\$9,637	\$9,232	4	% \$28,311	\$28,696	(1)	)%
Total operating expenses	\$5,281	\$5,189	2	% \$15,932	\$15,826	1	%
Net credit losses	\$1,738	\$1,730	—	% \$5,305	\$5,424	(2)	)%
Credit reserve build (release)	(373 )	(85 )	NM	(909 )	(662 )	(37)	)
Provision (release) for unfunded lending commitments	(2 )	15	NM	(8 )	39	NM	
Provision for benefits and claims	52	51	2	144	160	(10)	)
Provisions for credit losses and for benefits and claims	\$1,415	\$1,711	(17)	)% \$4,532	\$4,961	(9)	)%
Income from continuing operations before taxes	\$2,941	\$2,332	26	% \$7,847	\$7,909	(1)	)%
Income taxes	1,004	797	26	2,578	2,687	(4)	)
Income from continuing operations	\$1,937	\$1,535	26	% \$5,269	\$5,222	1	%
Noncontrolling interests	9	4	NM	23	15	53	
Net income	\$1,928	\$1,531	26	% \$5,246	\$5,207	1	%
Balance Sheet data (in billions of dollars)							
Average assets	\$401	\$391	3	% \$399	\$394	1	%
Return on average assets	1.91	% 1.55	%	1.76	% 1.78	%	
Efficiency ratio	55	56		56	55		
Total EOP assets	\$400	\$401	—				
Average deposits	333.0	323.7	3	332.8	326.2	2	
Net credit losses as a percentage of average loans	2.30	% 2.41	%	2.38	% 2.55	%	
Revenue by business							
Retail banking	\$4,164	\$3,928	6	% \$12,250	\$13,002	(6)	)%
Cards <sup>(1)</sup>	5,473	5,304	3	16,061	15,694	2	
Total	\$9,637	\$9,232	4	% \$28,311	\$28,696	(1)	)%
Income from continuing operations by business							
Retail banking	\$538	\$257	NM	\$1,336	\$1,589	(16)	)%
Cards <sup>(1)</sup>	1,399	1,278	9	3,933	3,633	8	

Edgar Filing: CITIGROUP INC - Form 10-Q

Total	\$1,937	\$1,535	26	%	\$5,269	\$5,222	1	%
-------	---------	---------	----	---	---------	---------	---	---

(Table continues on next page.)

12

---

Foreign Currency (FX) Translation Impact						
Total revenue-as reported	\$9,637	\$9,232	4	%	\$28,311	\$28,696 (1)%
Impact of FX translation <sup>(2)</sup>	—	(51)	)	—	(397)	)
Total revenues-ex-FX	\$9,637	\$9,181	5	%	\$28,311	\$28,299 —%
Total operating expenses-as reported	\$5,281	\$5,189	2	%	\$15,932	\$15,826 1%
Impact of FX translation <sup>(2)</sup>	—	(29)	)	—	(211)	)
Total operating expenses-ex-FX	\$5,281	\$5,160	2	%	\$15,932	\$15,615 2%
Total provisions for LLR & PBC-as reported	\$1,415	\$1,711	(17)	)%	\$4,532	\$4,961 (9)%
Impact of FX translation <sup>(2)</sup>	—	(6)	)	—	(69)	)
Total provisions for LLR & PBC-ex-FX	\$1,415	\$1,705	(17)	)%	\$4,532	\$4,892 (7)%
Net income-as reported	\$1,928	\$1,531	26	%	\$5,246	\$5,207 1%
Impact of FX translation <sup>(2)</sup>	—	(28)	)	—	(92)	)
Net income-ex-FX	\$1,928	\$1,503	28	%	\$5,246	\$5,115 3%

(1) Includes both Citi-branded cards and Citi retail services.

(2) Reflects the impact of foreign exchange (FX) translation into U.S. dollars at the third quarter of 2014 average exchange rates for all periods presented.

NM Not meaningful

## NORTH AMERICA GCB

North America GCB provides traditional banking and Citi-branded cards and Citi retail services to retail customers and small to mid-size businesses in the U.S. North America GCB's 895 retail bank branches as of September 30, 2014 are largely concentrated in the greater metropolitan areas of New York, Chicago, Miami, Washington, D.C., Boston, Los Angeles, San Francisco, Sacramento, San Diego and Las Vegas.

At September 30, 2014, North America GCB had approximately 11.9 million retail banking customer accounts, \$47.5 billion of retail banking loans and \$171.7 billion of deposits. In addition, North America GCB had approximately 110.7 million Citi-branded and Citi retail services credit card accounts, with \$109.5 billion in outstanding card loan balances.

In millions of dollars, except as otherwise noted	Third Quarter			Nine Months			
	2014	2013	% Change	2014	2013	% Change	
Net interest revenue	\$4,362	\$4,136	5	% \$12,758	\$12,352	3	%
Non-interest revenue	627	603	4	1,796	2,550	(30)	)
Total revenues, net of interest expense	\$4,989	\$4,739	5	% \$14,554	\$14,902	(2)	)%
Total operating expenses	\$2,404	\$2,423	(1)	)% \$7,177	\$7,368	(3)	)%
Net credit losses	\$1,017	\$1,083	(6)	)% \$3,190	\$3,528	(10)	)%
Credit reserve build (release)	(340 )	(228 )	(49)	) (1,008 )	(949 )	(6)	)
Provisions for benefits and claims	12	17	(29)	) 30	44	(32)	)
Provision for unfunded lending commitments	—	3	(100)	) 3	3	—	
Provisions for credit losses and for benefits and claims	\$689	\$875	(21)	)% \$2,215	\$2,626	(16)	)%
Income from continuing operations before taxes	\$1,896	\$1,441	32	% \$5,162	\$4,908	5	%
Income taxes	711	547	30	1,880	1,856	1	
Income from continuing operations	\$1,185	\$894	33	% \$3,282	\$3,052	8	%
Noncontrolling interests	(1 )	—	—	(1 )	1	NM	
Net income	\$1,186	\$894	33	% \$3,283	\$3,051	8	%
Balance Sheet data (in billions of dollars)							
Average assets	\$178	\$173	3	% \$177	\$174	2	%
Return on average assets	2.64	%2.05	%	2.48	%2.34	%	
Efficiency ratio	48	51		49	49		
Average deposits	\$170.4	\$166.5	2	\$170.7	\$165.1	3	
Net credit losses as a percentage of average loans	2.59	%2.88	%	2.74	%3.19	%	
Revenue by business							
Retail banking	\$1,228	\$1,124	9	% \$3,540	\$4,289	(17)	)%
Citi-branded cards	2,115	2,087	1	6,162	6,091	1	
Citi retail services	1,646	1,528	8	4,852	4,522	7	
Total	\$4,989	\$4,739	5	% \$14,554	\$14,902	(2)	)%
Income from continuing operations by business							
Retail banking	\$105	\$(37 )	NM	\$211	\$432	(51)	)%
Citi-branded cards	639	548	17	1,763	1,420	24	
Citi retail services	441	383	15	1,308	1,200	9	
Total	\$1,185	\$894	33	% \$3,282	\$3,052	8	%

NM Not meaningful

### 3Q14 vs. 3Q13

Net income increased by \$292 million to \$1.2 billion due to higher revenues, lower expenses and lower cost of credit. Revenues increased 5%, with revenue growth in each of retail banking, Citi-branded cards and Citi retail services. Net interest revenue increased 5% primarily due to an increase in average loans in Citi retail services driven by the Best Buy portfolio acquisition in September 2013 and continued volume growth in retail banking, which more than offset lower average loans in Citi-branded cards. Non-interest revenue increased 4% primarily due to a representation and warranty repurchase reserve release of approximately \$50 million in the current quarter and a 5% increase in total card purchase sales to \$63 billion, partially offset by continued declines in revenues due to improving credit and the resulting impact on contractual partner payments in Citi retail services.

Retail banking revenues of \$1.2 billion increased 9% due to continued volume-related growth (average loans of \$47 billion increased 9% and average deposits of \$170 billion increased 2%) versus the prior-year period. The increase in revenues also reflected abating spread compression within the deposit portfolios as well as higher revenues in the U.S. mortgage business driven by the mortgage repurchase reserve release referenced above.

Cards revenues increased 4% as average loans of \$109 billion increased 3% versus the prior-year period. In Citi-branded cards, revenues increased 1% as a 4% increase in purchase sales and higher net interest spreads driven by the continued reduction of promotional balances in the portfolio mostly offset the lower average loans (3% decline from the prior-year period). The decline in average loans was driven by the reduction in promotional balances as well as continued increased customer payment rates.

Citi retail services revenues increased 8% primarily due to a 13% increase in average loans driven by the Best Buy acquisition, partially offset by continued declines in revenues due to improving credit and the resulting impact on contractual partner payments. Citi retail services revenues also benefited from lower funding costs, partially offset by a decline in net interest spreads due to a higher percentage of promotional balances within the portfolio. Purchase sales in Citi retail services increased 9% from the prior-year period, driven by the acquisition of the Best Buy portfolio.

Expenses decreased 1% as ongoing cost reduction initiatives were mostly offset by an increase in Citi retail services expenses due to the impact of the Best Buy portfolio acquisition, higher repositioning charges and an increase in legal and related costs. Cost reduction initiatives included the ongoing repositioning of the mortgage business due to the decline in mortgage refinancing activity, as well as continued rationalization of the branch footprint, including reducing the number of overall branches (a 9% decline from the prior-year period).

Provisions decreased 21% due to lower net credit losses (6%) and higher loan loss reserve releases (51%). Net credit losses declined in Citi-branded cards (down 14% to \$526 million), partially offset by higher net credit losses in Citi retail services (up 5% to \$457 million) driven by the acquisition of the Best Buy portfolio. The loan loss reserve

release increased by \$115 million from the prior-year period due to the continued improvement in each of the cards portfolios.

### 2014 YTD vs. 2013 YTD

Year-to-date, North America GCB has experienced similar trends to those described above. Net income increased 8%, mainly due to lower expenses and cost of credit, partially offset by lower revenues.

Revenues decreased 2% primarily due to a 30% decline in non-interest revenues, partially offset by a 3% increase in net interest revenue. Retail banking revenues declined 17% due to significantly lower mortgage origination revenues and spread compression in the deposit portfolios in retail banking, each in the first half of the current year-to-date period as compared to the prior-year period. Cards revenues increased 4% due to a 1% increase in Citi-branded cards revenues and 7% increase in Citi retail services revenues, driven by the factors described above.

Expenses declined 3%, driven by the factors described above.

Provisions decreased 16% due to a 10% decline in net credit losses and a higher loan loss reserve release (\$1.0 billion in the current year-to-date period compared to \$946 million in the prior-year period), primarily related to cards, partially offset by reserve builds for new loans originated in the Best Buy portfolio.



## EMEA GCB

EMEA GCB provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses, primarily in Central and Eastern Europe and the Middle East. The countries in which EMEA GCB has the largest presence are Poland, Russia and the United Arab Emirates. As announced on October 14, 2014, Citi intends to exit its consumer businesses in the Czech Republic, Egypt and Hungary by the end of 2015 (for additional information, see “Executive Summary” and “Global Consumer Banking” above).

At September 30, 2014, EMEA GCB had 146 retail bank branches with approximately 3.2 million retail banking customer accounts, \$5.7 billion in retail banking loans, \$13.0 billion in deposits, and 2.0 million Citi-branded card accounts with \$2.4 billion in outstanding card loan balances.

In millions of dollars, except as otherwise noted	Third Quarter		% Change	Nine Months		% Change
	2014	2013		2014	2013	
Net interest revenue	\$230	\$226	2	% \$694	\$709	(2) %
Non-interest revenue	117	133	(12)	) 359	382	(6) %
Total revenues, net of interest expense	\$347	\$359	(3)	)% \$1,053	\$1,091	(3) %
Total operating expenses	\$326	\$315	3	% \$954	\$1,010	(6) %
Net credit losses	\$25	\$21	19	% \$56	\$49	14 %
Credit reserve build (release)	(2) )	3	NM	1	(17) )	NM
Provision for unfunded lending commitments	—	—	—	1	—	100
Provisions for credit losses	\$23	\$24	(4)	)% \$58	\$32	81 %
Income (loss) from continuing operations before taxes	\$(2) )	\$20	NM	\$41	\$49	(16) %
Income taxes (benefits)	(3) )	7	NM	10	13	(23) %
Income (loss) from continuing operations	\$1	\$13	(92)	)% \$31	\$36	(14) %
Noncontrolling interests	7	3	NM	17	11	55
Net income (loss)	\$(6) )	\$10	NM	\$14	\$25	(44) %
Balance Sheet data (in billions of dollars)						
Average assets	\$10	\$9	11	% \$10	\$10	— %
Return on average assets	(0.24) %	0.44 %	%	0.19	%0.33	%
Efficiency ratio	94	88		91	93	
Average deposits	\$13.2	\$12.0	10	\$13.2	\$12.7	4
Net credit losses as a percentage of average loans	1.19	% 1.08	%	0.91	%0.82	%
Revenue by business						
Retail banking	\$212	\$219	(3)	)% \$650	\$648	— %
Citi-branded cards	135	140	(4)	) 403	443	(9) %
Total	\$347	\$359	(3)	)% \$1,053	\$1,091	(3) %
Income (loss) from continuing operations by business						
Retail banking	\$(10) )	\$(7) )	(43)	)% \$(10) )	\$(25) )	60 %
Citi-branded cards	11	20	(45)	) 41	61	(33) %
Total	\$1	\$13	(92)	)% \$31	\$36	(14) %
Foreign Currency (FX) Translation Impact						
Total revenues-as reported	\$347	\$359	(3)	)% \$1,053	\$1,091	(3) %
Impact of FX translation <sup>(1)</sup>	—	(14) )		—	(28) )	
Total revenues-ex-FX	\$347	\$345	1	% \$1,053	\$1,063	(1) %
Total operating expenses-as reported	\$326	\$315	3	% \$954	\$1,010	(6) %
Impact of FX translation <sup>(1)</sup>	—	(10) )		—	(21) )	
Total operating expenses-ex-FX	\$326	\$305	7	% \$954	\$989	(4) %



Edgar Filing: CITIGROUP INC - Form 10-Q

Provisions for credit losses-as reported	\$23	\$24	(4	)% \$58	\$32	81	%	
Impact of FX translation <sup>(1)</sup>	—	(2	)	—	(3	)		
Provisions for credit losses-ex-FX	\$23	\$22	5	% \$58	\$29	100	%	
Net income (loss)-as reported	\$(6	)	\$10	NM	\$14	\$25	(44	)%
Impact of FX translation <sup>(1)</sup>	—	1		—	3			
Net income (loss)-ex-FX	\$(6	)	\$11	NM	\$14	\$28	(50	)%

<sup>(1)</sup> Reflects the impact of foreign exchange (FX) translation into U.S. dollars at the second quarter of 2014 average exchange rates for all periods presented.

NM Not meaningful

The discussion of the results of operations for EMEA GCB below excludes the impact of FX translation for all periods presented. Presentation of the results of operations, excluding the impact of FX translation, are non-GAAP financial measures. Citi believes the presentation of EMEA GCB's results excluding the impact of FX translation is a more meaningful depiction of the underlying fundamentals of the business. For a reconciliation of certain of these metrics to the reported results, see the table above.

### 3Q14 vs. 3Q13

Net income declined \$17 million to a net loss of \$6 million as higher expenses and higher credit costs were partially offset by higher revenues.

Revenues increased 1%, mainly driven by volume growth, particularly in investment products, cards and Citi commercial banking, partially offset by lower revenues resulting from the sales of Citi's consumer operations in Turkey and Romania during 2013. Net interest revenue increased 6%, primarily due to growth in average retail loans (11%) and average cards loans (10%), partially offset by continued spread compression. Interest rate caps on credit cards, particularly in Poland, and the continued low interest rate environment were the main contributors to the lower net interest spreads. Non-interest revenue decreased 9%, mainly reflecting lower revenues due to the sales of the consumer operations in Turkey and Romania, partially offset by continued higher investment fees due to increased sales of higher spread products. Investment sales increased 36%, average deposits increased 10% and cards purchase sales increased 7%. Continued regulatory changes, including caps on interchange rates in Poland, and spread compression will likely continue to negatively impact revenues in EMEA GCB during the remainder of 2014. Expenses increased 7%, primarily due to higher repositioning charges, continued investment spending on new internal operating platforms and volume-related expenses, partially offset by the impact of the sales of the consumer operations in Turkey and Romania and efficiency savings.

Provisions increased 5%, as higher net credit losses, primarily in cards and personal installment loans in Russia (see below), were partially offset by a higher loan loss reserve release, particularly in Citi commercial banking (primarily Poland and Turkey).

### Russia/Ukraine

To date, the imposition of sanctions on Russia has not had a material impact on the results of operations of EMEA GCB, although actions Citi has taken to mitigate its risks and exposures in response to the ongoing political instability, such as limiting its exposure to additional credit risk, have negatively impacted Citi's ability to grow its consumer business in Russia. In addition, the ongoing economic situation in Russia, coupled with consumer overleveraging in the market, has negatively impacted consumer credit, particularly delinquencies in the Russian card and personal installment loan portfolios (which totaled \$1.6 billion as of September 30, 2014, or 0.5% of total GCB loans), and Citi currently expects these trends to continue. Citi has taken these trends into consideration in determining its allowance for loan loss reserves. Any further actions Citi may take to mitigate its exposures or risks, or the imposition of additional sanctions (such as asset freezes) involving Russia or against Russian entities, business sectors, individuals or otherwise, could further negatively impact the results of operations of EMEA GCB. For additional information on Citi's exposures in these countries, see "Managing Global Risk-Country and Cross-Border Risk" below.

### 2014 YTD vs. 2013 YTD

Year-to-date, EMEA GCB has experienced similar trends to those described above. Net income decreased 50%, mainly due to higher credit costs and lower revenues, partially offset by lower expenses.

Revenues decreased 1% primarily driven by the lower revenues resulting from the sales of Citi's consumer operations in Turkey and Romania, partially offset by higher volumes in core markets.

Expenses declined 4%, driven by the impact of the sales of the consumer operations in Turkey and Romania and efficiency savings, partially offset by the continued investment spending on new internal operating platforms.

Provisions increased by \$29 million primarily due to the absence of loan loss reserve releases in the current year-to-date period. Net credit losses increased 21% due to a benefit in the prior year-to-date period resulting from the sales of written-off accounts.

## LATIN AMERICA GCB

Latin America GCB provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses, with the largest presence in Mexico and Brazil. Latin America GCB includes branch networks throughout Latin America as well as Banco Nacional de Mexico, or Banamex, Mexico's second-largest bank, with 1,634 branches as of September 30, 2014. As announced on October 14, 2014, Citi intends to exit its consumer businesses in Costa Rica, El Salvador, Guatemala, Nicaragua, Panama and Peru by the end of 2015 (for additional information, see "Executive Summary" and "Global Consumer Banking" above).

At September 30, 2014, Latin America GCB had 1,927 retail branches, with approximately 31.6 million retail banking customer accounts, \$29.8 billion in retail banking loans and \$45.9 billion in deposits. In addition, the business had approximately 8.9 million Citi-branded card accounts with \$11.5 billion in outstanding loan balances.

In millions of dollars, except as otherwise noted	Third Quarter			Nine Months			
	2014	2013	% Change	2014	2013	% Change	
Net interest revenue	\$1,611	\$1,575	2	% \$4,687	\$4,692	—	%
Non-interest revenue	746	697	7	2,262	2,221	2	
Total revenues, net of interest expense	\$2,357	\$2,272	4	% \$6,949	\$6,913	1	%
Total operating expenses	\$1,378	\$1,319	4	% \$4,052	\$4,011	1	%
Net credit losses	\$503	\$434	16	% \$1,465	\$1,269	15	%
Credit reserve build (release)	10	168	(94)	) 177	310	(43)	)
Provision (release) for unfunded lending commitments	(1)	) —	(100)	) (1)	) —	(100)	)
Provision for benefits and claims	40	34	18	114	116	(2)	)
Provisions for loan losses and for benefits and claims (LLR & PBC)	\$552	\$636	(13)	)% \$1,755	\$1,695	4	%
Income from continuing operations before taxes	\$427	\$317	35	% \$1,142	\$1,207	(5)	)%
Income taxes	89	53	68	194	241	(20)	)
Income from continuing operations	\$338	\$264	28	% \$948	\$966	(2)	)%
Noncontrolling interests	3	1	NM	7	3	NM	
Net income	\$335	\$263	27	% \$941	\$963	(2)	)%
Balance Sheet data (in billions of dollars)							
Average assets	\$80	\$80	—	% \$80	\$82	(2)	)%
Return on average assets	1.66	% 1.30	%	1.57	% 1.62	%	
Efficiency ratio	58	58		58	58		
Average deposits	\$46.9	\$45.0	4	\$46.6	\$45.3	3	%
Net credit losses as a percentage of average loans	4.81	% 4.22	%	4.69	% 4.16	%	
Revenue by business							
Retail banking	\$1,534	\$1,483	3	% \$4,543	\$4,571	(1)	)%
Citi-branded cards	823	789	4	2,406	2,342	3	
Total	\$2,357	\$2,272	4	% \$6,949	\$6,913	1	%
Income from continuing operations by business							
Retail banking	\$182	\$123	48	% \$595	\$541	10	%
Citi-branded cards	156	141	11	353	425	(17)	)
Total	\$338	\$264	28	% \$948	\$966	(2)	)%
Foreign Currency (FX) Translation Impact							
Total revenues-as reported	\$2,357	\$2,272	4	% \$6,949	\$6,913	1	%
Impact of FX translation <sup>(1)</sup>	—	(48)	)	—	(273)	)	
Total revenues-ex-FX	\$2,357	\$2,224	6	% \$6,949	\$6,640	5	%
Total operating expenses-as reported	\$1,378	\$1,319	4	% \$4,052	\$4,011	1	%
Impact of FX translation <sup>(1)</sup>	—	(25)	)	—	(149)	)	

Edgar Filing: CITIGROUP INC - Form 10-Q

Total operating expenses-ex-FX	\$1,378	\$1,294	6	% \$4,052	\$3,862	5	%
Provisions for LLR & PBC-as reported	\$552	\$636	(13	)% \$1,755	\$1,695	4	%
Impact of FX translation <sup>(1)</sup>	—	(8	)	—	(58	)	
Provisions for LLR & PBC-ex-FX	\$552	\$628	(12	)% \$1,755	\$1,637	7	%
Net income-as reported	\$335	\$263	27	% \$941	\$963	(2	)%
Impact of FX translation <sup>(1)</sup>	—	(31	)	—	(70	)	
Net income-ex-FX	\$335	\$232	44	% \$941	\$893	5	%

<sup>(1)</sup> Reflects the impact of foreign exchange (FX) translation into U.S. dollars at the third quarter of 2014 average exchange rates for all periods presented.

NM Not Meaningful

The discussion of the results of operations for Latin America GCB below excludes the impact of FX translation for all periods presented. Presentation of the results of operations, excluding the impact of FX translation, are non-GAAP financial measures. Citi believes the presentation of Latin America GCB's results excluding the impact of FX translation is a more meaningful depiction of the underlying fundamentals of the business. For a reconciliation of certain of these metrics to the reported results, see the table above.

### 3Q14 vs. 3Q13

Net income increased 44% as higher revenues and lower credit costs were partially offset by higher expenses. Revenues increased 6%, primarily due to continued volume growth and spread and fee growth in Mexico, partially offset by continued spread compression in other Latin America markets as well as slower overall economic growth across the region. Net interest revenue increased 4% due to increased volumes and the improvement in spreads in Mexico, partially offset by the ongoing spread compression in other Latin America markets. Non-interest revenue increased 10%, primarily due to higher fees from increased business volumes in retail banking and cards. Retail banking revenues increased 5% as average loans increased 5%, investment sales increased 32% and average deposits increased 6%, partially offset by lower spreads in Brazil and Colombia. Cards revenues increased 7% as average loans increased 3%. This increase in overall cards revenues was partially offset by a 1% decline in cards purchase sales driven by the previously-disclosed fiscal reforms enacted in 2013 in Mexico, which continued to negatively impact consumer spending, as well as the overall slower economic growth. Citi expects these trends as well as spread compression could continue to negatively impact revenues in Latin America GCB during the remainder of 2014.

Expenses increased 6%, primarily due to higher legal and related costs, increased repositioning charges and higher technology spending, partially offset by productivity and efficiency savings.

Provisions decreased 12%, primarily due to a lower loan loss reserve build, partially offset by higher net credit losses. Net credit losses increased 17%, driven by portfolio growth and continued seasoning in the Mexico cards portfolio, as well as the impact in Mexico of both the slower economic growth and fiscal reforms (as discussed above). The continued impact of the fiscal reforms and economic slowdown in Mexico is likely to cause net credit losses in Latin America GCB to remain elevated. Any further deterioration in Citi's Mexican homebuilders clients could also result in higher net credit losses, although any losses related to those homebuilder clients should be charged against existing loan loss reserves as of September 30, 2014, and thus should be neutral to overall cost of credit. The loan loss reserve build decreased 94%, primarily due to the absence of the increase in reserves related to the Mexican homebuilder clients and the hurricanes in the region in the prior-year period.

### Argentina/Venezuela

For additional information on Citi's exposures in Argentina and Venezuela and the impact, or potential future impact, to Latin America GCB results of operations as a result of certain developments in these countries, see "Managing Global Risk-Country and Cross-Border Risk" below.

### 2014 YTD vs. 2013 YTD

Year-to-date, Latin America GCB has experienced similar trends to those described above. Net income increased 5% as higher revenues were partially offset by higher credit costs and expenses.

Revenues increased 5%, primarily due to volume growth in retail banking and cards, partially offset by continued spread compression and slower overall economic growth across the region, including in Mexico and Brazil. Net interest revenue increased 4% due to increased volumes, partially offset by spread compression. Non-interest revenue increased 6%, primarily due to higher fees from increased business volumes in retail and cards as well as gains on sale (approximately \$50 million) of Citi's consumer business in Honduras in the second quarter of 2014 and Citi's partial sale of its indirect investment in Banco de Chile during the first quarter of 2014. Retail banking revenues increased 3% as average loans increased 7%, investment sales increased 20% and average deposits increased 6%. Cards

revenues increased 7% as average loans increased 7% and purchase sales increased 2%, partially offset by the slower economic growth and cards purchase sales in Mexico due to the 2013 fiscal reforms.

Expenses increased 5%, driven by the factors described above.

Provisions increased 7%, primarily due to higher net credit losses, partially offset by a lower loan loss reserve build. Net credit losses increased 20%, driven primarily by Mexico cards for the reasons described above and, to a lesser extent, the personal loan portfolio, as the portfolios continued to grow and season. The loan loss reserve build decreased 41%, primarily due to the absence of the increases in reserves related to Citi's Mexican homebuilders and the hurricanes in the prior year-to-date period, partially offset by an increase in the reserve builds for portfolio growth and seasoning.

## ASIA GCB

Asia GCB provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses, with the largest Citi presence, as of September 30, 2014, in Korea, Singapore, Australia, Hong Kong, Taiwan, India, Japan, Malaysia, Indonesia, Thailand and the Philippines. As announced on October 14, 2014, Citi intends to exit its consumer businesses in Japan and Guam, and its consumer finance business in Korea (and only its consumer finance business), by the end of 2015 (for additional information, see “Executive Summary” and “Global Consumer Banking” above).

At September 30, 2014, Asia GCB had 468 retail branches, approximately 16.7 million retail banking customer accounts, \$74.2 billion in retail banking loans and \$101.3 billion in deposits. In addition, the business had approximately 16.4 million Citi-branded card accounts with \$18.5 billion in outstanding loan balances.

In millions of dollars, except as otherwise noted	Third Quarter			Nine Months		
	2014	2013	% Change	2014	2013	% Change
Net interest revenue	\$1,163	\$1,163	—	% \$3,465	\$3,580	(3 )%
Non-interest revenue	781	699	12	2,290	2,210	4
Total revenues, net of interest expense	\$1,944	\$1,862	4	% \$5,755	\$5,790	(1 )%
Total operating expenses	\$1,173	\$1,132	4	% \$3,749	\$3,437	9 %
Net credit losses	\$193	\$192	1	% \$594	\$578	3 %
Credit reserve build (release)	(41 )	(28 )	(46 )	(79 )	(6 )	NM
Provision for unfunded lending commitments	(1 )	12	NM	(11 )	36	NM
Provisions for loan losses	\$151	\$176	(14 )%	\$504	\$608	(17 )%
Income from continuing operations before taxes	\$620	\$554	12	% \$1,502	\$1,745	(14 )%
Income taxes	207	190	9	494	577	(14 )
Income from continuing operations	\$413	\$364	13	% \$1,008	\$1,168	(14 )%
Noncontrolling interests	—	—	—	—	—	—
Net income	\$413	\$364	13	% \$1,008	\$1,168	(14 )%
Balance Sheet data (in billions of dollars)						
Average assets	\$133	\$129	3	% \$132	\$129	2 %
Return on average assets	1.23	%1.12	%	1.02	%1.21	%
Efficiency ratio	60	%61	%	65	%59	%
Average deposits	\$102.5	\$100.2	2	\$102.3	\$103.2	(1 )
Net credit losses as a percentage of average loans	0.82	%0.87	%	0.86	%0.88	%
Revenue by business						
Retail banking	\$1,190	\$1,102	8	% \$3,517	\$3,494	1 %
Citi-branded cards	754	760	(1 )	2,238	2,296	(3 )
Total	\$1,944	\$1,862	4	% \$5,755	\$5,790	(1 )%
Income from continuing operations by business						
Retail banking	\$261	\$178	47	% \$540	\$641	(16 )%
Citi-branded cards	152	186	(18 )	468	527	(11 )
Total	\$413	\$364	13	% \$1,008	\$1,168	(14 )%
Foreign Currency (FX) Translation Impact						
Total revenues-as reported	\$1,944	\$1,862	4	% \$5,755	\$5,790	(1 )%
Impact of FX translation <sup>(1)</sup>	—	11	—	—	(96 )	
Total revenues-ex-FX	\$1,944	\$1,873	4	% \$5,755	\$5,694	1 %
Total operating expenses-as reported	\$1,173	\$1,132	4	% \$3,749	\$3,437	9 %
Impact of FX translation <sup>(1)</sup>	—	6	—	—	(41 )	
Total operating expenses-ex-FX	\$1,173	\$1,138	3	% \$3,749	\$3,396	10 %
Provisions for loan losses-as reported	\$151	\$176	(14 )%	\$504	\$608	(17 )%
Impact of FX translation <sup>(1)</sup>	—	4	—	—	(8 )	



Edgar Filing: CITIGROUP INC - Form 10-Q

Provisions for loan losses-ex-FX	\$151	\$180	(16	)%	\$504	\$600	(16	)%
Net income-as reported	\$413	\$364	13	%	\$1,008	\$1,168	(14	)%
Impact of FX translation <sup>(1)</sup>	—	2			—	(25	)	
Net income-ex-FX	\$413	\$366	13	%	\$1,008	\$1,143	(12	)%

<sup>(1)</sup> Reflects the impact of foreign exchange (FX) translation into U.S. dollars at the third quarter of 2014 average exchange rates for all periods presented.

NMNot meaningful

The discussion of the results of operations for Asia GCB below excludes the impact of FX translation for all periods presented. Presentation of the results of operations, excluding the impact of FX translation, are non-GAAP financial measures. Citi believes the presentation of Asia GCB's results excluding the impact of FX translation is a more meaningful depiction of the underlying fundamentals of the business. For a reconciliation of certain of these metrics to the reported results, see the table above.

### 3Q14 vs. 3Q13

Net income increased 13%, primarily due to higher revenues and lower credit costs, partially offset by higher expenses.

Revenues increased 4%, as higher non-interest revenue was partially offset by a decline in net interest revenue. Net interest revenue declined 1% driven by the ongoing impact of regulatory changes, continued spread compression and the repositioning of the franchise in Korea. Non-interest revenue increased 12%, primarily driven by continued higher insurance fee revenues and growth in investment sales revenues.

Retail banking revenues increased 7% due to the higher insurance fee and investment sales revenues, partially offset by the continued negative impact of Korea. Investment sales revenues increased 14% due to improved investor sentiment reflecting overall market trends as well as strong Asian equities performance. Citi expects investment sales revenues will continue to reflect the overall capital markets environment in the region. Average retail deposits increased 2% (1% excluding Korea) and average retail loans increased 6% (9% excluding Korea).

Cards revenues decreased 1% due to the continued impact of regulatory changes, spread compression and customer deleveraging, offset by a 6% increase (9% excluding Korea) in purchase sales driven by growth in China, India, Hong Kong and Singapore.

While Korea continued to have a negative impact on year-over-year revenue comparisons in Asia GCB, revenues in Korea largely stabilized quarter-over-quarter and Citi expects Korea revenues to remain relatively stable during the remainder of 2014. Citi expects spread compression and the impact of regulatory changes in several markets across the region will continue to have a negative impact on Asia GCB revenues during the remainder of 2014.

Expenses increased 3% primarily due to higher repositioning charges, investment spending and volume-related growth, partially offset by higher efficiency savings.

Provisions decreased 16%, primarily due to higher loan loss reserve releases. Overall credit quality remained stable across the region during the current quarter.

### 2014 YTD vs. 2013 YTD

Year-to-date, Asia GCB has experienced similar trends to those described above. Net income decreased 12%, primarily due to higher expenses, partially offset by lower credit costs and higher revenues.

Revenues increased 1%, as higher non-interest revenue was largely offset by lower net interest revenue. Net interest revenue declined 2% driven by the ongoing impact of regulatory changes, continued spread compression and the repositioning of the franchise in Korea. Non-interest revenue increased 5%, primarily due to the increased insurance fee revenues, partially offset by a decline in investment sales revenues during the current year-to-date period.

Retail banking revenues increased 1% primarily due to the increase in insurance fee revenues, partially offset by the continued negative impact of Korea as well as a 2% decline in investment sales revenues. Average retail deposits increased 1% (2% excluding Korea) and average retail loans increased 7% (10% excluding Korea).

Cards revenues increased 1%, as cards purchase sales increased 6% (9% excluding Korea), with growth in China, India, Singapore and Hong Kong. This increase was partially offset by the continued impact of regulatory changes, ongoing spread compression and customer deleveraging.

Expenses increased 10% primarily due to the higher repositioning charges in Korea in the second quarter of 2014.

Provisions decreased 16%, due to higher loan loss reserve releases, partially offset by a 5% increase in net credit losses primarily due to lower recoveries.



## INSTITUTIONAL CLIENTS GROUP

Institutional Clients Group (ICG) provides corporate, institutional, public sector and high-net-worth clients around the world with a full range of wholesale banking products and services, including fixed income and equity sales and trading, foreign exchange, prime brokerage, derivative services, equity and fixed income research, corporate lending, investment banking and advisory services, private banking, cash management, trade finance and securities services. ICG transacts with clients in both cash instruments and derivatives, including fixed income, foreign currency, equity and commodity products.

ICG revenue is generated primarily from fees and spreads associated with these activities. ICG earns fee income for assisting clients in clearing transactions, providing brokerage and investment banking services and other such activities. Revenue generated from these activities is recorded in Commissions and fees and Investment banking. In addition, as a market maker, ICG facilitates transactions, including holding product inventory to meet client demand, and earns the differential between the price at which it buys and sells the products. These price differentials and the unrealized gains and losses on the inventory are recorded in Principal transactions. Interest income earned on inventory and loans held less interest paid to customers on deposits is recorded as Net interest revenue. Revenue is also generated from transaction processing and assets under custody and administration.

ICG's international presence is supported by trading floors in approximately 80 countries and a proprietary network in over 95 countries and jurisdictions. At September 30, 2014, ICG had approximately \$1.0 trillion of assets and \$567 billion of deposits, while two of its businesses, securities services and issuer services, managed approximately \$15.0 trillion of assets under custody compared to \$13.9 trillion at the end of the prior-year period.

In millions of dollars, except as otherwise noted	Third Quarter			Nine Months			
	2014	2013	% Change	2014	2013	% Change	
Commissions and fees	\$ 1,112	\$ 1,081	3	% \$ 3,311	\$ 3,322	—	%
Administration and other fiduciary fees	641	625	3	1,945	1,989	(2)	)
Investment banking	1,047	842	24	3,261	2,910	12	)
Principal transactions	1,395	863	62	5,578	5,785	(4)	)
Other	151	132	14	275	863	(68)	)
Total non-interest revenue	\$ 4,346	\$ 3,543	23	% \$ 14,370	\$ 14,869	(3)	)%
Net interest revenue (including dividends)	4,025	3,829	5	11,698	11,654	—	)%
Total revenues, net of interest expense	\$ 8,371	\$ 7,372	14	% \$ 26,068	\$ 26,523	(2)	)%
Total operating expenses	\$ 5,040	\$ 4,888	3	% \$ 14,925	\$ 14,973	—	)%
Net credit losses	\$ 12	\$ 65	(82)	)% \$ 155	\$ 157	(1)	)%
Provision (release) for unfunded lending commitments	(25	) 93	NM	(70	) 77	NM	)
Credit reserve (release)	(8	) (19	) 58	(191	) (60	) NM	)
Provisions for credit losses	\$ (21	) \$ 139	NM	\$ (106	) \$ 174	NM	)
Income from continuing operations before taxes	\$ 3,352	\$ 2,345	43	% \$ 11,249	\$ 11,376	(1)	)%
Income taxes	1,019	605	68	3,389	3,430	(1)	)
Income from continuing operations	\$ 2,333	\$ 1,740	34	% \$ 7,860	\$ 7,946	(1)	)%
Noncontrolling interests	42	19	NM	87	92	(5)	)
Net income	\$ 2,291	\$ 1,721	33	% \$ 7,773	\$ 7,854	(1)	)%
Average assets (in billions of dollars)	\$ 1,048	\$ 1,052	—	% \$ 1,057	\$ 1,071	(1)	)%
Return on average assets	0.87	% 0.65	%	0.98	% 0.98	%	)
Efficiency ratio	60	% 66	%	57	% 56	%	)
Revenues by region							
North America	\$ 3,178	\$ 2,439	30	% \$ 9,882	\$ 9,261	7	)%
EMEA	2,263	2,147	5	7,486	7,988	(6)	)
Latin America	1,015	1,095	(7)	) 3,267	3,541	(8)	)

Edgar Filing: CITIGROUP INC - Form 10-Q

Asia	1,915	1,691	13	5,433	5,733	(5	)	
Total	\$8,371	\$7,372	14	% \$26,068	\$26,523	(2	)%	
Income from continuing operations by region								
North America	\$888	\$508	75	% \$3,245	\$2,748	18	%	
EMEA	461	374	23	1,797	2,031	(12	)	
Latin America	294	427	(31	)	1,065	1,426	(25	)
Asia	690	431	60	1,753	1,741	1	)	
Total	\$2,333	\$1,740	34	% \$7,860	\$7,946	(1	)%	

22

---

Edgar Filing: CITIGROUP INC - Form 10-Q

Average loans by region (in billions of dollars)

North America	\$111	\$100	11	%	\$109	\$95	15	%
EMEA	58	54	7		58	54	7	
Latin America	40	38	5		40	38	5	
Asia	69	67	3		69	64	8	
Total	\$278	\$259	7	%	\$276	\$251	10	%

EOP deposits by business (in billions of dollars)

Treasury and trade solutions	\$381	\$371	3	%
All other ICG businesses	186	195	(5)	)
Total	\$567	\$566	—	%

ICG Revenue Details—Excluding CVA/DVA and Gain/(Loss) on Loan Hedges

In millions of dollars	Third Quarter			Nine Months			
	2014	2013	% Change	2014	2013	% Change	
Investment banking revenue details							
Advisory	\$318	\$167	90	% \$686	\$586	17	%
Equity underwriting	298	197	51	994	749	33	
Debt underwriting	632	578	9	1,958	1,930	1	
Total investment banking	\$1,248	\$942	32	% \$3,638	\$3,265	11	%
Treasury and trade solutions	1,965	1,950	1	5,922	5,881	1	
Corporate lending - excluding gain/(loss) on loan hedges	442	379	17	1,311	1,118	17	
Private bank	663	614	8	1,987	1,888	5	
Total Banking revenues (ex-CVA/DVA and gain/(loss) on loan hedges)	\$4,318	\$3,885	11	% \$12,858	\$12,152	6	%
Corporate lending - gain/(loss) on loan hedges <sup>(1)</sup>	\$91	\$(147)	)NM	\$30	\$(148)	)NM	
Total Banking revenues (ex-CVA/DVA and including gain/(loss) on loan hedges)	\$4,409	\$3,738	18	% \$12,888	\$12,004	7	%
Fixed income markets	\$2,981	\$2,838	5	% \$9,827	\$10,947	(10)	)%
Equity markets	763	670	14	2,305	2,334	(1)	)
Securities services	600	553	8	1,759	1,718	2	
Other	(66)	(95)	)31	(356)	(300)	(19)	)
Total Markets and securities services (ex-CVA/DVA)	\$4,278	\$3,966	8	% \$13,535	\$14,699	(8)	)%
Total ICG (ex-CVA/DVA)	\$8,687	\$7,704	13	% \$26,423	\$26,703	(1)	)%
CVA/DVA (excluded as applicable in lines above) <sup>(2)</sup>	(316)	(332)	)5	% (355)	(180)	(97)	)%
Fixed income markets	(306)	(287)	(7)	)%(368)	(146)	)NM	
Equity markets	(4)	(39)	)90	16	(27)	)NM	
Private bank	(6)	(6)	)—	(3)	(7)	)57	
Total Revenues, net of interest expense	\$8,371	\$7,372	14	% \$26,068	\$26,523	(2)	)%

Hedges on accrual loans reflect the mark-to-market on credit derivatives used to economically hedge the corporate (1) loan accrual portfolio. The fixed premium costs of these hedges is netted against the corporate lending revenues to reflect the cost of credit protection.

For the third quarter of 2014, includes the impact of a one-time pretax charge of \$430 million related to the implementation of funding valuation adjustments (FVA) on derivatives. For additional information, see “Fair Value (2) Adjustments for Derivatives and Fair Value Option Liabilities” below and Note 22 to the Consolidated Financial Statements. FVA is included within CVA for presentation purposes.

NM Not meaningful



The discussion of the results of operations for ICG below excludes the impact of CVA/DVA for all periods presented. Presentation of the results of operations, excluding the impact of CVA/DVA and the impact of gains/(losses) on hedges on accrual loans, are non-GAAP financial measures. Citi believes the presentation of ICG's results excluding the impact of these items is a more meaningful depiction of the underlying fundamentals of the business. For a reconciliation of these metrics to the reported results, see the table above.

### 3Q14 vs. 3Q13

Net income increased 29%, primarily driven by higher revenues and lower credit costs, partially offset by higher expenses.

Revenues increased 13%, reflecting higher revenues in each of Banking (increase of 18%, 11% excluding the gains/(losses) on hedges on accrual loans) and Markets and securities services (increase of 8%). Citi expects revenues in ICG, particularly its Markets and securities services businesses, will likely continue to reflect the overall market environment as well as normal seasonal trends.

#### Within Banking:

Investment banking revenues increased 32%, reflecting an increase in advisory and equity and debt underwriting revenues. Advisory revenues increased 90%, reflecting an increase in wallet share and higher market volumes. Equity underwriting revenues increased 51% on higher market volumes and share gains. Debt underwriting revenues increased 9%.

Treasury and trade solutions revenues increased 1%, as continued higher deposit balances and fee growth were partially offset by the impact of spread compression globally. End-of-period deposit balances increased 3%, while average trade loans decreased 8%, primarily reflecting increased distribution of assets in line with balance sheet optimization efforts (see "Balance Sheet" below).

Corporate lending revenues increased \$301 million to \$533 million. Excluding the impact of gains/(losses) on hedges on accrual loans, revenues increased 17%, primarily due to continued growth in average loan balances and lower funding costs, partially offset by lower loan yields.

Private bank revenues increased 8% due to growth in client business volumes and improved spreads in banking as well as an increase in assets under management in managed investments, partially offset by continued spread compression in lending.

#### Within Markets and securities services:

Fixed income markets revenues increased 5% driven by an increase in securitized products revenues as well as an increase in foreign exchange volatility and volumes that positively impacted the rates and currencies businesses in the latter part of the quarter. Securitized products revenues increased, particularly in North America, due to investor appetite for spread products. Commodities revenues also increased, particularly in North America, driven by strong investor and corporate client flows.

Equity markets revenues increased 14% primarily reflecting improved performance in the derivatives and prime finance businesses, partially offset by lower cash

revenues. Derivatives revenues increased due to strong client activity. Prime finance revenues also grew due to increased customer flows.

Securities services revenues increased 8% due to increased volumes, assets under custody and overall client activity.

Expenses increased 3%, primarily reflecting an adjustment to incentive compensation expense due to better than anticipated year-to-date performance, increased regulatory and compliance costs, higher repositioning charges and increased volume-related costs, partially offset by ongoing efficiency savings.

Provisions decreased \$160 million, primarily reflecting lower net credit losses and an improvement in the provision for unfunded lending commitments in the corporate loan portfolio, partially offset by a lower loan loss reserve release.



#### Russia/Ukraine

To date, the imposition of sanctions on Russia has not had a material impact on the results of operations of EMEA ICG. However, Citi continues to monitor and manage its exposures in ICG resulting from the ongoing instability in Russia and Ukraine, and any further actions Citi may take to mitigate its exposures or risks, or the imposition of additional sanctions (such as asset freezes) involving Russia or against Russian entities, business sectors, individuals or otherwise, could negatively impact the results of operations of EMEA ICG. For additional information on Citi's exposures in these countries, see "Managing Global Risk - Country and Cross-Border Risk" below.

#### 2014 YTD vs. 2013 YTD

Year-to-date, net income was unchanged, as slightly lower revenues were offset by lower credit costs.

Revenues decreased 1%, primarily reflecting lower revenues in fixed income markets, partially offset by higher revenues in investment banking, corporate lending and the private bank.

#### Within Banking:

Investment banking revenues increased 11%, primarily reflecting higher levels of market activity and a slight increase in overall investment banking wallet share. Advisory revenues increased 17% as a result of higher wallet share driven by the completion of previously-announced transactions. Equity underwriting revenues increased 33%, driven by increased market activity, partially offset by lower wallet share. Debt underwriting revenues increased 1% as a slight wallet share improvement was partially offset by lower market activity.

Treasury and trade solutions revenues increased 1%, as higher deposit balances were partially offset by the impact of spread compression globally. End-of-period deposit balances increased 3% and average trade loans increased

3%, including the impact of the consolidation of approximately \$7 billion of trade loans during the second quarter of 2013.

Corporate lending revenues increased 38%. Excluding the impact of gains/(losses) on hedges on accrual loans, revenues increased 17%, as higher loan balances and lower funding costs were partially offset by lower loan yields.

- Private bank revenues increased 5% due to improved managed investments performance and growth in management fees, higher banking volumes and spreads as well as lending volume growth, partially offset by the continued spread compression in lending.

Within Markets and securities services:

Fixed income markets revenues decreased 10%, as declines in rates and currencies, primarily reflecting the uncertain emerging market and macroeconomic environment as well as historically low levels of volatility and client activity across the business during the current year-to-date period, were partially offset by improved performance in securitized products and commodities. Local markets performance decreased as a result of the uncertain market environment and purposefully lower risk levels.

Equity markets revenues decreased 1%, primarily due to lower client activity and weak trading performance in EMEA, particularly in the second quarter of 2014. Cash trading performance decreased driven by a decline in commissions in all regions, except EMEA, and weaker trading performance in EMEA. Derivatives declined due to lower market volatility levels and strong prior-year performance in flow derivatives. These declines were partially offset by higher volumes in the prime finance business.

Securities services revenues increased 2%, reflecting lower net interest revenue due to a reduction in deposits and ongoing spread compression, partially offset by an increase in volumes, assets under custody and overall client activity.

Expenses were largely unchanged, as the overall impact of lower performance-based compensation and efficiency savings was offset by increased regulatory and compliance costs, higher legal and related costs and higher repositioning charges.

Provisions decreased \$280 million, primarily reflecting a higher loan loss reserve release and an improvement in the provision for unfunded lending commitments in the corporate loan portfolio.

## CORPORATE/OTHER

Corporate/Other includes unallocated global staff functions (including finance, risk, human resources, legal and compliance), other corporate expenses and unallocated global operations and technology expenses, Corporate Treasury and discontinued operations. At September 30, 2014, Corporate/Other had \$332 billion of assets, or 18% of Citigroup's total assets, consisting primarily of Citi's liquidity portfolio (approximately \$97 billion of cash and cash equivalents and \$180 billion of liquid investment securities). For additional information, see "Balance Sheet Review" and "Managing Global Risk-Market Risk-Funding and Liquidity" below.

In millions of dollars	Third Quarter			Nine Months		
	2014	2013	% Change	2014	2013	% Change
Net interest revenue	\$(62 )	\$(194 )	68 %	\$(143 )	\$(477 )	70 %
Non-interest revenue	70	236	(70 )	327	639	(49 )
Total revenues, net of interest expense	\$8	\$42	(81 )	%\$184	\$162	14 %
Total operating expenses	\$1,742	\$206	NM	\$2,818	\$840	NM
Provisions for loan losses and for benefits and claims	—	—	—	%—	—	— %
Loss from continuing operations before taxes	\$(1,734)	\$(164 )	NM	\$(2,634)	\$(678 )	NM
Benefits for income taxes	(136 )	(184 )	26 %	(146 )	(304 )	52 %
Loss from continuing operations	\$(1,598)	\$20	NM	\$(2,488)	\$(374 )	NM
Income (loss) from discontinued operations, net of taxes	(16 )	92	NM	(1 )	89	NM
Net loss before attribution of noncontrolling interests	\$(1,614)	\$112	NM	\$(2,489)	\$(285 )	NM
Noncontrolling interests	4	22	(82 )	%39	58	(33 ) %
Net loss	\$(1,618)	\$90	NM	\$(2,528)	\$(343 )	NM
NM Not meaningful						

## 3Q14 vs. 3Q13

The net loss increased \$1.7 billion to \$1.6 billion, primarily due to higher expenses.

Revenues decreased 81%, primarily driven by hedging activities, partially offset by higher investment revenues.

Expenses increased \$1.5 billion to \$1.7 billion, largely driven by higher legal and related costs as well as increased regulatory and compliance costs and higher repositioning charges. Legal and related costs could continue to impact the results of operations of Corporate/Other going forward.

## 2014 YTD vs. 2013 YTD

The net loss increased \$2.2 billion to \$2.5 billion, primarily due to higher expenses, a \$210 million tax charge in the first quarter of 2014 and the absence of a \$176 million tax benefit in the third quarter of 2013.

Revenues increased 14%, driven by higher investment revenues, partially offset by lower revenues from hedging activities.

Expenses increased \$2.0 billion to \$2.8 billion, largely driven by the higher legal and related costs as well as the increased regulatory and compliance costs and higher repositioning charges.

## CITI HOLDINGS

Citi Holdings contains businesses and portfolios of assets that Citigroup has determined are not central to its core Citicorp businesses. Consistent with this determination, as announced on October 14, 2014, beginning in the first quarter of 2015, Citi's consumer operations in 11 markets, as well as the consumer finance business in Korea, consisting of approximately \$29 billion of assets as of September 30, 2014, will be reported as part of Citi Holdings (see "Executive Summary" and "Global Consumer Banking" above).

As of September 30, 2014, Citi Holdings assets were approximately \$103 billion, a decrease of 16% year-over-year and 7% from June 30, 2014. The decline in assets of \$8 billion from June 30, 2014 primarily consisted of net pay-downs and divestitures, including the sales of Citi's consumer operations in Greece and Spain. As of quarter-end, consumer assets in Citi Holdings were approximately \$91 billion, or approximately 88% of Citi Holdings assets. Of the consumer assets, approximately \$63 billion, or 69%, consisted of North America residential mortgages (residential first mortgages and home equity loans), including consumer mortgages originated by Citi's legacy CitiFinancial North America business (approximately \$11 billion, or 17%, of the \$63 billion as of September 30, 2014). As of September 30, 2014, Citi Holdings represented approximately 5% of Citi's GAAP assets and 14% of its risk-weighted assets under Basel III (based on the Advanced Approaches for determining risk-weighted assets).

In millions of dollars, except as otherwise noted	Third Quarter			Nine Months			
	2014	2013	% Change	2014	2013	% Change	
Net interest revenue	\$858	\$776	11	% \$2,733	\$2,313	18	%
Non-interest revenue	730	482	51	1,774	946	88	
Total revenues, net of interest expense	\$1,588	\$1,258	26	% \$4,507	\$3,259	38	%
Provisions for credit losses and for benefits and claims							
Net credit losses	\$347	\$635	(45	)% \$1,265	\$2,335	(46	)%
Credit reserve build (release)	(141	) (674	) 79	(678	) (1,501	) 55	
Provision for loan losses	\$206	\$(39	) NM	\$587	\$834	(30	)%
Provision for benefits and claims	153	153	—	451	475	(5	)
Provision (release) for unfunded lending commitments	(3	) (5	) 40	(10	) (2	) NM	
Total provisions for credit losses and for benefits and claims	\$356	\$109	NM	\$1,028	\$1,307	(21	)%
Total operating expenses	\$892	\$1,396	(36	)% \$6,950	\$4,477	55	%
Loss from continuing operations before taxes	\$340	\$(247	) NM	\$(3,471	) \$(2,525	) (37	)%
Income taxes (benefits)	98	(138	) NM	52	(1,036	) NM	
Loss from continuing operations	\$242	\$(109	) NM	\$(3,523	) \$(1,489	) NM	
Noncontrolling interests	4	6	(33	)% 5	12	(58	)%
Citi Holdings net income (loss)	\$238	\$(115	) NM	\$(3,528	) \$(1,501	) NM	
Total revenues, net of interest expense (excluding CVA/DVA)							
Total revenues-as reported	\$1,588	\$1,258	26	% \$4,507	\$3,259	38	%
CVA/DVA <sup>(1)</sup>	(55	) (4	) NM	(42	) 2	NM	
Total revenues-excluding CVA/DVA	\$1,643	\$1,262	30	% \$4,549	\$3,257	40	%
Balance sheet data (in billions of dollars)							
Average assets	\$107	\$125	(14	)% \$111	\$140	(21	)%
Return on average assets	0.88	% (0.37	)%	(4.25	)% (1.43	)%	
Efficiency ratio	56	% 111	%	154	% 137	%	
Total EOP assets	\$103	\$122	(16	)%			
Total EOP loans	77.7	96.2	(19	)			

Total EOP deposits	14.4	41.8	(67 )
--------------------	------	------	-------

(1) For the third quarter of 2014, includes the impact of a one-time pretax charge of \$44 million related to the implementation of funding valuation adjustments (FVA) on derivatives. For additional information, see “Fair Value Adjustments for Derivatives and Fair Value Option Liabilities” below and Note 22 to the Consolidated Financial Statements. FVA is included within CVA for presentation purposes.

NM Not meaningful

The discussion of the results of operations for Citi Holdings below excludes the impact of CVA/DVA for all periods presented. Presentation of the results of operations, excluding the impact of CVA/DVA, are non-GAAP financial measures. Citi believes the presentation of Citi Holdings' results excluding the impact of CVA/DVA is a more meaningful depiction of the underlying fundamentals of the business. For a reconciliation of these metrics to the reported results, see the table above.

#### 3Q14 vs. 3Q13

Net income increased by \$385 million to \$272 million, primarily due to higher revenues and lower expenses, partially offset by higher credit costs.

Revenues increased 30%, primarily driven by gains on sales, the most significant of which were the sales of the consumer operations in Greece and Spain, and lower funding costs compared to the prior-year period, partially offset by losses on the redemption of debt associated with funding Citi Holdings assets.

Expenses decreased 36%, principally reflecting lower legal and related costs (\$126 million compared to \$595 million in the prior-year period) as well as productivity savings and the ongoing decline in assets. This decrease was partially offset by \$59 million of costs related to the sales of the consumer operations in Greece and Spain.

Provisions increased \$247 million, driven by a lower loan net loss reserve release, partially offset by lower net credit losses. Net credit losses declined 45% primarily due to continued improvements in North America mortgages and overall lower asset levels. The net reserve release for the current quarter, which included the impact of approximately \$75 million of losses on assets that were moved to held-for-sale during the quarter, decreased 79% to \$144 million, primarily due to lower releases related to the North America mortgage portfolio.

#### 2014 YTD vs. 2013 YTD

Year-to-date, Citi Holdings has experienced similar trends to those described above. The net loss increased by \$2.0 billion to \$3.5 billion, largely due to the \$3.8 billion charge (\$3.7 billion after-tax) related to the mortgage settlement announced in the second quarter of 2014 regarding certain of Citi's legacy RMBS and CDO activities (for additional information, see Citi's Second Quarter of 2014 10-Q). Excluding the impact of the mortgage settlement, net income increased \$1.7 billion to \$224 million, primarily due to the higher revenues, lower expenses and lower cost of credit. Revenues increased 40%, primarily driven by the gains on the sales of consumer operations in Greece and Spain in the current quarter, the absence of residential mortgage repurchase reserve builds for representation and warranty claims in the current year-to-date period and lower funding costs.

Expenses increased 55%, primarily due to the impact of the mortgage settlement. Excluding the impact of the mortgage settlement, expenses declined 29%, primarily driven by lower legal and related costs (\$925 million compared to \$1.9 billion in the prior-year period) as well as the ongoing decline in Citi Holdings assets.

Provisions decreased 21% on a reported basis. Excluding the impact of the mortgage settlement, provisions decreased 26%, driven by a 46% decline in net credit losses, primarily due to improvements in North America mortgages, and overall lower asset levels. The net reserve release decreased 54% to \$688 million. Excluding the impact of the mortgage settlement, the net reserve release decreased 51% to \$743 million, primarily due to lower releases related to the North America mortgage portfolio.

## BALANCE SHEET REVIEW

The following sets forth a general discussion of the changes in certain of the more significant line items of Citi's Consolidated Balance Sheet. For a description of the categories of assets and liabilities discussed below, see "Balance Sheet Review" in Citi's 2013 Annual Report on Form 10-K. For additional information on Citigroup's liquidity resources, including its deposits, short-term and long-term debt and secured financing transactions, see "Managing Global Risk—Market Risk—Funding and Liquidity" below.

In billions of dollars	Sept. 30, 2014	June 30, 2014	Dec. 31, 2013	Sept. 30, 2013	EOP 3Q14 vs. 2Q14		EOP 3Q14 vs. 4Q13		EOP 3Q14 vs. 3Q13	
					Increase (decrease)	% Change	Increase (decrease)	% Change	Increase (decrease)	% Change
<b>Assets</b>										
Cash and deposits with banks	\$179	\$189	\$199	\$205	\$(10)	(5)%	\$(20)	(10)%	\$(26)	(13)%
Federal funds sold and securities borrowed or purchased under agreements to resell	245	250	257	274	(5)	(2)	(12)	(5)	(29)	(11)
Trading account assets	291	291	286	292	—	—	5	2	(1)	—
Investments	333	326	309	304	7	2	24	8	29	10
Loans, net of unearned income	654	668	665	658	(14)	(2)	(11)	(2)	(4)	(1)
Allowance for loan losses	(17)	(18)	(19)	(21)	1	(6)	2	(11)	4	(19)
Loans, net	637	650	646	637	(13)	(2)	(9)	(1)	—	—
Other assets	198	204	183	188	(6)	(3)	15	8	10	5
<b>Total assets</b>	<b>\$1,883</b>	<b>\$1,910</b>	<b>\$1,880</b>	<b>\$1,900</b>	<b>\$(27)</b>	<b>(1)%</b>	<b>\$3</b>	<b>—</b>	<b>%(17)</b>	<b>(1)%</b>
<b>Liabilities</b>										
Deposits	\$943	\$966	\$968	\$955	\$(23)	(2)%	\$(25)	(3)%	\$(12)	(1)%
Federal funds purchased and securities loaned or sold under agreements to repurchase	176	184	204	216	(8)	(4)	(28)	(14)	(40)	(19)
Trading account liabilities	137	123	109	122	14	11	28	26	15	12
Short-term borrowings	65	60	59	59	5	8	6	10	6	10
Long-term debt	224	227	221	222	(3)	(1)	3	1	2	1
Other liabilities	124	137	113	123	(13)	(9)	11	10	1	1
<b>Total liabilities</b>	<b>\$1,669</b>	<b>\$1,697</b>	<b>\$1,674</b>	<b>\$1,697</b>	<b>\$(28)</b>	<b>(2)%</b>	<b>\$(5)</b>	<b>—</b>	<b>%(28)</b>	<b>(2)%</b>
Total equity	214	213	206	203	1	—	8	4	11	5
<b>Total liabilities and equity</b>	<b>\$1,883</b>	<b>\$1,910</b>	<b>\$1,880</b>	<b>\$1,900</b>	<b>\$(27)</b>	<b>(1)%</b>	<b>\$3</b>	<b>—</b>	<b>%(17)</b>	<b>(1)%</b>
<b>ASSETS</b>										

#### Cash and Deposits with Banks

Cash and deposits with banks decreased from the prior-year period as Citi continued to grow its investment portfolio to manage its interest rate position and deploy its excess liquidity. Average cash balances were \$193 billion in the third quarter of 2014, compared to \$180 billion in the third quarter of 2013 due to the timing of cash flows.

#### Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell (Reverse Repos)

Citi's federal funds sold were not significant for the periods presented. The decline in reverse repos and securities borrowing transactions from the prior-year period was driven by a reduction in trading activity in the Markets and securities services businesses within ICG. For further information regarding these balance sheet categories, see Note 10 to the Consolidated Financial Statements.

#### Trading Account Assets

Trading account assets remained relatively unchanged during the third quarter of 2014. Average trading account assets were \$293 billion in the third quarter of 2014 compared to \$298 billion in the third quarter of 2013. For further information on Citi's trading account assets, see Note 12 to the Consolidated Financial Statements.

#### Investments

The increase in investments year-over-year reflected Citi's continued deployment of its excess cash (as discussed above) by investing in available-for-sale securities, particularly in U.S. treasuries. For further information on Citi's investments, see Note 13 to the Consolidated Financial Statements.



## Loans

On a reported basis, Citi's total loans, net of unearned income, were \$654 billion at September 30, 2014, compared to \$668 billion at June 30, 2014 and \$658 billion at September 30, 2013. The impact of FX translation was a negative \$7 billion versus the prior-year period and negative \$9 billion sequentially.

Excluding the impact of FX translation, Citi's loans increased 1% from the prior-year period, as 4% loan growth in Citicorp was largely offset by the continued declines in Citi Holdings. Consumer loans grew 3% year-over-year, with growth in each region. Corporate loans grew 5% year-over-year driven by North America, which increased 11%, as international balances were relatively unchanged. Traditional corporate lending balances grew 9%, with growth in North America driven by higher investment banking transaction activity. Trade loans decreased 11%, as Citi maintained origination volumes but increased asset sales to optimize returns, as trade finance spreads tightened. Private bank loans increased 18%, with growth across all four regions. Citi Holdings loans decreased 19% year-over-year, mainly due to continued runoff and asset sales, particularly the sales of the Greece and Spain consumer operations in the current quarter.

Sequentially, loans declined 1%, excluding the impact of FX translation, as the decline in trade loans and Citi Holdings loans was only partially offset by continued growth in private bank and corporate lending, with consumer loans relatively unchanged.

During the third quarter of 2014, average loans of \$659 billion yielded an average rate of 6.7%, compared to \$665 billion and 6.9% in the second quarter of 2014 and \$645 billion and 7.0% in the third quarter of 2013.

For further information on Citi's loan portfolios, see generally "Managing Global Risk—Credit Risk" and "—Country Risk" below as well as Note 14 to the Consolidated Financial Statements.

## Other Assets

The fluctuations in other assets during the periods presented were largely changes in brokerage receivables driven by normal business fluctuations.

## LIABILITIES

### Deposits

For a discussion of Citi's deposits, see "Managing Global Risk —Market Risk—Funding and Liquidity" below.

### Federal Funds Purchased and Securities Loaned or Sold Under Agreements to Repurchase (Repos)

Citi's federal funds purchased were not significant for the periods presented. The decrease in repos and securities lending transactions was due to the reduction in client and market-driven trading activity in reverse repos and securities borrowing transactions, as discussed above, as well as Citi's continued reduction of the use of secured funding at its broker-dealer entities, a trend Citi expects could continue, with some quarter-to-quarter fluctuations. For further information on Citi's secured financing transactions, see "Managing Global Risk—Market Risk—Funding and Liquidity" below. See also Note 10 to the Consolidated Financial Statements for additional information on these balance sheet categories.

#### Trading Account Liabilities

The increase in trading account liabilities from the prior-year period and sequentially were primarily related to mark-to-market movements in derivatives in the Markets and securities services businesses within ICG, due to the strengthening of the U.S. dollar during the current quarter. Average trading account liabilities were \$129 billion during the third quarter of 2014, compared to \$120 billion in the third quarter of 2013.

For further information on Citi's trading account liabilities, see Note 12 to the Consolidated Financial Statements.

#### Debt

For information on Citi's long-term and short-term debt borrowings, see "Managing Global Risk—Market Risk—Funding and Liquidity" below and Note 17 to the Consolidated Financial Statements.

#### Other Liabilities

The sequential decrease in other liabilities was due to the \$4.5 billion payment made during the current quarter relating to the mortgage settlement regarding certain of Citi's legacy RMBS and CDO activities (for additional information, see Note 25 to the Consolidated Financial Statements in Citi's Second Quarter of 2014 Form 10-Q) as well as lower levels of brokerage payables driven by normal business fluctuations.

Edgar Filing: CITIGROUP INC - Form 10-Q

Segment Balance Sheet<sup>(1)</sup>

In millions of dollars	Global Consumer Banking	Institutional Clients Group	Corporate/Other and Consolidating Eliminations <sup>(2)</sup>	Subtotal Citicorp	Citi Holdings	Citigroup Parent Company- Issued Long-Term Debt and Stockholders' Equity <sup>(3)</sup>	Total Citigroup Consolidated
<b>Assets</b>							
Cash and deposits with banks	\$ 16,765	\$ 63,817	\$ 97,622	\$ 178,204	\$ 840	\$—	\$ 179,044
Federal funds sold and securities borrowed or purchased under agreements to resell	5,397	239,080	—	244,477	985	—	245,462
Trading account assets	5,391	281,646	386	287,423	3,399	—	290,822
Investments	30,640	100,727	189,431	320,798	12,249	—	333,047
Loans, net of unearned income and allowance for loan losses	289,455	274,786	—	564,241	72,670	—	636,911
Other assets	53,213	87,192	44,497	184,902	12,661	—	197,563
<b>Total assets</b>	<b>\$400,861</b>	<b>\$ 1,047,248</b>	<b>\$ 331,936</b>	<b>\$ 1,780,045</b>	<b>\$ 102,804</b>	<b>\$—</b>	<b>\$ 1,882,849</b>
<b>Liabilities and equity</b>							
Total deposits	\$331,873	\$567,358	\$ 29,030	\$928,261	\$ 14,394	\$—	\$942,655
Federal funds purchased and securities loaned or sold under agreements to repurchase	7,035	168,647	—	175,682	50	—	175,732
Trading account liabilities	22	136,406	25	136,453	819	—	137,272
Short-term borrowings	440	52,950	11,275	64,665	173	—	64,838
Long-term debt	1,356	35,370	33,634	70,360	5,590	147,892	223,842
Other liabilities	19,169	83,245	13,297	115,711	8,908	—	124,619
Net inter-segment funding (lending)	40,966	3,272	243,056	287,294	72,870	(360,164)	)—
<b>Total liabilities</b>	<b>\$400,861</b>	<b>\$ 1,047,248</b>	<b>\$ 330,317</b>	<b>\$ 1,778,426</b>	<b>\$ 102,804</b>	<b>\$(212,272)</b>	<b>)\$ 1,668,958</b>
Total equity	—	—	1,619	1,619	—	212,272	213,891
<b>Total liabilities and equity</b>	<b>\$400,861</b>	<b>\$ 1,047,248</b>	<b>\$ 331,936</b>	<b>\$ 1,780,045</b>	<b>\$ 102,804</b>	<b>\$—</b>	<b>\$ 1,882,849</b>

The supplemental information presented in the table above reflects Citigroup's consolidated GAAP balance sheet by reporting segment as of September 30, 2014. The respective segment information depicts the assets and liabilities managed by each segment as of such date. While this presentation is not defined by GAAP, Citi believes that these non-GAAP financial measures enhance investors' understanding of the balance sheet components managed by the underlying business segments, as well as the beneficial inter-relationships of the asset and liability dynamics of the balance sheet components among Citi's business segments.

Consolidating eliminations for total Citigroup and Citigroup parent company assets and liabilities are recorded within the Corporate/Other segment.

The total stockholders' equity and the majority of long-term debt of Citigroup reside in the Citigroup parent company Consolidated Balance Sheet. Citigroup allocates stockholders' equity and long-term debt to its businesses through inter-segment allocations as shown above.



## OFF-BALANCE-SHEET ARRANGEMENTS

For information on the types of off-balance-sheet arrangements entered into by Citi, see “Off-Balance-Sheet Arrangements” in Citi’s 2013 Annual Report on Form 10-K. The table below shows where a discussion of Citi’s various off-balance-sheet arrangements may be found in this Form 10-Q. In addition, see “Significant Accounting Policies and Significant Estimates—Securitizations” and Notes 1, 22 and 27 to the Consolidated Financial Statements in Citi’s 2013 Annual Report on Form 10-K.

Types of Off-Balance-Sheet Arrangements Disclosures in this Form 10-Q

Variable interests and other obligations, including contingent obligations, arising from variable interests in nonconsolidated VIEs	See Note 20 to the Consolidated Financial Statements.
Letters of credit, and lending and other commitments	See Note 24 to the Consolidated Financial Statements.
Guarantees	See Note 24 to the Consolidated Financial Statements.

## CAPITAL RESOURCES

For additional information on Citi's capital resources, including an overview of Citigroup's capital management framework and regulatory capital standards developments, as well as further information regarding the adoption and implementation of the final U.S. Basel III rules (Final Basel III Rules), see "Capital Resources" and "Risk Factors—Regulatory Risks" in Citigroup's 2013 Annual Report on Form 10-K.

### Current Regulatory Capital Standards

#### Overview

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

Further, the Final Basel III Rules implement the "capital floor provision" of the so-called "Collins Amendment" of the Dodd-Frank Act, which requires Advanced Approaches banking organizations, such as Citi and Citibank, N.A., upon exiting parallel reporting, to calculate each of the three risk-based capital ratios (Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital) under both the Standardized Approach starting on January 1, 2015 (or, for 2014, prior to the effective date of the Standardized Approach, the Basel I credit risk and Basel II.5 market risk capital rules, subsequently referred to in this section as the Basel III 2014 Standardized Approach) and the Advanced Approaches and publicly report (as well as measure compliance against) the lower of each of the resulting capital ratios. For additional information regarding Citi and Citibank, N.A.'s permission to exit Basel III parallel reporting, see "Capital Resources—Regulatory Capital Standards Developments—Basel III—Risk-Based Capital Ratios" in Citigroup's 2013 Annual Report on Form 10-K.

Under the Final Basel III Rules, Citi, as with principally all U.S. banking organizations, is also required to maintain a minimum Tier 1 Leverage ratio of 4% commencing in 2014. The Tier 1 Leverage ratio, a non-risk-based measure of capital adequacy, is defined as Tier 1 Capital as a percentage of quarterly adjusted average total assets less amounts deducted from Tier 1 Capital.

#### Basel III Transition Arrangements

The Final Basel III Rules contain several differing, largely multi-year transition provisions (i.e., "phase-ins" and "phase-outs") with respect to the stated minimum Common Equity Tier 1 Capital and Tier 1 Capital ratio requirements, substantially all regulatory capital adjustments and deductions, non-qualifying Tier 1 and Tier 2 Capital instruments (such as non-grandfathered trust preferred securities and certain subordinated debt issuances), and the capital buffers. All of these transition provisions, with the exception of the phase-out of non-qualifying trust preferred securities from Tier 2 Capital, will be fully implemented by January 1, 2019 (full implementation).

Under the Final Basel III Rules, commencing January 1, 2015, Citi will be required to maintain stated minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratios of 4.5%, 6% and 8%, respectively. Further, when fully implemented by January 1, 2019, Citi will be subject to substantially higher effective minimum ratio requirements due to the imposition of an additional 2.5% Capital Conservation Buffer and at least a 2% global systemically important bank (G-SIB) surcharge. Accordingly, Citi currently anticipates that its effective minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratio requirements as of January 1, 2019 will be at least 9%, 10.5% and 12.5%, respectively.



The following chart sets forth the transitional progression to full implementation under the Final Basel III Rules of the regulatory capital components (exclusive of the potential imposition of an additional Countercyclical Capital Buffer) comprising the effective minimum risk-based capital ratios.

Basel III Transition Arrangements: Minimum Risk-Based Capital Ratios

(1) The Final Basel III Rules do not address G-SIBs. The transitional progression reflected in the chart is consistent with the phase-in arrangement under the Basel Committee on Banking Supervision's (Basel Committee) G-SIB rules. However, the Federal Reserve Board has recently indicated it intends to issue rules which would strengthen the G-SIB framework established by the Basel Committee. Citi anticipates that it will likely be subject to at least a 2% G-SIB surcharge.

The following chart presents the transition arrangements (phase-in and phase-out) under the Final Basel III Rules for significant regulatory capital adjustments and deductions relative to Citi.

Basel III Transition Arrangements: Significant Regulatory Capital Adjustments and Deductions

	January 1					
	2014	2015	2016	2017	2018	
Phase-in of Significant Regulatory Capital Adjustments and Deductions						
Common Equity Tier 1 Capital <sup>(1)</sup>	20	% 40	% 60	% 80	% 100	%
Common Equity Tier 1 Capital <sup>(2)</sup>	20	% 40	% 60	% 80	% 100	%
Additional Tier 1 Capital <sup>(2)(3)</sup>	80	% 60	% 40	% 20	% 0	%
	100	% 100	% 100	% 100	% 100	%
Phase-out of Significant AOCI Regulatory Capital Adjustments						
Common Equity Tier 1 Capital <sup>(4)</sup>	80	% 60	% 40	% 20	% 0	%



Includes the phase-in of Common Equity Tier 1 Capital deductions for all intangible assets other than goodwill and mortgage servicing rights (MSRs); and excess over 10%/15% limitations for deferred tax assets (DTAs) arising from temporary differences, significant common stock investments in unconsolidated financial institutions and MSRs. Goodwill (including goodwill “embedded” in the valuation of significant common stock investments in unconsolidated financial institutions) is fully deducted in arriving at Common Equity Tier 1 Capital commencing (1) January 1, 2014. The amount of other intangible assets, aside from MSRs, not deducted in arriving at Common Equity Tier 1 Capital are risk-weighted at 100%, as are the excess over the 10%/15% limitations for DTAs arising from temporary differences, significant common stock investments in unconsolidated financial institutions and MSRs prior to full implementation of the Final Basel III Rules. Upon full implementation, the amount of temporary difference DTAs, significant common stock investments in unconsolidated financial institutions and MSRs not deducted in arriving at Common Equity Tier 1 Capital are risk-weighted at 250%.

Includes the phase-in of Common Equity Tier 1 Capital deductions related to DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards and defined benefit pension plan net assets; and the (2) phase-in of the Common Equity Tier 1 Capital adjustment for cumulative unrealized net gains (losses) related to changes in fair value of financial liabilities attributable to Citi’s own creditworthiness.

(3) To the extent Additional Tier 1 Capital is not sufficient to absorb regulatory capital adjustments and deductions, such excess is to be applied against Common Equity Tier 1 Capital.

Includes the phase-out from Common Equity Tier 1 Capital of adjustments related to unrealized gains (losses) on (4) available-for-sale (AFS) debt securities; unrealized gains on AFS equity securities; unrealized gains (losses) on held-to-maturity (HTM) securities included in AOCI; and defined benefit plans liability adjustment.

#### Citigroup’s Capital Resources Under Current Regulatory Standards

During 2014, Citi is required to maintain stated minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratios of 4%, 5.5% and 8%, respectively. Furthermore, to be “well capitalized” under current federal bank regulatory agency definitions, a bank holding company must have a Tier 1 Capital ratio of at least 6%, a Total Capital ratio of at least 10%, and not be subject to a Federal Reserve Board directive to maintain higher capital levels.

The following table sets forth the capital tiers, risk-weighted assets, quarterly adjusted average total assets and capital ratios under current regulatory standards (reflecting Basel III Transition Arrangements) for Citi as of September 30, 2014 and December 31, 2013.

#### Citigroup Capital Components and Ratios Under Current Regulatory Standards (Basel III Transition Arrangements)

In millions of dollars, except ratios	September 30, 2014		December 31, 2013 <sup>(1)</sup>		
	Advanced Approaches	Standardized Approach <sup>(2)</sup>	Advanced Approaches	Standardized Approach <sup>(2)</sup>	
Common Equity Tier 1 Capital	\$ 166,425	\$ 166,425	\$ 157,473	\$ 157,473	
Tier 1 Capital	166,425	166,425	157,473	157,473	
Total Capital (Tier 1 Capital + Tier 2 Capital) <sup>(3)</sup>	184,807	195,711	176,748	187,374	
Risk-Weighted Assets	1,282,986	1,103,639	1,177,736	1,103,045	
Quarterly Adjusted Average Total Assets <sup>(4)</sup>	1,842,777	1,842,777	1,830,896	1,830,896	
Common Equity Tier 1 Capital ratio <sup>(5)</sup>	12.97	% 15.08	% 13.37	% 14.28	%
Tier 1 Capital ratio <sup>(5)</sup>	12.97	15.08	13.37	14.28	
Total Capital ratio <sup>(5)</sup>	14.40	17.73	15.01	16.99	
Tier 1 Leverage ratio	9.03	9.03	8.60	8.60	

(1) Pro forma presentation based on application of the Final Basel III Rules consistent with current period presentation.

(2) Basel III 2014 Standardized Approach which reflects the application of the Basel I credit risk and Basel II.5 market risk capital rules.

Under the Advanced Approaches framework eligible credit reserves that exceed expected credit losses are eligible for inclusion in Tier 2 Capital to the extent the excess reserves do not exceed 0.6% of credit risk-weighted assets, (3) which differs from the Standardized Approach in which the allowance for credit losses is includable in Tier 2 Capital up to 1.25% of credit risk-weighted assets, with any excess allowance for credit losses being deducted in arriving at credit risk-weighted assets.

(4) Tier 1 Leverage ratio denominator.

(5) As of September 30, 2014 and December 31, 2013, Citi's reportable Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital ratios were the lower derived under the Basel III Advanced Approaches framework.

As indicated in the table above, Citigroup's capital ratios at September 30, 2014 were in excess of the stated minimum requirements under the Final Basel III Rules. In addition, Citi was also "well capitalized" under current federal bank regulatory agency definitions as of September 30, 2014 and December 31, 2013.

## Components of Citigroup Capital Under Current Regulatory Standards (Basel III Transition Arrangements)

In millions of dollars	September 30, 2014	December 31, 2013 <sup>(1)</sup>
Common Equity Tier 1 Capital		
Citigroup common stockholders' equity <sup>(2)</sup>	\$203,421	\$197,694
Add: Qualifying noncontrolling interests	564	597
Regulatory Capital Adjustments and Deductions:		
Less: Net unrealized losses on securities AFS, net of tax <sup>(3)(4)</sup>	(330)	(1,312)
Less: Defined benefit plans liability adjustment, net of tax <sup>(4)</sup>	(3,276)	(3,191)
Less: Accumulated net unrealized losses on cash flow hedges, net of tax <sup>(5)</sup>	(979)	(1,245)
Less: Cumulative unrealized net gain related to changes in fair value of financial liabilities	39	35
attributable to own creditworthiness, net of tax <sup>(4)(6)</sup>		
Less: Intangible assets:		
Goodwill, net of related deferred tax liabilities (DTLs) <sup>(7)</sup>	23,678	24,518
Identifiable intangible assets other than mortgage servicing rights (MSRs), net of related DTLs <sup>(4)</sup>	861	990
Less: Defined benefit pension plan net assets <sup>(4)</sup>	236	225
Less: Deferred tax assets (DTAs) arising from net operating loss, foreign tax credit and general business credit carry-forwards <sup>(4)(8)</sup>	4,931	5,288
Less: Excess over 10%/15% limitations for other DTAs, certain common stock investments, and MSRs <sup>(4)(8)(9)</sup>	1,915	2,343
Less: Deductions applied to Common Equity Tier 1 Capital due to insufficient amount of Additional Tier 1 Capital to cover deductions <sup>(4)</sup>	10,485	13,167
Total Common Equity Tier 1 Capital	\$166,425	\$157,473
Additional Tier 1 Capital		
Qualifying perpetual preferred stock <sup>(2)</sup>	\$8,851	\$6,645
Qualifying trust preferred securities <sup>(10)</sup>	1,726	2,616
Qualifying noncontrolling interests	7	8
Regulatory Capital Adjustment and Deductions:		
Less: Cumulative unrealized net gain related to changes in fair value of financial liabilities	154	142
attributable to own creditworthiness, net of tax <sup>(4)(6)</sup>		
Less: Minimum regulatory capital requirements of insurance underwriting subsidiaries <sup>(11)</sup>	248	243
Less: Defined benefit pension plan net assets <sup>(4)</sup>	943	900
Less: DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards <sup>(4)(8)</sup>	19,724	21,151
Less: Deductions applied to Common Equity Tier 1 Capital due to insufficient amount of Additional Tier 1 Capital to cover deductions <sup>(4)</sup>	(10,485)	(13,167)
Total Additional Tier 1 Capital	\$—	\$—
Total Tier 1 Capital (Common Equity Tier 1 Capital + Additional Tier 1 Capital)	\$166,425	\$157,473
Tier 2 Capital		
Qualifying subordinated debt <sup>(12)</sup>	\$16,985	\$16,594

Edgar Filing: CITIGROUP INC - Form 10-Q

Qualifying trust preferred securities	—	1,242
Qualifying noncontrolling interests	12	13
Excess of eligible credit reserves over expected credit losses <sup>(13)</sup>	1,633	1,669
Regulatory Capital Deduction:		
Less: Minimum regulatory capital requirements of insurance underwriting subsidiaries <sup>(11)</sup>	248	243
Total Tier 2 Capital	\$18,382	\$19,275
Total Capital (Tier 1 Capital + Tier 2 Capital)	\$184,807	\$176,748

Citigroup Risk-Weighted Assets (Basel III Advanced Approaches with Transition Arrangements)

In millions of dollars	September 30, 2014	December 31, 2013 <sup>(15)</sup>
Credit Risk <sup>(14)</sup>	\$882,201	\$834,082
Market Risk	100,785	112,154
Operational Risk	300,000	231,500
Total Risk-Weighted Assets	\$1,282,986	\$1,177,736

(1) Pro forma presentation of regulatory capital components and tiers based on application of the Final Basel III Rules consistent with current period presentation.

(2) Issuance costs of \$117 million and \$93 million related to preferred stock outstanding at September 30, 2014 and December 31, 2013, respectively, are excluded from common stockholders' equity and netted against preferred stock in accordance with Federal Reserve Board regulatory reporting requirements, which differ from those under U.S. GAAP.

(3) In addition, includes the net amount of unamortized loss on held-to-maturity (HTM) securities. This amount relates to securities that were previously transferred from AFS to HTM, and non-credit related factors such as changes in interest rates and liquidity spreads for HTM securities with other-than-temporary impairment.

(4) The transition arrangements for significant regulatory capital adjustments and deductions impacting Common Equity Tier 1 Capital and/or Additional Tier 1 Capital are set forth above in the table entitled "Basel III Transition Arrangements: Significant Regulatory Capital Adjustments and Deductions."

(5) Common Equity Tier 1 Capital is adjusted for accumulated net unrealized gains (losses) on cash flow hedges included in AOCI that relate to the hedging of items not recognized at fair value on the balance sheet.

(6) The cumulative impact of changes in Citigroup's own creditworthiness in valuing liabilities for which the fair value option has been elected and own-credit valuation adjustments on derivatives are excluded from Common Equity Tier 1 Capital, in accordance with the Final Basel III Rules.

(7) Includes goodwill "embedded" in the valuation of significant common stock investments in unconsolidated financial institutions.

(8) Of Citi's approximately \$49.9 billion of net DTAs at September 30, 2014, approximately \$24.8 billion of such assets were includable in regulatory capital pursuant to the Final Basel III Rules, while approximately \$25.1 billion of such assets were excluded in arriving at regulatory capital. Comprising the excluded net DTAs was an aggregate of approximately \$26.6 billion of net DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards as well as temporary differences, of which \$16.8 billion were deducted from Common Equity Tier 1 Capital and \$9.8 billion were deducted from Additional Tier 1 Capital. In addition, approximately \$1.5 billion of net DTLs, primarily consisting of DTLs associated with goodwill and certain other intangible assets, partially offset by DTAs related to cash flow hedges, are permitted to be excluded prior to deriving the amount of net DTAs subject to deduction under these rules. Separately, under the Final Basel III Rules, goodwill and these other intangible assets are deducted net of associated DTLs in arriving at Common Equity Tier 1 Capital, while Citi's current cash flow hedges and the related deferred tax effects are not required to be reflected in regulatory capital.

(9) Aside from MSRs, reflects DTAs arising from temporary differences and significant common stock investments in unconsolidated financial institutions.

(10) Represents Citigroup Capital XIII trust preferred securities, which are permanently grandfathered as Tier 1 Capital under the Final Basel III Rules, as well as non-grandfathered trust preferred securities. Under the Final Basel III Rules, the amount of non-grandfathered trust preferred securities eligible for inclusion in Tier 1 Capital during 2014 is limited to 50% of the amount of non-grandfathered trust preferred securities outstanding at January 1, 2014, with the remaining 50% eligible for inclusion in Tier 2 Capital. As a result of approximately \$17.5 million of redemptions of non-grandfathered trust preferred securities during the third quarter of 2014, the remaining amount of non-grandfathered trust preferred securities outstanding at September 30, 2014 were eligible

for inclusion in Tier 1 Capital.

- (11) 50% of the minimum regulatory capital requirements of insurance underwriting subsidiaries must be deducted from each of Tier 1 Capital and Tier 2 Capital.

- (12) Under the transition arrangements of the Final Basel III Rules, non-qualifying subordinated debt issuances which consist of those with a fixed-to-floating rate step-up feature where the call/step-up date has not passed are eligible for 50% inclusion in Tier 2 Capital during 2014, with the threshold based upon the aggregate outstanding principal amounts of such issuances as of January 1, 2014.

- (13) Advanced Approaches banking organizations are permitted to include in Tier 2 Capital eligible credit reserves that exceed expected credit losses to the extent that the excess reserves do not exceed 0.6% of credit risk-weighted assets.

- (14) Under the Final Basel III Rules, credit risk-weighted assets during the transition period reflect the effects of transitional arrangements related to regulatory capital adjustments and deductions and, as a result, will differ from credit risk-weighted assets derived under full implementation of the rules.

- (15) Risk-weighted assets at December 31, 2013 are presented on a pro forma basis, assuming the application of the Final Basel III Rules consistent with current

period presentation, including the resultant impact on credit risk-weighted assets. During the first quarter of 2014, Citi increased operational risk-weighted

assets by approximately \$56 billion in conjunction with the granting of permission by the Federal Reserve Board to exit the parallel run period and

commence applying the Basel III Advanced Approaches framework, effective with the second quarter of 2014.

## Citigroup Capital Rollforward Under Current Regulatory Standards (Basel III Transition Arrangements)

In millions of dollars	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014	
Common Equity Tier 1 Capital			
Balance, beginning of period <sup>(1)</sup>	\$164,289	\$157,473	
Net income	2,839	6,963	
Dividends declared	(159)	(443)	)
Net increase in treasury stock	(111)	(973)	)
Net increase in additional paid-in capital <sup>(2)(3)</sup>	170	670	
Net increase in foreign currency translation adjustment net of hedges, net of tax	(1,721)	(2,230)	)
Net change in unrealized losses on securities AFS, net of tax <sup>(4)</sup>	(42)	)245	
Net change in defined benefit plans liability adjustment, net of tax <sup>(4)</sup>	14	(21)	)
Net increase in cumulative unrealized net gain related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax	(16)	(4)	)
Net decrease in goodwill, net of related deferred tax liabilities (DTLs)	787	840	
Net decrease in other intangible assets other than mortgage servicing rights (MSRs), net of related DTLs	40	129	
Net increase in defined benefit pension plan net assets	(23)	(11)	)
Net decrease in deferred tax assets (DTAs) arising from net operating loss, foreign tax credit and general business credit carry-forwards	97	357	
Net decrease in excess over 10%/15% limitations for other DTAs, certain common stock investments and MSRs	132	428	
Net decrease in regulatory capital deduction applied to Common Equity Tier 1 Capital due to insufficient Additional Tier 1 Capital to cover deductions	210	2,682	
Other	(81)	)320	
Net increase in Common Equity Tier 1 Capital	\$2,136	\$8,952	
Common Equity Tier 1 Capital Balance, end of period	\$166,425	\$166,425	
Additional Tier 1 Capital			
Balance, beginning of period <sup>(1)</sup>	\$—	\$—	
Net increase in qualifying perpetual preferred stock <sup>(3)</sup>	—	2,206	
Net decrease in qualifying trust preferred securities	(27)	(890)	)
Net increase in cumulative unrealized net gain related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax	(61)	(12)	)
Net increase in defined benefit pension plan net assets	(90)	(43)	)
Net decrease in DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards	388	1,427	
Net decrease in regulatory capital deduction applied to Common Equity Tier 1 Capital due to insufficient Additional Tier 1 Capital to cover deductions	(210)	(2,682)	)
Other	—	(6)	)

Edgar Filing: CITIGROUP INC - Form 10-Q

Net change in Additional Tier 1 Capital	\$—	\$—	
Tier 1 Capital Balance, end of period	\$166,425	\$166,425	
Tier 2 Capital			
Balance, beginning of period <sup>(1)</sup>	\$18,194	\$19,275	
Net increase in qualifying subordinated debt	376	391	
Net decrease in qualifying trust preferred securities	—	(1,242)	)
Net decrease in excess of eligible credit reserves over expected credit losses	(188)	(36)	)
Other	—	(6)	)
Net change in Tier 2 Capital	\$188	\$(893)	)
Tier 2 Capital Balance, end of period	\$18,382	\$18,382	
Total Capital (Tier 1 Capital + Tier 2 Capital)	\$184,807	\$184,807	

(1) Pro forma presentation based on application of the Final Basel III Rules consistent with current period presentation.

(2) Primarily represents an increase in additional paid-in capital related to employee benefit plans.



- (3) Citi issued approximately \$2.23 billion of qualifying perpetual preferred stock during the nine months ended September 30, 2014, which was partially offset by the netting of issuance costs of \$24 million.
- (4) Presented net of impact of transition arrangements for regulatory capital adjustments and deductions under the Final Basel III Rules.

Citigroup Risk-Weighted Assets Rollforward (Basel III Advanced Approaches with Transition Arrangements)

In millions of dollars	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014 <sup>(1)</sup>
Total Risk-Weighted Assets, beginning of period <sup>(2)</sup>	\$ 1,264,066	\$ 1,103,045
Impact of adoption of Basel III Advanced Approaches <sup>(3)</sup>	—	74,691
<b>Changes in Credit Risk-Weighted Assets</b>		
Net decrease in retail exposures	(8,088	)(35,042
Net increase in wholesale exposures	29,943	41,014
Net change in repo-style transactions	(1,959	)4,927
Net increase in securitization exposures	1,078	2,636
Net decrease in equity exposures	(1,421	)(712
Net increase in over-the-counter (OTC) derivatives	4,189	19,306
Net change in derivatives CVA	(2,338	)2,710
Net change in other <sup>(4)</sup>	(5,735	)10,710
Net increase in supervisory 6% multiplier <sup>(5)</sup>	1,080	2,570
Net increase in Credit Risk-Weighted Assets	\$ 16,749	\$ 48,119
<b>Changes in Market Risk-Weighted Assets</b>		
Net decrease in risk levels	\$(9,264	)\$(18,453
Net change due to model and methodology updates	(1,065	)7,084
Net decrease in Market Risk-Weighted Assets	\$(10,329	)\$(11,369
Net increase in Operational Risk-Weighted Assets <sup>(6)</sup>	\$ 12,500	\$ 68,500
Total Risk-Weighted Assets, end of period	\$ 1,282,986	\$ 1,282,986

Total risk-weighted assets as of December 31, 2013 presented on a pro forma basis to reflect application of the (1)Final Basel III Rules related to the effect of transition arrangements on regulatory capital components, consistent with current period presentation.

(2) Prior periods have been restated to conform to current period's presentation.

(3) Reflects the effect of adjusting credit risk-weighted assets at the beginning of the period from a Basel I basis to a Basel III Advanced Approaches basis; adjusting market risk-weighted assets from a Basel II.5 basis to a Basel III Advanced Approach basis; and including operational risk-weighted assets as required under the Basel III Advanced Approaches rules.

(4) Other includes cleared transactions, unsettled transactions, assets other than those reportable in specific exposure categories and non-material portfolios of exposures.

(5) Supervisory 6% multiplier does not apply to derivatives CVA.

(6) During the first quarter of 2014, Citi increased operational risk-weighted assets by approximately \$56 billion in conjunction with the granting of permission by the Federal Reserve Board to exit the parallel run period and commence applying the Basel III Advanced Approaches framework, effective with the second quarter of 2014.

Capital Resources of Citigroup's Subsidiary U.S. Depository Institutions Under Current Regulatory Standards

Citigroup's subsidiary U.S. depository institutions are also subject to regulatory capital standards issued by their respective primary federal bank regulatory agencies, which are similar to the standards of the Federal Reserve Board.

The following table sets forth the capital tiers, risk-weighted assets, quarterly adjusted average total assets and capital ratios under current regulatory standards (reflecting Basel III Transition Arrangements) for Citibank, N.A., Citi's primary subsidiary U.S. depository institution, as of September 30, 2014 and December 31, 2013.

Citibank, N.A. Capital Components and Ratios Under Current Regulatory Standards (Basel III Transition Arrangements)

In millions of dollars, except ratios	September 30, 2014		December 31, 2013 <sup>(1)</sup>		
	Advanced Approaches	Standardized Approach <sup>(2)</sup>	Advanced Approaches	Standardized Approach <sup>(2)</sup>	
Common Equity Tier 1 Capital	\$128,112	\$128,112	\$128,317	\$128,317	
Tier 1 Capital	128,112	128,112	128,317	128,317	
Total Capital (Tier 1 Capital + Tier 2 Capital) <sup>(3)</sup>	136,430	146,435	137,277	146,267	
Risk-Weighted Assets	944,227	932,572	893,390	910,553	
Quarterly Adjusted Average Total Assets <sup>(4)</sup>	1,354,441	1,354,441	1,321,440	1,321,440	
Common Equity Tier 1 Capital ratio <sup>(5)</sup>	13.57	% 13.74	% 14.36	% 14.09	%
Tier 1 Capital ratio <sup>(5)</sup>	13.57	13.74	14.36	14.09	
Total Capital ratio <sup>(5)</sup>	14.45	15.70	15.37	16.06	
Tier 1 Leverage ratio	9.46	9.46	9.71	9.71	

(1) Pro forma presentation based on application of the Final Basel III Rules consistent with current period presentation.

(2) Basel III 2014 Standardized Approach which reflects the application of the Basel I credit risk and Basel II.5 market risk capital rules.

Under the Advanced Approaches framework eligible credit reserves that exceed expected credit losses are eligible for inclusion in Tier 2 Capital to the extent the excess reserves do not exceed 0.6% of credit risk-weighted assets, which differs from the Standardized Approach in which the allowance for credit losses is includable in Tier 2 Capital up to 1.25% of credit risk-weighted assets, with any excess allowance for credit losses being deducted in arriving at credit risk-weighted assets.

(4) Tier 1 Leverage ratio denominator.

As of September 30, 2014, Citibank, N.A.'s reportable Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital ratios were the lower derived under the Basel III Advanced Approaches. As of December 31, 2013,

(5) Citibank, N.A.'s reportable Common Equity Tier 1 Capital and Tier 1 Capital ratios were the lower derived under the Basel III 2014 Standardized Approach (Basel I credit risk and Basel II.5 market risk capital rules), whereas the reportable Total Capital ratio was the lower derived under the Advanced Approaches framework.

Impact of Changes on Citigroup and Citibank, N.A. Capital Ratios Under Current Regulatory Capital Standards

The following table presents the estimated sensitivity of Citigroup's and Citibank, N.A.'s capital ratios to changes of \$100 million in Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital (numerator), and changes of \$1 billion in Advanced Approaches and Standardized Approach risk-weighted assets as well as quarterly adjusted average total assets (denominator), under current regulatory

capital standards (reflecting Basel III Transition Arrangements), as of September 30, 2014. This information is provided for the purpose of analyzing the impact that a change in Citigroup's or Citibank, N.A.'s financial position or results of operations could have on these ratios. These sensitivities only consider a single change to either a component of capital, risk-weighted assets, or quarterly adjusted average total assets. Accordingly, an event that affects more than one factor may have a larger basis point impact than is reflected in this table.

Common Equity Tier 1 Capital ratio		Tier 1 Capital ratio		Total Capital ratio		Tier 1 Leverage ratio	
Impact of \$100 million change in Common Equity	Impact of \$1 billion change in risk-	Impact of \$100 million change in Tier 1	Impact of \$1 billion change in risk-	Impact of \$100 million change in risk-	Impact of \$1 billion change in risk-	Impact of \$100 million change in Tier 1	Impact of \$1 billion change in quarterly adjusted

Edgar Filing: CITIGROUP INC - Form 10-Q

	Tier 1 Capital	Capital	Capital	Capital	Capital	Capital	Capital	average total
	weighted	weighted	weighted	weighted	weighted	weighted	weighted	assets
	assets	assets	assets	assets	assets	assets	assets	
Citigroup Advanced Approaches	0.8 bps	1.0 bps	0.8 bps	1.0 bps	0.8 bps	1.1 bps	0.5 bps	0.5 bps
Standardized Approach <sup>(1)</sup>	0.9 bps	1.4 bps	0.9 bps	1.4 bps	0.9 bps	1.6 bps	0.5 bps	0.5 bps
Citibank, N.A. Advanced Approaches	1.1 bps	1.4 bps	1.1 bps	1.4 bps	1.1 bps	1.5 bps	0.7 bps	0.7 bps
Standardized Approach <sup>(1)</sup>	1.1 bps	1.5 bps	1.1 bps	1.5 bps	1.1 bps	1.7 bps	0.7 bps	0.7 bps

(1) Basel III 2014 Standardized Approach which reflects the application of the Basel I credit risk and Basel II.5 market risk capital rules.

### Citigroup Broker-Dealer Subsidiaries

At September 30, 2014, Citigroup Global Markets Inc., a U.S. broker-dealer registered with the SEC that is an indirect wholly owned subsidiary of Citigroup, had net capital, computed in accordance with the SEC's net capital rule, of \$5.0 billion, which exceeded the minimum requirement by \$4.0 billion.

In addition, certain of Citi's other broker-dealer subsidiaries are subject to regulation in the countries in which they do business, including requirements to maintain specified levels of net capital or its equivalent. Citigroup's other broker-dealer subsidiaries were in compliance with their capital requirements at September 30, 2014.

### Basel III (Full Implementation)

#### Citigroup's Capital Resources Under Basel III

As previously noted, Citi currently anticipates that its effective minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratio requirements, under the Final Basel III Rules, on a fully implemented basis and including a 2% G-SIB surcharge, will be at least 9%, 10.5% and 12.5%, respectively. Further, under the Final Basel III Rules, Citi must also comply with a 4% minimum Tier 1 Leverage ratio requirement and an effective 5% minimum Supplementary Leverage ratio requirement.

The following table sets forth the capital tiers, risk-weighted assets, quarterly adjusted average total assets and capital ratios under the Final Basel III Rules for Citi, assuming full implementation, as of September 30, 2014 and December 31, 2013.

#### Citigroup Capital Components and Ratios Under Basel III (Full Implementation)

In millions of dollars, except ratios	September 30, 2014		December 31, 2013		
	Advanced Approaches	Standardized Approach <sup>(1)</sup>	Advanced Approaches	Standardized Approach <sup>(1)</sup>	
Common Equity Tier 1 Capital	\$138,762	\$138,762	\$125,597	\$125,597	
Tier 1 Capital	148,772	148,772	133,412	133,412	
Total Capital (Tier 1 Capital + Tier 2 Capital) <sup>(2)</sup>	166,254	179,056	150,049	161,782	
Risk-Weighted Assets	1,302,000	1,252,000	1,186,000	1,177,000	
Quarterly Adjusted Average Total Assets <sup>(3)</sup>	1,829,524	1,829,524	1,814,368	1,814,368	
Common Equity Tier 1 Capital ratio <sup>(4)(5)</sup>	10.66	% 11.08	% 10.59	% 10.67	%
Tier 1 Capital ratio <sup>(4)(5)</sup>	11.43	11.88	11.25	11.34	
Total Capital ratio <sup>(4)(5)</sup>	12.77	14.30	12.65	13.75	
Tier 1 Leverage ratio <sup>(5)</sup>	8.13	8.13	7.35	7.35	

(1) Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital ratios as well as related components reflect application of the Basel III Standardized Approach framework effective January 1, 2015.

Under the Advanced Approaches framework eligible credit reserves that exceed expected credit losses are eligible for inclusion in Tier 2 Capital to the extent the excess reserves do not exceed 0.6% of credit risk-weighted assets,

(2) which differs from the Standardized Approach in which the allowance for credit losses is includable in Tier 2 Capital up to 1.25% of credit risk-weighted assets, with any excess allowance for credit losses being deducted in arriving at credit risk-weighted assets.

(3) Tier 1 Leverage ratio denominator.

(4) As of September 30, 2014 and December 31, 2013, assuming full implementation of the Final Basel III Rules, Citi's Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital ratios were the lower derived under the Basel III Advanced Approaches framework.

(5) Citi's Basel III capital ratios and certain related components are non-GAAP financial measures. Citi believes these ratios and their related components provide useful information to investors and others by measuring Citi's progress against future regulatory capital standards.



## Common Equity Tier 1 Capital Ratio

Citi's Common Equity Tier 1 Capital ratio was 10.7% at September 30, 2014, compared to 10.6% at June 30, 2014 and, on a pro forma basis, 10.1% at December 31, 2013, as adjusted from 10.6% (all based on application of the Advanced Approaches for determining total risk-weighted assets). The pro forma adjustment to Citi's year-end 2013 estimated Basel III Common Equity Tier 1 Capital ratio reflects the inclusion of approximately \$56 billion of additional operational risk-weighted assets related to Citi's approved exit from parallel reporting, effective with the second quarter of 2014 (for additional information, see "Capital Resources—Basel III" in Citigroup's 2013 Annual Report on Form 10-K).

The growth in Citi's Common Equity Tier 1 Capital ratio from June 30, 2014 was largely due to quarterly net income and the overall Common Equity Tier 1 Capital benefits associated with approximately \$700 million of DTA utilization, partially offset by an increase primarily in credit risk-weighted assets. Similarly, the increase in Citi's estimated Basel III Common Equity Tier 1 Capital ratio from year-end 2013 reflected continued growth in Common Equity Tier 1 Capital resulting from net income as well as the favorable effects attributable to DTA utilization of approximately \$2.9 billion, offset in part by higher credit risk-weighted assets.

## Components of Citigroup Capital Under Basel III (Full Implementation)

In millions of dollars	September 30, 2014	December 31, 2013
Common Equity Tier 1 Capital		
Citigroup common stockholders' equity <sup>(1)</sup>	\$203,421	\$197,694
Add: Qualifying noncontrolling interests	172	182
Regulatory Capital Adjustments and Deductions:		
Less: Accumulated net unrealized losses on cash flow hedges, net of tax <sup>(2)</sup>	(979)	(1,245)
Less: Cumulative unrealized net gain related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax <sup>(3)</sup>	193	177
Less: Intangible assets:		
Goodwill, net of related deferred tax liabilities (DTLs) <sup>(4)</sup>	23,678	24,518
Identifiable intangible assets other than mortgage servicing rights (MSRs), net of related DTLs	4,307	4,950
Less: Defined benefit pension plan net assets	1,179	1,125
Less: Deferred tax assets (DTAs) arising from net operating loss, foreign tax credit and general business credit carry-forwards <sup>(5)</sup>	24,655	26,439
Less: Excess over 10%/15% limitations for other DTAs, certain common stock investments, and MSRs <sup>(5)(6)</sup>	11,798	16,315
Total Common Equity Tier 1 Capital	\$138,762	\$125,597
Additional Tier 1 Capital		
Qualifying perpetual preferred stock <sup>(1)</sup>	8,851	6,645
Qualifying trust preferred securities <sup>(7)</sup>	1,370	1,374
Qualifying noncontrolling interests	37	39
Regulatory Capital Deduction:		
Less: Minimum regulatory capital requirements of insurance underwriting subsidiaries <sup>(8)</sup>	248	243
Total Additional Tier 1 Capital	\$10,010	\$7,815
Total Tier 1 Capital (Common Equity Tier 1 Capital + Additional Tier 1 Capital)	\$148,772	\$133,412

Edgar Filing: CITIGROUP INC - Form 10-Q

Tier 2 Capital		
Qualifying subordinated debt <sup>(9)</sup>	15,693	14,414
Qualifying trust preferred securities <sup>(10)</sup>	356	745
Qualifying noncontrolling interests	48	52
Excess of eligible credit reserves over expected credit losses <sup>(11)</sup>	1,633	1,669
Regulatory Capital Deduction:		
Less: Minimum regulatory capital requirements of insurance underwriting subsidiaries <sup>(8)</sup>	248	243
Total Tier 2 Capital	\$17,482	\$16,637
Total Capital (Tier 1 Capital + Tier 2 Capital) <sup>(12)</sup>	\$166,254	\$150,049



- Issuance costs of \$117 million and \$93 million related to preferred stock outstanding at September 30, 2014 and December 31, 2013, respectively, are excluded from common stockholders' equity and netted against preferred stock in accordance with Federal Reserve Board regulatory reporting requirements, which differ from those under U.S. GAAP.
- (1) Common Equity Tier 1 Capital is adjusted for accumulated net unrealized gains (losses) on cash flow hedges included in AOCI that relate to the hedging of items not recognized at fair value on the balance sheet.
- The cumulative impact of changes in Citigroup's own creditworthiness in valuing liabilities for which the fair value option has been elected and own-credit valuation adjustments on derivatives are excluded from Common Equity Tier 1 Capital, in accordance with the Final Basel III Rules.
- (2) Includes goodwill "embedded" in the valuation of significant common stock investments in unconsolidated financial institutions.
- Of Citi's approximately \$49.9 billion of net DTAs at September 30, 2014, approximately \$15.1 billion of such assets were includable in regulatory capital pursuant to the Final Basel III Rules, while approximately \$34.8 billion of such assets were excluded in arriving at Common Equity Tier 1 Capital. Comprising the excluded net DTAs was an aggregate of approximately \$36.3 billion of net DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards as well as temporary differences that were deducted from Common Equity Tier 1 Capital. In addition, approximately \$1.5 billion of net DTLs, primarily consisting of DTLs associated with goodwill and certain other intangible assets, partially offset by DTAs related to cash flow hedges, are permitted to be excluded prior to deriving the amount of net DTAs subject to deduction under these rules. Separately, under the Final Basel III Rules, goodwill and these other intangible assets are deducted net of associated DTLs in arriving at Common Equity Tier 1 Capital, while Citi's current cash flow hedges and the related deferred tax effects are not required to be reflected in regulatory capital.
- (3) Aside from MSRs, reflects DTAs arising from temporary differences and significant common stock investments in unconsolidated financial institutions.
- (4) Represents Citigroup Capital XIII trust preferred securities, which are permanently grandfathered as Tier 1 Capital under the Final Basel III Rules.
- (5) 50% of the minimum regulatory capital requirements of insurance underwriting subsidiaries must be deducted from each of Tier 1 Capital and Tier 2 Capital.
- (6) Non-qualifying subordinated debt issuances which consist of those with a fixed-to-floating rate step-up feature where the call/step-up date has not passed are excluded from Tier 2 Capital.
- (7) Represents the amount of non-grandfathered trust preferred securities eligible for inclusion in Tier 2 Capital under the Final Basel III Rules at September 30, 2014, which will be fully phased-out of Tier 2 Capital by January 1, 2022.
- (8) Advanced Approaches banking organizations are permitted to include in Tier 2 Capital eligible credit reserves that exceed expected credit losses to the extent that the excess reserves do not exceed 0.6% of credit risk-weighted assets.
- (9) Total Capital as calculated under Advanced Approaches, which differs from the Standardized Approach in the treatment of the amount of eligible credit reserves includable in Tier 2 Capital.
- (10) Total Capital as calculated under Advanced Approaches, which differs from the Standardized Approach in the treatment of the amount of eligible credit reserves includable in Tier 2 Capital.
- (11) Total Capital as calculated under Advanced Approaches, which differs from the Standardized Approach in the treatment of the amount of eligible credit reserves includable in Tier 2 Capital.
- (12) Total Capital as calculated under Advanced Approaches, which differs from the Standardized Approach in the treatment of the amount of eligible credit reserves includable in Tier 2 Capital.

## Citigroup Capital Rollforward Under Basel III (Full Implementation)

In millions of dollars	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014	
Common Equity Tier 1 Capital			
Balance, beginning of period	\$135,567	\$125,597	
Net income	2,839	6,963	
Dividends declared	(159)	(443)	)
Net increase in treasury stock	(111)	(973)	)
Net increase in additional paid-in capital <sup>(1)(2)</sup>	170	670	
Net increase in foreign currency translation adjustment net of hedges, net of tax	(1,721)	(2,230)	)
Net change in unrealized losses on securities AFS, net of tax	(207)	1,227	
Net change in defined benefit plans liability adjustment, net of tax	71	(106)	)
Net increase in cumulative unrealized net gain related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax	(77)	(16)	)
Net decrease in goodwill, net of related deferred tax liabilities (DTLs)	787	840	
Net decrease in other intangible assets other than mortgage servicing rights (MSRs), net of related DTLs	199	643	
Net increase in defined benefit pension plan net assets	(113)	(54)	)
Net decrease in deferred tax assets (DTAs) arising from net operating loss, foreign tax credit and general business credit carry-forwards	485	1,784	
Net decrease in excess over 10%/15% limitations for other DTAs, certain common stock investments and MSRs	1,043	4,517	
Other	(11)	343	
Net increase in Common Equity Tier 1 Capital	\$3,195	\$13,165	
Common Equity Tier 1 Capital Balance, end of period	\$138,762	\$138,762	
Additional Tier 1 Capital			
Balance, beginning of period	\$10,012	\$7,815	
Net increase in qualifying perpetual preferred stock <sup>(2)</sup>	—	2,206	
Net decrease in qualifying trust preferred securities	(1)	(4)	)
Other	(1)	(7)	)
Net change in Additional Tier 1 Capital	\$(2)	\$2,195	
Tier 1 Capital Balance, end of period	\$148,772	\$148,772	
Tier 2 Capital			
Balance, beginning of period	\$17,322	\$16,637	
Net increase in qualifying subordinated debt	376	1,279	
Net decrease in excess of eligible credit reserves over expected credit losses	(188)	(36)	)
Other	(28)	(398)	)
Net increase in Tier 2 Capital	\$160	\$845	
Tier 2 Capital Balance, end of period	\$17,482	\$17,482	
Total Capital (Tier 1 Capital + Tier 2 Capital)	\$166,254	\$166,254	

(1) Primarily represents an increase in additional paid-in capital related to employee benefit plans.

(2)

Citi issued approximately \$2.23 billion of qualifying perpetual preferred stock during the nine months ended September 30, 2014, which was partially offset by the netting of issuance costs of \$24 million.

Citigroup Risk-Weighted Assets Under Basel III (Full Implementation) at September 30, 2014<sup>(1)</sup>

In millions of dollars	Advanced Approaches			Standardized Approach		
	Citicorp	Citi Holdings	Total	Citicorp	Citi Holdings	Total
Credit Risk	\$773,000	\$128,000	\$901,000	\$1,051,000	\$100,000	\$1,151,000
Market Risk	96,000	5,000	\$101,000	96,000	5,000	101,000
Operational Risk <sup>(2)</sup>	246,000	54,000	\$300,000	—	—	—
Total Risk-Weighted Assets	\$1,115,000	\$187,000	\$1,302,000	\$1,147,000	\$105,000	\$1,252,000

Citigroup Risk-Weighted Assets Under Basel III (Full Implementation) at December 31, 2013<sup>(1)</sup>

In millions of dollars	Advanced Approaches			Standardized Approach		
	Citicorp	Citi Holdings	Total	Citicorp	Citi Holdings	Total
Credit Risk	\$693,000	\$149,000	\$842,000	\$963,000	\$102,000	\$1,065,000
Market Risk	107,000	5,000	112,000	107,000	5,000	112,000
Operational Risk	160,000	72,000	232,000	—	—	—
Total Risk-Weighted Assets	\$960,000	\$226,000	\$1,186,000	\$1,070,000	\$107,000	\$1,177,000

(1) Calculated based on the Final Basel III Rules.

(2) During the first quarter of 2014, Citi increased operational risk-weighted assets by approximately \$56 billion in conjunction with the granting of permission by the Federal Reserve Board to exit the parallel run period and commence applying the Basel III Advanced Approaches framework, effective with the second quarter of 2014.

Total risk-weighted assets under the Basel III Advanced Approaches increased from year-end 2013 largely due to the previously noted inclusion of approximately \$56 billion of additional operational risk-weighted assets during the first quarter of 2014 as well as enhancements to Citi's credit risk models, partially offset by the ongoing decline in Citi Holdings assets.

Total risk-weighted assets under the Basel III Standardized Approach increased during the first nine months of 2014 substantially due to an increase in credit risk-weighted assets primarily attributable to an increase in exposure on derivative contracts within Citicorp's ICG businesses, as well as further methodology refinements, partially offset by the ongoing decline in Citi Holdings assets.



## Citigroup Risk-Weighted Assets Rollforward (Basel III Advanced Approaches with Full Implementation)

In millions of dollars	Three Months Ended September 30, 2014 <sup>(1)</sup>	Nine Months Ended September 30, 2014 <sup>(1)</sup>	
Total Risk-Weighted Assets, beginning of period	\$1,281,000	\$1,186,000	
<b>Changes in Credit Risk-Weighted Assets</b>			
Net decrease in retail exposures	(9,000)	(35,000)	)
Net increase in wholesale exposures	30,000	41,000	
Net change in repo-style transactions	(2,000)	5,000	
Net increase in securitization exposures	1,000	3,000	
Net decrease in equity exposures	(1,000)	(2,000)	)
Net increase in over-the-counter (OTC) derivatives	4,000	19,000	
Net change in derivatives CVA	(2,000)	3,000	
Net change in other <sup>(2)</sup>	(4,000)	18,000	
Net increase in supervisory 6% multiplier <sup>(3)</sup>	1,000	6,000	
Net increase in Credit Risk-Weighted Assets	\$18,000	\$58,000	
<b>Changes in Market Risk-Weighted Assets</b>			
Net decrease in risk levels	\$(9,000)	\$(18,000)	)
Net change due to model and methodology updates	(1,000)	7,000	
Net decrease in Market Risk-Weighted Assets	\$(10,000)	\$(11,000)	)
Net increase in Operational Risk-Weighted Assets <sup>(4)</sup>	\$13,000	\$69,000	
Total Risk-Weighted Assets, end of period	\$1,302,000	\$1,302,000	

(1) Calculated based on the Final Basel III Rules.

(2) Other includes cleared transactions, unsettled transactions, assets other than those reportable in specific exposure categories and non-material portfolios of exposures.

(3) Supervisory 6% multiplier does not apply to derivatives CVA.

(4) During the first quarter of 2014, Citi increased operational risk-weighted assets by approximately \$56 billion in conjunction with the granting of permission by the Federal Reserve Board to exit the parallel run period and commence applying the Basel III Advanced Approaches framework, effective with the second quarter of 2014.

## Supplementary Leverage Ratio

Under the Final Basel III Rules, Advanced Approaches banking organizations, such as Citi and Citibank, N.A., are also required to calculate a Supplementary Leverage ratio which significantly differs from the Tier 1 Leverage ratio by also including certain off-balance sheet exposures within the denominator of the ratio (Total Leverage Exposure).

In September 2014, the U.S. banking agencies adopted revisions to the Final Basel III Rules (Revised Final Basel III Rules) with respect to the definition of Total Leverage Exposure as well as the frequency with which certain components of the Supplementary Leverage ratio are calculated. As revised, the Supplementary Leverage ratio represents Tier 1 Capital to Total Leverage Exposure, with the latter defined as the sum of the daily average of on-balance sheet assets for the quarter and the average of certain off-balance sheet exposures calculated as of the last day of each month in the quarter, less applicable Tier 1 Capital deductions.

Under the Revised Final Basel III Rules, the definition of Total Leverage Exposure has been modified from that of the Final Basel III Rules in certain respects, such as by permitting limited netting of repo-style transactions (i.e., qualifying repurchase or reverse repurchase and securities borrowing or lending transactions) with the same counterparty and allowing for the application of cash

variation margin to reduce derivative exposures, both of which are subject to certain specific conditions, as well as by distinguishing and expanding the measure of exposure for written credit derivatives. Moreover, the credit conversion factors (CCF) to be applied to certain off-balance sheet exposures have been conformed to those under the Basel III Standardized Approach for determining credit risk-weighted assets, with the exception of the imposition of a 10% CCF floor.

Consistent with the Final Basel III Rules, Advanced Approaches banking organizations will be required to disclose the Supplementary Leverage ratio commencing January 1, 2015. Further, certain Advanced Approaches banking organizations, such as Citi and Citibank, N.A., will be subject to effective minimum ratio requirements under the enhanced Supplementary Leverage ratio standards of 5% and 6%, respectively, beginning January 1, 2018. For additional information regarding the enhanced Supplementary Leverage ratio standards, see “Capital Resources” in Citigroup’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.

The following table sets forth Citi’s estimated Basel III Supplementary Leverage ratio and related components, under the Revised Final Basel III Rules, for the three months ended September 30, 2014 and December 31, 2013.

Citigroup Estimated Basel III Supplementary Leverage Ratios and Related Components<sup>(1)</sup>

In millions of dollars, except ratios	September 30, 2014	December 31, 2013 <sup>(2)</sup>	
Tier 1 Capital	\$148,772	\$133,412	
Total Leverage Exposure (TLE)			
On-balance sheet assets <sup>(3)</sup>	\$1,895,389	\$1,886,613	
Certain off-balance sheet exposures: <sup>(4)</sup>			
Potential future exposure (PFE) on derivative contracts	251,022	240,534	
Effective notional of sold credit derivatives, net <sup>(5)</sup>	93,350	102,061	
Counterparty credit risk for repo-style transactions <sup>(6)</sup>	25,588	26,035	
Unconditionally cancellable commitments	62,870	63,782	
Other off-balance sheet exposures	222,600	210,571	
Total of certain off-balance sheet exposures	655,430	642,983	
Less: Tier 1 Capital deductions	65,865	73,590	
Total Leverage Exposure	\$2,484,954	\$2,456,006	
Supplementary Leverage ratio	5.99	%5.43	%

Citi's estimated Basel III Supplementary Leverage ratio and certain related components are non-GAAP financial (1) measures. Citi believes this ratio and its components provide useful information to investors and others by measuring Citigroup's progress against future regulatory capital standards.

(2) Pro forma presentation based on application of the Revised Final Basel III Rules consistent with current period presentation.

(3) Represents the daily average of on-balance sheet assets for the quarter.

(4) Represents the average of certain off-balance sheet exposures calculated as of the last day of each month in the quarter.

(5) Under the Revised Final Basel III Rules, banking organizations are required to include in TLE the effective notional amount of sold credit derivatives, with netting of exposures permitted if certain conditions are met.

(6) Repo-style transactions include repurchase or reverse repurchase transactions and securities borrowing or securities lending transactions.

Citigroup's estimated Basel III Supplementary Leverage ratio under the Revised Final Basel III Rules was 6.0% for the third quarter of 2014, increasing from 5.8% for the second quarter of 2014 and 5.4% for the fourth quarter of 2013 (both presented on a pro forma basis to conform to current period presentation). The quarter-over-quarter ratio improvement was primarily due to the increase in Tier 1 Capital resulting substantially from net income and DTA utilization of approximately \$700 million. The growth in the ratio from the fourth quarter of 2013 was also principally driven by an increase in Tier 1 Capital attributable largely to year-to-date net income, approximately \$2.9 billion of DTA utilization and approximately \$2.2 billion of perpetual preferred stock issuances, offset in part by a marginal increase in Total Leverage Exposure.

Citibank, N.A.'s estimated Basel III Supplementary Leverage ratio under the Revised Final Basel III Rules was 6.3% for the third quarter of 2014, unchanged on a pro forma basis from the fourth quarter of 2013. Tier 1 Capital benefits resulting from year-to-date net income and DTA utilization as well as an overall reduction in Total Leverage Exposure, were largely offset by cash distributions to its parent.





## Tangible Common Equity, Tangible Book Value Per Share and Book Value Per Share

Tangible common equity (TCE), as currently defined by Citi, represents common equity less goodwill and other intangible assets (other than MSRs). Other companies may calculate TCE in a different manner. TCE and tangible book value per share are non-GAAP financial measures. Citi believes these capital metrics provide useful information, as they are used by investors and industry analysts.

In millions of dollars or shares, except per share amounts	September 30, 2014	December 31, 2013
Total Citigroup stockholders' equity	\$212,272	\$204,339
Less: Preferred stock	8,968	6,738
Common equity	\$203,304	\$197,601
Less: Intangible assets:		
Goodwill	24,500	25,009
Other intangible assets (other than MSRs)	4,525	5,056
Tangible common equity (TCE)	\$174,279	\$167,536
Common shares outstanding (CSO)	3,029.5	3,029.2
Tangible book value per share (TCE/CSO)	\$57.53	\$55.31
Book value per share (common equity/CSO)	\$67.11	\$65.23

#### MANAGING GLOBAL RISK

Citigroup believes that effective risk management is of primary importance to its overall operations. Accordingly, Citi's risk management process has been designed to monitor, evaluate and manage the principal risks it assumes in conducting its activities. These risks are broadly categorized as credit, market and operational risks.

Citigroup's risk management framework is designed to balance business ownership and accountability for risks with well defined independent risk management oversight and responsibility. Further, the risk management organization is structured to facilitate the management of risk across three dimensions: businesses, regions and critical products.

For more information on Citi's risk management, as well as a discussion of operational risk, see "Managing Global Risk" and "Risk Factors" in Citi's 2013 Annual Report on Form 10-K.

## Managing Global Risk Table of Contents

	Page
CREDIT RISK <sup>(1)</sup>	<u>51</u>
Loans Outstanding	<u>51</u>
Details of Credit Loss Experience	<u>52</u>
Allowance for Loan Losses	51
Non-Accrual Loans and Assets and Renegotiated Loans	<u>54</u>
North America Consumer Mortgage Lending	<u>58</u>
Consumer Loan Details	<u>63</u>
Corporate Credit Details	<u>65</u>
MARKET RISK <sup>(1)</sup>	<u>67</u>
Funding and Liquidity Risk	<u>67</u>
Overview	<u>67</u>
High Quality Liquid Assets	<u>67</u>
Deposits	68
Long-Term Debt	69
Secured Funding Transactions and Short-Term Borrowings	71
Liquidity Management, Measurement and Stress Testing	71
Credit Ratings	72
Price Risk	<u>74</u>
Price Risk—Non-Trading Portfolios (including Interest Rate Exposure)	<u>74</u>
Price Risk—Trading Portfolios (including VAR)	<u>86</u>
COUNTRY AND CROSS-BORDER RISK	<u>88</u>
Country Risk	<u>88</u>
Cross-Border Risk	<u>91</u>

For additional information regarding certain credit risk, market risk and other quantitative and qualitative (1) information, refer to Citi's Basel III Advanced Approaches Disclosures, as required by the rules of the Federal Reserve Board, on Citi's Investor Relations website.

## CREDIT RISK

For additional information on Credit Risk, including Citi's credit risk management, measurement and stress testing, see "Managing Global Risk—Credit Risk" in Citi's 2013 Annual Report on Form 10-K.

## Loans Outstanding

	3rd Qtr. 2014	2nd Qtr. 2014	1st Qtr. 2013	4th Qtr. 2013	3rd Qtr. 2013
In millions of dollars					
Consumer loans					
In U.S. offices					
Mortgage and real estate <sup>(1)</sup>	\$101,583	\$103,905	\$106,904	\$108,453	\$110,813
Installment, revolving credit, and other	13,350	13,192	12,951	13,398	13,265
Cards	108,314	109,138	107,947	115,651	110,734
Commercial and industrial	6,870	6,972	6,884	6,592	6,349
Lease financing	—	—	—	—	—
	\$230,117	\$233,207	\$234,686	\$244,094	\$241,161
In offices outside the U.S.					
Mortgage and real estate <sup>(1)</sup>	\$56,099	\$57,291	\$56,118	\$55,511	\$54,428
Installment, revolving credit, and other	34,270	34,560	33,409	33,182	32,306
Cards	32,410	34,252	35,683	36,740	35,966
Commercial and industrial	23,393	24,916	24,575	24,107	23,741
Lease financing	678	735	736	769	743
	\$146,850	\$151,754	\$150,521	\$150,309	\$147,184
Total Consumer loans	\$376,967	\$384,961	\$385,207	\$394,403	\$388,345
Unearned income	(649 )	(616 )	(546 )	(572 )	(523 )
Consumer loans, net of unearned income	\$376,318	\$384,345	\$384,661	\$393,831	\$387,822
Corporate loans					
In U.S. offices					
Commercial and industrial	\$36,516	\$36,293	\$36,120	\$32,704	\$33,936
Loans to financial institutions	31,916	29,195	27,888	25,102	22,813
Mortgage and real estate <sup>(1)</sup>	32,285	31,417	29,888	29,425	29,168
Installment, revolving credit, and other	30,378	32,646	34,219	34,434	31,084
Lease financing	1,737	1,668	1,662	1,647	1,493
	\$132,832	\$131,219	\$129,777	\$123,312	\$118,494
In offices outside the U.S.					
Commercial and industrial	\$80,304	\$82,945	\$83,134	\$82,663	\$86,012
Loans to financial institutions	35,854	40,541	39,543	38,372	40,403
Mortgage and real estate <sup>(1)</sup>	6,243	6,309	6,301	6,274	6,392
Installment, revolving credit, and other	20,151	20,095	18,655	18,714	16,783
Lease financing	396	430	454	527	538
Governments and official institutions	2,264	2,176	2,256	2,341	1,655
	\$145,212	\$152,496	\$150,343	\$148,891	\$151,783
Total Corporate loans	\$278,044	\$283,715	\$280,120	\$272,203	\$270,277
Unearned income	(536 )	(556 )	(560 )	(562 )	(548 )
Corporate loans, net of unearned income	\$277,508	\$283,159	\$279,560	\$271,641	\$269,729
Total loans—net of unearned income	\$653,826	\$667,504	\$664,221	\$665,472	\$657,551
Allowance for loan losses—on drawn exposures	(16,915 )	(17,890 )	(18,923 )	(19,648 )	(20,605 )
Total loans—net of unearned income and allowance for credit losses	\$636,911	\$649,614	\$645,298	\$645,824	\$636,946
	2.60	%2.70	%2.87	%2.97	%3.16

Edgar Filing: CITIGROUP INC - Form 10-Q

Allowance for loan losses as a percentage of total loans—net of unearned income<sup>(2)</sup>

Allowance for Consumer loan losses as a percentage of total Consumer loans—net of unearned income <sup>(2)</sup>	3.87	%4.04	%4.29	%4.34	%4.63	%
Allowance for Corporate loan losses as a percentage of total Corporate loans—net of unearned income <sup>(2)</sup>	0.86	%0.85	%0.90	%0.97	%1.01	%

(1)Loans secured primarily by real estate.

(2)All periods exclude loans that are carried at fair value.

51

---

## Details of Credit Loss Experience

	3rd Qtr. 2014	2nd Qtr. 2014	1st Qtr. 2014	4th Qtr. 2013	3rd Qtr. 2013
In millions of dollars					
Allowance for loan losses at beginning of period	\$17,890	\$18,923	\$19,648	\$20,605	\$21,580
Provision for loan losses					
Consumer	\$1,605	\$1,669	\$1,759	\$2,012	\$1,583
Corporate	(30 )	(90 )	34	(101 )	69
	\$1,575	\$1,579	\$1,793	\$1,911	\$1,652
Gross credit losses					
Consumer					
In U.S. offices	\$1,595	\$1,756	\$1,841	\$2,019	\$1,859
In offices outside the U.S.	948	1,009	968	1,011	967
Corporate					
In U.S. offices	9	14	8	27	95
In offices outside the U.S.	34	33	166	37	53
	\$2,586	\$2,812	\$2,983	\$3,094	\$2,974
Credit recoveries <sup>(1)</sup>					
Consumer					
In U.S. offices	\$232	\$356	\$292	\$236	\$253
In offices outside the U.S.	196	231	223	262	239
Corporate					
In U.S. offices	18	22	18	22	39
In offices outside the U.S.	43	14	11	27	13
	\$489	\$623	\$544	\$547	\$544
Net credit losses (recoveries)					
In U.S. offices	\$1,354	\$1,392	\$1,539	\$1,788	\$1,662
In offices outside the U.S.	743	797	900	759	768
Total	\$2,097	\$2,189	\$2,439	\$2,547	\$2,430
Other - net <sup>(2)(3)(4)(5)(6)(7)</sup>	\$(453 )	\$(423 )	\$(79 )	(321 )	\$(197 )
Allowance for loan losses at end of period	\$16,915	\$17,890	\$18,923	\$19,648	\$20,605
Allowance for loan losses as a % of total loans <sup>(8)</sup>	2.60	% 2.70	% 2.87	% 2.97	% 3.16
Allowance for unfunded lending commitments <sup>(9)</sup>	\$1,140	\$1,176	\$1,202	\$1,229	\$1,262
Total allowance for loan losses and unfunded lending commitments	\$18,055	\$19,066	\$20,125	\$20,877	\$21,867
Net Consumer credit losses (recoveries)	\$2,115	\$2,178	\$2,294	\$2,532	\$2,334
As a percentage of average Consumer loans	2.21	% 2.27	% 2.41	% 2.58	% 2.41
Net Corporate credit losses (recoveries)	\$(18 )	\$11	\$145	\$15	\$96
As a percentage of average Corporate loans	(0.03 )	% 0.02	% 0.22	% 0.02	% 0.15
Allowance for loan losses at end of period <sup>(10)</sup>					
Citicorp	\$11,915	\$12,473	\$12,870	\$13,174	\$13,299
Citi Holdings	5,000	5,417	6,053	6,474	7,306
Total Citigroup	\$16,915	\$17,890	\$18,923	\$19,648	\$20,605
Allowance by type					
Consumer	\$14,575	\$15,520	\$16,451	\$17,064	\$17,912
Corporate	2,340	2,370	2,472	2,584	2,693
Total Citigroup	\$16,915	\$17,890	\$18,923	\$19,648	\$20,605

(1) Recoveries have been reduced by certain collection costs that are incurred only if collection efforts are successful.

(2) Includes all adjustments to the allowance for credit losses, such as changes in the allowance from acquisitions, dispositions, securitizations, foreign currency translation, purchase accounting adjustments, etc.

The third quarter of 2014 includes a reduction of approximately \$259 million related to the sale or transfers to (3) held-for-sale (HFS) of various loan portfolios, including a reduction of \$151 million related to a transfer of a real estate loan portfolio to HFS and a reduction of approximately \$108 million related to the



transfer of various EMEA loan portfolios to HFS. Additionally, the third quarter of 2014 includes a reduction of approximately \$181 million related to FX translation.

The second quarter of 2014 includes a reduction of approximately \$480 million related to the sale or transfers to HFS of various loan portfolios, including a reduction of approximately \$204 million and \$177 million related to the (4) transfers to HFS of businesses in Greece and Spain, \$29 million related to the sale of the Honduras business and \$66 million related to a transfer of a real estate loan portfolio to HFS. These amounts are partially offset by FX translation on the entire allowance balance.

(5) The first quarter of 2014 includes a reduction of approximately \$79 million related to the sale or transfer to HFS of various loan portfolios.

The fourth quarter of 2013 includes a reduction of approximately \$113 million related to the sale or transfer to HFS (6) of various loan portfolios. Additionally, there was a reduction of \$230 million related to a non-provision transfer of reserves associated with deferred interest to other assets which include deferred interest.

(7) The third quarter of 2013 includes a reduction of approximately \$214 million related to the sale or transfer to HFS of various loan portfolios.

(8) September 30, 2014, June 30, 2014, December 31, 2013, June 30, 2013 and September 30, 2013 exclude \$4.4 billion, \$4.8 billion, \$5.7 billion, \$5.0 billion and \$5.2 billion, respectively, of loans which are carried at fair value.

(9) Represents additional credit loss reserves for unfunded lending commitments and letters of credit recorded in Other liabilities on the Consolidated Balance Sheet.

Allowance for loan losses represents management's best estimate of probable losses inherent in the portfolio, as well as probable losses related to large individually evaluated impaired loans and troubled debt restructurings. See (10) "Significant Accounting Policies and Significant Estimates" and Note 1 to the Consolidated Financial Statements in Citi's 2013 Annual Report on Form 10-K. Attribution of the allowance is made for analytical purposes only and the entire allowance is available to absorb probable credit losses inherent in the overall portfolio.

#### Allowance for Loan Losses

The following tables detail information on Citi's allowance for loan losses, loans and coverage ratios as of September 30, 2014 and December 31, 2013:

In billions of dollars	September 30, 2014		
	Allowance for loan losses	Loans, net of unearned income	Allowance as a percentage of loans <sup>(1)</sup>
North America cards <sup>(2)</sup>	\$5.2	\$109.5	4.7 %
North America mortgages <sup>(3)(4)</sup>	4.2	101.0	4.1
North America other	1.1	21.5	5.3
International cards	2.0	32.4	6.2
International other <sup>(5)</sup>	2.1	111.9	1.9
Total Consumer	\$14.6	\$376.3	3.9 %
Total Corporate	2.3	277.5	0.9
Total Citigroup	\$16.9	\$653.8	2.6 %

(1) Allowance as a percentage of loans excludes loans that are carried at fair value.

(2) Includes both Citi-branded cards and Citi retail services. The \$5.2 billion of loan loss reserves represented approximately 16 months of coincident net credit loss coverage.

Of the \$4.2 billion, approximately \$4.0 billion was allocated to North America mortgages in Citi Holdings. The (3) \$4.2 billion of loan loss reserves represented approximately 52 months of coincident net credit loss coverage (for both total North America mortgages and Citi Holdings North America mortgages).

(4) Of the \$4.2 billion in loan loss reserves, approximately \$1.6 billion and \$2.6 billion are determined in accordance with ASC 450-20 and ASC 310-10-35 (troubled debt restructurings), respectively. Of the \$101.0 billion in loans, approximately \$83.8 billion and \$16.9 billion of the loans are evaluated in accordance with ASC 450-20 and ASC 310-10-35 (troubled debt restructurings), respectively. For additional information, see Note 15 to the Consolidated

## Financial Statements.

(5) Includes mortgages and other retail loans.

In billions of dollars	December 31, 2013		Allowance as a percentage of loans <sup>(1)</sup>
	Allowance for loan losses	Loans, net of unearned income	
North America cards <sup>(2)</sup>	\$6.2	\$116.8	5.3 %
North America mortgages <sup>(3)(4)</sup>	5.1	107.5	4.8
North America other	1.2	21.9	5.4
International cards	2.3	36.2	6.5
International other <sup>(5)</sup>	2.2	111.4	2.0
Total Consumer	\$17.0	\$393.8	4.3 %
Total Corporate	2.6	271.7	1.0
Total Citigroup	\$19.6	\$665.5	3.0 %

(1) Allowance as a percentage of loans excludes loans that are carried at fair value.

(2) Includes both Citi-branded cards and Citi retail services. The \$6.2 billion of loan loss reserves represented approximately 18 months of coincident net credit loss coverage.

(3) Of the \$5.1 billion, approximately \$4.9 billion was allocated to North America mortgages in Citi Holdings. The \$5.1 billion of loan loss reserves represented approximately 26 months of coincident net credit loss coverage (for both total North America mortgages and Citi Holdings North America mortgages).

(4) Of the \$5.1 billion in loan loss reserves, approximately \$2.4 billion and \$2.7 billion are determined in accordance with ASC 450-20 and ASC 310-10-35 (troubled debt restructurings), respectively. Of the \$107.5 billion in loans, approximately \$88.6 billion and \$18.5 billion of the loans are evaluated in accordance with ASC 450-20 and ASC 310-10-35 (troubled debt restructurings), respectively. For additional information, see Note 15 to the Consolidated Financial Statements.

(5) Includes mortgages and other retail loans.

#### Non-Accrual Loans and Assets and Renegotiated Loans

The following pages include information on Citi's "Non-Accrual Loans and Assets" and "Renegotiated Loans." There is a certain amount of overlap among these categories. The following summary provides a general description of each category:

#### Non-Accrual Loans and Assets:

• Corporate and consumer (commercial market) non-accrual status is based on the determination that payment of interest or principal is doubtful.

• Consumer non-accrual status is generally based on aging, i.e., the borrower has fallen behind in payments.

• Mortgage loans discharged through Chapter 7 bankruptcy, other than Federal Housing Administration (FHA)-insured loans, are classified as non-accrual. In addition, home equity loans in regulated bank entities are classified as non-accrual if the related residential first mortgage loan is 90 days or more past due.

• North America Citi-branded cards and Citi retail services are not included because under industry standards, credit card loans accrue interest until such loans are charged off, which typically occurs at 180 days contractual delinquency.

#### Renegotiated Loans:

• Includes both corporate and consumer loans whose terms have been modified in a troubled debt restructuring (TDR).

• Includes both accrual and non-accrual TDRs.

#### Non-Accrual Loans and Assets

The table below summarizes Citigroup's non-accrual loans as of the periods indicated. Non-accrual loans may still be current on interest payments. In situations where Citi reasonably expects that only a portion of the principal owed will ultimately be collected, all payments received are reflected as a reduction of principal and not as interest income. For all other non-accrual loans, cash interest receipts are generally recorded as revenue.

## Non-Accrual Loans

	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013
In millions of dollars					
Citicorp	\$3,413	\$3,280	\$3,752	\$3,791	\$4,053
Citi Holdings	4,209	4,654	4,896	5,212	5,365
Total non-accrual loans	\$7,622	\$7,934	\$8,648	\$9,003	\$9,418
Corporate non-accrual loans <sup>(1)</sup>					
North America	\$365	\$367	\$689	\$736	\$807
EMEA	322	363	461	766	975
Latin America	481	288	186	127	124
Asia	182	200	284	279	272
Total Corporate non-accrual loans	\$1,350	\$1,218	\$1,620	\$1,908	\$2,178
Citicorp	\$1,290	\$1,150	\$1,528	\$1,580	\$1,807
Citi Holdings	60	68	92	328	371
Total Corporate non-accrual loans	\$1,350	\$1,218	\$1,620	\$1,908	\$2,178
Consumer non-accrual loans <sup>(1)</sup>					
North America	\$4,546	\$4,915	\$5,139	\$5,238	\$5,345
EMEA	37	101	131	138	147
Latin America	1,364	1,386	1,466	1,426	1,400
Asia	325	314	292	293	348
Total Consumer non-accrual loans	\$6,272	\$6,716	\$7,028	\$7,095	\$7,240
Citicorp	\$2,123	\$2,130	\$2,224	\$2,211	\$2,246
Citi Holdings	4,149	4,586	4,804	4,884	4,994
Total Consumer non-accrual loans	\$6,272	\$6,716	\$7,028	\$7,095	\$7,240

Excludes purchased distressed loans, as they are generally accreting interest. The carrying value of these loans was (1)\$493 million at September 30, 2014, \$575 million at June 30, 2014, \$632 million at March 31, 2014, \$703 million at December 31, 2013, and \$756 million at September 30, 2013.

The table below summarizes Citigroup's other real estate owned (OREO) assets as of the periods indicated. This represents the carrying value of all real estate property acquired by foreclosure or other legal proceedings when Citi has taken possession of the collateral.

In millions of dollars	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	
<b>OREO</b>						
Citicorp	\$90	\$100	\$98	\$79	\$69	
Citi Holdings	292	302	311	338	334	
<b>Total OREO</b>	<b>\$382</b>	<b>\$402</b>	<b>\$409</b>	<b>\$417</b>	<b>\$403</b>	
North America	\$303	\$294	\$304	\$305	\$293	
EMEA	18	44	50	59	62	
Latin America	49	49	50	47	40	
Asia	12	15	5	6	8	
<b>Total OREO</b>	<b>\$382</b>	<b>\$402</b>	<b>\$409</b>	<b>\$417</b>	<b>\$403</b>	
Other repossessed assets	\$—	\$—	\$—	\$—	\$—	
<b>Non-accrual assets—Total Citigroup</b>						
Corporate non-accrual loans	\$1,350	\$1,218	\$1,620	\$1,908	\$2,178	
Consumer non-accrual loans	6,272	6,716	7,028	7,095	7,240	
<b>Non-accrual loans (NAL)</b>	<b>\$7,622</b>	<b>\$7,934</b>	<b>\$8,648</b>	<b>\$9,003</b>	<b>\$9,418</b>	
<b>OREO</b>	<b>382</b>	<b>402</b>	<b>409</b>	<b>417</b>	<b>403</b>	
Other repossessed assets	—	—	—	—	—	
<b>Non-accrual assets (NAA)</b>	<b>\$8,004</b>	<b>\$8,336</b>	<b>\$9,057</b>	<b>\$9,420</b>	<b>\$9,821</b>	
NAL as a percentage of total loans	1.17	% 1.19	% 1.30	% 1.35	% 1.43	%
NAA as a percentage of total assets	0.43	0.44	0.48	0.50	0.52	
Allowance for loan losses as a percentage of NAL <sup>(1)</sup>	222	% 225	% 219	% 218	% 219	%
	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	
<b>Non-accrual assets—Total Citicorp</b>						
Non-accrual loans (NAL)	\$3,413	\$3,280	\$3,752	\$3,791	\$4,053	
<b>OREO</b>	<b>90</b>	<b>100</b>	<b>98</b>	<b>79</b>	<b>69</b>	
Other repossessed assets	—	—	—	—	—	
<b>Non-accrual assets (NAA)</b>	<b>\$3,503</b>	<b>\$3,380</b>	<b>\$3,850</b>	<b>\$3,870</b>	<b>\$4,122</b>	
NAA as a percentage of total assets	0.20	% 0.19	% 0.22	% 0.22	% 0.23	%
Allowance for loan losses as a percentage of NAL <sup>(1)</sup>	349	380	343	348	328	
<b>Non-accrual assets—Total Citi Holdings</b>						
Non-accrual loans (NAL)	\$4,209	\$4,654	\$4,896	\$5,212	\$5,365	
<b>OREO</b>	<b>292</b>	<b>302</b>	<b>311</b>	<b>338</b>	<b>334</b>	
Other repossessed assets	—	—	—	—	—	
<b>Non-accrual assets (NAA)</b>	<b>\$4,501</b>	<b>\$4,956</b>	<b>\$5,207</b>	<b>\$5,550</b>	<b>\$5,699</b>	
NAA as a percentage of total assets	4.37	% 4.46	% 4.57	% 4.74	% 4.67	%
Allowance for loan losses as a percentage of NAL <sup>(1)</sup>	119	116	124	124	136	

The allowance for loan losses includes the allowance for Citi's credit card portfolios and purchased distressed loans, (1) while the non-accrual loans exclude credit card balances (with the exception of certain international portfolios) and purchased distressed loans as these continue to accrue interest until charge-off.



## Renegotiated Loans

The following table presents Citi's loans modified in TDRs.

In millions of dollars	Sept. 30, 2014	Dec. 31, 2013
Corporate renegotiated loans <sup>(1)</sup>		
In U.S. offices		
Commercial and industrial <sup>(2)</sup>	\$18	\$36
Mortgage and real estate <sup>(3)</sup>	125	143
Loans to financial institutions	—	14
Other	326	364
	\$469	\$557
In offices outside the U.S.		
Commercial and industrial <sup>(2)</sup>	\$143	\$161
Mortgage and real estate <sup>(3)</sup>	—	18
Other	—	58
	\$143	\$237
Total Corporate renegotiated loans	\$612	\$794
Consumer renegotiated loans <sup>(4)(5)(6)(7)</sup>		
In U.S. offices		
Mortgage and real estate <sup>(8)</sup>	\$17,224	\$18,922
Cards	1,875	2,510
Installment and other	573	626
	\$19,672	\$22,058
In offices outside the U.S.		
Mortgage and real estate	\$644	\$641
Cards	709	830
Installment and other	704	834
	\$2,057	\$2,305
Total Consumer renegotiated loans	\$21,729	\$24,363

(1) Includes \$167 million and \$312 million of non-accrual loans included in the non-accrual assets table above at September 30, 2014 and December 31, 2013, respectively. The remaining loans are accruing interest.

In addition to modifications reflected as TDRs at September 30, 2014, Citi also modified \$15 million and \$79 million of commercial loans risk rated "Substandard Non-Performing" or worse (asset category defined by (2) banking regulators) in offices inside and outside the U.S., respectively. These modifications were not considered TDRs because the modifications did not involve a concession (a required element of a TDR for accounting purposes).

In addition to modifications reflected as TDRs at September 30, 2014, Citi also modified \$22 million of (3) commercial real estate loans risk rated "Substandard Non-Performing" or worse (asset category defined by banking regulators) in offices inside the U.S. These modifications were not considered TDRs because the modifications did not involve a concession (a required element of a TDR for accounting purposes).

(4) Includes \$3,239 million and \$3,637 million of non-accrual loans included in the non-accrual assets table above at September 30, 2014 and December 31, 2013, respectively. The remaining loans are accruing interest.

(5) Includes \$49 million and \$29 million of commercial real estate loans at September 30, 2014 and December 31, 2013, respectively.

(6) Includes \$270 million and \$295 million of other commercial loans at September 30, 2014 and December 31, 2013, respectively.

(7) Smaller-balance homogeneous loans were derived from Citi's risk management systems.

(8) Reduction in the third quarter of 2014 includes \$1,325 million related to TDRs sold or transferred to held-for-sale.





## North America Consumer Mortgage Lending

## Overview

Citi's North America consumer mortgage portfolio consists of both residential first mortgages and home equity loans. At September 30, 2014, Citi's North America consumer mortgage portfolio was \$101.0 billion (compared to \$103.3 billion at June 30, 2014), of which residential first mortgage portfolio was \$72.0 billion (compared to \$73.4 billion at June 30, 2014), and the home equity loan portfolio was \$29.0 billion (compared to \$29.9 billion at June 30, 2014). At September 30, 2014, \$37.5 billion of first mortgages was recorded in Citi Holdings, with the remaining \$34.5 billion recorded in Citicorp. At September 30, 2014, \$25.8 billion of home equity loans was recorded in Citi Holdings, with the remaining \$3.2 billion recorded in Citicorp.

Citi's residential first mortgage portfolio included \$6.1 billion of loans with FHA insurance or VA guarantees at September 30, 2014, compared to \$6.4 billion at June 30, 2014. This portfolio consists of loans to low-to-moderate-income borrowers with lower FICO (Fair Isaac Corporation) scores and generally higher loan-to-value ratios (LTVs). Credit losses on FHA loans are borne by the sponsoring governmental agency, provided that the insurance terms have not been rescinded as a result of an origination defect. With respect to VA loans, the VA establishes a loan-level loss cap, beyond which Citi is liable for loss. While FHA and Department of Veterans Affairs (VA) loans have high delinquency rates, given the insurance and guarantees, respectively, Citi has experienced negligible credit losses on these loans.

In addition, Citi's residential first mortgage portfolio included \$0.9 billion of loans with origination LTVs above 80% that have insurance through mortgage insurance companies at September 30, 2014, compared to \$1.0 billion at June 30, 2014. At September 30, 2014, the residential first mortgage portfolio also had \$0.7 billion of loans subject to long-term standby commitments (LTSCs) with U.S. government-sponsored entities (GSEs) for which Citi has limited exposure to credit losses, unchanged from June 30, 2014. At September 30, 2014, Citi's home equity loan portfolio also included \$0.2 billion of loans subject to LTSCs with GSEs, compared to \$0.3 billion at June 30, 2014 for which Citi also has limited exposure to credit losses. These guarantees and commitments may be rescinded in the event of loan origination defects. Citi's allowance for loan loss calculations takes into consideration the impact of the guarantees and commitments described above.

Citi does not offer option-adjustable rate mortgages/negative-amortizing mortgage products to its customers. As a result, option-adjustable rate mortgages/negative-amortizing mortgages represent an insignificant portion of total balances, since they were acquired only incidentally as part of prior portfolio and business purchases.

As of September 30, 2014, Citi's North America residential first mortgage portfolio contained approximately \$4.2 billion of adjustable rate mortgages that are currently required to make a payment consisting of only accrued interest for the payment period, or an interest-only payment, compared

to \$4.5 billion at June 30, 2014. This decline resulted primarily from repayments, conversions to amortizing loans and loans transferred to held-for-sale. Borrowers who are currently required to make an interest-only payment cannot select a lower payment that would negatively amortize the loan. Residential first mortgages with this payment feature are primarily to high-credit-quality borrowers who have on average significantly higher origination and refreshed FICO scores than other loans in the residential first mortgage portfolio, and have exhibited significantly lower 30+ delinquency rates as compared with residential first mortgages without this payment feature. As such, Citi does not believe the residential mortgage loans with this payment feature represent substantially higher risk in the portfolio.

## North America Consumer Mortgage Quarterly Credit Trends—Net Credit Losses and Delinquencies—Residential First Mortgages

The following charts detail the quarterly credit trends for Citigroup's residential first mortgage portfolio in North America. As set forth in the tables below, approximately 52% of Citi's residential first mortgage exposure arises from its portfolio in Citi Holdings, which includes residential first mortgages originated by both CitiMortgage as well as Citi's legacy CitiFinancial North America business.

## North America Residential First Mortgage - EOP Loans

In billions of dollars

North America Residential First Mortgage - Net Credit

Losses<sup>(1)</sup>

In millions of dollars

Note: CMI refers to loans originated by CitiMortgage. CFNA refers to loans originated by CitiFinancial. Totals may not sum due to rounding.

Includes the following charge-offs related to Citi's fulfillment of its obligations under the national mortgage and (1) independent foreclosure review settlements: 3Q'13, \$8 million; and 4Q'13, \$6 million. For further information, see "Managed Global Risk-Credit Risk-National Mortgage Settlement and Independent Foreclosure Review Settlement"

in Citi's 2013 Annual Report on Form 10-K and Citi's First Quarter of 2014 Form 10-Q.

4Q'13 excludes approximately \$84 million of net credit losses consisting of (i) approximately \$69 million of charge-offs related to a change in the charge-off policy for mortgages originated in CitiFinancial to more closely align to policies used in the CitiMortgage business, and (ii) approximately \$15 million of charge-offs related to a change in the estimate of net credit losses related to collateral dependent loans to borrowers that have gone through Chapter 7 bankruptcy.

(3) 2Q'14 excludes a recovery of approximately \$58 million in CitiMortgage.

(4) Year-over-year change in the S&P/Case-Shiller U.S. National Home Price Index.

(5) Year-over-year change as of July 2014.

#### North America Residential First Mortgage

##### Delinquencies-Citi Holdings

In billions of dollars

Note: Days past due excludes (i) U.S. mortgage loans that are guaranteed by U.S. government-sponsored agencies because the potential loss predominantly resides with the U.S. agencies, and (ii) loans recorded at fair value. Totals may not sum due to rounding.

As set forth in the table above, residential first mortgages originated by CitiFinancial have a higher net credit loss rate, at approximately 4.0%, compared to a net credit loss rate of 0.7% for CitiMortgage, each as of quarter end. This is because CitiFinancial residential first mortgage borrowers tend to have higher LTVs and lower FICOs than CitiMortgage borrowers. In addition, CitiFinancial's residential first mortgages have a significantly different geographic distribution, with different mortgage market conditions that tend to lag the overall improvements in the home price index (HPI).

Credit performance improvement moderated during the third quarter 2014. Net credit losses declined moderately in the CitiMortgage and CitiFinancial portfolios, driven by the continued improvement in credit, HPI and the economic environment. Delinquencies were largely unchanged from June 30, 2014, other than a decline attributed to approximately \$640 million of delinquent CitiMortgage loans transferred to held-for-sale during the current quarter. The improvement in delinquencies since the third quarter of 2013 has largely been driven by asset (i.e., loan) sales and loan modifications. Credit performance from quarter-to-quarter could continue to be impacted by the volume of loan sales (or lack of significant sales), loan modifications, HPI, increasing foreclosure timelines as well as increases in interest rates.

#### North America Residential First Mortgages—State Delinquency Trends

The following tables set forth, for total Citigroup, the six states and/or regions with the highest concentration of Citi's residential first mortgages as of September 30, 2014 and June 30, 2014.

In billions of dollars

State <sup>(1)</sup>	September 30, 2014					June 30, 2014				
	ENR <sup>(2)</sup>	ENR Distribution	90+DPD %	% LTV > 100%	Refreshed FICO	ENR <sup>(2)</sup>	ENR Distribution	90+DPD %	% LTV > 100%	Refreshed FICO
CA	\$19.2	30	%0.7	%2	%744	\$19.3	30	%1.0	%2	%741
NY/NJ/CT <sup>(3)(4)</sup>	12.6	20	2.1	2	739	12.2	19	2.6	3	737
FL <sup>(3)</sup>	3.0	5	3.3	15	697	3.0	5	4.3	18	692
IN/OH/MI <sup>(3)</sup>	2.8	4	3.0	12	667	2.9	5	4.2	18	663
IL <sup>(3)</sup>	2.7	4	2.8	8	712	2.7	4	3.4	14	709
AZ/NV	1.4	2	2.2	18	714	1.4	2	2.7	21	711
Other	21.5	35	3.4	5	679	22.4	35	4.1	7	675
Total	\$63.2	100	%2.2	%5	%713	\$63.9	100	%2.8	%6	%709

Note: Totals may not sum due to rounding.

(1) Certain of the states are included as part of a region based on Citi's view of similar HPI within the region.

Ending net receivables. Excludes loans in Canada and Puerto Rico, loans guaranteed by U.S. government agencies, (2) loans recorded at fair value and loans subject to LTSCs. Excludes balances for which FICO or LTV data are unavailable.

(3) New York, New Jersey, Connecticut, Indiana, Ohio, Florida and Illinois are judicial states.

(4) Increase in ENR was due to originations in Citicorp.

#### Foreclosures

A substantial majority of Citi's foreclosure inventory consists of residential first mortgages. At September 30, 2014, Citi's foreclosure inventory included approximately \$0.6 billion, or 1.0%, of residential first mortgages (based on the dollar amount of ending net receivables of loans in foreclosure inventory, excluding loans that are guaranteed by U.S.

government agencies and loans subject to LTSCs). Citi's foreclosure inventory was largely unchanged from June 30, 2014 other than a decline attributed to approximately \$145 million of CitiMortgage loans transferred to held-for-sale. Citi's foreclosure inventory continues to be impacted by the ongoing extensive state and regulatory requirements related to the foreclosure process, which continue to result in

longer foreclosure timelines. Citi's average timeframes to move a loan out of foreclosure are two to three times longer than historical norms, and continue to be even more pronounced in judicial states (i.e., states that require foreclosures to be processed via court approval), where Citi has a higher concentration of residential first mortgages in foreclosure. Active foreclosure units in process for over two years as a percentage of Citi's total foreclosure inventory was approximately 25% as of September 30, 2014, compared to 28% as of June 30, 2014, with the sequential reduction due to the addition of new foreclosures to the total foreclosure inventory.

For additional information, see "Managing Global Risk—Credit Risk—North America Consumer Mortgage Lending—Foreclosures" in Citi's 2013 Annual Report on Form 10-K.

**North America Consumer Mortgage Quarterly Credit Trends—Net Credit Losses and Delinquencies—Home Equity Loans**  
Citi's home equity loan portfolio consists of both fixed-rate home equity loans and loans extended under home equity lines of credit. Fixed-rate home equity loans are fully amortizing. Home equity lines of credit allow for amounts to be drawn for a period of time with the payment of interest only and then, at the end of the draw period, the then-outstanding amount is converted to an amortizing loan (the interest-only payment feature during the revolving period is standard for this product across the industry). Prior to June 2010, Citi's originations of home equity lines of credit typically had a 10-year draw period. Beginning in June 2010, Citi's originations of home equity lines of credit typically have a five-year draw period as Citi changed these terms to mitigate risk. After conversion, the home equity loans typically have a 20-year amortization period.

At September 30, 2014, Citi's home equity loan portfolio of \$29.0 billion included approximately \$17.5 billion of home equity lines of credit (Revolving HELOCs) that are still within their revolving period and have not commenced amortization, or "reset," compared to \$18.1 billion at June 30, 2014. The following chart sets forth these Revolving HELOCs (based on certain FICO and combined loan-to-value (CLTV) characteristics of the portfolio) and the year in which they reset:

North America Home Equity Lines of Credit  
Amortization – Citigroup  
Total ENR by Reset Year  
In billions of dollars as of September 30, 2014  
Note: Totals may not sum due to rounding.

Approximately 8% of Citi's total Revolving HELOCs portfolio had commenced amortization as of September 30, 2014, compared to an additional approximately 2% and 70% that will commence amortization during the remainder of 2014 and 2015-2017, respectively. Before commencing amortization, Revolving HELOC borrowers are required to pay only interest on their loans. Upon amortization, these borrowers will be required to pay both interest, typically at a variable rate, and principal that amortizes over 20 years, rather than the typical 30-year amortization. As a result, Citi's customers with Revolving HELOCs that reset could experience "payment shock" due to the higher required payments on the loans.

While it is not certain what, if any, impact this payment shock could have on Citi's delinquency rates and net credit losses, Citi currently estimates the monthly loan payment for its Revolving HELOCs that reset during 2015-2017 could increase on average by approximately \$360 or 165%. Increases in interest rates could further increase these payments given the variable nature of the interest rates on these loans post-reset. In addition, of the Revolving HELOCs that will commence amortization during 2015-2017, approximately \$1.5 billion, or 11%, of the loans have a CLTV greater than 100% as of September 30, 2014. The borrowers' high loan-to-value positions could also limit Citi's ability to reduce or mitigate this risk as these loans begin to reset.

Based on the limited number of Revolving HELOCs that have begun amortization as of September 30, 2014, approximately 5.8% of the amortizing home equity loans were 30+ days past due, compared to 2.6% of the total outstanding home equity loan portfolio (amortizing and non-amortizing). This compared to 5.7% and 2.5%, respectively, as of June 30, 2014. However, these resets have generally occurred during a period of declining interest rates, which Citi believes has likely reduced the overall "payment shock" to the borrower.

Citi continues to monitor this reset risk closely, particularly as it approaches 2015, and Citi will continue to consider any potential impact in determining its allowance for loan loss reserves. In addition, management continues to review and take additional actions to offset potential reset risk, such as establishment of a borrower outreach program to provide reset risk education, establishment of a reset risk mitigation unit and proactively contacting high risk borrowers. For further information on reset risk, see “Risk Factors-Business and Operational Risks” in Citi’s 2013 Annual Report on Form 10-K.

The following charts detail the quarterly trends in loan balances, net credit losses and delinquencies for Citi's home equity loan portfolio in North America. The vast majority of Citi's home equity loan exposure arises from its portfolio in Citi Holdings.

North America Home Equity - EOP Loans

In billions of dollars

North America Home Equity - Net Credit Losses<sup>(1)</sup>

In millions of dollars

Note: Totals may not sum due to rounding.

- Includes the following amounts of charge-offs related to Citi's fulfillment of its obligations under the national mortgage and independent foreclosure review settlements: 3Q'13, \$14 million; and 4Q'13, \$15 million. For further information, see "Managed Global Risk-Credit Risk-National Mortgage Settlement and Independent Foreclosure Review Settlement" in Citi's 2013 Annual Report on Form 10-K and Citi's First Quarter of 2014 Form 10-Q.
- (1) 4Q'13 excludes approximately \$100 million of net credit losses consisting of (i) approximately \$64 million for the acceleration of

accounting losses associated with modified home equity loans determined to be collateral dependent, (ii) approximately \$22 million of charge-offs related to a change in the charge-off policy for mortgages originated in CitiFinancial to more closely align to policies used in the CitiMortgage business, and (iii) approximately \$14 million of charge-offs related to a change in the estimate of net credit losses related to collateral dependent loans to borrowers that have gone through Chapter 7 bankruptcy.

North America Home Equity Loan Delinquencies - Citi Holdings

In billions of dollars

Note: Days past due excludes (i) U.S. mortgage loans that are guaranteed by U.S. government-sponsored agencies, because the potential loss predominantly resides with the U.S. agencies, and (ii) loans recorded at fair value. Totals may not sum due to rounding.

North America Home Equity Loans—State Delinquency Trends

The following tables set forth, for total Citigroup, the six states and/or regions with the highest concentration of Citi's home equity loans as of September 30, 2014 and June 30, 2014.

In billions of dollars

State <sup>(1)</sup>	September 30, 2014					June 30, 2014				
	ENR <sup>(2)</sup>	ENR Distribution	90+DPD %	% CLTV > 100% <sup>(3)</sup>	Refreshed FICO	ENR <sup>(2)</sup>	ENR Distribution	90+DPD %	% CLTV > 100% <sup>(3)</sup>	Refreshed FICO
CA	\$7.6	28	% 1.4	% 10	% 728	\$7.8	28	% 1.4	% 12	% 727
NY/NJ/CT <sup>(4)</sup>	6.8	25	2.4	11	721	7.0	25	2.3	14	719
FL <sup>(4)</sup>	1.9	7	2.2	35	707	1.9	7	2.2	38	706
IL <sup>(4)</sup>	1.1	4	1.5	33	716	1.2	4	1.3	42	715
IN/OH/MI <sup>(4)</sup>	0.9	3	1.5	34	688	0.9	3	1.5	48	688
AZ/NV	0.6	2	1.9	46	717	0.7	2	2.1	49	714
Other	8.5	31	1.7	17	702	8.7	31	1.7	23	701
Total	\$27.4	100	% 1.8	% 17	% 715	\$28.2	100	% 1.8	% 21	% 714

Note: Totals may not sum due to rounding.

(1) Certain of the states are included as part of a region based on Citi's view of similar HPI within the region.

61

---



- (2) Ending net receivables. Excludes loans in Canada and Puerto Rico and loans subject to LTSCs. Excludes balances for which FICO or LTV data are unavailable.
- (3) Represents combined loan-to-value (CLTV) for both residential first mortgages and home equity loans.
- (4) New York, New Jersey, Connecticut, Indiana, Ohio, Florida and Illinois are judicial states.

#### Citigroup Residential Mortgages—Representations and Warranties Repurchase Reserve

In connection with Citi's sales of residential mortgage loans to the GSEs and private investors, as well as through private-label residential mortgage securitizations, Citi typically makes representations and warranties that the loans sold meet certain requirements, such as the loan's compliance with any applicable loan criteria established by the buyer and the validity of the lien securing the loan. The specific representations and warranties made by Citi in any particular transaction depend on, among other things, the nature of the transaction and the requirements of the investor (e.g., whole loan sale to the GSEs versus loans sold through securitization transactions), as well as the credit quality of the loan (e.g., prime, Alt-A or subprime).

These sales expose Citi to potential claims for alleged breaches of its representations and warranties. In the event of a breach of its representations and warranties, Citi could be required either to repurchase the mortgage loans with the identified defects (generally at unpaid principal balance plus accrued interest) or to indemnify ("make whole") the investors for their losses on these loans.

Citi has recorded a repurchase reserve for purposes of its potential representation and warranty repurchase liability resulting from its whole loan sales to the GSEs and, to a lesser extent private investors, which are made through Citi's consumer business in CitiMortgage. The repurchase reserve was approximately \$225 million and \$281 million as of September 30, 2014 and June 30, 2014, respectively.

For additional information, see "Managing Global Risk—Citigroup Residential Mortgages—Representations and Warranties Repurchase Reserve" in Citi's 2013 Annual Report on Form 10-K. See also Note 25 to the Consolidated Financial Statements.

## Consumer Loan Details

## Consumer Loan Delinquency Amounts and Ratios

In millions of dollars, except EOP loan amounts in billions Citicorp <sup>(3)(4)</sup>	Total loans <sup>(1)</sup>	90+ days past due <sup>(2)</sup>		30-89 days past due <sup>(2)</sup>			September 30, 2013	
	September 30, 2014	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	June 30, 2014		
Total	\$299.1	\$2,754	\$2,805	\$2,699	\$2,949	\$2,972	\$3,215	
Ratio		0.92	%0.93	%0.93	%0.99	%0.99	%1.10	%
Retail banking								
Total	\$157.2	\$990	\$1,015	\$872	\$969	\$1,032	\$1,109	
Ratio		0.63	%0.64	%0.59	%0.62	%0.66	%0.76	%
North America	47.5	229	227	277	213	203	209	
Ratio		0.49	%0.50	%0.66	%0.46	%0.45	%0.50	%
EMEA	5.7	21	26	38	50	50	57	
Ratio		0.37	%0.43	%0.69	%0.88	%0.83	%1.04	%
Latin America	29.8	527	552	347	329	373	445	
Ratio		1.77	%1.79	%1.20	%1.10	%1.21	%1.53	%
Asia	74.2	213	210	210	377	406	398	
Ratio		0.29	%0.28	%0.30	%0.51	%0.54	%0.57	%
Cards								
Total	\$141.9	\$1,764	\$1,790	\$1,827	\$1,980	\$1,940	\$2,106	
Ratio		1.24	%1.24	%1.26	%1.40	%1.35	%1.46	%
North America—Citi-branded	66.5	559	583	628	566	540	650	
Ratio		0.84	%0.87	%0.91	%0.85	%0.80	%0.94	%
North America—Citi retail services	43.0	630	606	650	729	683	799	
Ratio		1.47	%1.41	%1.51	%1.70	%1.58	%1.86	%
EMEA	2.4	33	31	34	40	40	44	
Ratio		1.38	%1.24	%1.42	%1.67	%1.60	%1.83	%
Latin America	11.5	354	364	326	389	396	346	
Ratio		3.08	%3.11	%2.76	%3.38	%3.38	%2.93	%
Asia	18.5	188	206	189	256	281	267	
Ratio		1.02	%1.07	%1.01	%1.38	%1.46	%1.43	%
Citi Holdings <sup>(5)(6)</sup>								
Total	\$76.9	\$2,104	\$2,536	\$2,969	\$2,013	\$2,260	\$2,845	
Ratio		2.93	%3.32	%3.42	%2.80	%2.96	%3.28	%
International	2.0	11	66	177	35	86	184	
Ratio		0.55	%2.13	%2.95	%1.75	%2.77	%3.07	%
North America	74.9	2,093	2,470	2,792	1,978	2,174	2,661	
Ratio		2.99	%3.37	%3.46	%2.83	%2.97	%3.30	%
Other <sup>(7)</sup>	0.3							
Total Citigroup	\$376.3	\$4,858	\$5,341	\$5,668	\$4,962	\$5,232	\$6,060	
Ratio		1.31	%1.41	%1.50	%1.34	%1.39	%1.61	%

(1) Total loans include interest and fees on credit cards.

(2)

The ratios of 90+ days past due and 30-89 days past due are calculated based on end-of-period (EOP) loans, net of unearned income.

The 90+ days past due balances for North America—Citi-branded and North America—Citi retail services are generally (3) still accruing interest. Citigroup's policy is generally to accrue interest on credit card loans until 180 days past due, unless notification of bankruptcy filing has been received earlier.

The 90+ days and 30-89 days past due and related ratios for Citicorp North America exclude U.S. mortgage loans that are guaranteed by U.S. government-sponsored entities since the potential loss predominantly resides within the U.S. government-sponsored entities. The amounts excluded for loans 90+ days past due and (EOP loans) were (4) \$604 million (\$1.1 billion), \$668 million (\$1.2 billion), and \$733 million (\$1.3 billion) at September 30, 2014, June 30, 2014 and September 30, 2013, respectively. The amounts excluded for loans 30-89 days past due (EOP loans have the same adjustment as above) were \$126 million, \$125 million, and \$146 million, at September 30, 2014, June 30, 2014 and September 30, 2013, respectively.

The 90+ days and 30-89 days past due and related ratios for Citi Holdings North America exclude U.S. mortgage loans that are guaranteed by U.S. government-sponsored entities since the potential loss predominantly resides within the U.S. entities. The amounts excluded for loans 90+ days past due (and EOP loans) for each period were (5) \$2.6 billion (\$5.0 billion), \$2.8 billion (\$5.2 billion), and \$3.4 billion (\$6.5 billion) at September 30, 2014, June 30, 2014 and September 30, 2013, respectively. The amounts excluded for loans 30-89 days past due (EOP loans have the same adjustment as above) for each period were \$0.7 billion, \$0.7 billion, and \$1.1 billion, at September 30, 2014, June 30, 2014 and September 30, 2013, respectively.

The September 30, 2014, June 30, 2014 and September 30, 2013 loans 90+ days past due and 30-89 days past due (6) and related ratios for North America exclude \$15 million, \$17 million and \$1.0 billion, respectively, of loans that are carried at fair value.

(7) Represents loans classified as Consumer loans on the Consolidated Balance Sheet that are not included in the Citi Holdings consumer credit metrics.

Consumer Loan Net Credit Losses and Ratios

In millions of dollars, except average loan amounts in billions	Average	Net credit losses <sup>(2)</sup>			
	loans <sup>(1)</sup>	3Q14	3Q14	2Q14	3Q13
Citicorp					
Total	\$299.4	\$1,738	\$1,781	\$1,730	
Ratio		2.30	%2.39	%2.41	%
Retail banking					
Total	\$157.7	\$348	\$340	\$336	
Ratio		0.88	%0.87	%0.91	%
North America	46.9	34	35	38	
Ratio		0.29	%0.31	%0.35	%
EMEA	5.9	14	8	11	
Ratio		0.94	%0.54	%0.81	%
Latin America	30.0	222	222	209	
Ratio		2.94	%2.91	%2.84	%
Asia	74.9	78	75	78	
Ratio		0.41	%0.40	%0.45	%
Cards					
Total	\$141.7	\$1,390	\$1,441	\$1,394	
Ratio		3.89	%4.07	%3.99	%
North America—Citi-branded	66.1	526	570	610	
Ratio		3.16	%3.44	%3.54	%
North America—Retail services	42.9	457	465	435	
Ratio		4.23	%4.40	%4.57	%
EMEA	2.4	11	12	10	
Ratio		1.82	%2.01	%1.72	%
Latin America	11.5	281	271	225	
Ratio		9.69	%9.13	%7.70	%
Asia	18.8	115	123	114	
Ratio		2.43	%2.61	%2.46	%
Citi Holdings					
Total	\$79.6	\$375	\$395	\$602	
Ratio		1.87	%1.83	%2.47	%
International	2.5	6	39	46	
Ratio		0.95	%2.79	%2.99	%

Edgar Filing: CITIGROUP INC - Form 10-Q

North America	77.1	369	356	556	
Ratio		1.90	%1.77	%2.43	%
Other <sup>(3)</sup>	—	2	2	2	
Total Citigroup	\$379.0	\$2,115	\$2,178	\$2,334	
Ratio		2.21	%2.27	%2.42	%

(1) Average loans include interest and fees on credit cards.

(2) The ratios of net credit losses are calculated based on average loans, net of unearned income.

(3) Represents NCLs on loans classified as Consumer loans on the Consolidated Balance Sheet that are not included in the Citi Holdings consumer credit metrics.

### Corporate Credit Details

Consistent with its overall strategy, Citi's corporate clients are typically large, multi-national corporations who value Citi's global network. Citi aims to establish relationships with these clients that encompass multiple products, consistent with client needs, including cash management and trade services, foreign exchange, lending, capital markets and M&A advisory. For additional information on corporate credit risk management, see "Managing Global Risk—Credit Risk—Corporate Credit Details" in Citi's 2013 Annual Report on Form 10-K and "Country Risk—Emerging Markets Exposures" below.

### Corporate Credit Portfolio

The following table represents the corporate credit portfolio (excluding private bank in ICG), before consideration of collateral or hedges, by remaining tenor at September 30, 2014 and December 31, 2013. The corporate credit portfolio includes loans and unfunded lending commitments in ICG and, to a much lesser extent, Citi Holdings, by Citi's internal management hierarchy and is broken out by (i) direct outstandings, which include drawn loans, overdrafts, bankers' acceptances and leases, and (ii) unfunded lending commitments, which include unused commitments to lend, letters of credit and financial guarantees.

In billions of dollars	At September 30, 2014				At December 31, 2013			
	Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years	Total Exposure	Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years	Total exposure
Direct outstandings	\$103	\$80	\$32	\$215	\$108	\$80	\$29	\$217
Unfunded lending commitments	102	212	32	346	87	204	21	312
Total	\$205	\$292	\$64	\$561	\$195	\$284	\$50	\$529

### Portfolio Mix—Geography, Counterparty and Industry

Citi's corporate credit portfolio is diverse across geography and counterparty. The following table shows the percentage of direct outstandings and unfunded lending commitments by region based on Citi's internal management geography:

	September 30, 2014	December 31, 2013	
North America	53	%51	%
EMEA	26	27	
Asia	14	14	
Latin America	7	8	
Total	100	%100	%

The maintenance of accurate and consistent risk ratings across the corporate credit portfolio facilitates the comparison of credit exposure across all lines of business, geographic regions and products. Counterparty risk ratings reflect an estimated probability of default for a counterparty and are derived primarily through the use of validated statistical models, scorecard models and external agency ratings (under defined circumstances), in combination with consideration of factors specific to the obligor or market, such as management experience, competitive position and regulatory environment. Facility risk ratings are assigned that reflect the probability of default of the obligor and factors that affect the loss-given-default of the facility, such as support or collateral. Internal obligor ratings that generally correspond to BBB and above are considered investment grade, while those below are considered non-investment grade.

Edgar Filing: CITIGROUP INC - Form 10-Q

Citigroup also has incorporated climate risk assessment and reporting criteria for certain obligors, as necessary. Factors evaluated include consideration of climate risk to an obligor's business and physical assets and, when relevant, consideration of cost-effective options to reduce greenhouse gas emissions.

The following table presents the corporate credit portfolio by facility risk rating at September 30, 2014 and December 31, 2013, as a percentage of the total corporate credit portfolio:

	Direct outstandings and unfunded lending commitments		
	September 30, 2014	December 31, 2013	
AAA/AA/A	47	% 52	%
BBB	32	30	
BB/B	18	16	
CCC or below	2	2	
Unrated	1	—	
Total	100	% 100	%

Citi's corporate credit portfolio is also diversified by industry, with a concentration in the financial sector, broadly defined, and including banks, other financial institutions, insurance companies, investment banks and government and central banks. The following table shows the allocation of direct outstandings and unfunded lending commitments to industries as a percentage of the total corporate credit portfolio:

	Direct outstandings and unfunded lending commitments		
	September 30, 2014	December 31, 2013	
Transportation and industrial	21	% 22	%
Petroleum, energy, chemical and metal	21	20	
Consumer retail and health	17	15	
Banks/broker-dealers	10	10	
Technology, media and telecom	8	10	
Public sector	6	6	
Insurance and special purpose entities	5	5	
Real estate	5	5	
Hedge funds	5	4	
Other industries	2	3	
Total	100	% 100	%

#### Credit Risk Mitigation

As part of its overall risk management activities, Citigroup uses credit derivatives and other risk mitigants to hedge portions of the credit risk in its corporate credit portfolio, in addition to outright asset sales. The purpose of these transactions is to transfer credit risk to third parties. The results of the mark-to-market and any realized gains or losses on credit derivatives are reflected in Principal transactions on the Consolidated Statement of Income.

At September 30, 2014 and December 31, 2013, \$27.4 billion and \$27.2 billion, respectively, of the corporate credit portfolio was economically hedged. Citigroup's expected loss model used in the calculation of its loan loss reserve does not include the favorable impact of credit derivatives and other mitigants that are marked to market. In addition, the reported amounts of direct outstandings and unfunded lending commitments in the tables above do not reflect the impact of these hedging transactions. At September 30, 2014 and December 31, 2013, the credit protection was economically hedging underlying corporate credit portfolio with the following risk rating distribution:

#### Rating of Hedged Exposure

	September 30, 2014	December 31, 2013	
AAA/AA/A	27	% 26	%
BBB	38	36	
BB/B	28	29	
CCC or below	7	9	
Total	100	% 100	%

At September 30, 2014 and December 31, 2013, the credit protection was economically hedging underlying corporate credit portfolio exposures with the following industry distribution:

#### Industry of Hedged Exposure

	September 30, 2014	December 31, 2013	
Transportation and industrial	30	% 31	%



Edgar Filing: CITIGROUP INC - Form 10-Q

Petroleum, energy, chemical and metal	23	23	
Technology, media and telecom	15	14	
Consumer retail and health	11	9	
Banks/broker-dealers	7	8	
Insurance and special purpose entities	6	7	
Public Sector	5	6	
Other industries	3	2	
Total	100	% 100	%

For additional information on Citi’s corporate credit portfolio, including allowance for loan losses, coverage ratios and corporate non-accrual loans, see “Credit Risk—Loans Outstanding, Details of Credit Loss Experience, Allowance for Loan Losses and Non-Accrual Loans and Assets” above.

**MARKET RISK**

Market risk encompasses funding and liquidity risk and price risk, each of which arise in the normal course of business of a global financial intermediary such as Citi. For additional information, see “Managing Global Risk—Market Risk” in Citi’s 2013 Annual Report on Form 10-K.

**Funding and Liquidity Risk**

Adequate liquidity and sources of funding are essential to Citi’s businesses. Funding and liquidity risks arise from several factors, many of which Citi cannot control, such as disruptions in the financial markets, changes in key funding sources, credit spreads, changes in Citi’s credit ratings and political and economic conditions in certain countries.

**Overview**

Citi’s funding and liquidity objectives are to maintain adequate liquidity to (i) fund its existing asset base; (ii) grow its core businesses in Citicorp; (iii) maintain sufficient liquidity, structured appropriately, so that it can operate under a wide variety of market conditions, including market disruptions for both short- and long-term periods; and (iv) satisfy regulatory requirements. Citigroup’s primary liquidity objectives are established by entity, and in aggregate, across three major categories:

the parent entity, which includes the parent holding company (Citigroup) and Citi’s broker-dealer subsidiaries that are consolidated into Citigroup (collectively referred to in this section as “parent”);

Citi’s significant Citibank entities, which consist of Citibank, N.A. units domiciled in the U.S., Western

Europe, Hong Kong, Japan and Singapore (collectively referred to in this section as “significant Citibank entities”); and other Citibank and Banamex entities.

At an aggregate level, Citigroup’s goal is to maintain sufficient funding in amount and tenor to fully fund customer assets and to provide an appropriate amount of cash and high quality liquid assets (as discussed further below), even in times of stress. The liquidity framework provides that entities be self-sufficient or net providers of liquidity, including in conditions established under their designated stress tests.

Citi’s primary sources of funding include (i) deposits via Citi’s bank subsidiaries, which are Citi’s most stable and lowest cost source of long-term funding, (ii) long-term debt (primarily senior and subordinated debt) primarily issued at the parent and certain bank subsidiaries, and (iii) stockholders’ equity. These sources may be supplemented by short-term borrowings, primarily in the form of secured funding transactions.

As referenced above, Citigroup works to ensure that the structural tenor of these funding sources is sufficiently long in relation to the tenor of its asset base. The goal of Citi’s asset/liability management is to ensure that there is excess tenor in the liability structure so as to provide excess liquidity after funding the assets. The excess liquidity resulting from a longer-term tenor profile can effectively offset potential decreases in liquidity that may occur under stress. This excess funding is held in the form of high quality liquid assets (HQLA), as set forth in the table below.

**High Quality Liquid Assets**

	September 30, 2014			
In billions of dollars	Parent	Significant Citibank Entities	Other Citibank and Banamex Entities	Total
Available cash	\$27.3	\$77.8	\$8.5	\$113.6
Unencumbered liquid securities	31.8	197.5	73.6	\$302.9
Total	\$59.1	\$275.3	\$82.1	\$416.4

Note: All amounts in the table above are estimated based on the final U.S. Liquidity Coverage Ratio (LCR) rules (see “Risk Factors-Liquidity Risks” in Citi’s 2013 Annual Report on Form 10-K and “Liquidity Management, Measurement and Stress Testing” below). All amounts are as of period-end and may increase or decrease intra-period in the ordinary course of business.

As set forth in the table above, Citi’s HQLA under the final U.S. LCR rules as of September 30, 2014 was \$416 billion. Prior to September 30, 2014, Citi reported its HQLA based on the Basel Committee on Banking Supervision’s final LCR rules. On this basis, Citi’s total HQLA was \$435 billion as of June 30, 2014, and \$410 billion at September 30, 2013. The decrease in Citi’s HQLA quarter-over-quarter was due to the impact of the final U.S. LCR rules, which excluded municipal securities, covered bonds and residential mortgage-backed securities from the definition of “high quality liquid assets” (see “Liquidity

Management, Measurement and Stress Testing” below). Year-over-year, the increase was driven by an increase in credit card securitizations and Federal Home Loan Banks (FHLB) advances, each in Citibank, N.A. (see “Long-Term Debt” below), and an increase in deposits, partially offset by the impact of the final U.S. LCR rules as described above.

The following table shows further detail of the composition of Citi's HQLA by type of asset as of September 30, 2014. For securities, the amounts represent the liquidity value that potentially could be realized, and thus exclude any securities that are encumbered, as well as the haircuts that would be required for secured financing transactions.

In billions of dollars	Sept. 30, 2014
Available cash	\$113.6
U.S. Treasuries	117.1
U.S. Agencies/Agency MBS	60.7
Foreign government <sup>(1)</sup>	121.6
Other investment grade	3.4
Total	\$416.4

Foreign government includes securities issued or guaranteed by foreign sovereigns, agencies and multilateral development banks. Foreign government securities are held largely to support local liquidity requirements and Citi's local franchises and principally included government bonds from Brazil, China, Hong Kong, Japan, Korea, Poland, Singapore and Taiwan.

As evident from the table above, as of September 30, 2014, more than 84% of Citi's HQLA consisted of available cash, U.S. government securities and high quality foreign sovereign debt securities, with the remaining amounts consisting of U.S. agency securities, agency MBS and investment grade debt.

Citi's HQLA as set forth above do not include additional potential liquidity in the form of Citigroup's borrowing capacity from the various FHLB, which was approximately \$22 billion as of September 30, 2014 (compared to \$27 billion as of June 30, 2014) and is maintained by pledged collateral to all such banks. The HQLA shown above also do not include Citi's borrowing capacity at the U.S. Federal Reserve Bank discount window or international central banks, which capacity would be in addition to the resources noted above.

In general, Citigroup can freely fund legal entities within its bank vehicles. Citigroup's bank subsidiaries, including Citibank, N.A., can lend to the Citigroup parent and broker-dealer entities in accordance with Section 23A of the Federal Reserve Act. As of September 30, 2014, the amount available for lending to these entities under Section 23A was approximately \$17 billion (unchanged from June 30, 2014), provided the funds are collateralized appropriately.

#### Deposits

Deposits are the primary and lowest cost funding source for Citi's bank subsidiaries. The table below sets forth the end of period deposits, by business and/or segment, and the total average deposits for each of the periods indicated.

In billions of dollars	Sept. 30, 2014	Jun. 30, 2014	Sept. 30, 2013
Global Consumer Banking			
North America	\$171.7	\$170.6	\$168.6
EMEA	13.0	13.8	12.5
Latin America	45.9	48.3	46.6
Asia	101.3	105.0	101.6
Total	\$331.9	\$337.7	\$329.3
ICG			
North America	\$180.5	\$182.5	\$173.2
EMEA	179.8	185.1	181.1
Latin America	62.4	64.6	62.8
Asia	144.7	145.0	149.2
Total	\$567.4	\$577.2	\$566.3
Corporate/Other	29.0	31.3	18.1
Total Citicorp	\$928.3	\$946.2	\$913.7
Total Citi Holdings <sup>(1)</sup>	14.4	19.5	41.8
Total Citigroup Deposits (EOP)	\$942.7	\$965.7	\$955.5

Total Citigroup Deposits (AVG)	\$954.2	\$959.5	\$922.1
--------------------------------	---------	---------	---------

(1) Included within Citi's end-of-period deposit balance as of September 30, 2014 were approximately \$13 billion of deposits related to Morgan Stanley Smith Barney (MSSB) customers that, as previously disclosed, will be transferred to Morgan Stanley by MSSB, with remaining balances transferred in the amount of approximately \$5 billion per quarter through the end of the second quarter of 2015.

On a reported basis, end-of-period deposits decreased 1% year-over-year and 2% quarter-over-quarter, each primarily impacted by FX translation.

Excluding the impact of FX translation, deposits were relatively unchanged year-over-year as continued growth in Citicorp was offset by the ongoing reductions in Citi Holdings. Citicorp deposits increased 3% year-over-year driven by growth in both consumer and corporate deposits. GCB deposits increased 2% year-over-year, with growth in all four regions. ICG deposits increased 2% year-over-year, with 5% growth in treasury and trade solutions balances, offset by reductions in markets-related businesses which generally have lower LCR values. Corporate/Other deposits also increased year-over-year as Citi continued to issue tenored time deposits to further diversify its funding sources. Average deposits increased 4% year-over-year and were unchanged quarter-over-quarter, despite the ongoing transfer of MSSB deposits to Morgan Stanley.

Citi monitors its deposit base across multiple dimensions, including interest rate structure, what Citi refers to as "LCR value" (or the liquidity value of the deposit base under the LCR rules), and geography. With respect to interest rate structure, Citi monitors the balance between its fixed-rate higher-cost time deposits as compared to its interest-bearing

and non-interest-bearing operating accounts. Regarding the LCR value of Citi's deposits, under the final U.S. LCR rules, deposits are assigned liquidity values, based on expected behavior under stress, the type of deposit and the type of client. Generally, the final U.S. LCR rules prioritize operating accounts of consumers and corporations, while assigning lower liquidity values to non-operating balances of financial institutions. Finally, with respect to geography, as set forth in the table above, as of September 30, 2014, approximately 44% of Citi's deposits were inside of the U.S., while approximately 56% were outside the U.S.

#### Long-Term Debt

Long-term debt (generally defined as debt with original maturities of one year or more) continued to represent the most significant component of Citi's funding for the parent entities and was a supplementary source of funding for the bank entities.

Long-term debt is an important funding source due in part to its multi-year maturity structure. The weighted-average maturities of unsecured long-term debt issued by Citigroup and its affiliates (including Citibank, N.A.) with a remaining life greater than one year (excluding remaining trust preferred securities outstanding) was approximately 6.9 years as of September 30, 2014, which was relatively unchanged from the prior quarter. This term structure enables Citi to meet its business needs and maintain adequate liquidity.

Citi's long-term debt outstanding at the parent includes benchmark debt and what Citi refers to as customer-related debt, consisting of structured notes, such as equity- and credit-linked notes, as well as non-structured notes. Citi's issuance of customer-related debt is generally driven by customer demand and supplements benchmark debt issuance as a source of funding for Citi's parent entities. Citi's long-term debt at the bank includes FHLB advances and securitizations.

#### Long-Term Debt Outstanding

The following table sets forth Citi's total long-term debt outstanding for the periods indicated:

In billions of dollars	Sept. 30, 2014	Jun. 30, 2014	Sept. 30, 2013
Parent	\$155.9	\$163.0	\$168.6
Benchmark Debt:			
Senior debt	96.3	97.8	100.4
Subordinated debt	24.2	28.1	28.0
Trust preferred	1.7	1.8	4.3
Customer-Related Debt:			
Structured debt	22.3	22.5	22.0
Non-structured debt	6.4	8.0	9.2
Local Country and Other <sup>(1)(2)</sup>	5.0	4.8	4.7
Bank	\$67.9	\$64.0	\$53.0
FHLB Borrowings	23.3	19.1	14.3
Securitizations <sup>(3)</sup>	38.2	38.1	30.3
Local Country and Other <sup>(2)</sup>	6.4	6.8	8.4
Total long-term debt	\$223.8	\$227.0	\$221.6

Note: Amounts represent the current value of long-term debt on Citi's Consolidated Balance Sheet which, for certain debt instruments, includes consideration of fair value, hedging impacts and unamortized discounts and premiums.

(1) Includes securitizations of \$2.0 billion for the third quarter of 2014, \$0.9 billion for the second quarter of 2014, and \$0.2 billion for the third quarter of 2013.

(2) Local country debt includes debt issued by Citi's affiliates in support of their local operations.

(3) Of the bank securitizations at September 30, 2014, approximately \$38.0 billion related to credit card securitizations (compared to \$37.8 billion as of June 30, 2014).

Year-over-year, Citi's total long-term debt outstanding increased modestly, as reductions at the parent company were more than offset by continued increases in the bank due to increased credit card securitizations and FHLB advances,

given the lower-cost nature of these funding sources. Sequentially, Citi's total long-term debt decreased at the parent company, partially offset by increases in securitizations and FHLB advances at the bank.

Parent company debt declined during the third quarter of 2014 due to the impact of FX translation as well as maturities and continued liability management, partly offset by issuance. As part of its liquidity and funding strategy, Citi has considered, and may continue to consider, opportunities to repurchase its long-term debt pursuant to open market purchases, tender offers or other means. Such repurchases help reduce Citi's overall funding costs. During the third quarter of 2014, Citi repurchased an aggregate of approximately \$2.8 billion of its outstanding long-term debt, bringing year-to-date repurchases to approximately \$8 billion.

Going forward, changes in Citi's long-term debt outstanding will continue to reflect the funding needs of its businesses as well as the market and economic environment and any regulatory changes, such as prescribed levels of debt required to be maintained by Citi pursuant to regulatory requirements (for additional information, see "Risk Factors—Regulatory Risks" in Citi's 2013 Annual Report on Form 10-K).

## Long-Term Debt Issuances and Maturities

The table below details Citi's long-term debt issuances and maturities (including repurchases and redemptions) during the periods presented:

In billions of dollars	3Q14		2Q14		3Q13	
	Maturities	Issuances	Maturities	Issuances	Maturities	Issuances
Parent	\$11.5	\$9.8	\$11.1	\$10.0	\$14.6	\$10.4
Benchmark Debt:						
Senior debt	4.2	5.0	4.7	5.6	8.6	5.7
Subordinated debt	4.0	0.7	1.0	1.0	—	2.4
Trust preferred	—	—	2.1	—	3.2	—
Customer-Related Debt:						
Structured debt	2.1	2.7	2.2	2.2	1.9	2.0
Non-structured debt	0.9	0.1	0.3	0.4	0.9	0.3
Local Country and Other	0.3	1.3	0.8	0.8	—	—
Bank	\$4.5	\$9.0	\$4.2	\$8.7	\$7.9	\$12.4
FHLB borrowings	1.0	5.3	1.0	6.1	7.0	6.8
Securitizations	2.9	3.0	1.4	2.4	0.1	4.9
Local Country and Other	0.6	0.7	1.8	0.2	0.8	0.7
Total	\$16.0	\$18.8	\$15.3	\$18.7	\$22.5	\$22.8

The table below shows Citi's aggregate long-term debt maturities (including repurchases and redemptions) year-to-date in 2014, as well as its aggregate expected annual long-term debt maturities as of September 30, 2014:

In billions of dollars	Maturities Expected Long-Term Debt Maturities as of September 30, 2014								
	YTD'14	2014	2015	2016	2017	2018	2019	Thereafter	Total
Parent	\$30.3	\$5.7	\$17.5	\$21.9	\$24.5	\$13.0	\$17.6	\$55.7	\$155.9
Benchmark Debt:									
Senior debt	13.8	4.1	10.6	15.0	18.1	9.6	13.6	25.3	96.3
Subordinated debt	5.0	—	0.7	1.5	3.2	1.2	1.5	16.1	24.2
Trust preferred	2.1	—	—	—	—	—	—	1.7	1.7
Customer-Related Debt:									
Structured debt	5.7	0.8	3.8	4.0	2.7	1.7	1.2	8.1	22.3
Non-structured debt	2.0	0.3	2.0	1.0	0.5	0.4	0.3	1.9	6.4
Local Country and Other	1.7	0.5	0.4	0.4	—	0.1	1.0	2.6	5.0
Bank	\$10.6	\$9.6	\$13.0	\$18.1	\$13.0	\$9.0	\$1.5	\$3.7	\$67.9
FHLB borrowings	2.5	5.5	3.5	7.6	6.2	0.5	—	—	23.3
Securitizations	5.1	3.8	7.5	9.0	5.1	8.2	1.3	3.3	38.2
Local Country and Other	3.0	0.3	2.0	1.5	1.7	0.3	0.2	0.4	6.4
Total long-term debt	\$40.9	\$15.3	\$30.5	\$40.0	\$37.5	\$22.0	\$19.1	\$59.4	\$223.8



### Secured Funding Transactions and Short-Term Borrowings

As referenced above, Citi supplements its primary sources of funding with short-term borrowings. Short-term borrowings generally include (i) secured funding transactions (securities loaned or sold under agreements to repurchase, or repos) and (ii) to a lesser extent, short-term borrowings consisting of commercial paper and borrowings from the FHLB and other market participants (see Note 17 to the Consolidated Financial Statements for further information on Citigroup's and its affiliates' outstanding short-term borrowings).

### Secured Funding

Secured funding is primarily conducted through Citi's broker-dealer subsidiaries to fund efficiently both secured lending activity and a portion of trading inventory. Citi also conducts a smaller portion of its secured funding transactions through its bank entities, which is typically collateralized by foreign government securities. Generally, daily changes in the level of Citi's secured funding are primarily due to fluctuations in secured lending activity in the matched book (as described below) and trading inventory.

Secured funding declined to \$176 billion as of September 30, 2014, compared to \$184 billion as of June 30, 2014 and \$216 billion as of September 30, 2013, in each case driven by a reduction in client and market-driven trading activity, and as Citi has continued to reduce its reliance on secured funding at its broker-dealer subsidiaries. Average balances for secured funding were approximately \$182 billion for the quarter ended September 30, 2014, compared to \$193 billion for the quarter ended June 30, 2014 and \$225 billion for the quarter ended September 30, 2013.

The portion of secured funding in the broker-dealer subsidiaries that funds secured lending is commonly referred to as "matched book" activity. The majority of this activity is secured by high quality, liquid securities such as U.S. Treasury securities, U.S. agency securities and foreign sovereign debt. Other secured funding is secured by less liquid securities, including equity securities, corporate bonds and asset-backed securities. The tenor of Citi's matched book liabilities is equal to, or longer than, the tenor of the corresponding matched book assets.

The remainder of the secured funding activity in the broker-dealer subsidiaries serves to fund trading inventory. To maintain reliable funding under a wide range of market conditions, including under periods of stress, Citi manages these activities by taking into consideration the quality of the underlying collateral, and stipulating financing tenor. The weighted average maturity of Citi's secured funding of less liquid trading inventory was greater than 110 days as of September 30, 2014.

Citi manages the risks in its secured funding by conducting daily stress tests to account for changes in capacity, tenors, haircut, collateral profile and client actions. Additionally, Citi maintains counterparty diversification by establishing concentration triggers and assessing counterparty reliability and stability under stress. Citi generally sources secured funding from more than 150 counterparties.

### Commercial Paper

The following table sets forth Citi's commercial paper outstanding for each of its parent and significant Citibank entities, respectively, for each of the periods indicated. Sequentially, commercial paper at the significant Citibank entities increased as Citi prepared for the final U.S. LCR rules.

In billions of dollars	Sept. 30, 2014	Jun. 30, 2014	Sept. 30, 2013
Commercial paper			
Parent	\$0.2	\$0.2	\$0.3
Significant Citibank entities	17.6	14.7	17.6
Total	\$17.8	\$14.9	\$17.9

### Other Short-Term Borrowings

At September 30, 2014, Citi's other short-term borrowings, which included borrowings from the FHLB and other market participants, were approximately \$47 billion, compared to \$45 billion at June 30, 2014, and \$41 billion at September 30, 2013.

### Liquidity Management, Measurement and Stress Testing

For a discussion of Citi's liquidity management, stress testing and certain of its other liquidity measures, see "Market Risk-Funding and Liquidity-Liquidity Management, Measurement and Stress Testing" in Citi's 2013 Annual Report on Form 10-K.

#### Liquidity Measurement—Liquidity Coverage Ratio (LCR)

In addition to internal measures Citi has developed for a 30-day stress scenario, Citi also monitors its liquidity by reference to the LCR, as calculated pursuant to the final U.S. LCR rules. Generally, the LCR is designed to ensure banks maintain an adequate level of unencumbered HQLA to meet liquidity needs under an acute 30-day stress scenario. The LCR is calculated by dividing HQLA by estimated net outflows over a stressed 30-day period, with the net outflows determined by applying assumed outflow factors, prescribed in the rules, to various categories of liabilities, such as deposits, unsecured and secured wholesale borrowings, unused commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

During the third quarter of 2014, the U.S. banking agencies adopted final rules with respect to the U.S. LCR. As previously disclosed, the final U.S. LCR rules are more stringent than the Basel Committee's final LCR rules in several respects. The more material differences include:

- a narrower definition of HQLA, particularly the exclusion of municipal securities, covered bonds and residential mortgage-backed securities as compared to the Basel Committee's final LCR rules;
- a requirement to calculate and hold additional liquidity against the highest individual day's mismatch between contractual and certain non-defined maturity inflows and outflows (known as the "peak day" requirement); and
- more stringent definitions regarding deposit classification related to the nature of the deposit balance or counterparty

designation, which leads to higher runoff rates when compared to the final Basel Committee LCR rules.

The table below sets forth the components of Citi's estimated LCR calculation and HQLA in excess of estimated net outflows as of September 30, 2014 based on the final U.S. LCR rules.

in billions of dollars	Sept. 30, 2014	
High quality liquid assets	\$416.4	
Estimated net outflows	\$374.5	
Liquidity coverage ratio	111	%
HQLA in excess of estimated net outflows	\$42.0	

As set forth in the table above, Citi's LCR under the final U.S. LCR rules was 111% as of September 30, 2014. Under the final Basel Committee LCR rules, Citi's LCR was 127% as of September 30, 2014 and 123% at June 30, 2014. As described under "High Quality Liquid Assets" above, the final U.S. LCR rules excluded certain assets from the calculation of HQLA. Additionally, estimated net outflows are higher under the final U.S. LCR rules, primarily due to the "peak day" outflow assumption and changes in deposit outflow classifications

required by the final U.S. LCR rules. The impact of the final U.S. LCR rules was partially offset by continued improvements in Citi's deposit quality.

Citi's estimated LCR, as calculated under the final U.S. LCR rules, is a non-GAAP financial measure. Citi believes this measure provides useful information to investors and others by measuring Citi's progress toward future regulatory liquidity standards. Citi's estimated third quarter 2014 LCR and HQLA are based on its current interpretation and understanding of the final U.S. LCR rules and are subject to, among other things, Citi's continued review and implementation of these rules and any further regulatory implementation guidance in the U.S.

#### Credit Ratings

Citigroup's funding and liquidity, its funding capacity, ability to access capital markets and other sources of funds, the cost of these funds, and its ability to maintain certain deposits are partially dependent on its credit ratings. The table below indicates the ratings for Citigroup and Citibank, N.A. as of September 30, 2014. While not included in the table below, Citigroup Global Markets Inc. (CGMI) is rated A/A-1 by Standard & Poor's and A/F1 by Fitch (see below) as of September 30, 2014.

#### Debt Ratings as of September 30, 2014

	Citigroup Inc.			Citibank, N.A.		
	Senior debt	Commercial paper	Outlook	Long-term	Short-term	Outlook
Fitch Ratings (Fitch)	A	F1	Stable	A	F1	Stable
Moody's Investors Service (Moody's)	Baa2	P-2	Stable	A2	P-1	Stable
Standard & Poor's (S&P)	A-	A-2	Negative	A	A-1	Stable

#### Recent Credit Rating Developments

On September 18, 2014, Standard & Poor's published revised global criteria for bank hybrid capital and nondeferrable subordinated debt based on its view of increased bail-in risk of these instruments due to evolving bank resolution regimes. As a result, on September 29, 2014, Citi's trust preferred securities and preferred stock ratings were downgraded to "BB" from "BB+". Citi's subordinated debt ratings were not impacted.

On September 9, 2014, Moody's released for comment a new bank rating methodology; formal comments are due in November with resolution currently expected in early 2015. The new methodology proposed a streamlined baseline credit assessment (with removal of the bank financial strength rating) and introduced a "loss given failure" assessment into the ratings.

On September 5, 2014, Fitch assigned long-term/short-term ratings of “A/F1” to CGMI. The ratings for CGMI and Citi are equalized, which reflects Fitch’s view that CGMI is core and integral to Citi’s business strategy and operations. As the regulatory landscape continues to evolve, Fitch is contemplating an industry-wide introduction of a ratings differential between U.S. bank holding companies and operating companies. Currently, Fitch equalizes holding

company and operating company ratings, thereby reflecting what it views as the close correlation between default probabilities. Fitch believes that the potential implementation of the orderly liquidation authority, as part of the Dodd-Frank Act, may create greater-than-historical differentials in holding company and operating company credit risk profiles, and could warrant rating changes. Fitch indicated three potential outcomes: downgrades to holding company ratings; upgrades to operating company ratings; or, no rating changes.

#### Potential Impacts of Ratings Downgrades

Ratings downgrades by Moody’s, Fitch or S&P could negatively impact Citigroup’s and/or Citibank, N.A.’s funding and liquidity due to reduced funding capacity, including derivatives triggers, which could take the form of cash obligations and collateral requirements.

The following information is provided for the purpose of analyzing the potential funding and liquidity impact to Citigroup and Citibank, N.A. of a hypothetical, simultaneous ratings downgrade across all three major rating agencies. This analysis is subject to certain estimates, estimation methodologies, and judgments and uncertainties. Uncertainties include potential ratings limitations certain entities may have with respect to permissible counterparties, as well as general

subjective counterparty behavior. For example, certain corporate customers and trading counterparties could re-evaluate their business relationships with Citi and limit the trading of certain contracts or market instruments with Citi. Changes in counterparty behavior could impact Citi's funding and liquidity, as well as the results of operations of certain of its businesses. The actual impact to Citigroup or Citibank, N.A. is unpredictable and may differ materially from the potential funding and liquidity impacts described below.

For additional information on the impact of credit rating changes on Citi and its applicable subsidiaries, see "Risk Factors—Liquidity Risks" in Citi's 2013 Annual Report on Form 10-K.

#### Citigroup Inc. and Citibank, N.A.—Potential Derivative Triggers

As of September 30, 2014, Citi estimates that a hypothetical one-notch downgrade of the senior debt/long-term rating of Citigroup Inc. across all three major rating agencies could impact Citigroup's funding and liquidity due to derivative triggers by approximately \$0.8 billion (compared to approximately \$0.9 billion as of June 30, 2014). Other funding sources, such as secured financing transactions and other margin requirements, for which there are no explicit triggers, could also be adversely affected.

As of September 30, 2014, Citi estimates that a hypothetical one-notch downgrade of the senior debt/long-term rating of Citibank, N.A. across all three major rating agencies could impact Citibank, N.A.'s funding and liquidity by approximately \$1.7 billion (compared to \$1.5 billion as of June 30, 2014), due to derivative triggers.

In total, Citi estimates that a one-notch downgrade of Citigroup and Citibank, N.A., across all three major rating agencies, could result in aggregate cash obligations and collateral requirements of approximately \$2.5 billion (compared to \$2.4 billion as of June 30, 2014) (see also Note 21 to the Consolidated Financial Statements). As set forth under "High Quality Liquid Assets" above, the liquidity resources of Citi's parent entities were approximately \$59 billion, and the liquidity resources of Citi's significant Citibank entities and other Citibank and Banamex entities were approximately \$357 billion, for a total of approximately \$416 billion as of September 30, 2014. These liquidity resources are available in part as a contingency for the potential events described above.

In addition, a broad range of mitigating actions are currently included in Citigroup's and Citibank, N.A.'s contingency funding plans. For Citigroup, these mitigating factors include, but are not limited to, accessing surplus funding capacity from existing clients, tailoring levels of secured lending, and adjusting the size of select trading books and collateralized borrowings from Citi's significant bank subsidiaries. Mitigating actions available to Citibank, N.A. include, but are not limited to, selling or financing highly liquid government securities, tailoring levels of secured lending, adjusting the size of select trading books, reducing loan originations and renewals, raising additional deposits, or borrowing from the FHLB or central banks. Citi believes these mitigating actions could substantially reduce the funding and

liquidity risk, if any, of the potential downgrades described above.

#### Citibank, N.A.—Additional Potential Impacts

In addition to the above derivative triggers, Citi believes that a potential one-notch downgrade of Citibank, N.A.'s senior debt/long-term rating by S&P and Fitch could also have an adverse impact on the commercial paper/short-term rating of Citibank, N.A. As of September 30, 2014, Citibank, N.A. had liquidity commitments of approximately \$17.6 billion to consolidated asset-backed commercial paper conduits (compared to \$14.7 billion as of June 30, 2014) (as referenced in Note 20 to the Consolidated Financial Statements).

In addition to the above-referenced liquidity resources of Citi's significant Citibank entities and other Citibank and Banamex entities, Citibank, N.A. could reduce the funding and liquidity risk, if any, of the potential downgrades described above through mitigating actions, including repricing or reducing certain commitments to commercial paper conduits. In the event of the potential downgrades described above, Citi believes that certain corporate customers could re-evaluate their deposit relationships with Citibank, N.A. This re-evaluation could result in clients adjusting their discretionary deposit levels or changing their depository institution, which could potentially reduce certain deposit levels at Citibank, N.A. However, Citi could choose to adjust pricing, offer alternative deposit products to its existing customers or seek to attract deposits from new customers, in addition to the mitigating actions referenced

above.

73

---

### Price Risk

Price risk losses arise from fluctuations in the market value of non-trading and trading positions resulting from changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and in their implied volatilities. For additional information on Citi's price risk measurement and stress testing, see "Managing Global Risk—Market Risk—Price Risk" in Citi's 2013 Annual Report on Form 10-K.

### Price Risk—Non-Trading Portfolios

#### Net Interest Revenue and Interest Rate Risk

Net interest revenue (NIR), for interest rate exposure purposes, is the difference between the yield earned on the non-trading portfolio assets (including customer loans) and the rate paid on the liabilities (including customer deposits or company borrowings). NIR is affected by changes in the level of interest rates, as well as the amounts of assets and liabilities, and the timing of repricing of assets and liabilities to reflect market rates.

#### Interest Rate Risk Measurement—IRE

Citi's principal measure of risk to NIR is interest rate exposure (IRE). IRE measures the change in expected NIR in each currency resulting solely from unanticipated changes in forward interest rates.

Citi's estimated IRE incorporates various assumptions including, among others, new business or changes in volumes, prepayment rates on loans, credit spreads, customer behavior, and the impact of pricing decisions. For example, in rising interest rate scenarios, portions of the deposit portfolio may be assumed to experience rate increases that are less than the change in market interest rates. In declining interest rate scenarios, it is assumed that mortgage portfolios experience higher prepayment rates. IRE generally assumes that businesses and/or Citi Treasury make no additional changes in pricing or balances in response to the unanticipated rate changes.

#### Interest Rate Risk Measurement—OCI at Risk

Citi measures the potential impacts of changes in interest rates on Citi's net interest revenue and value of its Other Comprehensive Income (OCI), which can in turn impact Citi's Common Equity Tier 1 Capital ratio. Given the current low rate environment, Citi believes it is positioned to benefit from an increase in the market level of interest rates, while limiting the impact of changes in OCI on its regulatory capital position.

OCI at risk is managed as part of the firm-wide interest rate risk position. OCI at risk considers potential changes in OCI (and the corresponding impact on the Common Equity Tier 1 Capital ratio) relative to Citi's capital generation capacity.

Citi manages interest rate risk as a consolidated net position. Citi's client-facing businesses create interest rate sensitive-positions, including loans and deposits, as part of their ongoing activities. Citi Treasury accumulates these risk positions and manages them centrally. Operating within established limits, Citi Treasury makes positioning decisions and uses tools, such as Citi's investment securities portfolio,

firm-issued debt, and interest rate derivatives, to target the desired risk profile. Changes in Citi's interest rate risk position reflect the accumulated changes in all non-trading assets and liabilities, with potentially large and offsetting impacts, as well as Citi Treasury's positioning decisions.

#### Scenario Analysis and Stress Testing

Citi routinely estimates IRE and OCI at risk under a variety of interest rate scenarios, including the scenarios identified in this section, as well as scenarios intended to reflect prior interest rates changes in times of stress. Citigroup also employs additional measurements, including stress testing the impact of non-linear interest rate movements on the value of the balance sheet; the analysis of portfolio duration and volatility, particularly as they relate to mortgage loans and mortgage-backed securities; and the potential impact of the change in the spread between different market indices.

**Mitigation and Hedging of Interest Rate Risk**

In order to manage changes in interest rates effectively, Citi may modify pricing on new customer loans and deposits, purchase fixed rate securities, issue debt that is either fixed or floating or enter into derivative transactions that have the opposite risk exposures. Citi regularly assesses the viability of these and other strategies to reduce its interest rate risks and implements such strategies when it believes those actions are prudent. Such strategies are not currently included in the estimation of IRE.



The following table sets forth the estimated impact to Citi's net interest revenue, OCI and the Common Equity Tier 1 Capital ratio (on a fully implemented basis), each assuming an unanticipated parallel instantaneous 100 basis point increase in interest rates.

In millions of dollars (unless otherwise noted)	Sept. 30, 2014	Jun. 30, 2014	Sept. 30, 2013	
Estimated annualized impact to net interest revenue				
U.S. dollar <sup>(1)</sup>	\$1,159	\$1,255	\$1,197	
All other currencies	713	681	569	
Total	\$1,872	\$1,936	\$1,766	
As a % of average interest-earning assets	0.11	%0.11	%0.11	%
Estimated initial impact to OCI (after-tax) <sup>(2)</sup>	\$(3,621	) \$(3,395	) \$(2,462	)
Estimated initial impact on Common Equity Tier 1 Capital ratio (bps) <sup>(3)</sup>	(41	) (38	) (35	)

Certain trading-oriented businesses within Citi have accrual-accounted positions that are excluded from the estimated impact to net interest revenue in the table since these exposures are economically managed in (1) combination with marked-to-market positions. The U.S. dollar interest rate exposure associated with these businesses was \$(170) million for a 100 basis point instantaneous increase in interest rates as of September 30, 2014.

(2) Includes the effect of changes in interest rates on OCI related to investment securities, cash flow hedges and pension liability adjustments.

(3) The estimated initial impact to the Common Equity Tier 1 Capital ratio considers the effect of Citi's deferred tax asset position and is based on only the estimated initial OCI impact above.

The increase in the estimated impact to net interest revenue at September 30, 2014 from the prior-year period primarily reflected changes in Citi's balance sheet composition, including the continued growth and seasoning of Citi's deposit balances and increases in Citi's capital base, net of Citi Treasury positioning. The change in the estimated impact to OCI and the Common Equity Tier 1 Capital ratio from the prior-year period primarily reflected changes in the composition of Citi Treasury's investment and derivatives portfolio.

In the event of an unanticipated parallel instantaneous 100 basis point increase in interest rates, Citi expects the negative impact to OCI would be offset in shareholders' equity over time through the combination of expected incremental net interest revenue and the expected recovery of the impact on OCI through accretion of Citi's investment portfolio over a

period of time. As of September 30, 2014, Citi expects that the negative \$3.6 billion impact to OCI in such a scenario could potentially be offset over approximately 20 months.

Citi routinely evaluates multiple interest rate scenarios, including interest rate increases and decreases and steepening and flattening of the yield curve, to anticipate how net interest revenue and OCI might be impacted in different interest rate environments. The following table sets forth the estimated impact to Citi's net interest revenue, OCI and the Common Equity Tier 1 Capital ratio (on a fully implemented basis) under four different changes in interest rates for the U.S. dollar and Citi's other currencies. While Citi also monitors the impact of a parallel decrease in interest rates, a 100 basis point decrease in short-term interest rates is not meaningful, as it would imply negative interest rates in many of Citi's markets.

In millions of dollars (unless otherwise noted)	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Overnight rate change (bps)	100	100	—	—
10-year rate change (bps)	100	—	100	(100)
Estimated annualized impact to net interest revenue				
U.S. dollar	\$1,159	\$1,120	\$85	\$(109)
All other currencies	713	667	41	(41)
Total	\$1,872	\$1,787	\$126	\$(150)
Estimated initial impact to OCI (after-tax) <sup>(1)</sup>	\$(3,621	) \$(2,310	) \$(1,483	) \$1,224
Estimated initial impact to Common Equity Tier 1 Capital ratio (bps) <sup>(2)</sup>	(41	) (25	) (17	) 14

Note: Each scenario in the table above assumes that the rate change will occur instantaneously. Changes in interest rates for maturities between the overnight rate and the 10-year are interpolated.

- (1) Includes the effect of changes in interest rates on OCI related to investment securities, cash flow hedges and pension liability adjustments.
- (2) The estimated initial impact to the Common Equity Tier 1 Capital ratio considers the effect of Citi's deferred tax asset position and is based on only the estimated OCI impact above.

As shown in the table above, the magnitude of the impact to Citi's net interest revenue and OCI is greater under scenario 2 as compared to scenario 3. This is because the combination of changes to Citi's investment portfolio, partially offset by changes related to Citi's pension liabilities, results in a net position that is more sensitive to rates at shorter and intermediate term maturities.

Changes in Foreign Exchange Rates—Impacts on OCI and Capital

As of September 30, 2014, Citi estimates that a simultaneous 5% appreciation of the U.S. dollar against all of Citi's other currencies could reduce Citi's tangible common equity (TCE) by approximately \$1.4 billion, or 0.8% of TCE, as a result of changes to Citi's foreign currency translation adjustment OCI, net of hedges. This impact would be primarily due to changes in the value of the Mexican Peso, the Euro, the British pound sterling, the Australian dollar and the Korean Won.

Despite this decrease in TCE, Citi believes its business model and management of foreign currency translation exposure work to minimize the effect of changes in foreign exchange rates on its Common Equity Tier 1 Capital ratio. Specifically, as currency movements change the value of Citi's net investments in foreign currency denominated capital, these movements also change the value of Citi's risk-weighted assets denominated in those currencies. This, coupled with Citi's foreign currency hedging strategies, such as foreign currency borrowings, foreign currency forwards and other currency hedging instruments, lessens the impact of foreign currency movements on Citi's Common Equity Tier 1 Capital ratio.

The effect of Citi's business model and management strategies on changes in foreign exchange rates are shown in the table below. For additional information in the changes in OCI, see Note 18 to the Consolidated Financial Statements.

In millions of dollars	For the quarter ended			
	Sept. 30, 2014	Jun. 30, 2014	Sept. 30, 2013	
Change in FX spot rate <sup>(1)</sup>	(4.4	)% 1.2	% 1.3	%

Edgar Filing: CITIGROUP INC - Form 10-Q

Change in TCE due to foreign currency translation, net of hedges	\$ (1,182	)	\$ (170	)	\$ 383	
As a % of Tangible Common Equity	(0.7	)%	(0.1	)%	0.2	%
Estimated impact to Common Equity Tier 1 Capital ratio (on a fully implemented basis) due to changes in foreign currency translation, net of 3 hedges (bps)			(3	)	(1	)

(1) FX spot rate change is a weighted average based upon Citi's quarterly average GAAP capital exposure to foreign countries.

## Interest Revenue/Expense and Yields

	3rd Qtr.		2nd Qtr.		3rd Qtr.		Change	
In millions of dollars, except as otherwise noted	2014		2014		2013		3Q14 vs. 3Q13	
Interest revenue <sup>(1)</sup>	\$15,636		\$15,682		\$15,588		—	%
Interest expense	3,325		3,615		3,952		(16)	)%
Net interest revenue <sup>(1)(2)(3)</sup>	\$12,311		\$12,067		\$11,636		6	%
Interest revenue—average rate	3.70	%	3.73	%	3.77	%	(7	) bps
Interest expense—average rate	0.98		1.07		1.16		(18	) bps
Net interest margin	2.91	%	2.87	%	2.81	%	10	bps
Interest-rate benchmarks								
Two-year U.S. Treasury note—average rate	0.52	%	0.42	%	0.37	%	15	bps
10-year U.S. Treasury note—average rate	2.50		2.62		2.71		(21	) bps
10-year vs. two-year spread	198	bps	220	bps	234	bps		

Net interest revenue includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of (1) 35%) of \$124 million, \$121 million and \$125 million for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013.

(2) Excludes expenses associated with certain hybrid financial instruments, which are classified as Long-term debt and accounted for at fair value with changes recorded in Principal transactions.

(3) Interest revenue, expense, rates and volumes exclude Credicard (Discontinued operations) for all periods presented. See Note 2 to the Consolidated Financial Statements.

As set forth in the table above, Citi's net interest revenue increased 6% from the prior-year period due to higher interest earning assets, including higher loan volumes, lower funding costs and an improvement in net interest margin (NIM). NIM is calculated by dividing gross interest revenue less gross interest expense by average interest earning assets. Citi's NIM improved to 291 basis points in the third quarter of 2014, primarily reflecting lower cost of funds, including continued declines in the cost of deposits and long-term debt (see "Funding and Liquidity" above), partially offset by continued lower loan yields. Citi expects its NIM could decline slightly in the fourth quarter of 2014 due to the sale of the consumer operations in Greece and Spain which included higher-yielding consumer loans.

Average Balances and Interest Rates—Assets<sup>(1)(2)(3)(4)</sup>

## Taxable Equivalent Basis

	Average volume			Interest revenue			% Average rate		
	3rd Qtr. 2014	2nd Qtr. 2014	3rd Qtr. 2013	3rd Qtr. 2014	2nd Qtr. 2014	3rd Qtr. 2013	3rd Qtr. 2014	2nd Qtr. 2014	3rd Qtr. 2013
In millions of dollars, except rates	2014	2014	2013	2014	2014	2013	2014	2014	2013
<b>Assets</b>									
Deposits with banks <sup>(5)</sup>	\$ 159,432	\$ 160,555	\$ 151,533	\$ 235	\$ 250	\$ 255	0.58 %	0.62 %	0.67 %
Federal funds sold and securities borrowed or purchased under agreements to resell <sup>(6)</sup>									
In U.S. offices	147,640	159,178	155,370	\$ 256	\$ 257	\$ 260	0.69 %	0.65 %	0.66 %
In offices outside the U.S. <sup>(5)</sup>	100,434	106,245	108,998	311	335	357	1.23 %	1.26 %	1.30 %
Total	\$ 248,074	\$ 265,423	\$ 264,368	\$ 567	\$ 592	\$ 617	0.91 %	0.89 %	0.93 %
<b>Trading account assets<sup>(7)(8)</sup></b>									
In U.S. offices	\$ 116,659	\$ 111,204	\$ 124,762	\$ 878	\$ 804	\$ 950	2.99 %	2.90 %	3.02 %
In offices outside the U.S. <sup>(5)</sup>	121,183	123,015	121,493	637	683	575	2.09 %	2.23 %	1.88 %
Total	\$ 237,842	\$ 234,219	\$ 246,255	\$ 1,515	\$ 1,487	\$ 1,525	2.53 %	2.55 %	2.46 %
<b>Investments</b>									
In U.S. offices									
Taxable	\$ 201,032	\$ 190,622	\$ 87,796	\$ 868	\$ 783	\$ 665	1.71 %	1.65 %	3.01 %
Exempt from U.S. income tax	12,771	18,072	99,511	158	173	198	4.91 %	3.84 %	0.79 %
In offices outside the U.S. <sup>(5)</sup>	113,987	114,575	113,918	885	933	915	3.08 %	3.27 %	3.19 %
Total	\$ 327,790	\$ 323,269	\$ 301,225	\$ 1,911	\$ 1,889	\$ 1,778	2.31 %	2.34 %	2.34 %
<b>Loans (net of unearned income)<sup>(9)</sup></b>									
In U.S. offices	\$ 360,917	\$ 361,875	\$ 354,537	\$ 6,544	\$ 6,475	\$ 6,472	7.19 %	7.18 %	7.24 %
In offices outside the U.S. <sup>(5)</sup>	298,185	303,196	290,917	4,649	4,892	4,838	6.19 %	6.47 %	6.60 %
Total	\$ 659,102	\$ 665,071	\$ 645,454	\$ 11,193	\$ 11,367	\$ 11,310	6.74 %	6.86 %	6.95 %
Other interest-earning assets <sup>(10)</sup>	\$ 43,703	\$ 39,088	\$ 33,740	\$ 215	\$ 97	\$ 103	1.95 %	1.00 %	1.21 %
Total interest-earning assets	\$ 1,675,943	\$ 1,687,625	\$ 1,642,575	\$ 15,636	\$ 15,682	\$ 15,588	3.70 %	3.73 %	3.77 %
Non-interest-earning assets <sup>(7)</sup>	\$ 219,446	\$ 215,443	\$ 213,913						
Total assets from discontinued operations	—	—	3,032						
Total assets	\$ 1,895,389	\$ 1,903,068	\$ 1,859,520						

Net interest revenue includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of (1) 35% of \$124 million, \$121 million and \$125 million for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013, respectively.

(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories.

(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.

(4) Detailed average volume, Interest revenue and Interest expense exclude Discontinued operations. See Note 2 to the Consolidated Financial Statements.

(5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.

(6) Average volumes of securities borrowed or purchased under agreements to resell are reported net pursuant to FIN 41 (ASC 210-20-45). However, Interest revenue excludes the impact of FIN 41 (ASC 210-20-45).

(7) The fair value carrying amounts of derivative contracts are reported net, pursuant to FIN 39 (ASC 815-10-45), in Non-interest-earning assets and Other non-interest-bearing liabilities.

(8)

Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest revenue and Interest expense on cash collateral positions are reported in interest on Trading account assets and Trading account liabilities, respectively.

(9) Includes cash-basis loans.

(10) Includes brokerage receivables.

Edgar Filing: CITIGROUP INC - Form 10-Q

Average Balances and Interest Rates—Liabilities and Equity, and Net Interest Revenue<sup>(1)(2)(3)(4)</sup>

Taxable Equivalent Basis

	Average volume			Interest expense			% Average rate			
	3rd Qtr.	2nd Qtr.	3rd Qtr.	3rd Qtr.	2nd Qtr.	3rd Qtr.	3rd Qtr.	2nd Qtr.	3rd Qtr.	
In millions of dollars, except rates	2014	2014	2013	2014	2014	2013	2014	2014	2013	
<b>Liabilities</b>										
<b>Deposits</b>										
In U.S. offices <sup>(5)</sup>	\$293,927	\$293,480	\$258,550	\$329	\$356	\$404	0.44	%0.49	%0.62	%
In offices outside the U.S. <sup>(6)</sup>	459,656	472,654	478,865	1,088	1,113	1,086	0.94	%0.94	%0.90	%
Total	\$753,583	\$766,134	\$737,415	\$1,417	\$1,469	\$1,490	0.75	%0.77	%0.80	%
<b>Federal funds purchased and securities loaned or sold under agreements to repurchase<sup>(7)</sup></b>										
In U.S. offices	\$98,735	\$99,617	\$122,714	\$136	\$198	\$139	0.55	%0.80	%0.45	%
In offices outside the U.S. <sup>(6)</sup>	83,474	93,685	102,236	275	339	422	1.31	%1.45	%1.64	%
Total	\$182,209	\$193,302	\$224,950	\$411	\$537	\$561	0.89	%1.11	%0.99	%
<b>Trading account liabilities<sup>(8)(9)</sup></b>										
In U.S. offices	\$31,773	\$31,403	\$24,079	\$14	\$23	\$29	0.17	%0.29	%0.48	%
In offices outside the U.S. <sup>(6)</sup>	43,629	50,927	47,212	24	25	17	0.22	%0.20	%0.14	%
Total	\$75,402	\$82,330	\$71,291	\$38	\$48	\$46	0.20	%0.23	%0.26	%
<b>Short-term borrowings<sup>(10)</sup></b>										
In U.S. offices	\$80,829	\$76,824	\$81,992	\$41	\$52	\$55	0.20	%0.27	%0.27	%
In offices outside the U.S. <sup>(6)</sup>	44,164	38,336	34,183	100	110	95	0.90	%1.15	%1.10	%
Total	\$124,993	\$115,160	\$116,175	\$141	\$162	\$150	0.45	%0.56	%0.51	%
<b>Long-term debt<sup>(11)</sup></b>										
In U.S. offices	\$196,972	\$195,397	\$187,591	\$1,259	\$1,323	\$1,613	2.54	%2.72	%3.41	%
In offices outside the U.S. <sup>(6)</sup>	7,028	8,671	9,847	59	76	92	3.33	%3.52	%3.71	%
Total	\$204,000	\$204,068	\$197,438	\$1,318	\$1,399	\$1,705	2.56	%2.75	%3.43	%
<b>Total interest-bearing liabilities</b>	\$1,340,187	\$1,360,994	\$1,347,269	\$3,325	\$3,615	\$3,952	0.98	%1.07	%1.16	%
<b>Demand deposits in U.S. offices</b>	\$25,209	\$27,796	\$24,815							
<b>Other non-interest-bearing liabilities<sup>(8)</sup></b>	315,871	301,148	287,826							
<b>Total liabilities from discontinued operations</b>	—	—	—							
<b>Total liabilities</b>	\$1,681,267	\$1,689,938	\$1,659,910							
<b>Citigroup stockholders' equity<sup>(12)</sup></b>	\$212,513	\$211,400	\$197,722							
<b>Noncontrolling interest</b>	1,609	1,730	1,888							



Edgar Filing: CITIGROUP INC - Form 10-Q

Total equity <sup>(12)</sup>	\$214,122	\$213,130	\$199,610							
Total liabilities and stockholders' equity	\$1,895,389	\$1,903,068	\$1,859,520							
Net interest revenue as a percentage of average interest-earning assets <sup>(13)</sup>										
In U.S. offices	\$957,803	\$950,037	\$921,835	\$7,041	\$6,640	\$6,417	2.92	%2.80	%2.76	%
In offices outside the U.S. <sup>(6)</sup>	718,140	737,588	720,740	5,270	5,427	5,219	2.91	2.95	2.87	
Total	\$1,675,943	\$1,687,625	\$1,642,575	\$12,311	\$12,067	\$11,636	2.91	%2.87	%2.81	%

Net interest revenue includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of (1) 35%) of \$124 million, \$121 million and \$125 million for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013, respectively.

(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories.

(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.

(4) Detailed average volume, Interest revenue and Interest expense exclude Discontinued operations. See Note 2 to the Consolidated Financial Statements.

(5) Consists of other time deposits and savings deposits. Savings deposits are made up of insured money market accounts, NOW accounts, and other savings deposits. The interest expense on savings deposits includes FDIC deposit insurance fees and charges.

(6) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.

(7) Average volumes of securities loaned or sold under agreements to repurchase are reported net pursuant to FIN 41 (ASC 210-20-45). However, Interest expense excludes the impact of FIN 41 (ASC 210-20-45).

(8) The fair value carrying amounts of derivative contracts are reported net, pursuant to FIN 39 (ASC 815-10-45), in Non-interest-earning assets and Other non-interest-bearing liabilities.

(9) Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest revenue and Interest expense on cash collateral positions are reported in interest on Trading account assets and Trading account liabilities, respectively.

(10) Includes Brokerage payables.

(11) Excludes hybrid financial instruments and beneficial interests in consolidated VIEs that are classified as Long-term debt, as these obligations are accounted for in changes in fair value recorded in Principal transactions.

(12) Includes stockholders' equity from discontinued operations.

(13) Includes allocations for capital and funding costs based on the location of the asset.

Average Balances and Interest Rates—Assets<sup>(1)(2)(3)(4)</sup>  
Taxable Equivalent Basis

	Average volume		Interest revenue		% Average rate		
	Nine Months	Nine Months	Nine Months	Nine Months	Nine Months	Nine Months	
In millions of dollars, except rates	2014	2013	2014	2013	2014	2013	
<b>Assets</b>							
Deposits with banks <sup>(5)</sup>	\$ 164,968	\$ 135,412	\$ 737	\$ 763	0.60	% 0.75	%
Federal funds sold and securities borrowed or purchased under agreements to resell <sup>(6)</sup>							
In U.S. offices	\$ 153,228	\$ 159,293	\$ 762	\$ 866	0.66	% 0.73	%
In offices outside the U.S. <sup>(5)</sup>	103,002	111,434	991	1,141	1.29	% 1.37	%
Total	\$ 256,230	\$ 270,727	\$ 1,753	\$ 2,007	0.91	% 0.99	%
<b>Trading account assets<sup>(7)(8)</sup></b>							
In U.S. offices	\$ 113,797	\$ 128,845	\$ 2,561	\$ 2,851	3.01	% 2.96	%
In offices outside the U.S. <sup>(5)</sup>	121,695	129,302	1,960	2,043	2.15	% 2.11	%
Total	\$ 235,492	\$ 258,147	\$ 4,521	\$ 4,894	2.57	% 2.53	%
<b>Investments</b>							
In U.S. offices							
Taxable	\$ 188,826	\$ 147,911	\$ 2,384	\$ 2,027	1.69	% 1.83	%
Exempt from U.S. income tax	16,440	45,488	529	612	4.30	% 1.80	%
In offices outside the U.S. <sup>(5)</sup>	114,333	112,219	2,734	2,815	3.20	% 3.35	%
Total	\$ 319,599	\$ 305,618	\$ 5,647	\$ 5,454	2.36	% 2.39	%
<b>Loans (net of unearned income)<sup>(9)</sup></b>							
In U.S. offices	\$ 361,750	\$ 352,826	\$ 19,507	\$ 19,285	7.21	% 7.31	%
In offices outside the U.S. <sup>(5)</sup>	299,210	290,803	14,239	14,762	6.36	% 6.79	%
Total	\$ 660,960	\$ 643,629	\$ 33,746	\$ 34,047	6.83	% 7.07	%
<b>Other interest-earning assets<sup>(10)</sup></b>							
Total interest-earning assets	\$ 1,676,143	\$ 1,654,391	\$ 46,796	\$ 47,657	3.73	% 3.85	%
<b>Non-interest-earning assets<sup>(7)</sup></b>							
Total assets from discontinued operations	—	3,182					
Total assets	\$ 1,895,897	\$ 1,881,727					

Net interest revenue includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of (1) 35% of \$124 million, \$121 million and \$125 million ended September 30, 2014, June 30, 2014 and September 30, 2013, respectively.

(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories.

(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.

- (4) Detailed average volume, Interest revenue and Interest expense exclude Discontinued operations. See Note 2 to the Consolidated Financial Statements.
- (5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
- (6) Average volumes of securities borrowed or purchased under agreements to resell are reported net pursuant to FIN 41 (ASC 210-20-45). However, Interest revenue excludes the impact of FIN 41 (ASC 210-20-45).
- (7) The fair value carrying amounts of derivative contracts are reported in Non-interest-earning assets and Other non-interest-bearing liabilities.
- (8) Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest revenue and Interest expense on cash collateral positions are reported in interest on Trading account assets and Trading account liabilities, respectively.
- (9) Includes cash-basis loans.

Average Balances and Interest Rates—Liabilities and Equity, and Net Interest Revenue<sup>(1)(2)(3)(4)</sup>

## Taxable Equivalent Basis

	Average volume		Interest expense		% Average rate		
	Nine Months 2014	Nine Months 2013	Nine Months 2014	Nine Months 2013	Nine Months 2014	Nine Months 2013	
In millions of dollars, except rates	2014	2013	2014	2013	2014	2013	
<b>Liabilities</b>							
<b>Deposits</b>							
In U.S. offices <sup>(5)</sup>	\$289,555	\$258,222	\$1,087	\$1,348	0.50	%0.70	%
In offices outside the U.S. <sup>(6)</sup>	470,658	478,856	3,248	3,401	0.92	%0.95	%
Total	\$760,213	\$737,078	\$4,335	\$4,749	0.76	%0.86	%
<b>Federal funds purchased and securities loaned or sold under agreements to repurchase<sup>(7)</sup></b>							
In U.S. offices	\$100,643	\$129,615	\$490	\$524	0.65	%0.54	%
In offices outside the U.S. <sup>(6)</sup>	90,243	104,176	983	1,276	1.46	%1.64	%
Total	\$190,886	\$233,791	\$1,473	\$1,800	1.03	%1.03	%
<b>Trading account liabilities<sup>(8)(9)</sup></b>							
In U.S. offices	\$30,280	\$25,652	\$58	\$72	0.26	%0.38	%
In offices outside the U.S. <sup>(6)</sup>	46,577	49,337	69	59	0.20	%0.16	%
Total	\$76,857	\$74,989	\$127	\$131	0.22	%0.23	%
<b>Short-term borrowings<sup>(10)</sup></b>							
In U.S. offices	\$79,008	\$76,323	\$130	\$144	0.22	%0.25	%
In offices outside the U.S. <sup>(6)</sup>	39,311	35,915	310	317	1.05	%1.18	%
Total	\$118,319	\$112,238	\$440	\$461	0.50	%0.55	%
<b>Long-term debt<sup>(11)</sup></b>							
In U.S. offices	\$193,970	\$195,761	\$3,942	\$5,156	2.72	%3.52	%
In offices outside the U.S. <sup>(6)</sup>	8,211	10,358	214	143	3.48	%1.85	%
Total	\$202,181	\$206,119	\$4,156	\$5,299	2.75	%3.44	%
Total interest-bearing liabilities	\$1,348,456	\$1,364,215	\$10,531	\$12,440	1.04	%1.22	%
Demand deposits in U.S. offices	\$26,978	\$20,405					
Other non-interest-bearing liabilities <sup>(8)</sup>	308,658	299,978					
Total liabilities from discontinued operations	—	386					
Total liabilities	\$1,684,092	\$1,684,984					
Citigroup stockholders' equity <sup>(12)</sup>	\$210,066	\$194,781					
Noncontrolling interest	1,739	1,962					
Total equity <sup>(12)</sup>	\$211,805	\$196,743					
Total liabilities and stockholders' equity	\$1,895,897	\$1,881,727					
<b>Net interest revenue as a percentage of average interest-earning assets<sup>(13)</sup></b>							
In U.S. offices	\$950,484	\$921,081	\$20,357	\$18,840	2.86	%2.73	%
In offices outside the U.S. <sup>(6)</sup>	725,659	733,310	15,908	16,377	2.93	2.99	%
Total	\$1,676,143	\$1,654,391	\$36,265	\$35,217	2.89	%2.85	%

Net interest revenue includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of (1)35% of \$124 million, \$121 million and \$125 million for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013, respectively.

(2)

Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories.

- (3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
- (4) Detailed average volume, Interest revenue and Interest expense exclude Discontinued operations. See Note 2 to the Consolidated Financial Statements.  
Consists of other time deposits and savings deposits. Savings deposits are made up of insured money market
- (5) accounts, NOW accounts, and other savings deposits. The interest expense on savings deposits includes FDIC deposit insurance fees and charges.
- (6) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
- (7) Average volumes of securities loaned or sold under agreements to repurchase are reported net pursuant to FIN 41 (ASC 210-20-45). However, Interest expense excludes the impact of FIN 41 (ASC 210-20-45).
- (8) The fair value carrying amounts of derivative contracts are reported in Non-interest-earning assets and Other non-interest-bearing liabilities.

Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest (9) revenue and Interest expense on cash collateral positions are reported in interest on Trading account assets and Trading account liabilities, respectively.

(10) Excludes hybrid financial instruments and beneficial interests in consolidated VIEs that are classified as Long-term debt, as these obligations are accounted for in changes in fair value recorded in Principal transactions.

(11) Includes stockholders' equity from discontinued operations.

(12) Includes allocations for capital and funding costs based on the location of the asset.

#### Analysis of Changes in Interest Revenue<sup>(1)(2)(3)</sup>

In millions of dollars	3rd Qtr. 2014 vs. 2nd Qtr. 2014			3rd Qtr. 2014 vs. 3rd Qtr. 2013			
	Increase (decrease)			Increase (decrease)			
	due to change in:			due to change in:			
	Average	Average	Net	Average	Average	Net	
	volume	rate	change	volume	rate	change	
Deposits with banks <sup>(4)</sup>	\$ (2	) \$ (13	) \$ (15	) \$ 13	) \$ (33	) \$ (20	)
Federal funds sold and securities borrowed or purchased under agreements to resell							
In U.S. offices	\$ (19	) \$ 18	) \$ (1	) \$ (13	) \$ 9	) \$ (4	)
In offices outside the U.S. <sup>(4)</sup>	(18	) (6	) (24	) (27	) (19	) (46	)
Total	\$ (37	) \$ 12	) \$ (25	) \$ (40	) \$ (10	) \$ (50	)
Trading account assets <sup>(5)</sup>							
In U.S. offices	\$ 40	) \$ 34	) \$ 74	) \$ (61	) \$ (11	) \$ (72	)
In offices outside the U.S. <sup>(4)</sup>	(10	) (36	) (46	) (1	) 63	) 62	)
Total	\$ 30	) \$ (2	) \$ 28	) \$ (62	) \$ 52	) \$ (10	)
Investments <sup>(1)</sup>							
In U.S. offices	\$ 24	) \$ 46	) \$ 70	) \$ 126	) \$ 37	) \$ 163	)
In offices outside the U.S. <sup>(4)</sup>	(5	) (43	) (48	) 1	) (31	) (30	)
Total	\$ 19	) \$ 3	) \$ 22	) \$ 127	) \$ 6	) \$ 133	)
Loans (net of unearned income) <sup>(6)</sup>							
In U.S. offices	\$ (17	) \$ 86	) \$ 69	) \$ 116	) \$ (44	) \$ 72	)
In offices outside the U.S. <sup>(4)</sup>	(80	) (163	) (243	) 119	) (308	) (189	)
Total	\$ (97	) \$ (77	) \$ (174	) \$ 235	) \$ (352	) \$ (117	)
Other interest-earning assets <sup>(7)</sup>	\$ 13	) \$ 105	) \$ 118	) \$ 36	) \$ 76	) \$ 112	)
Total interest revenue	\$ (74	) \$ 28	) \$ (46	) \$ 309	) \$ (261	) \$ 48	)

(1) The taxable equivalent adjustment is based on the U.S. federal statutory tax rate of 35% and is included in this presentation.

(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.

(3) Detailed average volume, Interest revenue and Interest expense exclude Discontinued operations. See Note 2 to the Consolidated Financial Statements.

(4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.

Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest (5) revenue and Interest expense on cash collateral positions are reported in interest on Trading account assets and Trading account liabilities, respectively.

(6) Includes cash-basis loans.

(7) Includes brokerage receivables.



Analysis of Changes in Interest Expense and Interest Revenue<sup>(1)(2)(3)</sup>

In millions of dollars	3rd Qtr. 2014 vs. 2nd Qtr. 2014 Increase (decrease) due to change in:			3rd Qtr. 2014 vs. 3rd Qtr. 2013 Increase (decrease) due to change in:		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Deposits						
In U.S. offices	\$1	\$(28)	\$(27)	\$50	\$(125)	\$(75)
In offices outside the U.S. <sup>(4)</sup>	(31)	6	(25)	(44)	46	2
Total	\$(30)	\$(22)	\$(52)	\$6	\$(79)	\$(73)
Federal funds purchased and securities loaned or sold under agreements to repurchase						
In U.S. offices	\$(2)	\$(60)	\$(62)	\$(30)	\$27	\$(3)
In offices outside the U.S. <sup>(4)</sup>	(35)	(29)	(64)	(70)	(77)	(147)
Total	\$(37)	\$(89)	\$(126)	\$(100)	\$(50)	\$(150)
Trading account liabilities <sup>(5)</sup>						
In U.S. offices	\$—	\$(9)	\$(9)	\$7	\$(22)	\$(15)
In offices outside the U.S. <sup>(4)</sup>	(4)	3	(1)	(1)	8	7
Total	\$(4)	\$(6)	\$(10)	\$6	\$(14)	\$(8)
Short-term borrowings <sup>(6)</sup>						
In U.S. offices	\$3	\$(14)	\$(11)	\$(1)	\$(13)	\$(14)
In offices outside the U.S. <sup>(4)</sup>	15	(25)	(10)	25	(20)	5
Total	\$18	\$(39)	\$(21)	\$24	\$(33)	\$(9)
Long-term debt						
In U.S. offices	\$11	\$(75)	\$(64)	\$77	\$(431)	\$(354)
In offices outside the U.S. <sup>(4)</sup>	(14)	(3)	(17)	(24)	(9)	(33)
Total	\$(3)	\$(78)	\$(81)	\$53	\$(440)	\$(387)
Total interest expense	\$(56)	\$(234)	\$(290)	\$(11)	\$(616)	\$(627)
Net interest revenue	\$(18)	\$262	\$244	\$320	\$355	\$675

(1) The taxable equivalent adjustment is based on the U.S. federal statutory tax rate of 35% and is included in this presentation.

(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.

(3) Detailed average volume, Interest revenue and Interest expense exclude Discontinued operations. See Note 2 to the Consolidated Financial Statements.

(4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.

Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest revenue and Interest expense on cash collateral positions are reported in interest on Trading account assets and Trading account liabilities, respectively.

(6) Includes brokerage payables.



Analysis of Changes in Interest Revenue, Interest Expense, and Net Interest Revenue<sup>(1)(2)(3)</sup>

In millions of dollars	Nine Months 2014 vs. Nine Months 2013		
	Increase (decrease) due to change in:		
	Average volume	Average rate	Net change <sup>(2)</sup>
Deposits at interest with banks <sup>(4)</sup>	\$ 149	\$(175)	\$(26)
Federal funds sold and securities borrowed or purchased under agreements to resell			
In U.S. offices	\$(32)	\$(72)	\$(104)
In offices outside the U.S. <sup>(4)</sup>	(83)	(67)	(150)
Total	\$(115)	\$(139)	\$(254)
Trading account assets <sup>(5)</sup>			
In U.S. offices	\$(338)	\$48	\$(290)
In offices outside the U.S. <sup>(4)</sup>	(122)	39	(83)
Total	\$(460)	\$87	\$(373)
Investments <sup>(1)</sup>			0
In U.S. offices	\$ 166	\$ 108	\$274
In offices outside the U.S. <sup>(4)</sup>	52	(133)	(81)
Total	\$218	\$(25)	\$193
Loans (net of unearned income) <sup>(6)</sup>			
In U.S. offices	\$483	\$(261)	\$222
In offices outside the U.S. <sup>(4)</sup>	418	(941)	(523)
Total	\$901	\$(1,202)	\$(301)
Other interest-earning assets	\$(23)	\$(77)	\$(100)
Total interest revenue	\$670	\$(1,531)	\$(861)
Deposits <sup>(7)</sup>			
In U.S. offices	\$ 150	\$(411)	\$(261)
In offices outside the U.S. <sup>(4)</sup>	(58)	(95)	(153)
Total	\$92	\$(506)	\$(414)
Federal funds purchased and securities loaned or sold under agreements to repurchase			
In U.S. offices	\$(130)	\$96	\$(34)
In offices outside the U.S. <sup>(4)</sup>	(160)	(133)	(293)
Total	\$(290)	\$(37)	\$(327)
Trading account liabilities <sup>(5)</sup>			
In U.S. offices	\$ 11	\$(25)	\$(14)
In offices outside the U.S. <sup>(4)</sup>	(3)	13	10
Total	\$8	\$(12)	\$(4)
Short-term borrowings			
In U.S. offices	\$5	\$(19)	\$(14)
In offices outside the U.S. <sup>(4)</sup>	28	(35)	(7)
Total	\$33	\$(54)	\$(21)
Long-term debt			
In U.S. offices	\$(47)	\$(1,167)	\$(1,214)
In offices outside the U.S. <sup>(4)</sup>	(35)	106	71
Total	\$(82)	\$(1,061)	\$(1,143)
Total interest expense	\$(239)	\$(1,670)	\$(1,909)
Net interest revenue	\$909	\$ 139	\$1,048

- (1) The taxable equivalent adjustment is based on the U.S. Federal statutory tax rate of 35% and is included in this presentation.
- (2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.
- (3) Detailed average volume, Interest revenue and Interest expense exclude Discontinued operations.
- (4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.

Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest (5) revenue and Interest expense on cash collateral positions are reported in Trading account assets and Trading account liabilities, respectively.

(6) Includes cash-basis loans.

(7) The interest expense on deposits includes the FDIC assessment and deposit insurance fees and charges of \$766 million and \$855 million for the nine months ended September 30, 2014 and 2013, respectively.

## Price Risk—Trading Portfolios

For additional information on the measures Citi uses to monitor price risk in its trading portfolios, as well as additional information on value at risk, see “Managing Global Risk—Market Risk—Price Risk” in Citi’s 2013 Annual Report on Form 10-K.

## Value at Risk

Value at risk (VAR) estimates, at a 99% confidence level, the potential decline in the value of a position or a portfolio under normal market conditions assuming a one-day holding period. VAR statistics, which are based on historical data, can be materially different across firms due to differences in portfolio composition, differences in VAR methodologies, and differences in model parameters. As a result, Citi believes VAR statistics can be used more effectively as indicators of trends in risk taking within a firm, rather than as a basis for inferring differences in risk-taking across firms.

Citi uses a single, 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 rate, credit

spread, foreign exchange, equity and commodity risks). Citi’s VAR includes positions which are measured at fair value; it does not include investment securities classified as available-for-sale or held-to-maturity. For information on these securities, see Note 13 to the Consolidated Financial Statements.

Citi believes its VAR model is conservatively calibrated to incorporate fat-tail scaling and the greater of short-term (approximately the most recent month) and long-term (three years) market volatility. The Monte Carlo simulation involves approximately 300,000 market factors, making use of approximately 180,000 time series, with sensitivities updated daily, volatility parameters updated daily to weekly and correlation parameters updated monthly. The conservative features of the VAR calibration contribute an approximately 14% add-on to what would be a VAR estimated under the assumption of stable and perfectly normally distributed markets.

The sequential decline in Citi’s average Total Trading and Credit Portfolios VAR, as set forth in the table below, was primarily driven by standard and management-approved VAR model parameter updates which resulted in lower volatilities associated with the credit portfolio.

In millions of dollars	Third Quarter September 2014		Second Quarter June 30, 2014		Third Quarter September 2013	
	Average	Average	Average	Average	Average	Average
Interest rate	\$79	\$80	\$81	\$85	N/A	N/A
Credit spread	66	70	72	73	N/A	N/A
Covariance adjustment <sup>(1)</sup>	(37	)(41	)(41	)(43	)(N/A	)(N/A
Fully diversified interest rate and credit spread	108	109	112	115	105	112
Foreign exchange	29	32	26	34	27	32
Equity	22	22	24	26	26	26
Commodity	14	15	13	15	11	13
Covariance adjustment <sup>(1)</sup>	(70	)(73	)(72	)(79	)(62	)(73
Total Trading VAR—all market risk factors, including general and specific risk (excluding credit portfolios) <sup>(2)</sup>	\$103	\$105	\$103	\$111	\$107	\$110
Specific risk-only component <sup>(3)</sup>	\$6	\$9	\$9	\$12	\$19	\$16
Total Trading VAR—general market risk factors only (excluding credit portfolios) <sup>(2)</sup>	\$97	\$96	\$94	\$99	\$88	\$94
Incremental Impact of the Credit Portfolio <sup>(4)</sup>	24	16	\$14	\$24	\$10	\$7
Total Trading and Credit Portfolios VAR	\$127	\$121	\$117	\$135	\$117	\$117

Covariance adjustment (also known as diversification benefit) equals the difference between the total VAR and the sum of the VARs tied to each individual risk type. The benefit reflects the fact that the risks within each and across (1) risk types are not perfectly correlated and, consequently, the total VAR on a given day will be lower than the sum of the VARs relating to each individual risk type. The determination of the primary drivers of changes to the covariance adjustment is made by an examination of the impact of both model parameter and position changes.

(2) The total Trading VAR includes mark-to-market and certain fair value option trading positions from ICG and Citi Holdings, with the exception of hedges to the loan portfolio, fair value option loans, and all CVA exposures. Available-for-sale and accrual exposures are not included.

(3) The specific risk-only component represents the level of equity and fixed income issuer-specific risk embedded in VAR.

The credit portfolio is composed of mark-to-market positions associated with non-trading business units including Citi Treasury, the CVA relating to derivative counterparties and all associated CVA hedges. FVA and DVA are not (4) included. The credit portfolio also includes hedges to the loan portfolio, fair value option loans and hedges to the leveraged finance pipeline within capital markets origination within ICG.

The table below provides the range of market factor VARs associated with Citi's Total Trading VAR, inclusive of specific risk, that was experienced during the following quarters:

	Third Quarter 2014		Second Quarter 2014		Third Quarter 2013	
	Low	High	Low	High	Low	High
In millions of dollars						
Interest rate	\$52	\$105	\$65	\$101	N/A	N/A
Credit spread	64	78	68	82	N/A	N/A
Fully diversified interest rate and credit spread	89	130	101	129	96	134
Foreign exchange	23	44	23	59	23	45
Equity	16	31	18	44	18	47
Commodity	11	21	11	20	8	24
Covariance adjustment <sup>(1)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Total Trading	84	124	96	139	93	128
Total Trading and Credit Portfolio	96	142	111	172	103	131

(1) No covariance adjustment can be inferred from the above table as the High and Low for each market factor will be from different close of business dates.

The following table provides the VAR for ICG during the third quarter of 2014, excluding the CVA relating to derivative counterparties, hedges of CVA, fair value option loans, and hedges to the loan portfolio.

In millions of dollars	Sept. 30, 2014
Total—all market risk factors, including general and specific risk	\$100
Average—during quarter	\$102
High—during quarter	121
Low—during quarter	82

#### Regulatory VAR Back-testing

In accordance with Basel III, Citi is required to perform back-testing to evaluate the effectiveness of its Regulatory VAR model. Regulatory VAR back-testing is the process in which the daily one-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). 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 VAR back-testing is performed against buy-and-hold profit and loss on a monthly basis for approximately 155 portfolios across the organization (trading desk level, ICG business segment and Citigroup) and the results are shared with the U.S. banking regulators.

As of September 30, 2014, there were no back-testing 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 back-testing exceptions.

## COUNTRY AND CROSS-BORDER RISK

### COUNTRY RISK

#### Overview

Country risk is the risk that an event in a country (precipitated by developments internal or external to a country) could directly or indirectly impair the value of Citi's franchise or adversely affect the ability of obligors within that country to honor their obligations to Citi, any of which could negatively impact Citi's results of operations or financial condition. Country risk events could include sovereign volatility or defaults, banking failures or defaults, redenomination events (which could be accompanied by a revaluation (either devaluation or appreciation) of the affected currency), currency crises, foreign exchange and/or capital controls and/or political events and instability. Country risk events could result in mandatory loan loss and other reserve requirements imposed by U.S. regulators due to a particular country's economic situation.

While Citi continues to work to mitigate its exposures to potential country risk events, the impact of any such event is highly uncertain and will ultimately be based on the specific facts and circumstances. As a result, there can be no assurance that the various steps Citi has taken to protect its businesses, results of operations and financial condition against these events will be sufficient. In addition, there could be negative impacts to Citi's businesses, results of operations or financial condition that are currently unknown to Citi and thus cannot be mitigated as part of its ongoing contingency planning.

For additional information on country risk at Citi, including its country risk management process as well as Citi's exposures relating to Greece, Ireland, Italy, Portugal and Spain (GIIPS) as of December 31, 2013, see "Managing Global Risk—Country and Cross-Border Risk—Country Risk—GIIPS Sovereign, Financial Institution and Corporate Exposures" in Citi's 2013 Annual Report on Form 10-K.

## Emerging Markets Exposures

Citi generally defines emerging markets as countries in Latin America, Asia (other than Japan, Australia and New Zealand), central and eastern Europe, the Middle East and Africa.

The following table presents Citicorp's principal emerging markets assets as of September 30, 2014. For purposes of the table below, loan amounts are generally based

on the domicile of the borrower. For example, a loan to a Chinese subsidiary of a Switzerland-based corporation will generally be categorized as a loan in China. Trading account assets and investment securities are generally categorized below based on the domicile of the issuer of the security or the underlying reference entity.

In billions of dollars	As of Jun. 30, 2014	As of September 30, 2014			GCB NCL Rate		3Q'14	2Q'14	
	Aggregate <sup>(1)</sup>	Aggregate <sup>(1)</sup>	Trading Account Assets <sup>(2)</sup>	Investment Securities <sup>(3)</sup>	ICG Loans <sup>(4)(5)</sup>	GCB Loans <sup>(4)</sup>			
Mexico	\$70.5	\$67.6	\$6.1	\$21.3	\$9.8	\$30.4	4.9	%4.7	%
Korea	42.1	39.0	(0.2)	11.3	3.8	24.1	0.9	0.9	
Singapore	30.7	31.4	0.3	6.4	9.9	14.9	0.2	0.3	
Brazil	29.4	27.4	3.2	4.7	15.4	3.9	5.5	5.5	
Hong Kong	27.4	27.1	1.4	4.3	10.9	10.5	0.6	0.4	
India	25.7	25.2	2.2	7.8	9.2	6.1	0.8	1.0	
China	22.8	22.3	2.3	3.9	11.1	5.0	0.3	0.8	
Taiwan	14.8	14.1	1.4	1.1	4.4	7.2	0.1	(0.1)	)
Poland	9.8	11.2	1.1	5.2	1.9	3.0	0.2	0.2	
Malaysia	9.2	9.4	1.7	0.2	1.7	5.8	0.6	0.7	
Russia <sup>(6)</sup>	8.9	8.8	0.7	0.8	5.8	1.6	2.8	2.4	
Indonesia	7.3	7.1	0.7	0.9	4.2	1.3	2.2	2.3	
Turkey <sup>(7)</sup>	5.7	5.4	0.4	1.6	2.7	0.7	(0.1)	(0.1)	)
Colombia	5.0	5.2	0.1	0.5	2.1	2.4	3.5	3.5	
Thailand	4.9	4.9	0.6	1.3	1.0	2.0	2.6	2.2	
UAE	4.3	4.3	(0.1)	—	2.9	1.5	2.6	1.9	
Philippines	3.0	3.2	0.3	0.3	1.6	1.0	4.2	4.2	
South Africa	2.8	3.0	0.4	0.5	2.1	—	—	—	
Argentina <sup>(6)</sup>	2.7	2.7	0.2	0.1	1.5	1.0	1.0	0.7	
Nigeria	2.4	2.7	0.2	0.5	1.9	—	—	—	

Note: Aggregate may not cross foot due to rounding.

(1) Aggregate of Trading account assets, Investment securities, ICG loans and GCB loans.

(2) Trading account assets are shown on a net basis. Citi's trading account assets will vary as it maintains inventory consistent with customer needs.

(3) Investment securities include securities available-for-sale, recorded at fair market value, and securities held-to-maturity, recorded at historical cost.

(4) Reflects funded loans, net of unearned income. In addition to the funded loans disclosed in the table above, through its ICG businesses, Citi had unfunded commitments to corporate customers in the emerging markets of approximately \$34 billion as of September 30, 2014 (compared to \$33 billion as of June 30, 2014); no country accounted for more than \$4 billion of this amount.

(5) As of September 30, 2014, non-accrual loans represented 0.6% of total ICG loans in the emerging markets. For the countries in the table above, non-accrual loan ratios as of September 30, 2014 ranged from 0.0% to 0.4%, other than in Hong Kong and Brazil. In Hong Kong, the non-accrual loan ratio was 1.5% as of September 30, 2014



(compared to 1.3% as of June 30, 2014), primarily reflecting the impact of one counterparty. In Brazil, the non-accrual loan ratio was 1.6% as of September 30, 2014 (compared to 0.3% as of June 30, 2014), primarily reflecting the impact of one counterparty.

- (6) For additional information on Citi's cross-border risk relating to Russia and Argentina, see "Cross-Border Risk" below.
- (7) Investment securities in Turkey include Citi's remaining \$1.5 billion investment in Akbank T.A.S. For additional information, see Note 14 to the Consolidated Financial Statements in Citi's 2013 Annual Report on Form 10-K.

#### Emerging Markets Trading Account Assets and Investment Securities

In the ordinary course of business, Citi holds securities in its trading accounts and investment accounts, including those above. Trading account assets are marked to market daily, with asset levels varying as Citi maintains inventory consistent with customer needs. Investment securities are recorded at either fair value or historical cost, based on the underlying accounting treatment, and are predominantly held as part of the local entity asset and liability management program, or to comply with local regulatory requirements. In the markets in the table above, 98% of Citi's investment securities were related to sovereign issuers as of September 30, 2014.

#### Emerging Markets Consumer Lending

GCB's strategy within the emerging markets is consistent with GCB's overall strategy, which is to leverage its global footprint to serve its target clients. The retail bank seeks to be the preeminent bank for the emerging affluent and affluent consumers in large urban centers. In credit cards and in certain retail markets, Citi serves customers in a somewhat broader set of segments and geographies. Commercial banking generally serves small and middle market enterprises operating in GCB's geographic markets, focused on clients that value Citi's global capabilities. Overall, Citi believes that its customers are more resilient than the overall market under a wide range of economic conditions. Citi's consumer business has a well-established risk appetite framework across geographies and products that reflects the business strategy and activities and establishes boundaries around the key risks that arise from the strategy and activities.

As of September 30, 2014, GCB had approximately \$128 billion of consumer loans outstanding to borrowers in the emerging markets, or approximately 43% of GCB's total loans, relatively unchanged from June 30, 2014. Of the approximate \$128 billion as of September 30, 2014, the five largest emerging markets—Mexico, Korea, Singapore, Hong Kong and Taiwan—comprised approximately 29% of GCB's total loans.

Within the emerging markets, 29% of Citi's GCB loans were mortgages, 26% were commercial markets loans, 24% were personal loans and 21% were credit cards loans, each as of September 30, 2014.

Overall consumer credit quality remained generally stable in the third quarter of 2014, as net credit losses in the emerging markets were 2.1% of average loans, compared to 2.0% in the second quarter of 2014, consistent with Citi's target market strategy and risk appetite framework.

#### Emerging Markets Corporate Lending

Consistent with its overall strategy, Citi's corporate clients in the emerging markets are typically large, multi-national corporations who value Citi's global network. Citi aims to establish relationships with these clients that encompass multiple products, consistent with client needs, including cash management and trade services, foreign exchange, lending, capital markets and M&A advisory. Citi believes that its target corporate segment is more resilient under a wide range of economic conditions, and that its relationship-based approach to client service enables it to effectively manage the risks inherent in such relationships. Citi has a well-established risk appetite framework around its corporate lending activities, including risk-based limits and approval authorities and portfolio concentration boundaries.

As of September 30, 2014, ICG had approximately \$125 billion of loans outstanding to borrowers in the emerging markets, representing approximately 45% of ICG's total loans outstanding, largely unchanged from June 30, 2014. No single emerging market country accounted for more than 6% of Citi's ICG loans as of the end of the third quarter of 2014.

As of September 30, 2014, approximately 72% of Citi's emerging markets corporate credit portfolio (excluding private bank in ICG), including loans and unfunded lending commitments, was rated investment grade, which Citi considers to be ratings of BBB or better according to Citi's internal risk measurement system and methodology (for additional information on Citi's internal risk measurement system for corporate credit, see "Corporate Credit Details" above). The vast majority of the remainder were rated BB or B according to Citi's internal risk measurement system and methodology.

Overall ICG net credit losses in the emerging markets were 0.0% of average loans in third quarter of 2014, unchanged from the second quarter of 2014. The ratio of non-accrual ICG loans to total loans in the emerging markets remained stable at 0.6% as of September 30, 2014.

## CROSS-BORDER RISK

### Overview

Cross-border risk is the risk that actions taken by a non-U.S. government may prevent the conversion of local currency into non-local currency and/or the transfer of funds outside the country, among other risks, thereby impacting the ability of Citigroup and its customers to transact business across borders. Examples of cross-border risk include actions taken by foreign governments such as exchange controls and restrictions on the remittance of funds. These actions might restrict the transfer of funds or the ability of Citigroup to obtain payment from customers on their contractual obligations. For additional information on certain of the matters described below as well as Citi's cross-border risk management process, see "Managing Global Risk—Risk Management—Overview" and "Cross-Border Risk," as well as "Risk Factors—Market and Economic Risks" in Citi's 2013 Annual Report on Form 10-K.

### Argentina

As of September 30, 2014, Citi's net investment in its Argentine operations was approximately \$720 million, compared to \$670 million as of June 30, 2014. As previously disclosed, Citi uses the Argentine peso as the functional currency in Argentina and translates its financial statements into U.S. dollars using the official exchange rate as published by the Central Bank of Argentina.

According to the official exchange rate, the Argentine peso devalued to 8.43 pesos to one U.S. dollar at September 30, 2014, compared to 8.13 Argentine pesos to one U.S. dollar at June 30, 2014. Based on the official exchange rate, Citi had cumulative translation losses recorded in stockholders' equity related to its investment in Argentina, net of qualifying net investment hedges, of approximately \$1.46 billion (pretax) as of September 30, 2014, compared to \$1.43 billion at June 30, 2014.

At September 30, 2014, Citi's total hedges against its net investment in Argentina were approximately \$920 million, compared to \$955 million at June 30, 2014. Of the amount at September 30, 2014, approximately \$430 million were foreign currency forwards designated as net investment hedges under ASC 815, compared to \$405 million at June 30, 2014. The remaining hedges of approximately \$490 million at September 30, 2014, compared to \$550 million as of June 30, 2014, were net U.S. dollar denominated assets and foreign currency futures that do not qualify for hedge accounting under ASC 815. The decline in the non-ASC 815 qualifying hedges during the current quarter was due in part to increased foreign currency limitations imposed by the Argentine government during the quarter. Moreover, in September 2014, Argentina's central bank enacted new regulations which limit banks' holdings of foreign currency, which could further limit Citi's ability to hedge its currency risk by holding U.S. dollar assets in Citi Argentina. Although Citi currently uses the Argentine peso as the functional currency for its operations in Argentina, an increase in inflation resulting in a cumulative three-year inflation rate of 100% or more would result in a change in

the functional currency to the U.S. dollar. Citi bases its evaluation of the cumulative three-year inflation rate on the official inflation statistics published by INDEC, the Argentine government's statistics agency. The cumulative three-year inflation rate as of September 30, 2014 based on INDEC was approximately 50% (compared to 47% as of June 30, 2014). The official inflation statistics are believed to be underestimated, however, and unofficial inflation statistics suggest the cumulative three-year inflation rate ranged from 109% to 119% as of September 30, 2014 (compared to a range of 108% to 115% as of June 30, 2014).

A change in the functional currency to the U.S. dollar would result in future devaluations of the Argentine peso being recorded in earnings for Citi's Argentina's peso denominated assets and liabilities.

As of September 30, 2014, Citi had total third-party assets of \$3.8 billion in Citi Argentina, compared to \$3.7 billion as of June 30, 2014, primarily consisting of cash, loans and securities. Included in the total assets were U.S.-dollar denominated third-party assets of approximately \$520 million at September 30, 2014, compared to \$640 million at June 30, 2014. (For additional information on Citi's exposures related to Argentina, see "Emerging Market Exposures" above, which sets forth Citi's trading account assets, investment securities, ICG loans and GCB loans in Argentina, based on the methodology described in such section. As disclosed in such section, these assets totaled approximately \$2.7 billion as of September 30, 2014. Approximately \$200 million of such exposure is held on non-Argentinean Citi subsidiaries and thus is not included in the \$3.8 billion amount set forth above, which pertains only to Citi Argentina,

as disclosed.)

As widely reported, Argentina is currently engaged in litigation in the U.S. with certain “holdout” bond investors who did not accept restructured bonds in the restructuring of Argentine debt after Argentina defaulted on its sovereign obligations in 2001 (for additional information, see “Country and Cross-Border Risk - Cross-Border Risk - Argentina” in Citi’s Second Quarter of 2014 Form 10-Q). During the third quarter of 2014, Argentina’s June 30, 2014 interest payment on certain of the restructured bonds was not paid by the trustee as such payment would have violated U.S. court orders. As a result, Argentina has been deemed to be in technical default.

The ongoing economic and political situation in Argentina could negatively impact Citi’s results of operations, including revenues in its foreign exchange business and/or potentially increase its funding costs. It could also lead to further governmental intervention or regulatory restrictions on foreign investments in Argentina, including further devaluation of the Argentine peso, further limits to foreign currency holdings or hedging activities, or the potential redenomination of certain U.S. dollar assets and liabilities into Argentine pesos, which could be accompanied by a devaluation of the Argentine peso. As previously disclosed, U.S. regulators could also downgrade Argentina’s transfer risk rating, which could result in mandatory loan loss or other reserve requirements. As of September 30, 2014, Citi estimates that if such event were to occur, this

could result in estimated losses of up to approximately \$160 million.

Further, as previously disclosed and widely reported, Citi acts as a custodian in Argentina for certain of the restructured bonds that are part of the “holdout” bond litigation; specifically, U.S. dollar denominated restructured bonds governed by Argentina law and payable in Argentina. During the third quarter of 2014, the U.S. court overseeing the Argentina litigation ruled that Citi Argentina’s payment of interest on these bonds, as custodian, was covered by the court’s order and thus could not be made without violating the order prohibiting the payments. While the court granted a stay and permitted Citi Argentina to make the September 30, 2014 payments, future interest payments on these bonds could place Citi Argentina in violation of the court’s order, absent relief from the court. Conversely, Citi Argentina’s failure to pay future interest on these bonds could result in significant negative consequences to Citi’s franchise in Argentina, including sanctions, confiscation of assets, criminal charges, or even loss of licenses in Argentina, as well as expose Citi and Citi Argentina to litigation. The next interest payment on the bonds for which Citi Argentina serves as custodian is due December 31, 2014.

#### Venezuela

Since 2003, the Venezuelan government has implemented and operated restrictive foreign exchange controls. These exchange controls have limited Citi’s ability to obtain U.S. dollars in Venezuela at the official foreign currency rate; Citi has not been able to acquire U.S. dollars from the Venezuelan government since 2008.

As of September 30, 2014, the preferential foreign exchange rate offered by the National Center for Foreign Trade (CENCOEX) was fixed at 6.3 bolivars to one U.S. dollar (unchanged from June 30, 2014), the SICAD I rate was 12 bolivars to one U.S. dollar (compared to 10.6 bolivars to one U.S. dollar at June 30, 2014), and the SICAD II rate was 50 bolivars to one U.S. dollar (unchanged from June 30, 2014). As of and for the quarter ended September 30, 2014, Citi uses the SICAD I rate to remeasure its net bolivar-denominated monetary assets as the SICAD I rate is the only rate at which Citi is eligible to acquire U.S. dollars. Further changes in the SICAD I exchange rate, or a change to the SICAD II for purposes of the remeasurement of Citi’s net bolivar-denominated monetary assets, could result in foreign exchange gains or losses in the future.

At September 30, 2014, Citi’s net investment in its Venezuelan operations was approximately \$160 million (compared to \$175 million at June 30, 2014), which included net monetary assets denominated in Venezuelan bolivars of approximately \$130 million (compared to \$150 million at June 30, 2014). Total third-party assets of Citi Venezuela were approximately \$900 million, unchanged from June 30, 2014, and were composed primarily of cash, loans and debt securities.

#### Russia

Russia’s engagement in recent events in Ukraine has continued to be a cause of concern to investors in Russian assets and parties doing business in Russia or with Russian entities, including as a result of the potential risk of wider repercussions on the Russian economy and trade and investment as well as the imposition of additional sanctions, such as asset freezes, involving Russia or against Russian entities, business sectors, individuals or otherwise. The Russian ruble has depreciated 13% against the U.S. dollar from June 30, 2014 to September 30, 2014, and over the same period the MICEX Index of leading Russian stocks has decreased 4.4%.

Citi operates in Russia through a subsidiary of Citibank, N.A., which uses the Russian ruble as its functional currency. Citi’s net investment in Russia was approximately \$1.6 billion at September 30, 2014 compared to \$1.8 billion at June 30, 2014. Substantially all of Citi’s net investment was hedged (subject to related tax adjustments) as of September 30, 2014, using forward foreign exchange contracts. Total third-party assets of the Russian Citibank subsidiary were approximately \$7.4 billion as of September 30, 2014, compared to \$7.7 billion at June 30, 2014. These assets were primarily composed of corporate and consumer loans, local government debt securities, and cash on deposit with the Central Bank of Russia. A significant majority of these third-party assets were funded with local deposit liabilities. For additional information on Citi’s exposures related to Russia, see “Emerging Market Exposures” above, which sets forth Citi’s trading account assets, investment securities, ICG loans and GCB loans in Russia, based on the methodology described in such section. As disclosed in such section, these assets totaled approximately \$8.8 billion as

of September 30, 2014. Approximately \$3.3 billion of such exposure is held on non-Russian Citi subsidiaries and thus is not included in the \$7.4 billion amount set forth above, which pertains only to the Russian Citibank subsidiary, as disclosed.

Citi continues to monitor the potential implications of any adverse developments relating to the Russian economy, business, trade or investment, and will attempt to mitigate its exposures and risks relating to Russia as appropriate.

#### Ukraine

There have been political changes, civil unrest and military action in Ukraine, contributing to significant economic uncertainty and volatility. Citi operates in Ukraine through a subsidiary of Citibank, N.A. and uses the U.S. dollar as the functional currency. As of September 30, 2014, Citi's net investment in Ukraine was approximately \$120 million, \$20 million higher than at June 30, 2014. Substantially all of the net investment was hedged with a Ukraine sovereign bond indexed to foreign exchange rates which is subject to sovereign political risk. Total third-party assets of the Ukraine Citibank subsidiary were approximately \$600 million as of September 30, 2014, \$100 million higher from June 30, 2014, and were composed primarily of cash on deposit with the Central Bank of Ukraine, short-term local

government debt securities and corporate loans. A significant majority of these third-party assets were funded with local deposit liabilities. Citi continues to closely monitor the political, economic and military situation in Ukraine, and will continue to take actions to attempt to mitigate its exposures to potential risk events.



## FAIR VALUE ADJUSTMENTS FOR DERIVATIVES AND FAIR VALUE OPTION LIABILITIES

The following discussion relates to Citi's fair valuation for derivatives and liabilities for which the fair value option (FVO) has been elected. See Notes 22 and 23 to the Consolidated Financial Statements for additional information on Citi's derivative activities and FVO liabilities, respectively.

### Fair Valuation Adjustments for Derivatives

The fair value adjustments applied by Citi to its derivative carrying values consist of the following items:

Liquidity adjustments are applied to items in Level 2 or Level 3 of the fair-value hierarchy (see Note 22 to the Consolidated Financial Statements for additional details) in an effort to ensure that the fair value reflects the price at which the net open risk position could be liquidated. The liquidity adjustment is based on the bid/offer spread for an instrument. When Citi has elected to measure certain portfolios of financial investments, such as derivatives, on the basis of the net open risk position, the liquidity adjustment is adjusted to take into account the size of the position. Credit valuation adjustments (CVA) and, effective in the third quarter of 2014, funding valuation adjustments (FVA), are applied to over-the-counter (OTC) derivative instruments in which the base valuation generally discounts expected cash flows using the relevant base interest rate curve for the currency of the derivative (e.g., LIBOR for uncollateralized U.S. dollar derivatives). As not all counterparties have the same credit risk as that implied by the relevant base curve, a CVA is necessary to incorporate the market view of both counterparty credit risk and Citi's own credit risk in the valuation. FVA reflects a market funding risk premium inherent in the uncollateralized portion of derivative portfolios, and in collateralized derivatives where the terms of the agreement do not permit the reuse of the collateral received.

Citi's CVA methodology is composed of two steps. First, the credit exposure profile for each counterparty is determined using the terms of all individual derivative positions and a Monte Carlo simulation or other quantitative analysis to generate a series of expected cash flows at future points in time. The calculation of this exposure profile considers the effect of credit risk mitigants, including pledged cash or other collateral and any legal right of offset that exists with a counterparty through arrangements such as netting agreements. Individual derivative contracts that are subject to an enforceable master netting agreement with a counterparty are aggregated for this purpose, since it is those aggregate net cash flows that are subject to nonperformance risk. This process identifies specific, point-in-time future cash flows that are subject to nonperformance risk, rather than using the current recognized net asset or liability as a basis to measure the CVA. Second, market-based views of default probabilities derived from observed credit spreads in the credit default swap (CDS) market are applied to the expected future cash flows determined in step one. Citi's own-credit CVA is determined

using Citi-specific CDS spreads for the relevant tenor.

Generally, counterparty CVA is determined using CDS spread indices for each credit rating and tenor. For certain identified netting sets where individual analysis is practicable (e.g., exposures to counterparties with liquid CDSs), counterparty-specific CDS spreads are used.

As referenced above, during the third quarter of 2014, Citi incorporated FVA into its fair value measurements due to what it believes to be an industry migration toward incorporating the market's view of the funding risk premium in OTC derivatives. In connection with its implementation of FVA, Citigroup incurred a one-time pretax charge in the third quarter of 2014 of approximately \$474 million, which was reflected in Principal transactions as a change in accounting estimate. Citi's FVA methodology leverages the existing CVA methodology to estimate a funding exposure profile. The

calculation of this exposure profile considers collateral agreements where the terms do not permit the firm to reuse the collateral received, including where counterparties post collateral to third party custodians.

The CVA and FVA are designed to incorporate a market view of the credit and funding risk, respectively, inherent in the derivative portfolio. However, most unsecured derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually or, if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Thus, the CVA and FVA may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of these adjustments may be reversed or otherwise adjusted in future periods in the event of changes in the credit or funding risk associated with the derivative instruments.

The table below summarizes the CVA and FVA applied to the fair value of derivative instruments for the periods indicated:

In millions of dollars	Credit and funding valuation adjustments contra-liability (contra-asset)		
	September 30, 2014	December 31, 2013	
Counterparty CVA	\$(1,498	) \$(1,733	)
Asset FVA	(480	) —	
Citigroup (own-credit) CVA	555	651	
Liability FVA	6	—	
Total CVA—derivative instrument <sup>(1)</sup>	\$(1,417	) \$(1,082	)

(1) FVA is included with CVA for presentation purposes.

The table below summarizes pretax gains (losses) related to changes in CVA on derivative instruments, net of hedges, FVA on derivatives and debt valuation adjustments (DVA) on Citi's own FVO liabilities for the periods indicated:

	Credit/funding/debt valuation adjustments gain (loss)				
	Three Months Ended September 30,		Nine Months Ended September 30,		
In millions of dollars	2014	2013	2014	2013	
Counterparty CVA	\$(24	) \$(48	) \$46	\$175	
Asset FVA	(480	) —	(480	) —	
Own-credit CVA	15	(47	) (71	) (104	)
Liability FVA	6	—	6	—	
Total CVA—derivative instruments	\$(483	) \$(95	) \$(499	) \$71	
DVA related to own FVO liabilities	\$112	\$ (241	) \$102	\$ (249	)
Total CVA and DVA <sup>(1)</sup>	\$(371	) \$(336	) \$(397	) \$(178	)

(1) FVA is included with CVA for presentation purposes.

## CREDIT DERIVATIVES

Citigroup makes markets in and trades a range of credit derivatives on behalf of clients and in connection with its risk management activities. For additional information on Citi's credit derivatives and parameters, see "Credit Derivatives" in Citi's 2013 Annual Report on Form 10-K and Note 21 to the Consolidated Financial Statements.

Citi monitors its counterparty credit risk in credit derivative contracts. As of September 30, 2014, approximately 97% of the gross receivables are from counterparties with

which Citi maintains collateral agreements. A majority of Citi's top 15 counterparties (by receivable balance owed to Citi) are banks, financial institutions or other dealers. Contracts with these counterparties do not include ratings-based termination events. However, counterparty ratings downgrades may have an incremental effect by lowering the threshold at which Citi may call for additional collateral.

The following tables summarize the key characteristics of Citi's credit derivatives portfolio by counterparty and derivative form as of September 30, 2014 and December 31, 2013:

September 30, 2014

In millions of dollars	Fair values		Notionals	
	Receivable <sup>(1)</sup>	Payable <sup>(2)</sup>	Protection purchased	Protection sold
By industry/counterparty				
Banks	\$23,873	\$22,466	\$653,487	\$668,108
Broker-dealers	7,568	8,475	222,820	213,263
Non-financial	210	224	7,440	5,720
Insurance and other financial institutions	9,304	10,278	332,932	274,895
Total by industry/counterparty	\$40,955	\$41,443	\$1,216,679	\$1,161,986
By instrument				
Credit default swaps and options	\$40,656	\$39,973	\$1,195,756	\$1,155,278
Total return swaps and other	299	1,470	20,923	6,708
Total by instrument	\$40,955	\$41,443	\$1,216,679	\$1,161,986
By rating				
Investment grade	\$16,559	\$16,465	\$903,015	\$867,548
Non-investment grade	24,396	24,978	313,664	294,438
Total by rating	\$40,955	\$41,443	\$1,216,679	\$1,161,986
By maturity				
Within 1 year	\$3,038	\$3,347	\$273,173	\$249,306
From 1 to 5 years	33,191	33,639	859,538	842,025
After 5 years	4,726	4,457	83,968	70,655
Total by maturity	\$40,955	\$41,443	\$1,216,679	\$1,161,986

Note to the tables in this section: Fair values included in tables are prior to application of any netting agreements and cash collateral. For notional amounts, Citi generally has a mismatch between the total notional amounts of protection purchased and sold, and it may hold the reference assets directly, rather than entering into offsetting credit derivative contracts as and when desired. The open risk exposures from credit derivative contracts are largely matched after certain cash positions in reference assets are considered and after notional amounts are adjusted, either to a duration-based equivalent basis or to reflect the level of subordination in tranching structures. The ratings of the credit derivatives portfolio presented in the tables are based on the assigned internal or external ratings of the referenced asset or entity. Where external ratings are used, investment-grade ratings are considered to be 'Baa/BBB' and above, while anything below is considered non-investment grade. Citi's internal ratings are in line with the related external rating system.

- (1) The fair value amount receivable is comprised of \$14,522 million under protection purchased and \$26,433 million under protection sold.
- (2) The fair value amount payable is comprised of \$28,172 million under protection purchased and \$13,271 million under protection sold.

December 31, 2013

In millions of dollars	Fair values		Notionals	
	Receivable <sup>(1)</sup>	Payable <sup>(2)</sup>	Protection purchased	Protection sold
By industry/counterparty				
Banks	\$24,992	\$23,455	\$739,646	\$727,748
Broker-dealers	8,840	9,820	254,250	224,073
Non-financial	138	162	4,930	2,820
Insurance and other financial institutions	6,447	7,922	216,236	188,722
Total by industry/counterparty	\$40,417	\$41,359	\$1,215,062	\$1,143,363
By instrument				
Credit default swaps and options	\$40,233	\$39,930	\$1,201,716	\$1,141,864
Total return swaps and other	184	1,429	13,346	1,499
Total by instrument	\$40,417	\$41,359	\$1,215,062	\$1,143,363
By rating				
Investment grade	\$17,150	\$17,174	\$812,918	\$752,640
Non-investment grade	23,267	24,185	402,144	390,723
Total by rating	\$40,417	\$41,359	\$1,215,062	\$1,143,363
By maturity				
Within 1 year	\$2,901	\$3,262	\$254,305	\$221,562
From 1 to 5 years	31,674	32,349	883,879	853,391
After 5 years	5,842	5,748	76,878	68,410
Total by maturity	\$40,417	\$41,359	\$1,215,062	\$1,143,363

(1) The fair value amount receivable is comprised of \$13,744 million under protection purchased and \$26,673 million under protection sold.

(2) The fair value amount payable is comprised of \$28,723 million under protection purchased and \$12,636 million under protection sold.

## INCOME TAXES

## Deferred Tax Assets

Deferred tax assets (DTAs) are recorded for the future tax consequences of events that have been recognized in the financial statements or tax returns, based upon enacted tax laws and rates. DTAs are recognized subject to management's judgment that realization is more likely than not. For additional information, see "Risk Factors—Business and Operational Risks," "Significant Accounting Policies and Significant Estimates—Income Taxes" and Note 9 to the Consolidated Financial Statements in Citi's 2013 Annual Report on Form 10-K.

At September 30, 2014, Citigroup had recorded net DTAs of approximately \$49.9 billion, a decrease of \$0.7 billion from

June 30, 2014 and \$2.9 billion from December 31, 2013. The sequential decrease in DTAs was driven primarily by the continued generation of U.S. taxable earnings in Citicorp.

Although realization is not assured, Citi believes that the realization of its recognized net DTAs at September 30, 2014 is more-likely-than-not based on expectations as to future taxable income in the jurisdictions in which the DTAs arise, and available tax planning strategies (as defined in ASC 740, Income Taxes) that would be implemented, if necessary, to prevent a carry-forward from expiring. Realization of the DTAs will continue to be driven by Citi's ability to generate U.S. taxable earnings in the carry-forward period, as well as through actions that optimize Citi's U.S. taxable earnings, and overall changes to Citi's Accumulated other comprehensive income.

The following table summarizes Citi's net DTAs balance at September 30, 2014 and December 31, 2013:

Jurisdiction/Component In billions of dollars	DTAs balance	
	September 30, 2014	December 31, 2013
Total U.S.	\$47.0	\$49.3
Total foreign	2.9	3.5
Total <sup>(1)</sup>	\$49.9	\$52.8

(1) Approximately \$15.2 billion of the net DTAs was not deducted in calculating regulatory capital pursuant to full Basel III implementation standards as of September 30, 2014.

## Effective Tax Rate

Citi's effective tax rate for the third quarter of 2014 was 41%, compared to an effective tax rate in the third quarter of 2013, excluding CVA/DVA and the tax benefit related to the resolution of certain tax audit items (see "Corporate/Other" above), of approximately 30% (CVA/DVA did not have a significant impact on Citi's effective tax rate in the current quarter). The increase from the prior-year period was driven in part by a higher level of legal accruals expected to be non-deductible for tax purposes as compared to the prior-year period as well as higher tax expense related to the sale of the consumer operations in Greece and Spain.

## Unrecognized Tax Benefits Update

It is reasonably possible that Citi may conclude the audit of certain of its state tax returns within the next 12 months. The gross uncertain tax positions at September 30, 2014 for the items that may be resolved are as much as \$360 million with related interest of \$135 million. Because of the number and nature of the issues remaining to be resolved, the potential tax benefit to continuing operations could be anywhere in a range between \$0 and \$320 million.

#### DISCLOSURE CONTROLS AND PROCEDURES

Citi's disclosure controls and procedures are designed to ensure that information required to be disclosed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including without limitation that information required to be disclosed by Citi in its SEC filings is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as appropriate to allow for timely decisions regarding required disclosure. Citi's Disclosure Committee assists the CEO and CFO in their responsibilities to design, establish, maintain and evaluate the effectiveness of Citi's disclosure controls and procedures. The Disclosure Committee is responsible for, among other things, the oversight, maintenance and implementation of the disclosure controls and procedures, subject to the supervision and oversight of the CEO and CFO.

Citi's management, with the participation of its CEO and CFO, has evaluated the effectiveness of Citigroup's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of September 30, 2014 and, based on that evaluation, the CEO and CFO have concluded that at that date Citigroup's disclosure controls and procedures were effective.

#### DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended, Citi is required to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities that are subject to sanctions under U.S. law. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law.

Citibank, N.A. had during a portion of the reporting period one credit card account for the Iranian Mission to the United Nations located in the United States. This was a commercial account used primarily for the purchase of gasoline. The provision of certain services in the United States to the diplomatic mission of the Government of Iran is authorized by an OFAC General License; however, in October 2012, certain additional requirements were published. With regard to these requirements, Citi applied and obtained from OFAC a specific license for this account, and OFAC also authorized Citi to operate the account during the pendency of the license application. Prior to the date the license was issued, and during the third quarter of 2014, the aggregate value of the transactions for this account was approximately \$1,000.00. The transactions did not generate any revenue or net profit for Citi. The account was closed in September 2014.



## FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-Q, including but not limited to statements included within the Management's Discussion and Analysis of Financial Condition and Results of Operations, are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. In addition, Citigroup also may make forward-looking statements in its other documents filed or furnished with the SEC, and its management may make forward-looking statements orally to analysts, investors, representatives of the media and others.

Generally, forward-looking statements are not based on historical facts but instead represent Citigroup's and its management's beliefs regarding future events. Such statements may be identified by words such as believe, expect, anticipate, intend, estimate, may increase, may fluctuate, and similar expressions or future or conditional verbs such as will, should, would and could.

Such statements are based on management's current expectations and are subject to risks, uncertainties and changes in circumstances. Actual results and capital and other financial conditions may differ materially from those included in these statements due to a variety of factors, including without limitation the precautionary statements included throughout this Form 10-Q, the factors listed and described under "Risk Factors" in Citi's 2013 Annual Report on Form 10-K and the risks and uncertainties summarized below:

ongoing legislative and regulatory changes and uncertainties faced by Citi in the U.S. and non-U.S. jurisdictions in which it operates, including in Mexico, and the potential impact these changes and uncertainties could have on economic conditions as well as Citi's business planning, compliance risks and costs and overall results of operations; continued uncertainty arising from numerous aspects of the regulatory capital requirements applicable to Citi, including those resulting from Citi's continued implementation of the final U.S. Basel III rules, including the revised final U.S. Supplementary Leverage ratio, as well as any potential additional requirements, such as risk-based capital surcharges for U.S. "globally systemically important banks" (G-SIBs), and the ongoing regulatory review and approval of Citi's credit, market and operational risk models, and the potential impact these uncertainties could have on Citi's total risk-weighted assets, leverage assets and ability to meet its capital requirements as it projects or as required; the potential impact of U.S. and international derivatives regulation, including as a result of any requirement to post margin for non-cleared swaps, on Citi's competitiveness, compliance costs and regulatory and reputational risks and results of operations;

ongoing implementation of proprietary trading restrictions under the "Volcker Rule" and similar international proposals and the potential impact of these reforms and regulatory guidance on Citi's global market-making businesses, results of operations and compliance risks and

costs, including as a result of the commencement of certain regulatory reporting during the third quarter of 2014; the ongoing uncertainty and potential impact to Citi's businesses, results of operations and capital and funding structure as a result of regulatory requirements in the U.S. and in non-U.S. jurisdictions to facilitate the future orderly resolution of large financial institutions, including Citi's ability to revise its "living will" in order to meet regulatory requirements and/or implementation and maintenance of any minimum long-term debt requirements or "total loss absorbing capacity;"

additional regulations with respect to securitizations and the potential impact to Citi and its businesses, including with respect to any risk retention requirements;

continued uncertainty relating to the sustainability and pace of economic recovery and growth in the U.S. and globally and the potential impact fiscal and monetary actions taken by U.S. and non-U.S. authorities may have on economic recovery and growth, global trading markets and the emerging markets, as well as Citi's businesses and results of operations, including net credit losses and loan loss reserves;

any significant global economic downturn or disruption, including a significant decline in global trade volumes, on Citi's businesses, results of operations and financial condition, particularly as compared to Citi's competitors;

uncertainty arising from the level of U.S. government debt or a potential U.S. government default or downgrade of the U.S. government credit rating on Citi's businesses, results of operations, capital, funding and liquidity;

risks arising from Citi's extensive operations outside of the U.S., including in the emerging markets such as in Mexico, Argentina, Venezuela and the Middle East, including as a result of mandatory loan loss or other reserve requirements, foreign exchange controls, sovereign debt defaults, limitations on foreign investments, sociopolitical instability, fraud, nationalization or loss of licenses, sanctions, criminal charges, closure of branches or subsidiaries and confiscation of assets, as well as increased compliance and regulatory risks and costs;

the potential impact on Citi's businesses, financial condition or results of operations, including cost of credit, arising from ongoing instability in Russia and Ukraine, including actions by Citi to mitigate its exposures or risks or the imposition of additional sanctions, such as asset freezes, involving Russia or against Russian entities, business sectors, individuals or otherwise;

ongoing economic and fiscal issues in the Eurozone and the potential outcomes that could occur, including the exit of one or more countries from the European Monetary Union and any resulting redenomination/revaluation, and the potential impact, directly or indirectly, on Citi's businesses, results of operations or financial condition;

continued uncertainty arising from numerous aspects of the regulatory liquidity requirements applicable to Citi and the potential impact these requirements could have on Citi's liquidity ratios, planning, management and funding,

including as a result of Citi's implementation of the final U.S. Liquidity Coverage Ratio; the potential impact to Citi's businesses, results of operations and capital and funding structure due to regulatory proposals or changes to address perceived short-term wholesale funding risks, including as a result of the Net Stable Funding Ratio or margin requirements applicable to securities financing transactions; potential impacts on Citi's liquidity and/or costs of funding as a result of external factors, such as market disruptions, governmental fiscal and monetary policies and changes in Citi's credit spreads;

- reductions in Citi's or its more significant subsidiaries' credit ratings, including as a result of changes in assumptions relating to government support, and the potential impact on Citi's funding and liquidity, as well as the results of operations for certain of its businesses;

the potential impact on Citi's businesses, business practices, reputation, financial condition or results of operations that could result from the extensive legal and regulatory proceedings, investigations and inquiries to which Citi is or may be subject, including those related to Citi's contribution to, or trading in products linked to, various rates, currencies or benchmarks and its anti-money laundering programs and activities, including any fines, penalties, criminal actions or other potential resolutions or sanctions;

the potential impact to Citi's delinquency rates, loan loss reserves and net credit losses as Citi's revolving home equity lines of credit continue to "reset," and Citi's ability to reduce or mitigate this reset risk going forward, including as a result of increasing interest rates or loans with higher loan-to-value ratios;

the results of the 2014 Comprehensive Capital Analysis and Review (CCAR) process, including Citi's ability to address the Federal Reserve Board's concerns regarding its capital planning process, and the impacts on Citi's ability to return capital to shareholders and market perceptions of Citi;

Citi's ability to successfully execute on and achieve its ongoing execution priorities and the potential impact its inability to do so, including as a result of factors it cannot control, could have on the achievement of its 2015 financial targets;

Citi's ability to continue to utilize its deferred tax assets (DTAs), including the foreign tax credit component of its DTAs, and thus utilize the regulatory capital supporting its DTAs for more productive purposes;

the impact on the value of Citi's DTAs if corporate tax rates in the U.S. or certain state or foreign jurisdictions decline, or if other changes are made to the U.S. tax system, such as changes to the tax treatment of foreign business income;

the possibility that Citi's interpretation or application of the extensive tax laws to which it is subject, such as with respect to withholding tax obligations and stamp and other transactional taxes, could differ from that of the relevant governmental taxing authorities;

Citi's failure to maintain its contractual relationships with various third-party retailers and merchants within its U.S. credit card businesses in North America GCB, and the potential impact any such failure could have on the results of operations or financial condition of those businesses;

the potential impact to Citi from continually evolving and increasing cybersecurity and other technological risks and attacks, including data breaches, account fraud, additional costs, reputational damage, loss of customers, regulatory penalties and financial losses;

the potential impact on Citi's performance, including its competitive position and ability to execute its strategy, if Citi is unable to hire or retain qualified employees;

incorrect assumptions or estimates in Citi's financial statements, and the potential impact of regulatory or other changes to financial accounting and reporting standards on how Citi records and reports its financial condition and results of operations;

changes in the administration of or method for determining LIBOR on the value of any LIBOR-linked securities and other financial obligations held or issued by Citi;

the effectiveness of Citi's risk management and mitigation processes and strategies, including the effectiveness of its risk models; and

Citi's ability to successfully execute on its repositioning actions as well as its ongoing efficiency initiatives, including as a result of the strategic actions announced in the fourth quarter of 2014 to exit Citi's consumer businesses in 11 markets plus its consumer finance business in Korea.

Any forward-looking statements made by or on behalf of Citigroup speak only as to the date they are made, and Citi does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made.

This page intentionally left blank.



## FINANCIAL STATEMENTS AND NOTES TABLE OF CONTENTS

## CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income (Unaudited)—For the Three and Nine Months Ended September 30, 2014 and 2013	<u>104</u>
Consolidated Statement of Comprehensive Income (Unaudited)—For the Three and Nine Months Ended September 30, 2014 and 2013	<u>106</u>
Consolidated Balance Sheet—September 30, 2014 (Unaudited) and December 31, 2013	<u>107</u>
Consolidated Statement of Changes in Stockholders' Equity (Unaudited)—For the Nine Months Ended September 30, 2014 and 2013	<u>109</u>
Consolidated Statement of Cash Flows (Unaudited)—For the Nine Months Ended September 30, 2014 and 2013	<u>110</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Basis of Presentation	<u>112</u>
Note 2—Discontinued Operations and Significant Disposals	<u>116</u>
Note 3—Business Segments	<u>120</u>
Note 4—Interest Revenue and Expense	<u>121</u>
Note 5—Commissions and Fees	<u>122</u>
Note 6—Principal Transactions	<u>123</u>
Note 7—Incentive Plans	<u>123</u>
Note 8—Retirement Benefits	<u>124</u>
Note 9—Earnings per Share	<u>129</u>
Note 10—Federal Funds, Securities Borrowed, Loaned and Subject to Repurchase Agreements	<u>130</u>
Note 11—Brokerage Receivables and Brokerage Payables	<u>132</u>
Note 12—Trading Account Assets and Liabilities	<u>132</u>
Note 13—Investments	<u>133</u>
Note 14—Loans	<u>144</u>
Note 15—Allowance for Credit Losses	<u>151</u>
Note 16—Goodwill and Intangible Assets	<u>153</u>
Note 17—Debt	<u>155</u>
Note 18—Changes in Accumulated Other Comprehensive Income (Loss)	<u>156</u>
Note 19—Preferred Stock	<u>160</u>
Note 20—Securitizations and Variable Interest Entities	<u>161</u>
Note 21—Derivatives Activities	<u>180</u>
Note 22—Fair Value Measurement	<u>193</u>
Note 23—Fair Value Elections	<u>220</u>
Note 24—Guarantees and Commitments	<u>225</u>
Note 25—Contingencies	<u>231</u>
Note 26—Subsequent Event	<u>234</u>

## CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF INCOME (Unaudited) Citigroup Inc. and Subsidiaries

In millions of dollars, except per share amounts	Three Months Ended September		Nine Months Ended September	
	30, 2014	2013	30, 2014	2013
Revenues <sup>(1)</sup>				
Interest revenue	\$15,512	\$15,463	\$46,423	\$47,263
Interest expense	3,325	3,952	10,531	12,440
Net interest revenue	\$12,187	\$11,511	\$35,892	\$34,823
Commissions and fees	\$3,280	\$3,061	\$9,905	\$9,789
Principal transactions	1,549	1,149	6,280	6,337
Administration and other fiduciary fees	1,029	968	3,067	3,119
Realized gains on sales of investments, net	136	63	348	764
Other-than-temporary impairment losses on investments				
Gross impairment losses	(99)	)(66	)(337	)(500
Less: Impairments recognized in AOCI	8	27	8	38
Net impairment losses recognized in earnings	\$(91)	)\$ (39	)\$ (329	)\$ (462
Insurance premiums	\$530	\$556	\$1,613	\$1,728
Other revenue	984	635	2,294	2,542
Total non-interest revenues	\$7,417	\$6,393	\$23,178	\$23,817
Total revenues, net of interest expense	\$19,604	\$17,904	\$59,070	\$58,640
Provisions for credit losses and for benefits and claims				
Provision for loan losses	\$1,575	\$1,652	\$4,947	\$5,693
Policyholder benefits and claims	205	204	595	635
Provision (release) for unfunded lending commitments	(30)	) 103	(88)	) 114
Total provisions for credit losses and for benefits and claims	\$1,750	\$1,959	\$5,454	\$6,442
Operating expenses <sup>(1)</sup>				
Compensation and benefits	\$6,114	\$5,828	\$18,152	\$18,238
Premises and equipment	804	763	2,428	2,369
Technology/communication	1,630	1,568	4,779	4,584
Advertising and marketing	442	458	1,360	1,387
Other operating	3,965	3,062	13,906	9,538
Total operating expenses	\$12,955	\$11,679	\$40,625	\$36,116
Income from continuing operations before income taxes	\$4,899	\$4,266	\$12,991	\$16,082
Provision for income taxes	1,985	1,080	5,873	4,777
Income from continuing operations	\$2,914	\$3,186	\$7,118	\$11,305
Discontinued operations				
Income (loss) from discontinued operations	\$(25)	) \$33	\$12	\$(19
Gain on sale	—	6	—	62
Provision for income taxes	(9)	)(53	) 13	(46
Income (loss) from discontinued operations, net of taxes	\$(16)	) \$92	\$(1	) \$89
	\$2,898	\$3,278	\$7,117	\$11,394



Edgar Filing: CITIGROUP INC - Form 10-Q

Net income before attribution of noncontrolling interests				
Noncontrolling interests	59	51	154	177
Citigroup's net income	\$2,839	\$3,227	\$6,963	\$11,217
Basic earnings per share <sup>(2)</sup>				
Income from continuing operations	\$0.89	\$0.98	\$2.14	\$3.55
Income (loss) from discontinued operations, net of taxes	(0.01	)0.03	—	0.03
Net income	\$0.88	\$1.01	\$2.14	\$3.58
Weighted average common shares outstanding	3,029.5	3,034.3	3,033.5	3,038.4
Diluted earnings per share <sup>(2)</sup>				

104

---

Edgar Filing: CITIGROUP INC - Form 10-Q

Income from continuing operations	\$0.88	\$0.98	\$2.14	\$3.55
Income (loss) from discontinued operations, net of taxes	(0.01	)0.03	—	0.03
Net income	\$0.88	\$1.00	\$2.14	\$3.57
Adjusted weighted average common shares outstanding	3,034.8	3,040.9	3,038.8	3,044.0

(1) Certain prior period revenue and expense lines and totals were reclassified to conform to the current period's presentation. See Note 3 to Notes to Consolidated Financial Statements.

(2) Due to rounding, earnings per share on continuing operations and discontinued operations may not sum to earnings per share on net income.

The Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

Citigroup Inc. and Subsidiaries

In millions of dollars	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income before attribution of noncontrolling interests	\$2,898	\$3,278	\$7,117	\$11,394
Citigroup's other comprehensive income (loss)				
Net change in unrealized gains and losses on investment securities, net of taxes	\$(207)	\$(8)	\$1,227	\$(1,906)
Net change in cash flow hedges, net of taxes	28	330	266	952
Benefit plans liability adjustment, net of taxes <sup>(1)</sup>	71	298	(106)	953
Net change in foreign currency translation adjustment, net of taxes and hedges	(1,721)	506	(2,230)	(1,901)
Citigroup's total other comprehensive income (loss)	\$(1,829)	\$1,126	\$(843)	\$(1,902)
Other comprehensive income (loss) attributable to noncontrolling interests				
Net change in unrealized gains and losses on investment securities, net of taxes	\$3	\$(3)	\$9	\$(29)
Net change in foreign currency translation adjustment, net of taxes	(58)	34	(66)	(15)
Total other comprehensive income (loss) attributable to noncontrolling interests	\$(55)	\$31	\$(57)	\$(44)
Total comprehensive income before attribution of noncontrolling interests	\$1,014	\$4,435	\$6,217	\$9,448
Total net income (loss) attributable to noncontrolling interests	59	51	154	177
Citigroup's comprehensive income	\$955	\$4,384	\$6,063	\$9,271

(1) Primarily reflects adjustments based on the quarterly actuarial valuations of the Company's significant pension and postretirement plans and amortization of amounts previously recognized in Other comprehensive income.

The Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

## CONSOLIDATED BALANCE SHEET

## Citigroup Inc. and Subsidiaries

In millions of dollars	September 30, 2014 (Unaudited)	December 31, 2013
<b>Assets</b>		
Cash and due from banks (including segregated cash and other deposits)	\$35,976	\$29,885
Deposits with banks	143,068	169,005
Federal funds sold and securities borrowed or purchased under agreements to resell (including \$140,913 and \$144,083 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	245,462	257,037
Brokerage receivables	39,298	25,674
Trading account assets (including \$107,829 and \$106,695 pledged to creditors at September 30, 2014 and December 31, 2013, respectively)	290,822	285,928
Investments (including \$21,188 and \$26,989 pledged to creditors at September 30, 2014 and December 31, 2013, respectively, and \$302,182 and \$291,216 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	333,047	308,980
<b>Loans:</b>		
Consumer (including \$45 and \$957 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	376,318	393,831
Corporate (including \$4,366 and \$4,072 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	277,508	271,641
Loans, net of unearned income	\$653,826	\$665,472
Allowance for loan losses	(16,915)	(19,648)
Total loans, net	\$636,911	\$645,824
Goodwill	24,500	25,009
Intangible assets (other than MSR's)	4,525	5,056
Mortgage servicing rights (MSR's)	2,093	2,718
Other assets (including \$8,254 and \$7,123 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	127,147	125,266
<b>Total assets</b>	<b>\$1,882,849</b>	<b>\$1,880,382</b>

The following table presents certain assets of consolidated variable interest entities (VIEs), which are included in the Consolidated Balance Sheet above. The assets in the table below include only those assets that can be used to settle obligations of consolidated VIEs, presented on the following page, and are in excess of those obligations. Additionally, the assets in the table below include third-party assets of consolidated VIEs only and exclude intercompany balances that eliminate in consolidation.

In millions of dollars	September 30, 2014 (Unaudited)	December 31, 2013
<b>Assets of consolidated VIEs to be used to settle obligations of consolidated VIEs</b>		
Cash and due from banks	\$203	\$362
Trading account assets	806	977
Investments	9,949	10,950
Loans, net of unearned income		
Consumer (including \$0 and \$910 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	63,788	63,493
Corporate (including \$2 and \$14 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	31,033	31,919
Loans, net of unearned income	\$94,821	\$95,412

Edgar Filing: CITIGROUP INC - Form 10-Q

Allowance for loan losses	(2,942	) (3,502	)
Total loans, net	\$91,879	\$91,910	
Other assets	1,052	1,234	
Total assets of consolidated VIEs to be used to settle obligations of consolidated VIEs	\$ 103,889	\$ 105,433	

Statement continues on the next page.

107

---

CONSOLIDATED BALANCE SHEET  
(Continued)

## Citigroup Inc. and Subsidiaries

	September 30, 2014 (Unaudited)	December 31, 2013
In millions of dollars, except shares and per share amounts		
<b>Liabilities</b>		
Non-interest-bearing deposits in U.S. offices	\$ 128,243	\$ 128,399
Interest-bearing deposits in U.S. offices (including \$978 and \$988 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	285,604	284,164
Non-interest-bearing deposits in offices outside the U.S.	71,228	69,406
Interest-bearing deposits in offices outside the U.S. (including \$813 and \$689 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	457,580	486,304
<b>Total deposits</b>	<b>\$ 942,655</b>	<b>\$ 968,273</b>
Federal funds purchased and securities loaned or sold under agreements to repurchase (including \$44,638 and \$54,147 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	175,732	203,512
Brokerage payables	59,428	53,707
Trading account liabilities	137,272	108,762
Short-term borrowings (including \$1,454 and \$3,692 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	64,838	58,944
Long-term debt (including \$26,455 and \$26,877 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	223,842	221,116
Other liabilities (including \$2,725 and \$2,011 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	65,191	59,935
<b>Total liabilities</b>	<b>\$ 1,668,958</b>	<b>\$ 1,674,249</b>
<b>Stockholders' equity</b>		
Preferred stock (\$1.00 par value; authorized shares: 30 million), issued shares: 358,720 as of September 30, 2014 and 269,520 as of December 31, 2013, at aggregate liquidation value	\$ 8,968	\$ 6,738
Common stock (\$0.01 par value; authorized shares: 6 billion), issued shares: 3,082,034,822 as of September 30, 2014 and 3,062,098,976 as of December 31, 2013	31	31
Additional paid-in capital	107,839	107,193
Retained earnings	118,041	111,168
Treasury stock, at cost: September 30, 2014—52,546,590 shares and December 31, 2013—32,856,062 shares	(2,631)	(1,658)
Accumulated other comprehensive income (loss)	(19,976)	(19,133)
<b>Total Citigroup stockholders' equity</b>	<b>\$ 212,272</b>	<b>\$ 204,339</b>
Noncontrolling interest	1,619	1,794
<b>Total equity</b>	<b>\$ 213,891</b>	<b>\$ 206,133</b>
<b>Total liabilities and equity</b>	<b>\$ 1,882,849</b>	<b>\$ 1,880,382</b>

The following table presents certain liabilities of consolidated VIEs, which are included in the Consolidated Balance Sheet above. The liabilities in the table below include third-party liabilities of consolidated VIEs only and exclude intercompany balances that eliminate in consolidation. The liabilities also exclude amounts where creditors or beneficial interest holders have recourse to the general credit of Citigroup.

	September 30, 2014 (Unaudited)	December 31, 2013
In millions of dollars		

Edgar Filing: CITIGROUP INC - Form 10-Q

Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Citigroup

Short-term borrowings	\$21,705	\$21,793
Long-term debt (including \$2 and \$909 as of September 30, 2014 and December 31, 2013, respectively, at fair value)	40,227	34,743
Other liabilities	953	999
Total liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Citigroup	\$62,885	\$57,535

The Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited) Citigroup Inc. and Subsidiaries

In millions of dollars, except shares in thousands	Nine Months Ended	
	September 30, 2014	2013
Preferred stock at aggregate liquidation value		
Balance, beginning of year	\$6,738	\$2,562
Issuance of new preferred stock	2,230	2,775
Redemption of preferred stock	—	\$(94)
Balance, end of period	\$8,968	\$5,243
Common stock and additional paid-in capital		
Balance, beginning of year	\$107,224	\$106,421
Employee benefit plans	656	684
Preferred stock issuance expense	(24)	\$(44)
Other	14	—
Balance, end of period	\$107,870	\$107,061
Retained earnings		
Adjusted balance, beginning of period	\$111,168	\$97,809
Citigroup's net income	6,963	11,217
Common dividends <sup>(1)</sup>	(91)	\$(91)
Preferred dividends	(352)	\$(123)
Tax benefit	353	—
Balance, end of period	\$118,041	\$108,812
Treasury stock, at cost		
Balance, beginning of year	\$(1,658)	\$(847)
Employee benefit plans <sup>(2)</sup>	(121)	\$(6)
Treasury stock acquired <sup>(3)</sup>	(852)	\$(619)
Balance, end of period	\$(2,631)	\$(1,472)
Citigroup's accumulated other comprehensive income (loss)		
Balance, beginning of year	\$(19,133)	\$(16,896)
Net change in Citigroup's Accumulated other comprehensive income (loss)	(843)	\$(1,902)
Balance, end of period	\$(19,976)	\$(18,798)
Total Citigroup common stockholders' equity	\$203,304	\$195,603
Total Citigroup stockholders' equity	\$212,272	\$200,846
Noncontrolling interests		
Balance, beginning of year	\$1,794	\$1,948
Initial origination of a noncontrolling interest	—	6
Transactions between noncontrolling-interest shareholders and the related consolidated subsidiary	—	(2)
Transactions between Citigroup and the noncontrolling-interest shareholders	(80)	23
Net income attributable to noncontrolling-interest shareholders	154	177
Dividends paid to noncontrolling-interest shareholders	(91)	\$(63)
Net change in Accumulated other comprehensive income (loss)	(57)	\$(44)
Other	(101)	\$(152)
Net change in noncontrolling interests	\$(175)	\$(55)
Balance, end of period	\$1,619	\$1,893
Total equity	\$213,891	\$202,739



(1) Common dividends declared were \$0.01 per share in the first, second and third quarters of 2014 and 2013.

Includes treasury stock related to (i) certain activity on employee stock option program exercises where the employee delivers existing shares to cover the option exercise, or (ii) under Citi's employee restricted or deferred stock programs where shares are withheld to satisfy tax requirements.

(2) For the nine months ended September 30, 2014, primarily consists of open market purchases under Citi's Board of Directors-approved common stock repurchase program.

(3) The Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Citigroup Inc. and Subsidiaries

In millions of dollars	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities of continuing operations		
Net income before attribution of noncontrolling interests	\$7,117	\$11,394
Net income attributable to noncontrolling interests	154	177
Citigroup's net income	\$6,963	\$11,217
Income (loss) from discontinued operations, net of taxes	(1	)54
Gain on sale, net of taxes	—	35
Income from continuing operations—excluding noncontrolling interests	\$6,964	\$11,128
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations		
Depreciation and amortization	2,673	3,055
Provision for credit losses	4,859	5,807
Realized gains from sales of investments	(348	)(764 )
Net impairment losses recognized in earnings	331	462
Change in trading account assets	(4,894	)29,207
Change in trading account liabilities	28,510	6,499
Change in federal funds sold and securities borrowed or purchased under agreements to resell	11,575	(12,368 )
Change in federal funds purchased and securities loaned or sold under agreements to repurchase	(27,780	)5,151
Change in brokerage receivables net of brokerage payables	(7,903	)(2,507 )
Change in loans held-for-sale	(1,989	)2,621
Change in other assets	22	14,747
Change in other liabilities	5,256	(4,466 )
Other, net	867	737
Total adjustments	\$11,179	\$48,181
Net cash provided by operating activities of continuing operations	\$18,143	\$59,309
Cash flows from investing activities of continuing operations		
Change in deposits with banks	\$25,937	\$(70,525 )
Change in loans	(709	)(17,133 )
Proceeds from sales and securitizations of loans	3,481	7,589
Purchases of investments	(196,943	)(170,666 )
Proceeds from sales of investments	105,449	109,405
Proceeds from maturities of investments	66,759	64,657
Capital expenditures on premises and equipment and capitalized software	(2,474	)(2,349 )
Proceeds from sales of premises and equipment, subsidiaries and affiliates, and repossessed assets	460	455
Net cash provided by (used in) investing activities of continuing operations	\$1,960	\$(78,567 )
Cash flows from financing activities of continuing operations		
Dividends paid	\$(443	)\$(214 )
Issuance of preferred stock	2,230	2,775
Redemption of preferred stock	—	(94 )
Treasury stock acquired	(852	)(619 )
Stock tendered for payment of withholding taxes	(505	)(451 )
Issuance of long-term debt	48,046	41,765

Edgar Filing: CITIGROUP INC - Form 10-Q

Payments and redemptions of long-term debt	(40,943	)(51,164	)
Change in deposits	(25,618	)24,900	
Change in short-term borrowings	5,404	159	
Net cash provided by (used in) investing activities of continuing operations	\$(12,681	)\$17,057	
Effect of exchange rate changes on cash and cash equivalents	\$(1,331	)\$(1,432	)

110

---

Discontinued operations		
Net cash used in discontinued operations	\$—	\$(10 )
Change in cash and due from banks	\$6,091	\$(3,643 )
Cash and due from banks at beginning of period	29,885	36,453
Cash and due from banks at end of period	\$35,976	\$32,810
Supplemental disclosure of cash flow information for continuing operations		
Cash paid during the year for income taxes	\$3,687	\$3,253
Cash paid during the year for interest	9,771	10,519
Non-cash investing activities		
Change in loans due to consolidation/deconsolidation of VIEs	\$(374	)\$6,718
Transfers to loans held-for-sale from loans	10,700	14,200
Transfers to OREO and other repossessed assets	220	229
Non-cash financing activities		
Increase in short-term borrowings due to consolidation of VIEs	\$500	\$6,718
Decrease in long-term debt due to deconsolidation of VIEs	(864	)—
The Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.		

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements as of September 30, 2014 and for the three- and nine-month periods ended September 30, 2014 and 2013 include the accounts of Citigroup Inc. (Citigroup) and its consolidated subsidiaries (collectively, the Company, Citi or Citigroup). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been reflected. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes included in Citigroup's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the U. S. Securities and Exchange Commission (SEC) on March 3, 2014, including the historical audited consolidated financial statements of Citigroup reflecting certain realignments and reclassifications set forth in Citigroup's Form 8-K filed with the SEC on June 13, 2014 (2013 Annual Report on Form 10-K), and Citigroup's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014 filed with the SEC on May 2, 2014 (First Quarter of 2014 Form 10-Q) and August 1, 2014 (Second Quarter of 2014 Form 10-Q). Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP), but is not required for interim reporting purposes, has been condensed or omitted.

Management must make estimates and assumptions that affect the Consolidated Financial Statements and the related footnote disclosures. While management makes its best judgment, actual results could differ from those estimates. Current market conditions increase the risk and complexity of the judgments in these estimates.

Certain reclassifications have been made to the prior-period's financial statements and notes to conform to the current period's presentation.

As noted above, the Notes to Consolidated Financial Statements are unaudited.

#### Principles of Consolidation

The Consolidated Financial Statements include the accounts of Citigroup and its subsidiaries prepared in accordance with GAAP. The Company consolidates subsidiaries in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. Entities where the Company holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence, other than investments of designated venture capital subsidiaries or investments accounted for at fair value under the fair value option, are accounted for under the equity method, and the pro rata share of their income (loss) is included in Other revenue. Income from investments in less than 20% owned companies is recognized when dividends are received. As discussed in more detail in Note 20 to the Consolidated Financial Statements, Citigroup consolidates entities deemed

to be variable interest entities when Citigroup is determined to be the primary beneficiary. Gains and losses on the disposition of branches, subsidiaries, affiliates, buildings and other investments are included in Other revenue.

#### Citibank, N.A.

Citibank, N.A. is a commercial bank and wholly owned subsidiary of Citigroup Inc. Citibank's principal offerings include: consumer finance, mortgage lending and retail banking products and services; investment banking, commercial banking, cash management, trade finance; private banking products and services.

#### Significant Accounting Policies

The Company's accounting policies are fundamental to understanding management's discussion and analysis of the results of operations and financial condition. The Company has identified six policies as being significant because they require management to make subjective and/or complex judgments about matters that are inherently uncertain. These policies relate to Valuations of Financial Instruments, Allowance for Credit Losses, Securitizations, Goodwill, Income Taxes and Litigation Accruals. The Company, in consultation with the Audit Committee of the Board of Directors, has reviewed and approved these significant accounting policies, which are further described under

“Significant Accounting Policies and Significant Estimates” and Note 1 to the Consolidated Financial Statements in the Company’s 2013 Annual Report on Form 10-K.

## ACCOUNTING CHANGES

### Accounting for Share-Based Payments with Performance Targets

In June 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force). The ASU prescribes the accounting to be applied to share-based awards that contain performance targets, the outcome of which will only be confirmed after the employee’s service period associated with the award has ended. Citi elected to adopt this ASU from the third quarter of 2014. The impact of adopting the ASU was not material.

### Discontinued Operations and Significant Disposals

The FASB issued Accounting Standards Update No. 2014-08, Presentation of Financial Statements (Topic 810) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASU 2014-08) in April 2014. ASU 2014-08 changes the criteria for reporting discontinued operations while enhancing disclosures. Under the ASU, only disposals representing a strategic shift having a major effect on an entity’s operations and financial results, such as a disposal of a major geographic area, a major line of

business or a major equity method investment, may be presented as discontinued operations. Additionally, the ASU requires expanded disclosures about discontinued operations that will provide more information about the assets, liabilities, income and expenses of discontinued operations.

The Company elected to early-adopt the ASU in the second quarter of 2014 on a prospective basis for all disposals (or classifications as held-for-sale) of components of an entity that occurred on or after April 1, 2014. As a result of the adoption of the ASU, fewer disposals will now qualify for reporting as discontinued operations; however, disclosure of the pretax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting is required. The impact of adopting the ASU was not material.

#### Investment Companies

In June 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-08, Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. This ASU introduced a new approach for assessing whether an entity is an investment company. To determine whether an entity is an investment company for accounting purposes, Citi is now required to evaluate the fundamental and typical characteristics of the entity, including its purpose and design.

The ASU became effective for Citi on January 1, 2014. There was no impact from the adoption of this ASU. As of September 30, 2014, Citi had approximately \$3.4 billion of assets held by consolidated investment companies which are accounted for in accordance with the Investment Company Audit Guide (codified in Accounting Standards Codification (ASC) 946).

#### Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Foreign Subsidiaries

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force). This ASU resolved diversity that existed in practice and requires that, for transactions within a foreign entity, a parent should not reclassify into earnings an allocated portion of the cumulative translation adjustment (CTA) when its foreign entity sells a controlling financial interest in a subsidiary or group of assets that is a business within the foreign entity, unless the sale represents a complete or substantially complete liquidation of the foreign entity. This guidance requires the CTA to remain in equity until the foreign entity is disposed of or it is completely or substantially liquidated.

Sales or other transactions that result in the parent company's loss of control over the foreign entity, irrespective of any retained investment, would be accounted for as a sale; thus, the entire CTA would be reclassified into earnings. A partial sale of an equity method investment in a

foreign entity would result in a pro rata share of CTA being reclassified into earnings. Consistent with the accounting for step acquisitions, the ASU requires that the CTA be reclassified into earnings when a parent company obtains a controlling financial interest in a foreign entity that was previously an equity method investment.

This ASU became effective for Citi on January 1, 2014 and was applied on a prospective basis. The accounting prescribed in this ASU is consistent with Citi's prior practice and, as a result, adoption did not result in any impact to Citi.

#### Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists (a consensus of the FASB Emerging Issues Task Force). As a result of applying this ASU, an unrecognized tax benefit is presented as a reduction of a deferred tax asset for a net operating loss (NOL) or other tax credit carry-forward when settlement in this manner is available under the tax law. The assessment of whether settlement is available under the tax law is based on facts and circumstances as of the balance sheet reporting date and does not consider future events

(e.g., upcoming expiration of related NOL carry-forwards). This classification does not affect an entity's analysis of the realization of its deferred tax assets. Gross presentation in the rollforward of unrecognized tax positions in the notes to the financial statements is still required.

This ASU became effective for Citi on January 1, 2014 and was applied on a prospective basis to all unrecognized tax benefits that existed at the effective date. The impact of adopting this ASU was not material to Citi.

#### FUTURE APPLICATION OF ACCOUNTING STANDARDS

##### Accounting for Investments in Tax Credit Partnerships

In January 2014, the FASB issued ASU 2014-01, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects, which is effective for Citi for interim and annual reporting periods beginning after December 15, 2014. Any transition adjustment would be reflected as an adjustment to retained earnings in the earliest period presented (retrospective application).

The ASU will be applicable to Citi's portfolio of low income housing tax credit (LIHTC) partnership interests. The new standard widens the scope of investments eligible to elect to apply a new alternative method, the proportional amortization method, under which the cost of the investment is amortized to tax expense in proportion to the amount of tax credits and other tax benefits received. Citi anticipates that it will qualify to elect the proportional amortization method under the ASU for its entire LIHTC portfolio. These investments are currently accounted for under the equity method, which results in losses (due to amortization of the



investment) being recognized in Other revenue and tax credits and benefits being recognized in the Income tax expense line. In contrast, the proportional amortization method combines the amortization of the investment and receipt of the tax credits/benefits into one line, Income tax expense.

The adoption of this ASU is estimated to reduce Retained earnings by approximately \$350 million, reduce Other assets by approximately \$220 million, and reduce deferred tax assets by approximately \$130 million. Early adoption of this new standard is permitted.

#### Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective.

The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

#### Accounting for Repurchase-to-Maturity Transactions

In June 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The ASU changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowed accounting, which is consistent with the accounting for other repurchase agreements. The ASU also requires disclosures about transfers accounted for as sales in transactions that are economically similar to repurchase agreements and about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The ASU's provisions will be effective for the first interim or annual period beginning after December 31, 2014, with the exception of the collateral disclosures which will be effective for interim periods beginning after March 15, 2015. The effect of adopting the ASU is required to be reflected as a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. Early adoption is not permitted. The Company expects the effect of adopting the ASU to be immaterial.

#### Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure

In August 2014, the FASB issued ASU No. 2014-14, Receivables—Troubled Debt Restructuring by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure, which requires that a mortgage loan be derecognized and a separate other receivable be recognized upon foreclosure if the

following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure; (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The ASU will be effective for interim and annual periods beginning after December 15, 2014 and is not expected to have a material effect on the Company.

#### Measuring the Financial Assets and Liabilities of a Consolidated Collateralized Financial Entity

In August 2014, the FASB issued ASU No. 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity, which provides two alternative methods for measuring the fair value of a consolidated Collateralized Financing Entity's (CFE) financial assets and financial liabilities. This election is made separately for each CFE subject to the scope of the ASU. The first method requires the fair value of the financial assets and liabilities to be measured using the requirements of ASC Topic 820, Fair Value Measurements and Disclosures, with any differences between the fair value of the financial assets and financial liabilities being attributed to the CFE and reflected in earnings in the consolidated statement of income. The

alternative method requires measuring both the financial assets and financial liabilities using the more observable of the fair value of the assets or liabilities. The alternative method would also take into consideration the carrying value of any beneficial interests of the CFE held by the parent, including those representing compensation for services, and the carrying value of any nonfinancial assets held temporarily. The ASU will be effective for interim and annual periods beginning after December 15, 2015 and is not expected to have a material effect on the Company.

#### Accounting for Financial Instruments—Credit Losses

In December 2012, the FASB issued a proposed ASU, Financial Instruments-Credit Losses. This proposed ASU, or exposure draft, was issued for public comment in order to allow stakeholders the opportunity to review the proposal and provide comments to the FASB and does not constitute accounting guidance until a final ASU is issued.

The exposure draft contains proposed guidance developed by the FASB with the goal of improving financial reporting about expected credit losses on loans, securities and other financial assets held by banks, financial institutions and other public and private organizations. The exposure draft proposes a new accounting model intended to require earlier recognition of credit losses, while also providing additional transparency about credit risk.

The FASB's proposed model would utilize a single "expected credit loss" measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. For securities where fair value is less than cost, impairment would be recognized in the allowance for credit losses and adjusted each quarter for changes in credit. This would replace the multiple existing impairment models in GAAP, which generally require that a loss be "incurred" before it is recognized.

The FASB's proposed model represents a significant departure from existing GAAP, and may result in material changes to the Company's accounting for financial instruments. The impact of the FASB's final ASU on the Company's financial statements will be assessed when it is issued. The exposure draft does not contain a proposed effective date; this would be included in the final ASU, when issued.

## 2. DISCONTINUED OPERATIONS AND SIGNIFICANT DISPOSALS

## Discontinued Operations

The following Discontinued operations are recorded within the Corporate/Other segment.

## Sale of Brazil Credicard Business

On December 20, 2013, Citi sold its non-Citibank-branded cards and consumer finance business in Brazil (Credicard) for approximately \$1.24 billion. The sale resulted in a pretax gain of \$206 million (\$325 million after-tax). In the third quarter of 2014, resolution of certain contingencies related to the disposal are reported as Income (loss) from discontinued operations. Credicard is reported as Discontinued operations for all periods presented.

Summarized financial information for Discontinued operations for Credicard follows:

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total revenues, net of interest expense <sup>(1)</sup>	\$1	\$223	\$70	\$738
Income (loss) from discontinued operations	\$(4	)\$36	\$65	\$143
Provision (benefit) for income taxes	(1	)12	12	49
Income (loss) from discontinued operations, net of taxes	\$(3	)\$24	\$53	\$94

(1) Total revenues include gain or loss on sale, if applicable.

## Cash Flows from Discontinued Operations

In millions of dollars	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities	\$—	\$197
Cash flows from investing activities	—	(207
Cash flows from financing activities	—	—
Net cash provided by discontinued operations	\$—	\$(10

## Sale of Certain Citi Capital Advisors Business

During the third quarter of 2012, Citi executed definitive agreements to transition a carve-out of its liquid strategies business within Citi Capital Advisors (CCA). The sale occurred pursuant to two separate transactions in 2013, creating two separate management companies. The first transaction closed in February 2013, and Citigroup retained a 24.9% passive equity interest in the management company (which is held in Citi's Institutional Clients Group segment). The second transaction closed in August 2013. CCA is reported as Discontinued operations for all periods presented.

Summarized financial information for Discontinued operations for the operations related to CCA follows:

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total revenues, net of interest expense <sup>(1)</sup>	\$—	\$8	\$—	73
Income (loss) from discontinued operations	\$(4	)(21	)(8	)(152
Gain on sale	—	6	—	62
Provision (benefit) for income taxes	(1	)(5	)(3	)(28
Income (loss) from discontinued operations, net of taxes	\$(3	)(10	)(5	)(62

(1) Total revenues include gain or loss on sale, if applicable.

#### Cash Flows from Discontinued Operations

In millions of dollars	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities	\$—	\$(43
Cash flows from investing activities	—	—
Cash flows from financing activities	—	43
Net cash provided by discontinued operations	\$—	\$—

#### Sale of Egg Banking plc Credit Card Business

In April 2011, Citi completed the sale of the Egg Banking plc (Egg) credit card business.

Summarized financial information for Discontinued operations for the operations related to Egg follows:

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total revenues, net of interest expense <sup>(1)</sup>	\$1	\$—	\$5	\$—
Income (loss) from discontinued operations	\$(17	)(9	)(45	)(37
Provision (benefit) for income taxes	(7	)(3	)(16	)(13
Income (loss) from discontinued operations, net of taxes	\$(10	)(6	)(29	)(24

(1) Total revenues include gain or loss on sale, if applicable.

Cash flows from Discontinued operations related to Egg were not material for all periods presented.

#### Audit of Citi German Consumer Tax Group

Citi sold its German retail banking operations in 2007 and reported them as Discontinued operations. During the third quarter of 2013, German tax authorities concluded their audit of Citi's German consumer tax group for the years 2005-2008. This resolution resulted in a pretax benefit of \$27 million and a tax benefit of \$57 million (\$85 million total net income benefit) during the third quarter of 2013, all of which was included in Discontinued operations. During 2014, residual costs associated with German retail banking operations resulted in a tax expense of \$20 million.



## Combined Results for Discontinued Operations

The following is summarized financial information for Credicard, CCA, Egg and previous Discontinued operations for which Citi continues to have minimal residual costs associated with the sales:

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
Total revenues, net of interest expense <sup>(1)</sup>	\$2	\$231	\$75	\$811	
Income (loss) from discontinued operations	\$(25	)\$33	\$12	\$(19	)
Gain on sale	—	6	—	62	
Provision (benefit) for income taxes	(9	)53	)13	(46	)
Income (loss) from discontinued operations, net of taxes	\$(16	)\$92	\$(1	)\$89	

(1) Total revenues include gain or loss on sale, if applicable.

## Cash Flows from Discontinued Operations

In millions of dollars	Nine Months Ended September 30,		
	2014	2013	
Cash flows used in operating activities	\$—	\$154	
Cash flows from investing activities	—	(207	)
Cash flows from financing activities	—	43	
Net cash provided by discontinued operations	\$—	\$(10	)

### Significant Disposals

Beginning on April 1, 2014, Citi elected to early-adopt ASU 2014-08 (see Note 1 to the Consolidated Financial Statements). The following sales were identified as disposals of individually significant components under ASU 2014-08, including the assets and liabilities that were reclassified to HFS (within Other assets and Other liabilities) on the Consolidated Balance Sheet and the Income (loss) before taxes (benefits) related to each business.

#### Sale of Spain Consumer Operations

On September 22, 2014, Citi sold its consumer operations in Spain, which was part of Citi Holdings, including \$1.7 billion of consumer loans (net of allowance), \$3.4 billion of assets under management, \$2.2 billion of customer deposits, 45 branches, 48 ATMs and 938 employees, with the buyer assuming the related current pension commitments at closing. The transaction generated a pretax gain on sale of \$243 million (\$131 million after-tax). Income before taxes for the period in which the individually significant component was classified as held for sale and for all prior periods are as follows:

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Income before taxes	\$340	\$14	\$373	\$39

#### Sale of Greece Consumer Operations

On September 30, 2014, Citi sold its consumer operations in Greece, which was part of Citi Holdings, including \$353 million of consumer loans (net of allowance), \$1.1 billion of assets under management, \$1.2 billion of customer deposits, 20 branches, 85 ATMs and 719 employees, with the buyer assuming certain limited pension obligations related to Diners' Club's employees at closing. The transaction generated a pretax gain on sale of \$209 million (\$91 million after-tax).

Income before taxes for the period in which the individually significant component was classified as held for sale and for all prior periods are as follows:

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Income before taxes	\$173	\$(9)	\$133	\$(143)



### 3. BUSINESS SEGMENTS

Citigroup is a diversified bank holding company whose businesses provide a broad range of financial services to consumer and corporate customers around the world. The Company's activities are conducted through the Global Consumer Banking (GCB), Institutional Clients Group (ICG), Corporate/Other and Citi Holdings business segments. The GCB segment includes a global, full-service consumer franchise delivering a wide array of banking, credit card lending and investment services through a network of local branches, offices and electronic delivery systems and is composed of four GCB businesses: North America, EMEA, Latin America and Asia.

The Company's ICG segment is composed of Banking and Markets and securities services and provides corporate, institutional, public sector and high-net-worth clients in approximately 100 countries with a broad range of banking and financial products and services.

Corporate/Other includes net treasury results, unallocated corporate expenses, offsets to certain line-item reclassifications and eliminations, the results of discontinued operations and unallocated taxes.

The Citi Holdings segment is composed of businesses and portfolios of assets that Citigroup has determined are not central to its core Citicorp businesses.

The accounting policies of these reportable segments are the same as those disclosed in Note 1 to the Consolidated Financial Statements in Citi's 2013 Annual Report on Form 10-K.

The prior-period balances reflect reclassifications to conform the presentation in those periods to the current period's presentation. Effective January 1, 2014, certain business activities within the former Securities and Banking and Transaction Services were realigned and aggregated as Banking and Markets and securities services within ICG. This change was due to the realignment of the management structure within the ICG segment and did not have an impact any total segment-level information. In addition, during the first quarter of 2014, reclassifications were made related to Citi's re-allocation of certain administrative, operations and technology costs among Citi's businesses, the allocation of certain costs from the Corporate/Other segment to Citi's businesses as well as certain immaterial reclassifications between revenues and expenses affecting ICG.

The following table presents certain information regarding the Company's continuing operations by segment:

	Revenues, net of interest expense <sup>(1)</sup> Three Months Ended September 30,		Provision (benefits) for income taxes Three Months Ended September 30,		Income (loss) from continuing operations <sup>(2)</sup> Three Months Ended September 30,		Identifiable assets <sup>(2)</sup> September 30/December 31,	
In millions of dollars, except identifiable assets in billions	2014	2013	2014	2013	2014	2013	2014	2013
Global Consumer Banking	\$9,637	\$9,232	\$1,004	\$797	\$ 1,937	\$ 1,535	\$401	\$405
Institutional Clients Group	8,371	7,372	1,019	605	2,333	1,740	1,047	1,045
Corporate/Other	8	42	(136)	(184)	(1,598)	20	332	313
Total Citicorp	\$18,016	\$16,646	\$1,887	\$1,218	\$ 2,672	\$ 3,295	\$1,780	\$1,763
Citi Holdings	1,588	1,258	98	(138)	242	(109)	103	117
Total	\$19,604	\$17,904	\$1,985	\$1,080	\$ 2,914	\$ 3,186	\$1,883	\$1,880
	Revenues, net of interest expense <sup>(1)</sup> Nine Months Ended September 30,		Provision (benefits) for income taxes Nine Months Ended September 30,		Income (loss) from continuing operations <sup>(2)</sup> Nine Months Ended September 30,			
In millions of dollars	2014	2013	2014	2013	2014	2013	2014	2013
Global Consumer Banking	\$28,311	\$28,696	\$2,578	\$2,687	\$5,269	\$5,222		
Institutional Clients Group	26,068	26,523	3,389	3,430	7,860	7,946		
Corporate/Other	184	162	(146)	(304)	(2,488)	(374)		
Total Citicorp	\$54,563	\$55,381	\$5,821	\$5,813	\$10,641	\$12,794		
Citi Holdings	4,507	3,259	52	(1,036)	(3,523)	(1,489)		
Total	\$59,070	\$58,640	\$5,873	\$4,777	\$7,118	\$11,305		

(1)

Includes Citicorp (excluding Corporate/Other) total revenues, net of interest expense, in North America of \$8.1 billion and \$7.1 billion; in EMEA of \$2.6 billion and \$2.5 billion; in Latin America of \$3.4 billion and \$3.4 billion; and in Asia of \$3.9 billion and \$3.6 billion for the three months ended September 30, 2014 and 2013, respectively. Includes Citicorp (excluding Corporate/Other) total revenues, net of interest expense, in North America of \$24.5 billion and \$24.1 billion; in EMEA of \$8.5 billion and \$9.1 billion; in Latin America of \$10.2 billion and \$10.5 billion; and in Asia of \$11.2 billion and \$11.5 billion for the nine months ended September 30, 2014 and 2013, respectively. Regional numbers exclude Citi Holdings and Corporate/Other, which largely operate within the U.S.

- (2) Includes pretax provisions (credits) for credit losses and for benefits and claims in the GCB results of \$1.4 billion and \$1.7 billion; in the ICG results of \$(21) million and \$139 million; and in Citi Holdings results of \$0.4 billion and \$0.1 billion for the three months ended September 30, 2014 and 2013, respectively. Includes pretax provisions (credits) for credit losses and for benefits and claims in the GCB results of \$4.5 billion and \$5.0 billion; in the ICG results of \$(106) million and \$174 million; and in Citi Holdings results of \$1.0 billion and \$1.3 billion for the nine months ended September 30, 2014 and 2013, respectively.

## 4. INTEREST REVENUE AND EXPENSE

For the three and nine months ended September 30, 2014 and 2013, Interest revenue and Interest expense consisted of the following:

In millions of dollars	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Interest revenue				
Loan interest, including fees	\$ 11,187	\$ 11,308	\$ 33,729	\$ 34,033
Deposits with banks	235	255	737	763
Federal funds sold and securities borrowed or purchased under agreements to resell	567	617	1,753	2,007
Investments, including dividends	1,824	1,689	5,388	5,178
Trading account assets <sup>(1)</sup>	1,484	1,491	4,424	4,790
Other interest	215	103	392	492
Total interest revenue	\$ 15,512	\$ 15,463	\$ 46,423	\$ 47,263
Interest expense				
Deposits <sup>(2)</sup>	\$ 1,417	\$ 1,490	\$ 4,335	\$ 4,749
Federal funds purchased and securities loaned or sold under agreements to repurchase	411	561	1,473	1,800
Trading account liabilities <sup>(1)</sup>	38	46	127	131
Short-term borrowings	141	150	440	461
Long-term debt	1,318	1,705	4,156	5,299
Total interest expense	\$ 3,325	\$ 3,952	\$ 10,531	\$ 12,440
Net interest revenue	\$ 12,187	\$ 11,511	\$ 35,892	\$ 34,823
Provision for loan losses	1,575	1,652	4,947	5,693
Net interest revenue after provision for loan losses	\$ 10,612	\$ 9,859	\$ 30,945	\$ 29,130

(1) Interest expense on Trading account liabilities of ICG is reported as a reduction of interest revenue from Trading account assets.

Includes deposit insurance fees and charges of \$234 million and \$267 million for the three months ended September 30, 2014 and 2013, respectively, and \$766 million and \$855 million for the nine months ended September 30, 2014 and 2013, respectively.

## 5. COMMISSIONS AND FEES

The primary components of Commissions and fees revenue for the three and nine months ended September 30, 2014 and 2013 were investment banking fees, credit card and bank card fees, trading-related fees and fees related to treasury and trade solutions and securities services in ICG.

Investment banking fees are substantially composed of underwriting and advisory revenues and are recognized when Citigroup's performance under the terms of a contractual arrangement is completed, which is typically at the closing of the transaction. Underwriting revenue is recorded in Commissions and fees, net of both reimbursable and non-reimbursable expenses, consistent with the AICPA Audit and Accounting Guide for Brokers and Dealers in Securities (codified in ASC 940-605-05-1). Expenses associated with advisory transactions are recorded in Other operating expenses, net of client reimbursements. Out-of-pocket expenses are deferred and recognized at the time the related revenue is recognized. In general, expenses incurred related to investment banking transactions that fail to close (are not consummated) are recorded gross in Other operating expenses.

Credit card and bank card fees are primarily composed of interchange revenue and certain card fees, including annual fees, reduced by reward program costs and certain partner payments. Interchange revenue and fees are recognized when earned, including annual card fees that are deferred and amortized on a straight-line basis over a 12-month period. Reward costs are recognized when points are earned by the customers.

Trading-related fees primarily include commissions and fees from the following: executing transactions for clients on exchanges and over-the-counter markets; sale of mutual funds, insurance and other annuity products; and assisting clients in clearing transactions, providing brokerage services and other such activities. Trading-related fees are recognized when earned in Commissions and fees. Gains or losses, if any, on these transactions are included in Principal transactions (see Note 6 to the Consolidated Financial Statements).

The following table presents Commissions and fees revenue for the three and nine months ended September 30:

In millions of dollars	Three Months Ended September		Nine Months Ended September	
	30, 2014	2013	30, 2014	2013
Investment banking	\$931	\$715	\$2,848	\$2,483
Credit cards and bank cards	570	606	1,698	1,862
Trading-related	664	609	2,010	1,981
Trade and securities services	469	462	1,396	1,381
Other Consumer <sup>(1)</sup>	237	208	679	666
Checking-related	138	132	408	410
Corporate finance <sup>(2)</sup>	113	124	389	415
Loan servicing	93	136	279	388
Other	65	69	198	203
Total commissions and fees	\$3,280	\$3,061	\$9,905	\$9,789

(1) Primarily consists of fees for investment fund administration and management, third-party collections, commercial demand deposit accounts and certain credit card services.

(2) Consists primarily of fees earned from structuring and underwriting loan syndications.

## 6. PRINCIPAL TRANSACTIONS

Principal transactions revenue consists of realized and unrealized gains and losses from trading activities. Trading activities include revenues from fixed income, equities, credit and commodities products and foreign exchange transactions. Not included in the table below is the impact of net interest revenue related to trading activities, which is an integral part of trading activities' profitability. See Note 4 to the

Consolidated Financial Statements for information about net interest revenue related to trading activities. Principal transactions include CVA (credit valuation adjustments on derivatives), FVA (funding valuation adjustments) on derivatives and DVA (debt valuation adjustments on issued liabilities for which the fair value option has been elected).

The following table presents principal transactions revenue for the three and nine months ended September 30:

In millions of dollars	Three Months Ended September		Nine Months Ended September	
	30, 2014	2013	30, 2014	2013
Global Consumer Banking	\$221	\$209	\$605	\$663
Institutional Clients Group	1,395	863	5,578	5,787
Corporate/Other	(221	) 54	(205	) (113
Subtotal Citicorp	\$1,395	\$1,126	\$5,978	\$6,337
Citi Holdings	154	23	302	—
Total Citigroup	\$1,549	\$1,149	\$6,280	\$6,337
Interest rate contracts <sup>(1)</sup>	\$911	\$474	\$3,240	\$3,649
Foreign exchange contracts <sup>(2)</sup>	464	579	1,637	1,737
Equity contracts <sup>(3)</sup>	(9	) 27	37	407
Commodity and other contracts <sup>(4)</sup>	164	18	486	230
Credit derivatives <sup>(5)</sup>	19	51	880	314
Total	\$1,549	\$1,149	\$6,280	\$6,337

(1) Includes revenues from government securities and corporate debt, municipal securities, mortgage securities and other debt instruments. Also includes spot and forward trading of currencies and exchange-traded and over-the-counter (OTC) currency options, options on fixed income securities, interest rate swaps, currency swaps, swap options, caps and floors, financial futures, OTC options and forward contracts on fixed income securities.

(2) Includes revenues from foreign exchange spot, forward, option and swap contracts, as well as FX translation gains and losses.

(3) Includes revenues from common, preferred and convertible preferred stock, convertible corporate debt, equity-linked notes and exchange-traded and OTC equity options and warrants.

(4) Primarily includes revenues from crude oil, refined oil products, natural gas and other commodities trades.

(5) Includes revenues from structured credit products.

## 7. INCENTIVE PLANS

All equity awards granted since April 19, 2005 have been made pursuant to stockholder-approved stock incentive plans that are administered by the Personnel and Compensation Committee of the Citigroup Board of Directors, which is composed entirely of independent non-employee directors. For additional information on Citi's incentive plans, see Note 7 to the Consolidated Financial Statements in Citi's 2013 Annual Report on Form 10-K.

## 8. RETIREMENT BENEFITS

For additional information on Citi's retirement benefits, see Note 8 to the Consolidated Financial Statements in the Company's 2013 Annual Report on Form 10-K.

## Pension and Postretirement Plans

The Company has several noncontributory defined benefit pension plans covering certain U.S. employees and has various defined benefit pension and termination indemnity plans covering employees outside the United States. The U.S. qualified defined benefit plan was frozen effective January 1, 2008 for most employees. Accordingly, no additional compensation-based contributions were credited to the cash balance portion of the plan for existing plan participants after 2007. However, certain employees covered under the prior final pay plan formula continue to accrue benefits. The Company also offers postretirement health care and life insurance benefits to certain eligible U.S. retired employees, as well as to certain eligible employees outside the United States.

The Company also sponsors a number of noncontributory, nonqualified pension plans. These plans, which are unfunded, provide supplemental defined pension benefits to certain U.S. employees. With the exception of certain employees covered under the prior final pay plan formula, the benefits under these plans were frozen in prior years. In the second quarter of 2013, the Company changed the method of accounting for its most significant pension and postretirement benefit plans (Significant Plans) such that plan obligations, plan assets and periodic plan expense are remeasured and disclosed quarterly, instead of annually. The Significant Plans captured approximately 80% of the Company's global pension and postretirement plan obligations as of December 31, 2013. All other plans (All Other Plans) are remeasured annually with a December 31 measurement date. For additional information, see Note 1 to the Consolidated Financial Statements in the Company's 2013 Annual Report on Form 10-K.

## Net (Benefit) Expense

The following table summarizes the components of net (benefit) expense recognized in the Consolidated Statement of Income for the Company's U.S. qualified and nonqualified pension plans, postretirement plans and plans outside the United States, for Significant Plans and All Other Plans, for the periods indicated.

In millions of dollars	Three Months Ended September 30,							
	Pension plans				Postretirement benefit plans			
	U.S. plans		Non-U.S. plans		U.S. plans		Non-U.S. plans	
	2014	2013	2014	2013	2014	2013	2014	2013
Qualified plans								
Benefits earned during the period	\$1	\$—	\$43	\$51	\$—	\$—	\$4	\$6
Interest cost on benefit obligation	132	140	93	95	8	8	30	31
Expected return on plan assets	(220)	(216)	(98)	(93)	—	1	(31)	(29)
Amortization of unrecognized								
Prior service (benefit) cost	(1)	(1)	—	2	—	(1)	(3)	—
Net actuarial loss	29	23	20	24	—	—	10	9
Curtailment loss <sup>(1)</sup>	11	17	(5)	—	—	—	—	—
Settlement (gain) loss <sup>(1)</sup>	—	—	26	—	—	—	—	—
Special termination benefits <sup>(1)</sup>	—	—	8	1	—	—	—	—

Edgar Filing: CITIGROUP INC - Form 10-Q

Net qualified plans (benefit) expense	\$(48 )	\$(37 )	\$87	\$80	\$8	\$8	\$10	\$17
Nonqualified plans expense	\$10	\$10	\$—	\$—	\$—	\$—	\$—	\$—
Total net (benefit) expense	\$(38 )	\$(27 )	\$87	\$80	\$8	\$8	\$10	\$17

(1) Losses due to curtailment, settlement and special termination benefits relate to repositioning actions in the U.S. and certain countries outside the U.S.

In millions of dollars	Nine Months Ended September 30,				Postretirement benefit plans			
	Pension plans		Non-U.S. plans		U.S. plans		Non-U.S. plans	
	U.S. plans		U.S. plans		U.S. plans		U.S. plans	
	2014	2013	2014	2013	2014	2013	2014	2013
Qualified plans								
Benefits earned during the period	\$4	\$6	\$136	\$158	\$—	\$—	\$11	\$31
Interest cost on benefit obligation	410	398	287	287	25	25	90	107
Expected return on plan assets	(656	)(645	)(291	)(298	)(1	)(1	)(92	)(101
Amortization of unrecognized								
Prior service (benefit) cost	(3	)(3	) 2	4	—	(1	)(9	)—
Net actuarial loss	78	82	60	70	—	—	30	31
Curtailment loss <sup>(1)</sup>	11	17	12	—	—	—	—	—
Settlement (gain) loss <sup>(1)</sup>	—	—	39	—	—	—	(2	)—
Special termination benefits <sup>(1)</sup>	—	—	8	1	—	—	—	—
Net qualified plans (benefit) expense	\$(156	)(145	) \$253	\$222	\$24	\$23	\$28	\$68
Nonqualified plans expense	\$34	\$34	\$—	\$—	\$—	\$—	\$—	\$—
Total net (benefit) expense	\$(122	)(111	) \$253	\$222	\$24	\$23	\$28	\$68
Cumulative effect of change in accounting policy <sup>(2)</sup>	—	(23	) —	—	—	—	—	3
Total adjusted net (benefit) expense	\$(122	)(134	) \$253	\$222	\$24	\$23	\$28	\$71

(1) Losses due to curtailment, settlement and special termination benefits relate to repositioning actions in the U.S. and certain countries outside the U.S.

(2) See Note 1 to the Consolidated Financial Statements in the Company's 2013 Annual Report on Form 10-K for additional information on the change in accounting policy.

#### Funded Status and Accumulated Other Comprehensive Income

The following table summarizes the funded status and amounts recognized in the Consolidated Balance Sheet for the Company's Significant Plans.

#### Net Amount Recognized

In millions of dollars	Nine months ended September 30, 2014			
	Pension plans		Postretirement benefit plans	
	U.S. plans	Non-U.S. plans	U.S. plans	Non-U.S. plans
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	\$12,829	\$7,194	\$780	\$1,411
Plans measured annually	(692	)(3,473	) —	(357
Projected benefit obligation at beginning of year - Significant Plans	\$12,137	\$3,721	\$780	\$1,054
First quarter activity	215	69	1	56
Second quarter activity	350	191	62	106
	\$12,702	\$3,981	\$843	\$1,216



Edgar Filing: CITIGROUP INC - Form 10-Q

Projected benefit obligation at June 30, 2014 - Significant Plans

Benefits earned during the period	1	10	—	3
Interest cost on benefit obligation	132	56	8	24
Actuarial (gain) loss	—	13	1	(43 )
Benefits paid, net of participants' contributions	(177 )	(44 )	(21 )	(14 )
Curtailement (gain) loss	12	—	—	—
Foreign exchange impact and other	—	(178 )	—	(41 )
Projected benefit obligation at September 30, 2014 - Significant Plans	\$12,670	\$ 3,838	\$831	\$ 1,145

125

---

In millions of dollars	Nine Months Ended September 30, 2014			
	Pension plans		Postretirement benefit plans	
	U.S. plans	Non-U.S. plans	U.S. plans	Non-U.S. plans
Change in plan assets				
Plan assets at fair value at beginning of year	\$ 12,731	\$ 6,918	\$ 32	\$ 1,472
Plans measured annually	—	(2,589 )	—	(11 )
Plan assets at fair value at beginning of year - Significant Plans	\$ 12,731	\$ 4,329	\$ 32	\$ 1,461
First quarter activity	96	69	(4 )	(10 )
Second quarter activity	192	241	(4 )	89
Plan assets at fair value at June 30, 2014 - Significant Plans	\$ 13,019	\$ 4,639	\$ 24	\$ 1,540
Actual return on plan assets	66	174	—	(14 )
Company contributions	100	13	14	—
Benefits paid	(177 )	(44 )	(21 )	(182 )
Foreign exchange impact and other	—	(212 )	—	115
Plan assets at fair value at September 30, 2014 - Significant Plans	\$ 13,008	\$ 4,570	\$ 17	\$ 1,459
Funded status of the plans at September 30, 2014 <sup>(1)</sup> - Significant Plans	\$ 338	\$ 732	\$(814 )	\$ 314
Net amount recognized				
Benefit asset	\$ 338	\$ 732	\$—	\$ 314
Benefit liability	—	—	(814 )	—
Net amount recognized on the balance sheet - Significant Plans	\$ 338	\$ 732	\$(814 )	\$ 314
Amounts recognized in Accumulated other comprehensive income (loss)				
Prior service benefit (cost)	\$ 4	\$ 27	\$—	\$ 158
Net actuarial gain (loss)	(4,419 )	(986 )	51	(499 )
Net amount recognized in equity (pretax) - Significant Plans	\$(4,415 )	\$(959 )	\$ 51	\$(341 )
Accumulated benefit obligation at September 30, 2014 - Significant Plans	\$ 12,661	\$ 3,735	N/A	N/A

<sup>(1)</sup> The U.S. qualified pension plan is fully funded under specified Employee Retirement Income Security Act (ERISA) funding rules as of January 1, 2014 and no minimum required funding is expected for 2014.

The following table shows the change in Accumulated other comprehensive income (loss) related to Citi's pension and postretirement benefit plans (for Significant Plans and All Other Plans) for the periods indicated.

In millions of dollars	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014	
Beginning of period balance, net of tax <sup>(1) (2)</sup>	\$(4,166	)(3,989	)
Actuarial assumptions changes and plan experience	23	(988	)
Net asset gain (loss) due to difference between actual and expected returns	(103	)328	
Net amortizations	52	151	
Curtailement/ settlement loss <sup>(3)</sup>	30	58	
Foreign exchange impact and other	105	264	
Change in deferred taxes, net	(36	)81	
Change, net of tax	\$71	\$(106	)
End of period balance, net of tax <sup>(1) (2)</sup>	\$(4,095	)(4,095	)

(1) See Note 18 to the Consolidated Financial Statements for further discussion of net Accumulated other comprehensive income (loss) balance.

(2) Includes net-of-tax amounts for certain profit sharing plans outside the United States.

(3) Curtailement and settlement losses relate to repositioning actions in the U.S. and certain countries outside the U.S.

#### Plan Assumptions

The Company utilizes a number of assumptions to determine plan obligations and expenses. Changes in one or a combination of these assumptions will have an impact on the Company's pension and postretirement projected benefit obligations, funded status and (benefit) expense. Changes in the plans' funded status resulting from changes in the projected benefit obligation and fair value of plan assets will have a corresponding impact on Accumulated other comprehensive income (loss).

The discount rates used during the period in determining the pension and postretirement net (benefit) expense for the Significant Plans are shown in the following table:

Net benefit (expense) assumed discount rates during the period <sup>(1)</sup>	Three Months Ended Sept. 30, 2014	Three Months Ended Jun. 30, 2014	Three Months Ended Mar. 31, 2014	Year Ended Dec. 31, 2013
U.S. plans				
Pension	4.25%	4.55%	4.75%	4.80%
Postretirement	3.95	4.15	4.35	4.30
Non-U.S. plans				
Pension	4.30 - 8.00	4.40 - 8.50	4.50 - 8.80	4.50 - 8.90
Weighted average	5.95	6.21	6.41	6.49
Postretirement	8.40	8.90	9.40	8.90

(1) As disclosed above, effective April 1, 2013, the Company changed to a quarterly remeasurement approach for its Significant Plans. The 2013 rates shown above were utilized to calculate the fourth quarter expense in 2013. The 2014 rates shown above for the three months ended March

31, 2014, June 30, 2014 and September 30, 2014 were utilized to calculate the first, second and third quarter expense for 2014, respectively.

The discount rates used at period end in determining the pension and postretirement benefit obligations for the Significant Plans are shown in the following table:

Plan obligations assumed discount rates at period ended <sup>(1)</sup>	Sept. 30, 2014	Jun. 30, 2014	Mar. 30, 2014	Dec. 31, 2013
U.S. plans				

Edgar Filing: CITIGROUP INC - Form 10-Q

Pension	4.25%	4.25%	4.55%	4.75%
Postretirement	4.00	3.95	4.15	4.35
Non-U.S. plans				
Pension	4.10 - 8.30	4.30 - 8.00	4.40 - 8.50	4.50 - 8.80
Weighted average	5.94	5.95	6.21	6.41
Postretirement	8.70	8.40	8.90	9.40

(1) For the Significant Plans, the September 30, 2014 rates shown above are utilized to calculate the September 30, 2014 benefit obligation and will be utilized to calculate the 2014 fourth quarter expense. The rates shown above for the year ended 2013 were utilized to calculate the first quarter 2014 expense. The March 31 and June 30, 2014 rates were utilized to calculate the 2014 second and third quarter expense, respectively.

#### Sensitivities of Certain Key Assumptions

The following table summarizes the estimated effect on the Company's Significant Plans quarterly pension expense of a one-percentage-point change in the discount rate:

In millions of dollars	Three Months Ended September 30, 2014	
	One-percentage-point increase	One-percentage-point decrease
U.S. plans	\$7	\$(11)
Non-U.S. plans	(3)	4

Since the U.S. qualified pension plan was frozen, the majority of the prospective service cost has been eliminated and the gain/loss amortization period was changed to the life expectancy for inactive participants. As a result, pension expense for the U.S. qualified pension plan is driven more by interest costs than service costs and an increase in the discount rate would increase pension expense, while a decrease in the discount rate would decrease pension expense.

#### Contributions

The Company's funding practice for U.S. and non-U.S. pension plans is generally to fund to minimum funding requirements in accordance with applicable local laws and regulations. The Company may increase its contributions above the minimum required contribution, if appropriate. In addition, management has the ability to change its funding practices. For the U.S. pension plan, there were no required minimum cash contributions during the third quarter of 2014; however, the Company made a \$100 million discretionary contribution to the plan in the third quarter.

The following table summarizes the actual Company contributions for the nine months ended September 30, 2014 and 2013, as well as estimated expected Company contributions for the remainder of the year. Expected contributions are subject to change since contribution decisions are affected by various factors, such as market performance and regulatory requirements.

#### Summary of Company Contributions

In millions of dollars	Pension plans				Postretirement benefit plans			
	U.S. plans <sup>(1)</sup>		Non-U.S. plans		U.S. plans		Non-U.S. plans	
	2014	2013 (3)	2014	2013 (3)	2014	2013 (3)	2014	2013 (3)
Company contributions <sup>(2)</sup> for the nine months ended September 30	\$139	\$32	\$164	\$282	\$34	\$49	\$2	\$244
Company contributions expected for the remainder of the year	\$12	\$11	\$43	\$57	\$17	\$16	\$10	\$1

(1) The U.S. pension plans include benefits paid directly by the Company for the nonqualified pension plans.

(2) Company contributions are composed of cash contributions made to the plans and benefits paid directly to participants by the Company.

For the year ended December 31, 2013, actual Company contributions amounted to \$51 million and \$357 million for the U.S. pension and Non-U.S. pension plans, respectively. For the year ended December 31, 2013, actual

(3) Company contributions amounted to \$52 million and \$256 million for the U.S. postretirement and Non-U.S. postretirement plans, respectively.

#### Defined Contribution Plans

The Company sponsors defined contribution plans in the U.S. and in certain non-U.S. locations, all of which are administered in accordance with local laws. The most significant defined contribution plan is the Citigroup 401(k) Plan sponsored by the Company in the U.S.

Under the Citigroup 401(k) Plan, eligible U.S. employees receive matching contributions of up to 6% of their eligible compensation for 2014 and 2013, subject to statutory limits. Additionally, for eligible employees whose eligible compensation is \$100,000 or less, a fixed contribution of up to 2% of eligible compensation is provided. All Company contributions are invested according to participants' individual

elections. The pretax expense associated with this plan amounted to approximately \$93 million and \$96 million in the three months ended September 30, 2014 and 2013, respectively, and \$298 million and \$298 million in the nine months ended September 30, 2014 and 2013, respectively.

#### Postemployment Plans

The Company sponsors U.S. postemployment plans that provide income continuation and health and welfare benefits to certain eligible U.S. employees on long-term disability.

The following table summarizes the components of net expense recognized in the Consolidated Statement of Income for the Company's U.S. postemployment plans.

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service related expense				
Benefits earned during the period	\$—	\$6	\$—	\$19
Interest cost on benefit obligation	2	3	4	9

Edgar Filing: CITIGROUP INC - Form 10-Q

Amortization of unrecognized						
Prior service cost	(8	)	1	(23	)	5
Net actuarial loss	3		4	10		10
Total service related (benefit) expense	\$(3	)	\$14	\$(9	)	\$43
Non-service related expense	\$4		\$7	\$21		\$20
Total net expense	\$1		\$21	\$12		\$63

128

---

## 9. EARNINGS PER SHARE

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share (EPS) computations for the three and nine months ended September 30:

In millions, except per-share amounts	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Income from continuing operations before attribution of noncontrolling interests	\$2,914	\$3,186	\$7,118	\$11,305
Less: Noncontrolling interests from continuing operations	59	51	154	177
Net income from continuing operations (for EPS purposes)	\$2,855	\$3,135	\$6,964	\$11,128
Income (loss) from discontinued operations, net of taxes	(16	)92	(1	)89
Citigroup's net income	\$2,839	\$3,227	\$6,963	\$11,217
Less: Preferred dividends <sup>(1)</sup>	128	110	352	123
Net income available to common shareholders	\$2,711	\$3,117	\$6,611	\$11,094
Less: Dividends and undistributed earnings allocated to employee restricted and deferred shares with nonforfeitable rights to dividends, applicable to basic EPS	44	61	108	217
Net income allocated to common shareholders for basic EPS	\$2,667	\$3,056	\$6,503	\$10,877
Add: Interest expense, net of tax, and dividends on convertible securities and adjustment of undistributed earnings allocated to employee restricted and deferred shares with nonforfeitable rights to dividends, applicable to diluted EPS	—	—	—	2
Net income allocated to common shareholders for diluted EPS	\$2,667	\$3,056	\$6,503	\$10,879
Weighted-average common shares outstanding applicable to basic EPS	3,029.5	3,034.3	3,033.5	3,038.4
Effect of dilutive securities				
Options <sup>(2)</sup>	5.1	6.1	5.0	5.0
Other employee plans	0.2	0.5	0.3	0.5
Convertible securities <sup>(3)</sup>	—	—	—	0.1
Adjusted weighted-average common shares outstanding applicable to diluted EPS	3,034.8	3,040.9	3,038.8	3,044.0
Basic earnings per share <sup>(4)</sup>				
Income from continuing operations	\$0.89	\$0.98	\$2.14	\$3.55
Discontinued operations	(0.01	)0.03	—	0.03
Net income	\$0.88	\$1.01	\$2.14	\$3.58
Diluted earnings per share <sup>(4)</sup>				
Income from continuing operations	\$0.88	\$0.98	\$2.14	\$3.55
Discontinued operations	(0.01	)0.03	—	0.03
Net income	\$0.88	\$1.00	\$2.14	\$3.57

(1) See Note 19 to the Consolidated Financial Statements for the potential future impact of preferred stock dividends.

During the third quarters of 2014 and 2013, weighted-average options to purchase 1.9 million and 1.5 million (2) shares of common stock, respectively, were outstanding but not included in the computation of earnings per share because the weighted-average exercise prices of \$157.90 and \$214.30, respectively, were anti-dilutive.

Warrants issued to the U.S. Treasury as part of the Troubled Asset Relief Program (TARP) and the loss-sharing agreement (all of which were subsequently sold to the public in January 2011), with an exercise price of \$178.50 (3) and \$106.10 for approximately 21.0 million and 25.5 million shares of Citigroup common stock, respectively, were not included in the computation of earnings per share in the third quarters of 2014 and 2013 because they were anti-dilutive.

(4)

Due to rounding, earnings per share on continuing operations and discontinued operations may not sum to earnings per share on net income.



## 10. FEDERAL FUNDS, SECURITIES BORROWED, LOANED, AND SUBJECT TO REPURCHASE AGREEMENTS

Federal funds sold and securities borrowed or purchased under agreements to resell, at their respective carrying values, consisted of the following at September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014	December 31, 2013
Federal funds sold	\$—	\$20
Securities purchased under agreements to resell	125,302	136,649
Deposits paid for securities borrowed	120,160	120,368
Total	\$245,462	\$257,037

Federal funds purchased and securities loaned or sold under agreements to repurchase, at their respective carrying values, consisted of the following:

In millions of dollars	September 30, 2014	December 31, 2013
Federal funds purchased	\$491	\$910
Securities sold under agreements to repurchase	148,870	175,691
Deposits received for securities loaned	26,371	26,911
Total	\$175,732	\$203,512

The resale and repurchase agreements represent collateralized financing transactions. The Company executes these transactions primarily through its broker-dealer subsidiaries to facilitate customer matched-book activity and to efficiently fund a portion of the Company's trading inventory. Transactions executed by the Company's bank subsidiaries primarily facilitate customer financing activity.

It is the Company's policy to take possession of the underlying collateral, monitor its market value relative to the amounts due under the agreements and, when necessary, require prompt transfer of additional collateral in order to maintain contractual margin protection. Collateral typically consists of government and government-agency securities, corporate and municipal bonds, equities, and mortgage-backed and other asset-backed securities.

The resale and repurchase agreements are generally documented under industry standard agreements that allow the prompt close-out of all transactions (including the liquidation of securities held) and the offsetting of obligations to return cash or securities by the non-defaulting party, following a payment default or other type of default under the relevant master agreement. Events of default generally include: (i) failure to deliver cash or securities as required under the transaction, (ii) failure to provide or return cash or securities as used for margining purposes, (iii) breach of representation, (iv) cross-default to another transaction entered into among the parties, or, in some cases, their affiliates, and (v) a repudiation of obligations under the agreement. The

counterparty that receives the securities in these transactions is generally unrestricted in its use of the securities, with the exception of transactions executed on a tri-party basis, where the collateral is maintained by a custodian and operational limitations may restrict their use of the securities.

A substantial portion of the resale and repurchase agreements is recorded at fair value, as described in Note 22 to the Consolidated Financial Statements. The remaining portion is carried at the amount of cash initially advanced or received, plus accrued interest, as specified in the respective agreements.

The securities borrowing and lending agreements also represent collateralized financing transactions similar to the resale and repurchase agreements. Collateral typically consists of government and government-agency securities and corporate debt and equity securities.

Similar to the resale and repurchase agreements, securities borrowing and lending agreements are generally documented under industry standard agreements that allow the prompt close-out of all transactions (including the liquidation of securities held) and the offsetting of obligations to return cash or securities by the non-defaulting party, following a payment default or other default by the other party under the relevant master agreement. Events of default and rights to use securities under the securities borrowing and lending agreements are similar to the resale and repurchase agreements referenced above.

A substantial portion of securities borrowing and lending agreements is recorded at the amount of cash advanced or received. The remaining portion is recorded at fair value as the Company elected the fair value option for certain securities borrowed and loaned portfolios, as described in Note 23 to the Consolidated Financial Statements. With respect to securities loaned, the Company receives cash collateral in an amount generally in excess of the market value of the securities loaned. The Company monitors the market value of securities borrowed and securities loaned on a daily basis and obtains or posts additional collateral in order to maintain contractual margin protection.

The enforceability of offsetting rights incorporated in the master netting agreements for resale and repurchase agreements and securities borrowing and lending agreements is evidenced to the extent that a supportive legal opinion has been obtained from counsel of recognized standing which provides the requisite level of certainty regarding the enforceability of these agreements and that the exercise of rights by the non-defaulting party to terminate and close-out transactions on a net basis under these agreements will not be stayed, or avoided under applicable law upon an event of default including bankruptcy, insolvency or similar proceeding.

A legal opinion may not have been sought or obtained for certain jurisdictions where local law is silent or sufficiently ambiguous to determine the enforceability of offsetting rights or where adverse case law or conflicting regulation may cast doubt on the enforceability of such rights. In some jurisdictions and for some counterparty types, the insolvency law for a particular counterparty type may be nonexistent or unclear as overlapping regimes may exist. For example, this

may be the case for certain sovereigns, municipalities, central banks and U.S. pension plans.

The following tables present the gross and net resale and repurchase agreements and securities borrowing and lending agreements and the related offsetting amount permitted under ASC 210-20-45, as of September 30, 2014 and December 31, 2013. The tables also include amounts related to financial instruments that are not permitted to be offset under ASC

210-20-45 but would be eligible for offsetting to the extent an event of default occurred and a legal opinion supporting enforceability of the offsetting rights has been obtained. Remaining exposures continue to be secured by financial collateral, but the Company may not have sought or been able to obtain a legal opinion evidencing enforceability of the offsetting right.

In millions of dollars	As of September 30, 2014				Net amounts
	Gross amounts of recognized assets	Gross amounts offset on the Consolidated Balance Sheet <sup>(1)</sup>	Net amounts of assets included on the Consolidated Balance Sheet <sup>(2)</sup>	Amounts not offset on the Consolidated Balance Sheet but eligible for offsetting upon counterparty default <sup>(3)</sup>	
Securities purchased under agreements to resell	\$ 179,360	\$ 54,058	\$ 125,302	\$ 89,901	\$ 35,401
Deposits paid for securities borrowed	120,160	—	120,160	17,653	102,507
Total	\$ 299,520	\$ 54,058	\$ 245,462	\$ 107,554	\$ 137,908

In millions of dollars	As of September 30, 2014				Net amounts
	Gross amounts of recognized liabilities	Gross amounts offset on the Consolidated Balance Sheet <sup>(1)</sup>	Net amounts of liabilities included on the Consolidated Balance Sheet <sup>(2)</sup>	Amounts not offset on the Consolidated Balance Sheet but eligible for offsetting upon counterparty default <sup>(3)</sup>	
Securities sold under agreements to repurchase	\$ 202,928	\$ 54,058	\$ 148,870	\$ 64,433	\$ 84,437
Deposits received for securities loaned	26,371	—	26,371	4,537	21,834
Total	\$ 229,299	\$ 54,058	\$ 175,241	\$ 68,970	\$ 106,271

In millions of dollars	As of December 31, 2013				Net amounts
	Gross amounts of recognized assets	Gross amounts offset on the Consolidated Balance Sheet <sup>(1)</sup>	Net amounts of assets included on the Consolidated Balance Sheet <sup>(2)</sup>	Amounts not offset on the Consolidated Balance Sheet but eligible for offsetting upon counterparty default <sup>(3)</sup>	
Securities purchased under agreements to resell	\$ 179,894	\$ 43,245	\$ 136,649	\$ 105,226	\$ 31,423
Deposits paid for securities borrowed	120,368	—	120,368	26,728	93,640
Total	\$ 300,262	\$ 43,245	\$ 257,017	\$ 131,954	\$ 125,063

In millions of dollars

Edgar Filing: CITIGROUP INC - Form 10-Q

	Gross amounts of recognized liabilities	Gross amounts offset on the Consolidated Balance Sheet <sup>(1)</sup>	Net amounts of liabilities included on the Consolidated Balance Sheet <sup>(2)</sup>	Amounts not offset on the Consolidated Balance Sheet but eligible for offsetting upon counterparty default <sup>(3)</sup>	Net amounts <sup>(4)</sup>
Securities sold under agreements to repurchase	\$218,936	\$43,245	\$175,691	\$80,082	\$95,609
Deposits received for securities loaned	26,911	—	26,911	3,833	23,078
Total	\$245,847	\$43,245	\$202,602	\$83,915	\$118,687

(1) Includes financial instruments subject to enforceable master netting agreements that are permitted to be offset under ASC 210-20-45.

(2) The total of this column for each period excludes Federal funds sold/purchased. See table on prior page.

(3) Includes financial instruments subject to enforceable master netting agreements that are not permitted to be offset under ASC 210-20-45 but would be eligible for offsetting to the extent an event of default has occurred and a legal opinion supporting enforceability of the offsetting right has been obtained.

(4) Remaining exposures continue to be secured by financial collateral, but the Company may not have sought or been able to obtain a legal opinion evidencing enforceability of the offsetting right.

## 11. BROKERAGE RECEIVABLES AND BROKERAGE PAYABLES

The Company has receivables and payables for financial instruments sold to and purchased from brokers, dealers and customers, which arise in the ordinary course of business. The Company is exposed to risk of loss from the inability of brokers, dealers or customers to pay for purchases or to deliver the financial instruments sold, in which case the Company would have to sell or purchase the financial instruments at prevailing market prices. Credit risk is reduced to the extent that an exchange or clearing organization acts as a counterparty to the transaction and replaces the broker, dealer or customer in question.

The Company seeks to protect itself from the risks associated with customer activities by requiring customers to maintain margin collateral in compliance with regulatory and internal guidelines. Margin levels are monitored daily, and customers deposit additional collateral as required. Where customers cannot meet collateral requirements, the Company will liquidate sufficient underlying financial instruments to bring the customer into compliance with the required margin level.

Exposure to credit risk is impacted by market volatility, which may impair the ability of clients to satisfy their obligations to the Company. Credit limits are established and closely monitored for customers and for brokers and dealers engaged in forwards, futures and other transactions deemed to be credit sensitive.

Brokerage receivables and Brokerage payables consisted of the following at September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014	December 31, 2013
Receivables from customers	\$ 12,774	\$ 5,811
Receivables from brokers, dealers, and clearing organizations	26,524	19,863
Total brokerage receivables <sup>(1)</sup>	\$ 39,298	\$ 25,674
Payables to customers	\$ 36,010	\$ 34,751
Payables to brokers, dealers, and clearing organizations	23,418	18,956
Total brokerage payables <sup>(1)</sup>	\$ 59,428	\$ 53,707

(1) Brokerage receivables and payables are accounted for in accordance with ASC 940-320.

## 12. TRADING ACCOUNT ASSETS AND LIABILITIES

Trading account assets and Trading account liabilities are carried at fair value, other than physical commodities accounted for at the lower of cost or fair value, and consist of the following at September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014	December 31, 2013
Trading account assets		
Mortgage-backed securities <sup>(1)</sup>		
U.S. government-sponsored agency guaranteed	\$ 19,779	\$ 23,955
Prime	1,371	1,422
Alt-A	602	721
Subprime	1,211	1,211
Non-U.S. residential	702	723
Commercial	2,962	2,574
Total mortgage-backed securities	\$ 26,627	\$ 30,606
U.S. Treasury and federal agency securities		
U.S. Treasury	\$ 19,664	\$ 13,537
Agency obligations	2,049	1,300

Edgar Filing: CITIGROUP INC - Form 10-Q

Total U.S. Treasury and federal agency securities	\$21,713	\$14,837
State and municipal securities	\$2,713	\$3,207
Foreign government securities	76,133	74,856
Corporate	28,388	30,534
Derivatives <sup>(2)</sup>	57,694	52,821
Equity securities	55,662	61,776
Asset-backed securities <sup>(1)</sup>	4,653	5,616
Other trading assets <sup>(3)</sup>	17,239	11,675
Total trading account assets	\$290,822	\$285,928
Trading account liabilities		
Securities sold, not yet purchased	\$78,561	\$61,508
Derivatives <sup>(2)</sup>	58,711	47,254
Total trading account liabilities	\$137,272	\$108,762

The Company invests in mortgage-backed and asset-backed securities. These securitizations are generally considered VIEs. The Company's maximum exposure to loss from these VIEs is equal to the carrying amount of the securities, which is reflected in the table above. For mortgage-backed and asset-backed securitizations in which the Company has other involvement, see Note 20 to the Consolidated Financial Statements.

(1) Presented net, pursuant to enforceable master netting agreements. See Note 21 to the Consolidated Financial Statements for a discussion regarding the accounting and reporting for derivatives.

(2) Includes investments in unallocated precious metals, as discussed in Note 23 to the Consolidated Financial Statements. Also includes physical commodities accounted for at the lower of cost or fair value.

## 13. INVESTMENTS

## Overview

In millions of dollars	September 30, 2014	December 31, 2013
Securities available-for-sale (AFS)	\$ 298,678	\$ 286,511
Debt securities held-to-maturity (HTM) <sup>(1)</sup>	24,038	10,599
Non-marketable equity securities carried at fair value <sup>(2)</sup>	3,504	4,705
Non-marketable equity securities carried at cost <sup>(3)</sup>	6,827	7,165
Total investments	\$ 333,047	\$ 308,980

(1) Recorded at amortized cost less impairment for securities that have credit-related impairment.

(2) Unrealized gains and losses for non-marketable equity securities carried at fair value are recognized in earnings.

(3) Non-marketable equity securities carried at cost primarily consist of shares issued by the Federal Reserve Bank, Federal Home Loan Banks, foreign central banks and various clearing houses of which Citigroup is a member.

The following table presents interest and dividends on investments for the three and nine months ended September 30, 2014 and 2013:

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Taxable interest	\$ 1,627	\$ 1,389	\$ 4,638	\$ 4,280
Interest exempt from U.S. federal income tax	96	197	407	567
Dividends	101	103	343	331
Total interest and dividends	\$ 1,824	\$ 1,689	\$ 5,388	\$ 5,178

The following table presents realized gains and losses on the sale of investments for the three and nine months ended September 30, 2014 and 2013. The gross realized investment losses exclude losses from other-than-temporary impairment (OTTI):

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Gross realized investment gains	\$ 229	\$ 375	\$ 689	\$ 1,489
Gross realized investment losses	(93	)(312	)(341	)(725
Net realized gains on sale of investments	\$ 136	\$ 63	\$ 348	\$ 764

The Company has sold various debt securities that were classified as HTM. These sales were in response to a significant deterioration in the creditworthiness of the issuers or securities. In addition, certain securities were reclassified to AFS investments in response to significant credit deterioration and, because the Company intends to sell the securities, Citi recorded OTTI on the securities. The following table sets forth, for the periods indicated, gain (loss) on HTM securities sold, securities reclassified to AFS and OTTI recorded on AFS securities reclassified.

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Carrying value of HTM securities sold	\$—	\$ 235	\$ 5	\$ 720
Net realized gain (loss) on sale of HTM securities	—	(39	)—	\$(105
Carrying value of securities reclassified to AFS	700	—	766	\$ 902
OTTI losses on securities reclassified to AFS	(2	)—	(11	)(155

## Securities Available-for-Sale

The amortized cost and fair value of AFS securities at September 30, 2014 and December 31, 2013 were as follows:

In millions of dollars	September 30, 2014				December 31, 2013			
	Amortized cost	Gross unrealized gains <sup>(1)</sup>	Gross unrealized losses <sup>(1)</sup>	Fair value	Amortized cost	Gross unrealized gains <sup>(1)</sup>	Gross unrealized losses <sup>(1)</sup>	Fair value
Debt securities AFS								
Mortgage-backed securities <sup>(2)</sup>								
U.S. government-sponsored agency guaranteed	\$36,654	\$522	\$308	\$36,868	\$42,494	\$391	\$888	\$41,997
Prime	13	—	—	13	33	2	3	32
Alt-A	2	—	—	2	84	10	—	94
Subprime	—	—	—	—	12	—	—	12
Non-U.S. residential	9,200	84	9	9,275	9,976	95	4	10,067
Commercial	562	6	4	564	455	6	8	453
Total mortgage-backed securities	\$46,431	\$612	\$321	\$46,722	\$53,054	\$504	\$903	\$52,655
U.S. Treasury and federal agency securities								
U.S. Treasury	\$95,175	\$356	\$190	\$95,341	\$68,891	\$476	\$147	\$69,220
Agency obligations	16,513	61	29	16,545	18,320	123	67	18,376
Total U.S. Treasury and federal agency securities	\$111,688	\$417	\$219	\$111,886	\$87,211	\$599	\$214	\$87,596
State and municipal <sup>(3)</sup>	\$13,894	\$144	\$1,125	\$12,913	\$20,761	\$184	\$2,005	\$18,940
Foreign government	95,314	639	293	95,660	96,608	403	540	96,471
Corporate	13,767	290	99	13,958	11,039	210	119	11,130
Asset-backed securities <sup>(2)</sup>	12,830	41	28	12,843	15,352	42	120	15,274
Other debt securities	711	—	1	710	710	1	—	711
Total debt securities AFS	\$294,635	\$2,143	\$2,086	\$294,692	\$284,735	\$1,943	\$3,901	\$282,777
Marketable equity securities AFS	\$3,916	\$105	\$35	\$3,986	\$3,832	\$85	\$183	\$3,734
Total securities AFS	\$298,551	\$2,248	\$2,121	\$298,678	\$288,567	\$2,028	\$4,084	\$286,511

Gross unrealized gains and losses, as presented, do not include the impact of minority investments and the related allocations and pick-up of unrealized gains and losses of AFS securities. These amounts totaled \$16 million of unrealized gains and \$36 million of unrealized gains as of September 30, 2014 and December 31, 2013, respectively.

The Company invests in mortgage-backed and asset-backed securities. These securitizations are generally considered VIEs. The Company's maximum exposure to loss from these VIEs is equal to the carrying amount of the securities, which is reflected in the table above. For mortgage-backed and asset-backed securitizations in which the Company has other involvement, see Note 20 to the Consolidated Financial Statements.

The gross unrealized losses on state and municipal debt securities are primarily attributable to the effects of fair value hedge accounting. Specifically, Citi hedges the LIBOR-benchmark interest rate component of certain fixed-rate tax-exempt state and municipal debt securities utilizing LIBOR-based interest rate swaps. During the hedge period, losses incurred on the LIBOR-hedging swaps recorded in earnings were substantially offset by gains on the state and municipal debt securities attributable to changes in the LIBOR swap rate being hedged. However, because the LIBOR swap rate decreased significantly during the hedge period while the overall fair value of the municipal debt securities was relatively unchanged, the effect of reclassifying fair value gains on these securities from Accumulated other comprehensive income (loss) (AOCI) to earnings, attributable solely to changes in the LIBOR swap rate, resulted in net unrealized losses remaining in AOCI that relate to the unhedged components of these securities.



As discussed in more detail below, the Company conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other-than-temporary. Any credit-related impairment related to debt securities that the Company does not plan to sell and is not likely to be required to sell is recognized in the Consolidated Statement of Income, with the non-credit-related impairment recognized in AOCI. For other debt securities with OTTI, the entire impairment is recognized in the Consolidated Statement of Income.

The table below shows the fair value of AFS securities that have been in an unrealized loss position for less than 12 months or for 12 months or longer as of September 30, 2014 and December 31, 2013:

In millions of dollars	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
September 30, 2014						
Securities AFS						
Mortgage-backed securities						
U.S. government-sponsored agency guaranteed	\$5,606	\$32	\$9,447	\$276	\$15,053	\$308
Prime	4	—	2	—	6	—
Non-U.S. residential	382	2	547	7	929	9
Commercial	140	1	131	3	271	4
Total mortgage-backed securities	\$6,132	\$35	\$10,127	\$286	\$16,259	\$321
U.S. Treasury and federal agency securities						
U.S. Treasury	\$45,334	\$177	\$1,173	\$13	\$46,507	\$190
Agency obligations	4,680	16	1,552	13	6,232	29
Total U.S. Treasury and federal agency securities	\$50,014	\$193	\$2,725	\$26	\$52,739	\$219
State and municipal	\$429	\$15	\$6,154	\$1,110	\$6,583	\$1,125
Foreign government	22,487	176	7,447	117	29,934	293
Corporate	2,873	69	1,472	30	4,345	99
Asset-backed securities	1,117	1	3,936	27	5,053	28
Other debt securities	49	1	—	—	49	1
Marketable equity securities AFS	43	3	231	32	274	35
Total securities AFS	\$83,144	\$493	\$32,092	\$1,628	\$115,236	\$2,121
December 31, 2013						
Securities AFS						
Mortgage-backed securities						
U.S. government-sponsored agency guaranteed	\$19,377	\$533	\$5,643	\$355	\$25,020	\$888
Prime	85	3	3	—	88	3
Non-U.S. residential	2,103	4	5	—	2,108	4
Commercial	206	6	28	2	234	8
Total mortgage-backed securities	\$21,771	\$546	\$5,679	\$357	\$27,450	\$903
U.S. Treasury and federal agency securities						
U.S. Treasury	\$34,780	\$133	\$268	\$14	\$35,048	\$147
Agency obligations	6,692	66	101	1	6,793	67
Total U.S. Treasury and federal agency securities	\$41,472	\$199	\$369	\$15	\$41,841	\$214
State and municipal	\$595	\$29	\$11,447	\$1,976	\$12,042	\$2,005
Foreign government	35,783	477	5,778	63	41,561	540
Corporate	4,565	108	387	11	4,952	119
Asset-backed securities	11,207	57	1,931	63	13,138	120
Marketable equity securities AFS	1,271	92	806	91	2,077	183
Total securities AFS	\$116,664	\$1,508	\$26,397	\$2,576	\$143,061	\$4,084

The following table presents the amortized cost and fair value of AFS debt securities by contractual maturity dates as of September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014		December 31, 2013	
	Amortized cost	Fair value	Amortized cost	Fair value
Mortgage-backed securities <sup>(1)</sup>				
Due within 1 year	\$63	\$63	\$87	\$87
After 1 but within 5 years	593	599	346	354
After 5 but within 10 years	1,932	1,957	2,898	2,932
After 10 years <sup>(2)</sup>	43,843	44,103	49,723	49,282
Total	\$46,431	\$46,722	\$53,054	\$52,655
U.S. Treasury and federal agency securities				
Due within 1 year	\$13,172	\$13,198	\$15,789	\$15,853
After 1 but within 5 years	93,519	93,588	66,232	66,457
After 5 but within 10 years	2,301	2,321	2,129	2,185
After 10 years <sup>(2)</sup>	2,696	2,779	3,061	3,101
Total	\$111,688	\$111,886	\$87,211	\$87,596
State and municipal				
Due within 1 year	\$307	\$300	\$576	\$581
After 1 but within 5 years	3,878	3,803	3,731	3,735
After 5 but within 10 years	530	546	439	482
After 10 years <sup>(2)</sup>	9,179	8,264	16,015	14,142
Total	\$13,894	\$12,913	\$20,761	\$18,940
Foreign government				
Due within 1 year	\$36,864	\$36,881	\$37,005	\$36,959
After 1 but within 5 years	42,217	42,326	51,344	51,304
After 5 but within 10 years	15,207	15,356	7,314	7,216
After 10 years <sup>(2)</sup>	1,026	1,097	945	992
Total	\$95,314	\$95,660	\$96,608	\$96,471
All other <sup>(3)</sup>				
Due within 1 year	\$1,585	\$1,589	\$2,786	\$2,733
After 1 but within 5 years	12,016	12,181	10,934	11,020
After 5 but within 10 years	7,053	7,099	5,632	5,641
After 10 years <sup>(2)</sup>	6,654	6,642	7,749	7,721
Total	\$27,308	\$27,511	\$27,101	\$27,115
Total debt securities AFS	\$294,635	\$294,692	\$284,735	\$282,777

(1) Includes mortgage-backed securities of U.S. government-sponsored agencies.

(2) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment rights.

(3) Includes corporate, asset-backed and other debt securities.

## Debt Securities Held-to-Maturity

The carrying value and fair value of debt securities HTM at September 30, 2014 and December 31, 2013 were as follows:

In millions of dollars	Amortized cost <sup>(1)</sup>	Net unrealized gains (losses) recognized in AOCI	Carrying value <sup>(2)</sup>	Gross unrealized gains	Gross unrealized (losses)	Fair value
September 30, 2014						
Debt securities held-to-maturity						
Mortgage-backed securities <sup>(3)</sup>						
U.S. government agency guaranteed	\$8,247	\$96	\$8,343	\$27	\$(28)	\$8,342
Prime	63	(14)	49	5	(1)	53
Alt-A	1,214	(238)	976	546	(281)	1,241
Subprime	2	—	2	1	—	3
Non-U.S. residential	1,165	(170)	995	103	—	1,098
Commercial	9	—	9	1	—	10
Total mortgage-backed securities	\$10,700	\$(326)	\$10,374	\$683	\$(310)	\$10,747
State and municipal <sup>(4)</sup>	\$8,323	\$(525)	\$7,798	\$162	\$(50)	\$7,910
Foreign government	5,279	—	5,279	78	—	5,357
Corporate	38	(1)	37	2	—	39
Asset-backed securities <sup>(3)</sup>	569	(19)	550	49	(10)	589
Total debt securities held-to-maturity <sup>(5)</sup>	\$24,909	\$(871)	\$24,038	\$974	\$(370)	\$24,642
December 31, 2013						
Debt securities held-to-maturity						
Mortgage-backed securities <sup>(3)</sup>						
Prime	\$72	\$(16)	\$56	\$5	\$(2)	\$59
Alt-A	1,379	(287)	1,092	449	(263)	1,278
Subprime	2	—	2	1	—	3
Non-U.S. residential	1,372	(206)	1,166	60	(20)	1,206
Commercial	10	—	10	1	—	11
Total mortgage-backed securities	\$2,835	\$(509)	\$2,326	\$516	\$(285)	\$2,557
State and municipal	\$1,394	\$(62)	\$1,332	\$50	\$(70)	\$1,312
Foreign government	5,628	—	5,628	70	(10)	5,688
Corporate	818	(78)	740	111	—	851
Asset-backed securities <sup>(3)</sup>	599	(26)	573	22	(10)	585
Total debt securities held-to-maturity	\$11,274	\$(675)	\$10,599	\$769	\$(375)	\$10,993

For securities transferred to HTM from Trading account assets, amortized cost is defined as the fair value of the securities at the date of transfer plus any accretion income and less any impairments recognized in earnings subsequent to transfer. For securities transferred to HTM from AFS, amortized cost is defined as the original purchase cost, adjusted for the cumulative accretion or amortization of any purchase discount or premium, plus or minus any cumulative fair value hedge adjustments, net of accretion or amortization, and less any other-than-temporary impairment recognized in earnings.

(2) HTM securities are carried on the Consolidated Balance Sheet at amortized cost, plus or minus any unamortized unrealized gains and losses and fair value hedge adjustments recognized in AOCI prior to reclassifying the securities from AFS to HTM. Changes in the values of these securities are not reported in the financial statements,

except for the amortization of any difference between the carrying value at the transfer date and par value of the securities, and the recognition of any non-credit fair value adjustments in AOCI in connection with the recognition of any credit impairment in earnings related to securities the Company continues to intend to hold until maturity.

(3) The Company invests in mortgage-backed and asset-backed securities. These securitizations are generally considered VIEs. The Company's maximum exposure to loss from these VIEs is equal to the carrying amount of the securities, which is reflected in the table above. For mortgage-backed and asset-backed securitizations in which the Company has other involvement, see Note 20 to the Consolidated Financial Statements.

(4) The net unrealized losses recognized in AOCI on state and municipal debt securities are primarily attributable to the effects of fair value hedge accounting applied when these debt securities were classified as AFS. Specifically, Citi hedged the LIBOR-benchmark interest rate component of certain fixed-rate tax-exempt state and municipal debt securities utilizing LIBOR-based interest rate swaps. During the hedge period, losses incurred on the LIBOR-hedging swaps recorded in earnings were substantially offset by gains on the state and municipal debt securities attributable to changes in the LIBOR swap rate being hedged. However, because the LIBOR swap rate decreased significantly during the hedge period while the overall fair value of the municipal debt securities was relatively unchanged, the effect of reclassifying fair value gains on these securities from AOCI to earnings attributable solely to changes in the LIBOR swap rate resulted in net unrealized losses remaining in AOCI that relate to the unhedged components of these securities. Upon transfer of these debt securities to HTM, all hedges have been de-designated and hedge accounting has ceased.

(5) During the second quarter of 2014, securities with a total fair value of approximately \$11.8 billion were transferred from AFS to HTM. For additional information, see Note 13 in Citi's Second Quarter of 2014 Form 10-Q.

The Company has the positive intent and ability to hold these securities to maturity or, where applicable, the exercise of any issuer call options, absent any unforeseen significant changes in circumstances, including deterioration in credit or changes in regulatory capital requirements.

The net unrealized losses classified in AOCI primarily relate to debt securities previously classified as AFS that have been transferred to HTM, and include any cumulative fair

value hedge adjustments. The net unrealized loss amount also includes any non-credit-related changes in fair value of HTM securities that have suffered credit impairment recorded in earnings. The AOCI balance related to HTM securities is amortized over the remaining contractual life of the related securities as an adjustment of yield in a manner consistent with the accretion of any difference between the carrying value at the transfer date and par value of the same debt securities.

The table below shows the fair value of debt securities in HTM that have been in an unrecognized loss position as of September 30, 2014 and December 31, 2013 for less than 12 months and for 12 months or longer:

In millions of dollars	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrecognized losses	Fair value	Gross unrecognized losses	Fair value	Gross unrecognized losses
September 30, 2014						
Debt securities held-to-maturity						
Mortgage-backed securities	\$4	\$—	\$4,312	\$310	\$4,316	\$310
State and municipal	2,228	18	551	32	2,779	50
Foreign government	—	—	—	—	—	—
Asset-backed securities	11	1	175	9	186	10
Total debt securities held-to-maturity	\$2,243	\$19	\$5,038	\$351	\$7,281	\$370
December 31, 2013						
Debt securities held-to-maturity						
Mortgage-backed securities	\$—	\$—	\$358	\$285	\$358	\$285
State and municipal	235	20	302	50	537	70
Foreign government	920	10	—	—	920	10
Asset-backed securities	98	6	198	4	296	10
Total debt securities held-to-maturity	\$1,253	\$36	\$858	\$339	\$2,111	\$375

Excluded from the gross unrecognized losses presented in the above table are the \$(871) million and \$(675) million of net unrealized losses recorded in AOCI as of September 30, 2014 and December 31, 2013, respectively, primarily related to the difference between the amortized cost and carrying value of HTM securities that were reclassified from AFS. Substantially all of these net unrecognized losses relate to securities that have been in a loss position for 12 months or longer at September 30, 2014 and December 31, 2013.



The following table presents the carrying value and fair value of HTM debt securities by contractual maturity dates as of September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
Mortgage-backed securities				
Due within 1 year	\$—	\$—	\$—	\$—
After 1 but within 5 years	—	—	—	—
After 5 but within 10 years	780	777	10	11
After 10 years <sup>(1)</sup>	9,594	9,970	2,316	2,546
Total	\$10,374	\$10,747	\$2,326	\$2,557
State and municipal				
Due within 1 year	\$39	\$39	\$8	\$9
After 1 but within 5 years	21	21	17	17
After 5 but within 10 years	144	149	69	72
After 10 years <sup>(1)</sup>	7,594	7,701	1,238	1,214
Total	\$7,798	\$7,910	\$1,332	\$1,312
Foreign government				
Due within 1 year	\$—	\$—	\$—	\$—
After 1 but within 5 years	5,279	5,357	5,628	5,688
After 5 but within 10 years	—	—	—	—
After 10 years <sup>(1)</sup>	—	—	—	—
Total	\$5,279	\$5,357	\$5,628	\$5,688
All other <sup>(2)</sup>				
Due within 1 year	\$—	\$—	\$—	\$—
After 1 but within 5 years	37	39	740	851
After 5 but within 10 years	—	—	—	—
After 10 years <sup>(1)</sup>	550	589	573	585
Total	\$587	\$628	\$1,313	\$1,436
Total debt securities held-to-maturity	\$24,038	\$24,642	\$10,599	\$10,993

(1) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment rights.

(2) Includes corporate and asset-backed securities.

#### Evaluating Investments for Other-Than-Temporary Impairment

##### Overview

The Company conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other-than-temporary.

An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis.

Unrealized losses that are determined to be temporary in nature are recorded, net of tax, in AOCI for AFS securities.

Losses related to HTM securities generally are not recorded, as these investments are carried at amortized cost.

However, for HTM securities with credit-related losses, the credit loss is recognized in earnings as OTTI, and any remainder between the cost basis adjusted for the OTTI and fair value is recognized in AOCI and amortized as an adjustment of yield over the remaining contractual life of the security. For securities transferred to HTM from Trading account assets, amortized cost is defined as the fair value of the securities at

the date of transfer, plus any accretion income and less any impairment recognized in earnings subsequent to transfer. For securities transferred to HTM from AFS, amortized cost is defined as the original purchase cost, adjusted for the cumulative accretion or amortization of any purchase discount or premium, plus or minus any cumulative fair value



hedge adjustments, net of accretion or amortization, and less any impairment recognized in earnings. Regardless of the classification of the securities as AFS or HTM, the Company assesses each position with an unrealized loss for OTTI. Factors considered in determining whether a loss is temporary include:

- the length of time and the extent to which fair value has been below cost;
- the severity of the impairment;
- the cause of the impairment and the financial condition and near-term prospects of the issuer;
- activity in the market of the issuer that may indicate adverse credit conditions; and

the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The Company's review for impairment generally entails:

- identification and evaluation of investments that have indications of possible impairment;
- analysis of individual investments that have fair values less than amortized cost, including consideration of the length of time the investment has been in an unrealized loss position and the expected recovery period;
- discussion of evidential matter, including an evaluation of factors or triggers that could cause individual investments to qualify as having other-than-temporary impairment and those that would not support other-than-temporary impairment; and
- documentation of the results of these analyses, as required under business policies.

#### Debt

The entire difference between amortized cost and fair value is recognized in earnings as OTTI for impaired debt securities that the Company has an intent to sell or for which the Company believes it is more-likely-than-not that it will be required to sell prior to recovery of the amortized cost basis. However, for those securities that the Company does not intend to sell and is not likely to be required to sell, only the credit-related impairment is recognized in earnings and any non-credit-related impairment is recorded in AOCI.

For debt securities, credit impairment exists where management does not expect to receive contractual principal and interest cash flows sufficient to recover the entire amortized cost basis of a security.

#### Equity

For equity securities, management considers the various factors described above, including its intent and ability to hold the equity security for a period of time sufficient for recovery to cost or whether it is more-likely-than-not that the Company will be required to sell the security prior to recovery of its cost basis. Where management lacks that intent or ability, the security's decline in fair value is deemed to be other-than-temporary and is recorded in earnings. AFS equity securities deemed other-than-temporarily impaired are written down to fair value, with the full difference between fair value and cost recognized in earnings.

Management assesses equity method investments that have fair values that are less than their respective carrying values for OTTI. Fair value is measured as price multiplied by quantity if the investee has publicly listed securities. If the investee is not publicly listed, other methods are used (see Note 22 to the Consolidated Financial Statements). For impaired equity method investments that Citi plans to sell prior to recovery of value or would likely be required to sell, with no expectation that the fair value will recover prior to the expected sale date, the full impairment is recognized in earnings as OTTI regardless of severity and duration. The measurement of the OTTI does not include partial projected recoveries subsequent to the balance sheet date.

For impaired equity method investments that management does not plan to sell prior to recovery of value and is not likely to be required to sell, the evaluation of whether an impairment is other-than-temporary is based on (i) whether and when an equity method investment will recover in value and (ii) whether the investor has the intent and ability to hold that investment for a period of time sufficient to recover the value. The determination of whether the impairment is considered other-than-temporary considers the following indicators, regardless of the time and extent of impairment:

- the cause of the impairment and the financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer;
- the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value; and
- the length of time and extent to which fair value has been less than the carrying value.

The sections below describe the Company's process for identifying credit-related impairments in its security types with the most significant unrealized losses as of September 30, 2014.

#### Mortgage-backed securities

For U.S. mortgage-backed securities (and in particular for Alt-A and other mortgage-backed securities that have significant unrealized losses as a percentage of amortized cost), credit impairment is assessed using a cash flow model that estimates the principal and interest cash flows on the underlying mortgages using the security-specific collateral and transaction structure. The model distributes the estimated cash flows to the various tranches of securities, considering the transaction structure and any subordination and credit enhancements that exist in that structure. The cash flow model incorporates actual cash flows on the mortgage-backed securities through the current period and then estimates the remaining cash flows using a number of assumptions, including default rates, prepayment rates, recovery rates (on foreclosed properties) and loss severity rates (on non-agency mortgage-backed securities).

Management develops specific assumptions using market data, internal estimates, and estimates published by rating agencies and other third-party sources. Default rates are projected by considering current underlying mortgage loan performance, generally assuming the default of (i) 10% of current loans, (ii) 25% of 30-59 day delinquent loans, (iii) 70% of 60-90 day delinquent loans and (iv) 100% of 91+ day delinquent loans. These estimates are extrapolated along a default timing curve to estimate the total lifetime pool default rate. Other assumptions contemplate the actual collateral attributes, including geographic concentrations, rating actions and current market prices.

Cash flow projections are developed using different stress test scenarios. Management evaluates the results of those stress tests (including the severity of any cash shortfall indicated and the likelihood of the stress scenarios actually occurring based on the underlying pool's characteristics and

performance) to assess whether management expects to recover the amortized cost basis of the security. If cash flow projections indicate that the Company does not expect to recover its amortized cost basis, the Company recognizes the estimated credit loss in earnings.

#### State and municipal securities

The process for identifying credit impairments in Citigroup's AFS and HTM state and municipal bonds is primarily based on a credit analysis that incorporates third-party credit ratings. Citigroup monitors the bond issuers and any insurers providing default protection in the form of financial guarantee insurance. The average external credit rating, ignoring any

insurance, is Aa3/AA-. In the event of an external rating downgrade or other indicator of credit impairment (i.e., based on instrument-specific estimates of cash flows or probability of issuer default), the subject bond is specifically reviewed for adverse changes in the amount or timing of expected contractual principal and interest.

For state and municipal bonds with unrealized losses that Citigroup plans to sell (for AFS only), would likely be required to sell (for AFS only) or will be subject to an issuer call deemed probable of exercise prior to the expected recovery of its amortized cost basis (for AFS or HTM), the full impairment is recognized in earnings.

#### Recognition and Measurement of OTTI

The following table presents the total OTTI recognized in earnings for the three and nine months ended September 30, 2014:

OTTI on Investments and Other Assets	Three Months Ended September 30, 2014				Nine Months Ended September 30, 2014			
	AFS <sup>(1)</sup>	HTM	Other Assets	Total	AFS <sup>(1)</sup>	HTM	Other Assets	Total
In millions of dollars								
Impairment losses related to securities that the Company does not intend to sell nor will likely be required to sell:								
Total OTTI losses recognized during the period	\$11	\$—	\$—	\$11	\$13	\$—	\$—	\$13
Less: portion of impairment loss recognized in AOCI (before taxes)	8	—	—	8	8	—	—	8
Net impairment losses recognized in earnings for securities that the Company does not intend to sell nor will likely be required to sell	\$3	\$—	\$—	\$3	\$5	\$—	\$—	\$5
Impairment losses recognized in earnings for securities that the Company intends to sell or more-likely-than-not 88 will be required to sell before recovery				88	324	—	—	324
Total impairment losses recognized in earnings	\$91	\$—	\$—	\$91	\$329	\$—	\$—	\$329

(1) Includes OTTI on non-marketable equity securities.

The following table presents the total OTTI recognized in earnings for the three and nine months ended September 30, 2013:

OTTI on Investments and Other Assets	Three Months Ended September 30, 2013				Nine Months Ended September 30, 2013			
	AFS <sup>(1)</sup>	HTM	Other Assets	Total	AFS <sup>(1)</sup>	HTM	Other Assets (2)	Total
In millions of dollars								

Impairment losses related to securities that the Company does not intend to sell nor will likely be required to sell:

Total OTTI losses recognized during the period	\$2	\$42	\$—	\$44	\$7	\$65	\$—	\$72
Less: portion of impairment loss recognized in AOCI (before taxes)	—	27	—	27	—	38	—	38
Net impairment losses recognized in earnings for securities that the Company does not intend to sell nor will likely be required to sell	\$2	\$15	\$—	\$17	\$7	\$27	\$—	\$34
Impairment losses recognized in earnings for securities that the Company intends to sell or more-likely-than-not will be required to sell before recovery <sup>(2)</sup>	22	—	—	22	236	—	192	428
Total impairment losses recognized in earnings	\$24	\$15	\$—	\$39	\$243	\$27	\$192	\$462

(1) Includes OTTI on non-marketable equity securities.

The impairment charge relates to the carrying value of Citi's then-remaining 35% interest in the Morgan Stanley

(2) Smith Barney joint venture (MSSB), offset by the equity pickup from MSSB during the respective periods which was recorded in Other revenue.

The following is a three-month roll-forward of the credit-related impairments recognized in earnings for AFS and HTM debt securities held as of September 30, 2014 that the Company does not intend to sell nor likely will be required to sell:

In millions of dollars	Cumulative OTTI credit losses recognized in earnings on HTM Securities Still Held				
	Jun. 30, 2014 balance	Credit impairments recognized in earnings on securities not previously impaired	Credit impairments recognized in earnings on securities that have been previously impaired	Reductions due to credit-impaired securities sold, transferred or matured	Sept. 30, 2014 balance
AFS debt securities					
Mortgage-backed securities	\$295	\$—	\$—	\$—	\$295
Foreign government securities	171	—	—	—	171
Corporate	112	—	—	—	112
All other debt securities	146	3	—	—	149
Total OTTI credit losses recognized for AFS debt securities	\$724	\$3	\$—	\$—	\$727
HTM debt securities					
Mortgage-backed securities <sup>(1)</sup>	\$665	\$—	\$—	\$—	\$665
Corporate	56	—	—	(56)	)—
All other debt securities	133	—	—	—	133
Total OTTI credit losses recognized for HTM debt securities	\$854	\$—	\$—	\$(56)	)\$798

(1) Primarily consists of Alt-A securities.

The following is a nine-month roll-forward of the credit-related impairments recognized in earnings for AFS and HTM debt securities held as of September 30, 2014 that the Company does not intend to sell nor likely will be required to sell:

In millions of dollars	Cumulative OTTI credit losses recognized in earnings on HTM Securities Still Held				
	Dec. 31, 2013 balance	Credit impairments recognized in earnings on securities not previously impaired	Credit impairments recognized in earnings on securities that have been previously impaired	Reductions due to credit-impaired securities sold, transferred or matured	Sept. 30, 2014 balance
AFS debt securities					
Mortgage-backed securities	\$295	\$—	\$—	\$—	\$295
Foreign government securities	171	—	—	—	171
Corporate	113	—	—	(1)	)112
All other debt securities	144	5	—	—	149
Total OTTI credit losses recognized for HTM debt securities	\$723	\$5	\$—	\$(1)	)\$727

Total OTTI credit losses recognized for					
AFS debt securities					
HTM debt securities					
Mortgage-backed securities <sup>(1)</sup>	\$678	\$—	\$—	\$(13	)\$665
Corporate	56	—	—	(56	)—
All other debt securities	133	—	—	—	133
Total OTTI credit losses recognized for	\$867	\$—	\$—	\$(69	)\$798
HTM debt securities					

(1) Primarily consists of Alt-A securities.

## Investments in Alternative Investment Funds That Calculate Net Asset Value per Share

The Company holds investments in certain alternative investment funds that calculate net asset value (NAV) per share, including hedge funds, private equity funds, funds of funds and real estate funds. The Company's investments include co-investments in funds that are managed by the Company and investments in funds that are managed by third parties. Investments in funds are generally classified as non-marketable equity securities carried at fair value. The fair values of these investments are estimated using the NAV per share of the Company's ownership interest in the funds, where it is not probable that the Company will sell an investment at a price other than the NAV.

	Fair value		Unfunded commitments		Redemption frequency (if currently eligible) monthly, quarterly, annually	Redemption notice period
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013		
In millions of dollars						
Hedge funds	\$16	\$751	\$—	\$—	Generally quarterly	10-95 days
Private equity funds <sup>(1)(2)</sup>	849	794	153	170	—	—
Real estate funds <sup>(2)(3)</sup>	173	294	25	36	—	—
Total <sup>(4)</sup>	\$1,038	\$1,839	\$178	\$206	—	—

(1) Private equity funds include funds that invest in infrastructure, leveraged buyout transactions, emerging markets and venture capital.

(2) With respect to the Company's investments in private equity funds and real estate funds, distributions from each fund will be received as the underlying assets held by these funds are liquidated. It is estimated that the underlying assets of these funds will be liquidated over a period of several years as market conditions allow. Private equity and real estate funds do not allow redemption of investments by their investors. Investors are permitted to sell or transfer their investments, subject to the approval of the general partner or investment manager of these funds, which generally may not be unreasonably withheld.

(3) Includes several real estate funds that invest primarily in commercial real estate in the U.S., Europe and Asia.

Included in the total fair value of investments above are \$0.8 billion and \$1.6 billion of fund assets that are valued

(4) using NAVs provided by third-party asset managers as of September 30, 2014 and December 31, 2013, respectively.



## 14. LOANS

Citigroup loans are reported in two categories—consumer and corporate. These categories are classified primarily according to the segment and subsegment that manage the loans.

## Consumer Loans

Consumer loans represent loans and leases managed primarily by the Global Consumer Banking businesses in Citicorp and in Citi Holdings. The following table provides information by loan type for the periods indicated:

In millions of dollars	September 30, 2014	December 31, 2013
Consumer loans		
In U.S. offices		
Mortgage and real estate <sup>(1)</sup>	\$ 101,583	\$ 108,453
Installment, revolving credit, and other	13,350	13,398
Cards	108,314	115,651
Commercial and industrial	6,870	6,592
	\$ 230,117	\$ 244,094
In offices outside the U.S.		
Mortgage and real estate <sup>(1)</sup>	\$ 56,099	\$ 55,511
Installment, revolving credit, and other	34,270	33,182
Cards	32,410	36,740
Commercial and industrial	23,393	24,107
Lease financing	678	769
	\$ 146,850	\$ 150,309
Total Consumer loans	\$ 376,967	\$ 394,403
Net unearned income	(649	) (572
Consumer loans, net of unearned income	\$ 376,318	\$ 393,831

(1) Loans secured primarily by real estate.

Citigroup has established a risk management process to monitor, evaluate and manage the principal risks associated with its consumer loan portfolio. Credit quality indicators that are actively monitored include delinquency status, consumer credit scores (FICO), and loan to value (LTV) ratios, each as discussed in more detail below.

Included in the loan table above are lending products whose terms may give rise to greater credit issues. Credit cards with below-market introductory interest rates and interest-only loans are examples of such products. These products are closely managed using credit techniques that are intended to mitigate their higher inherent risk.

During the three and nine months ended September 30, 2014 and 2013, the Company sold and/or reclassified to held-for-sale \$1.8 billion and \$1.5 billion, and \$5.6 billion and \$11.3 billion, respectively, of consumer loans. The Company did not have significant purchases of consumer loans during the three and nine months ended September 30, 2014.

## Delinquency Status

Delinquency status is monitored and considered a key indicator of credit quality of consumer loans. Substantially all of the U.S. residential first mortgage loans use the Mortgage Banking Association (MBA) method of reporting delinquencies, which considers a loan delinquent if a monthly payment has not been received by the end of the day immediately preceding the loan's next due date. All other loans use the Office of Thrift Supervision (OTS) method of reporting delinquencies, which considers a loan delinquent if a monthly payment has not been received by the close of business on the loan's next due date.

As a general policy, residential first mortgages, home equity loans and installment loans are classified as non-accrual when loan payments are 90 days contractually past due. Credit cards and unsecured revolving loans generally accrue interest until payments are 180 days past due. Home equity loans in regulated bank entities are classified as non-accrual if the related residential first mortgage is 90 days or more past due. Mortgage loans in regulated bank

entities discharged through Chapter 7 bankruptcy, other than Federal Housing Administration (FHA)-insured loans, are classified as non-accrual. Commercial market loans are placed on a cash (nonaccrual) basis when it is determined, based on actual experience and a forward-looking assessment of the collectability of the loan in full, that the payment of interest or principal is doubtful or when interest or principal is 90 days past due.

The policy for re-aging modified U.S. consumer loans to current status varies by product. Generally, one of the conditions to qualify for these modifications is that a minimum number of payments (typically ranging from one to three) be made. Upon modification, the loan is re-aged to current status. However, re-aging practices for certain open-ended consumer loans, such as credit cards, are governed by Federal Financial Institutions Examination Council (FFIEC) guidelines. For open-ended consumer loans subject to FFIEC guidelines, one of the conditions for the loan to be re-aged to current status is that at least three consecutive minimum monthly payments, or the equivalent amount, must be received. In addition, under FFIEC guidelines, the number of times that such a loan can be re-aged is subject to limitations (generally once in 12 months and twice in five years). Furthermore, FHA and Department of Veterans Affairs (VA) loans are modified under those respective agencies' guidelines and payments are not always required in order to re-age a modified loan to current.

The following tables provide details on Citigroup's consumer loan delinquency and non-accrual loans as of September 30, 2014 and December 31, 2013:

Consumer Loan Delinquency and Non-Accrual Details at September 30, 2014

In millions of dollars	Total current <sup>(1)(2)</sup>	30-89 days past due <sup>(3)</sup>	≥ 90 days past due <sup>(3)</sup>	Past due government guaranteed <sup>(4)</sup>	Total loans <sup>(2)</sup>	Total non-accrual	90 days past due and accruing
In North America offices							
Residential first mortgages	\$64,838	\$1,585	\$1,532	\$4,049	\$72,004	\$2,912	\$3,167
Home equity loans <sup>(5)</sup>	28,130	344	521	—	28,995	1,285	—
Credit cards	107,015	1,295	1,189	—	109,499	—	1,189
Installment and other	12,344	229	255	—	12,828	251	4
Commercial market loans	8,518	33	14	—	8,565	91	8
Total	\$220,845	\$3,486	\$3,511	\$4,049	\$231,891	\$4,539	\$4,368
In offices outside North America							
Residential first mortgages	\$45,957	\$311	\$234	\$—	\$46,502	\$489	\$—
Home equity loans <sup>(5)</sup>	—	—	—	—	—	—	—
Credit cards	31,147	685	575	—	32,407	445	336
Installment and other	30,988	377	166	—	31,531	240	—
Commercial market loans	33,236	103	372	—	33,711	526	—
Total	\$141,328	\$1,476	\$1,347	\$—	\$144,151	\$1,700	\$336
Total GCB and Citi Holdings	\$362,173	\$4,962	\$4,858	\$4,049	\$376,042	\$6,239	\$4,704
Other	276	—	—	—	276	33	—
Total Citigroup	\$362,449	\$4,962	\$4,858	\$4,049	\$376,318	\$6,272	\$4,704

(1) Loans less than 30 days past due are presented as current.

(2) Includes \$45 million of residential first mortgages recorded at fair value.

(3) Excludes loans guaranteed by U.S. government-sponsored entities.

(4) Consists of residential first mortgages that are guaranteed by U.S. government-sponsored entities that are 30-89 days past due of \$0.8 billion and 90 days past due of \$3.2 billion.

(5) Fixed rate home equity loans and loans extended under home equity lines of credit, which are typically in junior lien positions.

Consumer Loan Delinquency and Non-Accrual Details at December 31, 2013

In millions of dollars	Total	30-89 days past due	≥ 90 days past due	Total	Total	90 days past due
------------------------	-------	---------------------	--------------------	-------	-------	------------------

Edgar Filing: CITIGROUP INC - Form 10-Q

	current <sup>(1)(2)</sup>	past due <sup>(3)</sup>	past due <sup>(3)</sup>	government loans <sup>(2)</sup>	non-accrual	and accruing	
				guaranteed <sup>(4)</sup>			
In North America offices							
Residential first mortgages	\$66,612	\$2,044	\$1,975	\$5,271	\$75,902	\$3,415	\$3,997
Home equity loans <sup>(5)</sup>	30,603	434	605	—	31,642	1,452	—
Credit cards	113,886	1,491	1,452	—	116,829	—	1,452
Installment and other	12,609	225	243	—	13,077	247	7
Commercial market loans	8,630	26	28	—	8,684	112	7
Total	\$232,340	\$4,220	\$4,303	\$5,271	\$246,134	\$5,226	\$5,463
In offices outside North America							
Residential first mortgages	\$46,067	\$435	\$332	\$—	\$46,834	\$584	\$—
Home equity loans <sup>(5)</sup>	—	—	—	—	—	—	—
Credit cards	34,733	780	641	—	36,154	402	413
Installment and other	30,138	398	158	—	30,694	230	—
Commercial market loans	33,242	111	295	—	33,648	610	—
Total	\$144,180	\$1,724	\$1,426	\$—	\$147,330	\$1,826	\$413
Total GCB and Citi Holdings	\$376,520	\$5,944	\$5,729	\$5,271	\$393,464	\$7,052	\$5,876
Other	367	—	—	—	367	43	—
Total Citigroup	\$376,887	\$5,944	\$5,729	\$5,271	\$393,831	\$7,095	\$5,876

(1) Loans less than 30 days past due are presented as current.

(2) Includes \$0.9 billion of residential first mortgages recorded at fair value.

(3) Excludes loans guaranteed by U.S. government-sponsored entities.

(4) Consists of residential first mortgages that are guaranteed by U.S. government-sponsored entities that are 30-89 days past due of \$1.2 billion and 90 days past due of \$4.1 billion.

(5) Fixed rate home equity loans and loans extended under home equity lines of credit, which are typically in junior lien positions.

### Consumer Credit Scores (FICO)

In the U.S., independent credit agencies rate an individual's risk for assuming debt based on the individual's credit history and assign every consumer a "FICO" (Fair Issac's Corporation) credit score. These scores are continually updated by the agencies based upon an individual's credit actions (e.g., taking out a loan or missed or late payments).

The following tables provide details on the FICO scores attributable to Citi's U.S. consumer loan portfolio as of September 30, 2014 and December 31, 2013 (commercial market loans are not included in the table since they are business-based and FICO scores are not a primary driver in their credit evaluation). FICO scores are updated monthly for substantially all of the portfolio or, otherwise, on a quarterly basis, for the remaining portfolio.

FICO score distribution in U.S. portfolio <sup>(1)(2)</sup>	September 30, 2014		
	Less than 620	≥ 620 but less than 660	Equal to or greater than 660
In millions of dollars			
Residential first mortgages	\$9,862	\$5,861	\$47,538
Home equity loans	3,386	2,527	21,577
Credit cards	7,283	9,963	88,770
Installment and other	3,312	2,888	5,376
Total	\$23,843	\$21,239	\$163,261

(1) Excludes loans guaranteed by U.S. government entities, loans subject to long-term standby commitments (LTSCs) with U.S. government-sponsored entities and loans recorded at fair value.

(2) Excludes balances where FICO was not available. Such amounts are not material.

FICO score distribution in U.S. portfolio <sup>(1)(2)</sup>	December 31, 2013		
	Less than	≥ 620 but less	Equal to or

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars	620	than 660	greater than 660
Residential first mortgages	\$11,860	\$6,426	\$46,207
Home equity loans	4,093	2,779	23,152
Credit cards	8,125	10,693	94,437
Installment and other	3,900	2,399	5,186
Total	\$27,978	\$22,297	\$168,982

(1) Excludes loans guaranteed by U.S. government entities, loans subject to LTSCs with U.S. government-sponsored entities and loans recorded at fair value.

(2) Excludes balances where FICO was not available. Such amounts are not material.

#### Loan to Value (LTV) Ratios

LTV ratios (loan balance divided by appraised value) are calculated at origination and updated by applying market price data.

The following tables provide details on the LTV ratios attributable to Citi's U.S. consumer mortgage portfolios as of September 30, 2014 and December 31, 2013. LTV ratios are updated monthly using the most recent Core Logic Home Price Index data available for substantially all of the portfolio applied at the Metropolitan Statistical Area level, if available, or the state level if not. The remainder of the portfolio is updated in a similar manner using the Federal Housing Finance Agency indices.

#### LTV distribution in U.S. portfolio<sup>(1)(2)</sup> September 30, 2014

In millions of dollars	Less than or equal to 80%	> 80% but less than or equal to 100%	Greater than 100%
Residential first mortgages	\$50,801	\$9,667	\$2,975
Home equity loans	15,129	7,647	4,591
Total	\$65,930	\$17,314	\$7,566

(1) Excludes loans guaranteed by U.S. government entities, loans subject to LTSCs with U.S. government-sponsored entities and loans recorded at fair value.

(2) Excludes balances where LTV was not available. Such amounts are not material.

#### LTV distribution in U.S. portfolio<sup>(1)(2)</sup> December 31, 2013

In millions of dollars	Less than or equal to 80%	> 80% but less than or equal to 100%	Greater than 100%
Residential first mortgages	\$45,809	\$13,458	\$5,269
Home equity loans	14,216	8,685	6,935
Total	\$60,025	\$22,143	\$12,204

(1) Excludes loans guaranteed by U.S. government entities, loans subject to LTSCs with U.S. government-sponsored entities and loans recorded at fair value.

(2) Excludes balances where LTV was not available. Such amounts are not material.

#### Impaired Consumer Loans

Impaired loans are those loans where Citigroup believes it is probable all amounts due according to the original contractual terms of the loan will not be collected. Impaired consumer loans include non-accrual commercial market loans, as well as smaller-balance homogeneous loans whose terms have been modified due to the borrower's financial difficulties and where Citigroup has granted a concession to the borrower. These modifications may include interest rate reductions and/or principal forgiveness. Impaired consumer loans exclude smaller-balance homogeneous loans that have not been modified and are carried on a non-accrual basis. In addition, impaired consumer loans exclude substantially all loans modified pursuant to Citi's short-term modification programs (i.e., for periods of 12 months or less) that were modified prior to January 1, 2011.

As a result of OCC guidance issued in the third quarter of 2012, mortgage loans to borrowers who have gone through Chapter 7 bankruptcy are classified as troubled debt restructurings (TDRs). These TDRs, other than FHA-insured

Edgar Filing: CITIGROUP INC - Form 10-Q

loans, are written down to collateral value less cost to sell. FHA-insured loans are reserved based on a discounted cash flow model (see Note 1 to the Consolidated Financial Statements in Citi's 2013 Annual Report on Form 10-K). The following tables present information about total impaired consumer loans at and for the periods ended September 30, 2014 and December 31, 2013, respectively, and for the three and nine months ended September 30, 2014 and September 30, 2013 for interest income recognized on impaired consumer loans:

In millions of dollars	Balance at September 30, 2014				Three months ended September 30,		Nine months ended September 30,	
	Recorded investment <sup>(1)(2)</sup>	Unpaid principal balance	Related specific allowance <sup>(3)</sup>	Average carrying value <sup>(4)</sup>	Interest income recognized <sup>(5)(6)</sup>	Interest income recognized <sup>(5)(6)</sup>	Interest income recognized <sup>(5)(6)</sup>	Interest income recognized <sup>(5)(6)</sup>
Mortgage and real estate								
Residential first mortgages	\$15,237	\$16,148	\$2,108	\$16,202	\$167	\$179	\$532	\$604
Home equity loans	2,058	2,701	546	2,103	18	23	56	61
Credit cards	2,584	2,626	898	2,965	47	56	148	182
Installment and other								
Individual installment and other	969	983	447	1,016	31	35	94	118
Commercial market loans	355	565	193	375	3	5	18	17
Total	\$21,203	\$23,023	\$4,192	\$22,661	\$266	\$298	\$848	\$982

(1) Recorded investment in a loan includes net deferred loan fees and costs, unamortized premium or discount and direct write-downs and includes accrued interest only on credit card loans.

(2) \$1,957 million of residential first mortgages, \$555 million of home equity loans and \$112 million of commercial market loans do not have a specific allowance.

(3) Included in the Allowance for loan losses.

(4) Average carrying value represents the average recorded investment ending balance for the last four quarters and does not include the related specific allowance.

(5) Includes amounts recognized on both an accrual and cash basis.

(6) Cash interest receipts on smaller-balance homogeneous loans are generally recorded as revenue. The interest recognition policy for commercial market loans is identical to that for corporate loans, as described below.

In millions of dollars	Balance at December 31, 2013			
	Recorded investment <sup>(1)(2)</sup>	Unpaid principal balance	Related specific allowance <sup>(3)</sup>	Average carrying value <sup>(4)</sup>
Mortgage and real estate				
Residential first mortgages	\$16,801	\$17,788	\$2,309	\$17,616
Home equity loans	2,141	2,806	427	2,116
Credit cards	3,339	3,385	1,178	3,720
Installment and other				
Individual installment and other	1,114	1,143	536	1,094
Commercial market loans	398	605	183	404
Total	\$23,793	\$25,727	\$4,633	\$24,950

(1) Recorded investment in a loan includes net deferred loan fees and costs, unamortized premium or discount and direct write-downs and includes accrued interest only on credit card loans.

(2)

Edgar Filing: CITIGROUP INC - Form 10-Q

\$2,169 million of residential first mortgages, \$568 million of home equity loans and \$111 million of commercial market loans do not have a specific allowance.

(3) Included in the Allowance for loan losses.

(4) Average carrying value represents the average recorded investment ending balance for last four quarters and does not include the related specific allowance.

Consumer Troubled Debt Restructurings

The following tables present consumer TDRs occurring during the three and nine months ended September 30, 2014 and 2013:

In millions of dollars except number of loans modified	At and for the three months ended September 30, 2014					
	Number of loans modified	Post- modification recorded investment <sup>(1)(2)</sup>	Deferred principal <sup>(3)</sup>	Contingent principal forgiveness <sup>(4)</sup>	Principal forgiveness <sup>(5)</sup>	Average interest rate reduction
North America						
Residential first mortgages	4,933	\$ 626	\$ 15	\$ 11	\$ 1	1 %
Home equity loans	1,900	76	1	—	2	3
Credit cards	48,775	211	—	—	—	16
Installment and other revolving	11,420	87	—	—	—	6
Commercial markets <sup>(6)</sup>	46	5	—	—	1	—
Total <sup>(8)</sup>	67,074	\$ 1,005	\$ 16	\$ 11	\$ 4	
International						
Residential first mortgages	841	\$ 30	\$—	\$—	\$—	— %
Home equity loans	15	3	—	—	—	—
Credit cards	40,848	125	—	—	10	12
Installment and other revolving	15,053	73	—	—	4	10
Commercial markets <sup>(6)</sup>	51	22	—	—	—	—
Total <sup>(8)</sup>	56,808	\$ 253	\$—	\$—	\$ 14	

In millions of dollars except number of loans modified	At and for the three months ended September 30, 2013					
	Number of loans modified	Post- modification recorded investment <sup>(1)(7)</sup>	Deferred principal <sup>(3)</sup>	Contingent principal forgiveness <sup>(4)</sup>	Principal forgiveness <sup>(5)</sup>	Average interest rate reduction
North America						
Residential first mortgages	7,375	\$ 933	\$ 28	\$ 15	\$ 34	1 %
Home equity loans	2,962	90	—	—	33	1
Credit cards	43,312	207	—	—	—	14
Installment and other revolving	13,880	99	—	—	—	6
Commercial markets <sup>(6)</sup>	44	6	—	—	—	—
Total <sup>(8)</sup>	67,573	\$ 1,335	\$ 28	\$ 15	\$ 67	
International						
Residential first mortgages	733	\$ 30	\$—	\$—	\$ 1	1 %
Home equity loans	44	1	—	—	—	1
Credit cards	43,660	138	—	—	7	12
Installment and other revolving	15,620	81	—	—	3	8
Commercial markets <sup>(6)</sup>	88	30	1	—	—	—
Total <sup>(8)</sup>	60,145	\$ 280	\$ 1	\$—	\$ 11	

(1) Post-modification balances include past due amounts that are capitalized at the modification date.

(2) Post-modification balances in North America include \$74 million of residential first mortgages and \$22 million of home equity loans to borrowers who have gone through Chapter 7 bankruptcy in the three months ended September 30, 2014. These amounts include \$45 million of residential first mortgages and \$19 million of home

Edgar Filing: CITIGROUP INC - Form 10-Q

equity loans that are newly classified as TDRs in the three months ended September 30, 2014 as a result of OCC guidance, as described above.

Represents portion of contractual loan principal that is non-interest bearing but still due from the borrower. Such (3) deferred principal is charged off at the time of permanent modification to the extent that the related loan balance exceeds the underlying collateral value.

(4) Represents portion of contractual loan principal that is non-interest bearing and, depending upon borrower performance, eligible for forgiveness.

(5) Represents portion of contractual loan principal that was forgiven at the time of permanent modification.

(6) Commercial markets loans are generally borrower-specific modifications and incorporate changes in the amount and/or timing of principal and/or interest.

(7) Post-modification balances in North America include \$138 million of residential first mortgages and \$30 million of home equity loans to borrowers who have gone through Chapter 7 bankruptcy in the three months ended September 30, 2013. These amounts include \$87 million of residential first mortgages and \$24 million of home equity loans that are newly classified as TDRs in the three months ended September 30, 2013 as a result of OCC guidance, as described above.

(8) The above tables reflect activity for loans outstanding as of the end of the reporting period that were considered TDRs.

At and for the nine months ended September 30, 2014						
In millions of dollars except number of loans modified	Number of loans modified	Post-modification recorded investment <sup>(1)(2)</sup>	Deferred principal <sup>(3)</sup>	Contingent principal forgiveness <sup>(4)</sup>	Principal forgiveness <sup>(5)</sup>	Average interest rate reduction
North America						
Residential first mortgages	15,435	\$ 1,866	\$43	\$30	\$7	1 %
Home equity loans	6,102	228	3	—	13	2
Credit cards	136,501	601	—	—	—	15
Installment and other revolving	36,086	269	—	—	—	6
Commercial markets <sup>(6)</sup>	137	27	—	—	1	—
Total <sup>(8)</sup>	194,261	\$ 2,991	\$46	\$30	\$21	
International						
Residential first mortgages	2,127	\$ 79	\$—	\$—	\$1	1 %
Home equity loans	53	9	—	—	—	—
Credit cards	109,079	357	—	—	28	13
Installment and other revolving	44,095	216	—	—	11	10
Commercial markets <sup>(6)</sup>	271	156	—	—	—	—
Total <sup>(8)</sup>	155,625	\$ 817	\$—	\$—	\$40	
At and for the nine months ended September 30, 2013						
In millions of dollars except number of loans modified	Number of loans modified	Post-modification recorded investment <sup>(1)(2)</sup>	Deferred principal <sup>(3)</sup>	Contingent principal forgiveness <sup>(4)</sup>	Principal forgiveness <sup>(5)</sup>	Average interest rate reduction
North America						
Residential first mortgages	25,757	\$ 3,387	\$45	\$17	\$136	1 %
Home equity loans	10,319	460	1	—	71	1
Credit cards	123,073	613	—	—	—	14
Installment and other revolving	39,822	284	—	—	—	7
Commercial markets <sup>(6)</sup>	166	25	—	—	—	—
Total <sup>(8)</sup>	199,137	\$ 4,769	\$46	\$17	\$207	
International						
Residential first mortgages	2,914	\$ 135	\$—	\$—	\$2	1 %

Edgar Filing: CITIGROUP INC - Form 10-Q

Home equity loans	48	1	—	—	—	—
Credit cards	105,850	394	—	—	13	14
Installment and other revolving	43,106	260	—	—	7	8
Commercial markets <sup>(6)</sup>	296	76	2	—	—	—
Total <sup>(8)</sup>	152,214	\$ 866	\$2	\$—	\$22	

(1) Post-modification balances include past due amounts that are capitalized at modification date.

Post-modification balances in North America include \$240 million of residential first mortgages and \$65 million of home equity loans to borrowers who have gone through Chapter 7 bankruptcy in the nine months ended September 30, 2014. These amounts include \$144 million of residential first mortgages and \$56 million of home equity loans that are newly classified as TDRs as a result of OCC guidance received in the nine months ended September 30, 2014, as described above.

Represents portion of contractual loan principal that is non-interest bearing but still due from the borrower. Such deferred principal is charged off at the time of permanent modification to the extent that the related loan balance exceeds the underlying collateral value.

Represents portion of contractual loan principal that is non-interest bearing and, depending upon borrower performance, eligible for forgiveness.

Represents portion of contractual loan principal that was forgiven at the time of permanent modification.

Commercial markets loans are generally borrower-specific modifications and incorporate changes in the amount and/or timing of principal and/or interest.

Post-modification balances in North America include \$387 million of residential first mortgages and \$75 million of home equity loans to borrowers who have gone through Chapter 7 bankruptcy in the nine months ended September 30, 2013. These amounts include \$265 million of residential first mortgages and \$62 million of home equity loans that are newly classified as TDRs as a result of OCC guidance received in the nine months ended September 30, 2013, as described above.

The above tables reflect activity for loans outstanding as of the end of the reporting period that were considered TDRs.

The following table presents consumer TDRs that defaulted during the three months and nine months ended September 30, 2014 and 2013, for which the payment default occurred within one year of a permanent modification. Default is defined as 60 days past due, except for classifiably managed commercial markets loans, where default is defined as 90 days past due.

In millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
North America				
Residential first mortgages	\$149	\$440	\$562	\$1,221
Home equity loans	16	52	55	155
Credit cards	47	41	146	155
Installment and other revolving	26	22	68	67
Commercial markets	1	1	8	3
Total	\$239	\$556	\$839	\$1,601
International				
Residential first mortgages	\$6	\$11	\$16	\$43
Home equity loans	—	—	—	—
Credit cards	53	44	175	146
Installment and other revolving	24	22	79	78
Commercial markets	2	5	102	9
Total	\$85	\$82	\$372	\$276





## Corporate Loans

Corporate loans represent loans and leases managed by the Institutional Clients Group in Citicorp or, to a much lesser extent, in Citi Holdings. The following table presents information by corporate loan type as of September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014	December 31, 2013
Corporate		
In U.S. offices		
Commercial and industrial	\$36,516	\$32,704
Financial institutions	31,916	25,102
Mortgage and real estate <sup>(1)</sup>	32,285	29,425
Installment, revolving credit and other	30,378	34,434
Lease financing	1,737	1,647
	\$132,832	\$123,312
In offices outside the U.S.		
Commercial and industrial	\$80,304	\$82,663
Financial institutions	35,854	38,372
Mortgage and real estate <sup>(1)</sup>	6,243	6,274
Installment, revolving credit and other	20,151	18,714
Lease financing	396	527
Governments and official institutions	2,264	2,341
	\$145,212	\$148,891
Total Corporate loans	\$278,044	\$272,203
Net unearned income	(536)	(562)
Corporate loans, net of unearned income	\$277,508	\$271,641

(1) Loans secured primarily by real estate.

The Company sold and/or reclassified (to held-for-sale) \$1.7 billion and \$4.2 billion of corporate loans during the three and nine months ended September 30, 2014, respectively, and \$1.8 billion and \$4.0 billion during the three and nine months ended September 30, 2013, respectively. The Company did not have significant purchases of corporate loans classified as held-for-investment for the three and nine months ended September 30, 2014 or 2013.

Corporate loans are identified as impaired and placed on a cash (non-accrual) basis when it is determined, based on actual experience and a forward-looking assessment of the collectability of the loan in full, that the payment of interest or principal is doubtful or when interest or principal is 90 days past due, except when the loan is well collateralized and in the process of collection. Any interest accrued on impaired corporate loans and leases is reversed at 90 days and charged against current earnings, and interest is thereafter included in earnings only to the extent actually received in cash. When there is doubt regarding the ultimate collectability of principal, all cash receipts are thereafter applied to reduce the recorded investment in the loan. While corporate loans are generally managed based on their internally assigned risk rating (see further discussion below), the following tables present delinquency information by corporate loan type as of September 30, 2014 and December 31, 2013.

## Corporate Loan Delinquency and Non-Accrual Details at September 30, 2014

In millions of dollars	30-89 days past due and accruing <sup>(1)</sup>	≥ 90 days past due and accruing <sup>(1)</sup>	Total past due and accruing	Total non-accrual <sup>(2)</sup>	Total current <sup>(3)</sup>	Total loans <sup>(4)</sup>
Commercial and industrial	\$212	\$1	\$213	\$733	\$113,211	\$114,157
Financial institutions	5	—	5	266	66,226	66,497
Mortgage and real estate	100	94	194	237	37,935	38,366
Leases	4	—	4	49	2,080	2,133

Edgar Filing: CITIGROUP INC - Form 10-Q

Other	57	2	59	65	51,865	51,989
Loans at fair value						4,366
Total	\$378	\$97	\$475	\$1,350	\$271,317	\$277,508

(1) Corporate loans that are 90 days past due are generally classified as non-accrual. Corporate loans are considered past due when principal or interest is contractually due but unpaid.

(2) Citi generally does not manage corporate loans on a delinquency basis. Non-accrual loans generally include those loans that are  $\geq 90$  days past due or those loans for which Citi believes, based on actual experience and a forward-looking assessment of the collectability of the loan in full, that the payment of interest or principal is doubtful.

(3) Corporate loans are past due when principal or interest is contractually due but unpaid. Loans less than 30 days past due are presented as current.

(4) Total loans include loans at fair value, which are not included in the various delinquency columns.

## Corporate Loan Delinquency and Non-Accrual Details at December 31, 2013

In millions of dollars	30-89 days past due and accruing <sup>(1)</sup>	≥ 90 days past due and accruing <sup>(1)</sup>	Total past due and accruing	Total non-accrual <sup>(2)</sup>	Total current <sup>(3)</sup>	Total loans <sup>(4)</sup>
Commercial and industrial	\$72	\$5	\$77	\$ 769	\$112,985	\$113,831
Financial institutions	—	—	—	365	61,704	62,069
Mortgage and real estate	183	175	358	515	34,027	34,900
Leases	9	1	10	189	1,975	2,174
Other	47	2	49	70	54,476	54,595
Loans at fair value						4,072
Total	\$311	\$183	\$494	\$ 1,908	\$265,167	\$271,641

(1) Corporate loans that are 90 days past due are generally classified as non-accrual. Corporate loans are considered past due when principal or interest is contractually due but unpaid.

(2) Citi generally does not manage corporate loans on a delinquency basis. Non-accrual loans generally include those loans that are ≥ 90 days past due or those loans for which Citi believes, based on actual experience and a forward-looking assessment of the collectability of the loan in full, that the payment of interest or principal is doubtful.

(3) Corporate loans are past due when principal or interest is contractually due but unpaid. Loans less than 30 days past due are presented as current.

(4) Total loans include loans at fair value, which are not included in the various delinquency columns.

Citigroup has a risk management process to monitor, evaluate and manage the principal risks associated with its corporate loan portfolio. As part of its risk management process, Citi assigns numeric risk ratings to its corporate loan facilities based on quantitative and qualitative assessments of the obligor and facility. These risk ratings are reviewed at least annually or more often if material events related to the obligor or facility warrant. Factors considered in assigning the risk ratings include: financial condition of the obligor, qualitative assessment of management and strategy, amount and sources of repayment, amount and type of collateral and guarantee arrangements, amount and type of any contingencies associated with the obligor, and the obligor's industry and geography.

The obligor risk ratings are defined by ranges of default probabilities. The facility risk ratings are defined by ranges of loss norms, which are the product of the probability of default and the loss given default. The investment grade rating categories are similar to the category BBB-/Baa3 and above as defined by S&P and Moody's. Loans classified according to the bank regulatory definitions as special mention, substandard and doubtful will have risk ratings within the non-investment grade categories.

## Corporate Loans Credit Quality Indicators at September 30, 2014 and December 31, 2013

In millions of dollars	Recorded investment in loans <sup>(1)</sup>	
	September 30, 2014	December 31, 2013
Investment grade <sup>(2)</sup>		
Commercial and industrial	\$82,143	\$79,360
Financial institutions	53,338	49,699
Mortgage and real estate	16,015	13,178
Leases	1,615	1,600
Other	48,108	51,370
Total investment grade	\$201,219	\$195,207
Non-investment grade <sup>(2)</sup>		
Accrual		
Commercial and industrial	\$31,282	\$33,702
Financial institutions	12,892	12,005

Edgar Filing: CITIGROUP INC - Form 10-Q

Mortgage and real estate	3,940	4,205
Leases	469	385
Other	3,816	3,155
Non-accrual		
Commercial and industrial	733	769
Financial institutions	266	365
Mortgage and real estate	237	515
Leases	49	189
Other	65	70
Total non-investment grade	\$53,749	\$55,360
Private Banking loans managed on a delinquency basis (2)	\$18,174	\$17,002
Loans at fair value	4,366	4,072
Corporate loans, net of unearned income	\$277,508	\$271,641

(1) Recorded investment in a loan includes net deferred loan fees and costs, unamortized premium or discount, less any direct write-downs.

(2) Held-for-investment loans are accounted for on an amortized cost basis.

Corporate loans and leases identified as impaired and placed on non-accrual status are written down to the extent that principal is judged to be uncollectible. Impaired collateral-dependent loans and leases, where repayment is expected to be provided solely by the sale of the underlying

collateral and there are no other available and reliable sources of repayment, are written down to the lower of cost or collateral value, less cost to sell. Cash-basis loans are returned to an accrual status when all contractual principal and interest amounts are reasonably assured of repayment and there is a sustained period of repayment performance, generally six months, in accordance with the contractual terms of the loan.

The following tables present non-accrual loan information by corporate loan type at September 30, 2014 and December 31, 2013 and interest income recognized on non-accrual corporate loans for the three- and nine-month periods ended September 30, 2014 and 2013, respectively:

#### Non-Accrual Corporate Loans

In millions of dollars	September 30, 2014				Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
	Recorded investment <sup>(1)</sup>	Unpaid principal balance	Related specific allowance	Average carrying value <sup>(2)</sup>	Interest income recognized <sup>(3)</sup>	Interest income recognized <sup>(3)</sup>
Non-accrual Corporate loans						
Commercial and industrial	\$733	\$1,059	\$197	\$707	\$10	\$24
Financial institutions	266	277	4	306	—	4
Mortgage and real estate	237	276	17	329	—	7
Lease financing	49	50	29	119	—	—
Other	65	194	19	64	4	4
Total non-accrual Corporate loans	\$1,350	\$1,856	\$266	\$1,525	\$14	\$39

#### Balance at December 31, 2013

In millions of dollars	Recorded investment <sup>(1)</sup>	Unpaid principal balance	Related specific allowance	Average carrying value <sup>(2)</sup>
Non-accrual Corporate loans				
Commercial and industrial	\$769	\$1,074	\$79	\$967
Financial institutions	365	382	3	378
Mortgage and real estate	515	651	35	585
Lease financing	189	190	131	189
Other	70	216	20	64
Total non-accrual Corporate loans	\$1,908	\$2,513	\$268	\$2,183

In millions of dollars	September 30, 2014		December 31, 2013	
	Recorded investment <sup>(1)</sup>	Related specific allowance	Recorded investment <sup>(1)</sup>	Related specific allowance
Non-accrual Corporate loans with valuation allowances				
Commercial and industrial	\$266	\$197	\$401	\$79
Financial institutions	17	4	24	3
Mortgage and real estate	42	17	253	35
Lease financing	47	29	186	131
Other	63	19	61	20
Total non-accrual Corporate loans with specific allowance	\$435	\$266	\$925	\$268
Non-accrual Corporate loans without specific allowance				
Commercial and industrial	\$466		\$368	
Financial institutions	249		341	
Mortgage and real estate	196		262	
Lease financing	2		3	
Other	1		9	
Total non-accrual Corporate loans without specific allowance	\$914	N/A	\$983	N/A

(1) Recorded investment in a loan includes net deferred loan fees and costs, unamortized premium or discount, less any direct write-downs.

(2) Average carrying value represents the average recorded investment balance and does not include related specific allowance.

(3) Interest income recognized for the three- and nine-month periods ended September 30, 2013 was \$6 million and \$24 million, respectively.

N/A Not Applicable

#### Corporate Troubled Debt Restructurings

The following table presents corporate TDR activity at and for the three months ended September 30, 2014.

In millions of dollars	Carrying Value	TDRs	TDRs	TDRs
		involving changes in the amount and/or timing of principal payments <sup>(1)</sup>	involving changes in the amount and/or timing of interest payments <sup>(2)</sup>	involving changes in the amount and/or timing of both principal and interest payments
Commercial and industrial	\$1	\$—	\$—	\$1
Financial institutions	—	—	—	—
Mortgage and real estate	3	1	—	2
Other	—	—	—	—
Total	\$4	\$1	\$—	\$3

TDRs involving changes in the amount or timing of principal payments may involve principal forgiveness or deferral of periodic and/or final principal payments. Because forgiveness of principal is rare for commercial loans, modifications typically have little to no impact on the loans' projected cash flows and thus little to no impact on the allowance established for the loan. Charge-offs for amounts deemed uncollectable may be recorded at the time of the restructuring or may have already been recorded in prior periods such that no charge-off is required at the time of the modification.

(2) TDRs involving changes in the amount or timing of interest payments may involve a below-market interest rate.





The following table presents corporate TDR activity at and for the three months ended September 30, 2013.

In millions of dollars	Carrying Value	TDRs involving changes in the amount and/or timing of principal payments <sup>(1)</sup>	TDRs involving changes in the amount and/or timing of interest payments <sup>(2)</sup>	TDRs involving changes in the amount and/or timing of both principal and interest payments
Commercial and industrial	\$11	\$—	\$—	\$11
Financial institutions	—	—	—	—
Mortgage and real estate	1	—	—	1
Other	1	—	—	1
Total	\$13	\$—	\$—	\$13

(1) TDRs involving changes in the amount or timing of principal payments may involve principal forgiveness or deferral of periodic and/or final principal payments. Because forgiveness of principal is rare for commercial loans, modifications typically have little to no impact on the loans' projected cash flows and thus little to no impact on the allowance established for the loan. Charge-offs for amounts deemed uncollectable may be recorded at the time of the restructuring or may have already been recorded in prior periods such that no charge-off is required at the time of the modification.

(2) TDRs involving changes in the amount or timing of interest payments may involve a below-market interest rate.

The following table presents corporate TDR activity at and for the nine months ended September 30, 2014.

In millions of dollars	Carrying Value	TDRs involving changes in the amount and/or timing of principal payments <sup>(1)</sup>	TDRs involving changes in the amount and/or timing of interest payments <sup>(2)</sup>	TDRs involving changes in the amount and/or timing of both principal and interest payments
Commercial and industrial	\$48	\$30	\$17	\$1
Financial institutions	—	—	—	—
Mortgage and real estate	8	5	1	2
Other	—	—	—	—
Total	\$56	\$35	\$18	\$3

(1) TDRs involving changes in the amount or timing of principal payments may involve principal forgiveness or deferral of periodic and/or final principal payments. Because forgiveness of principal is rare for commercial loans, modifications typically have little to no impact on the loans' projected cash flows and thus little to no impact on the allowance established for the loan. Charge-offs for amounts deemed uncollectable may be recorded at the time of the restructuring or may have already been recorded in prior periods such that no charge-off is required at the time of the modification.

(2) TDRs involving changes in the amount or timing of interest payments may involve a below-market interest rate.

The following table presents corporate TDR activity at and for the nine months ended September 30, 2013.

In millions of dollars	Carrying Value	TDRs involving changes in the amount and/or timing of principal payments <sup>(1)</sup>	TDRs involving changes in the amount and/or timing of interest payments <sup>(2)</sup>	TDRs involving changes in the amount and/or timing of both principal and interest payments
Commercial and industrial	\$100	\$55	\$28	\$17

Edgar Filing: CITIGROUP INC - Form 10-Q

Financial institutions	—			—
Mortgage and real estate	15	—	14	1
Other	\$5	\$—	\$—	\$5
Total	\$120	\$55	\$42	\$23

(1) TDRs involving changes in the amount or timing of principal payments may involve principal forgiveness or deferral of periodic and/or final principal payments. Because forgiveness of principal is rare for commercial loans, modifications typically have little to no impact on the loans' projected cash flows and thus little to no impact on the allowance established for the loan. Charge-offs for amounts deemed uncollectable may be recorded at the time of the restructuring or may have already been recorded in prior periods such that no charge-off is required at the time of the modification.

(2) TDRs involving changes in the amount or timing of interest payments may involve a below-market interest rate.

The following table presents total corporate loans modified in a TDR at September 30, 2014 and 2013, as well as those TDRs that defaulted during the three months ended September 30, 2014 and 2013 and for which the payment default occurred within one year of a permanent modification. Default is defined as 60 days past due, except for classifiably managed commercial markets loans, where default is defined as 90 days past due.

In millions of dollars	TDR balances	TDR loans in	TDR loans in	TDR	TDR loans in	TDR loans in
	at	payment default	payment default	balances at	payment default	payment default
	September 30, 2014	during the three months ended September 30, 2014	during the three months ended September 30, 2014	September 30, 2013	during the three months ended September 30, 2013	during the three months ended September 30, 2013
Commercial and industrial	\$ 161	\$—	\$—	\$ 167	\$—	\$ 15
Loans to financial institutions	—	—	—	16	—	—
Mortgage and real estate	125	—	—	202	—	2
Other	326	—	—	393	—	—
Total	\$ 612	\$—	\$—	\$ 778	\$—	\$ 17

## 15. ALLOWANCE FOR CREDIT LOSSES

In millions of dollars	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Allowance for loan losses at beginning of period	\$17,890	\$21,580	\$19,648	\$25,455
Gross credit losses	(2,586)	(2,974)	(8,381)	(9,675)
Gross recoveries <sup>(1)</sup>	489	544	1,656	1,759
Net credit losses (NCLs)	\$(2,097)	\$(2,430)	\$(6,725)	\$(7,916)
NCLs	\$2,097	\$2,430	\$6,725	\$7,916
Net reserve releases	(492)	(767)	(1,573)	(1,715)
Net specific reserve builds (releases)	(30)	(11)	(205)	(508)
Total provision for credit losses	\$1,575	\$1,652	\$4,947	\$5,693
Other, net <sup>(2)</sup>	(453)	(197)	(955)	(2,627)
Allowance for loan losses at end of period	\$16,915	\$20,605	\$16,915	\$20,605
Allowance for credit losses on unfunded lending commitments at beginning of period <sup>(3)</sup>	\$1,176	\$1,133	\$1,229	\$1,119
Provision for unfunded lending commitments	(30)	103	(88)	114
Other, net	(6)	26	(1)	29
Allowance for credit losses on unfunded lending commitments at end of period <sup>(3)</sup>	\$1,140	\$1,262	\$1,140	\$1,262
Total allowance for loans, leases, and unfunded lending commitments	\$18,055	\$21,867	\$18,055	\$21,867

(1) Recoveries have been reduced by certain collection costs that are incurred only if collection efforts are successful.

The third quarter of 2014 includes a reduction of approximately \$259 million related to transfers to held-for-sale (HFS) of various loan portfolios, including a reduction of \$151 million related to a transfer of a real estate loan portfolio to HFS and a reduction of approximately \$108 million related to the transfer of various EMEA loan portfolios to HFS. Additionally, the third quarter includes a reduction of approximately \$181 million related to foreign currency translation. The second quarter of 2014 includes a reduction of approximately \$480 million related to the sale or transfers to HFS of various loan portfolios, including a reduction of approximately \$204 million and \$177 million related to the transfers to HFS of consumer operations in Greece and Spain and \$29 million related to the sale of the Honduras consumer business, and \$66 million related to a transfer of a real estate loan portfolio to HFS. These amounts are partially offset by foreign currency translation on the entire allowance balance. The first quarter of 2014 includes reductions of approximately \$79 million related to the sale or transfer to HFS of various loan portfolios. The third quarter of 2013 includes a reduction of approximately \$214 million related to the sale or transfer to HFS of various loan portfolios. The second quarter of 2013 includes a reduction of approximately \$650 million related to the sale or transfer to HFS of various U.S. loan portfolios and a reduction of approximately \$360 million related to the transfer of Credicard to discontinued operations held for sale. Additionally, a reduction of approximately \$90 million related to a transfer to HFS of a loan portfolio in Greece and a reduction of approximately \$220 million related to foreign currency translation. The first quarter of 2013 includes reductions of approximately \$855 million related to the sale or transfer to HFS of various U.S. loan portfolios and a reduction of approximately \$165 million related to a transfer to HFS of a loan portfolio in Greece.

(3) Represents additional credit loss reserves for unfunded lending commitments and letters of credit recorded in Other liabilities on the Consolidated Balance Sheet.

## Allowance for Credit Losses and Investment in Loans

In millions of dollars	Three Months Ended			Nine Months Ended		
	September 30, 2014			September 30, 2014		
	Corporate	Consumer	Total	Corporate	Consumer	Total

Edgar Filing: CITIGROUP INC - Form 10-Q

Allowance for loan losses at beginning of period	\$2,370	\$15,520	\$17,890	\$2,584	\$17,064	\$19,648
Charge-offs	(43	)(2,543	)(2,586	)(264	)(8,117	)(8,381
Recoveries	61	428	489	126	1,530	1,656
Replenishment of net charge-offs	(18	)(2,115	2,097	138	6,587	6,725
Net reserve releases	(99	)(393	)(492	)(226	)(1,347	)(1,573
Net specific reserve releases	87	(117	)(30	)2	(207	)(205
Other	(18	)(435	)(453	)(20	)(935	)(955
Ending balance	\$2,340	\$14,575	\$16,915	\$2,340	\$14,575	\$16,915

151

---

In millions of dollars	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	Corporate	Consumer	Total	Corporate	Consumer	Total
Allowance for loan losses at beginning of period	\$2,708	\$18,872	\$21,580	\$2,776	\$22,679	\$25,455
Charge-offs	(148)	)(2,826	)(2,974	)(305	)(9,370	)(9,675
Recoveries	52	492	544	119	1,640	1,759
Replenishment of net charge-offs	96	2,334	2,430	186	7,730	7,916
Net reserve releases	18	(785)	)(767	)(111	)(1,604	)(1,715
Net specific reserve builds (releases)	(45	)34	(11	)27	(535	)(508
Other	12	(209)	)(197	)1	(2,628	)(2,627
Ending balance	\$2,693	\$17,912	\$20,605	\$2,693	\$17,912	\$20,605

In millions of dollars	September 30, 2014			December 31, 2013		
	Corporate	Consumer	Total	Corporate	Consumer	Total
Allowance for loan losses						
Determined in accordance with ASC 450-20	\$1,995	\$10,364	\$12,359	\$2,232	\$12,402	\$14,634
Determined in accordance with ASC 310-10-35	267	4,192	4,459	268	4,633	4,901
Determined in accordance with ASC 310-30	78	19	97	84	29	113
Total allowance for loan losses	\$2,340	\$14,575	\$16,915	\$2,584	\$17,064	\$19,648
Loans, net of unearned income						
Loans collectively evaluated for impairment in accordance with ASC 450-20	\$271,391	\$354,662	\$626,053	\$265,230	\$368,449	\$633,679
Loans individually evaluated for impairment in accordance with ASC 310-10-35	1,666	21,203	22,869	2,222	23,793	26,015
Loans acquired with deteriorated credit quality in accordance with ASC 310-30	85	408	493	117	632	749
Loans held at fair value	4,366	45	4,411	4,072	957	5,029
Total loans, net of unearned income	\$277,508	\$376,318	\$653,826	\$271,641	\$393,831	\$665,472

## 16. GOODWILL AND INTANGIBLE ASSETS

## Goodwill

The changes in Goodwill during the first nine months of 2014 were as follows:

In millions of dollars

Balance at December 31, 2013	25,009	
Foreign exchange translation and other	1	
Divestitures	(2	)
Balance at March 31, 2014	\$25,008	
Foreign exchange translation and other	208	
Divestitures	(129	)
Balance at June 30, 2014	25,087	
Foreign exchange translation and other	(586	)
Divestitures	(1	)
Balance at September 30, 2014	24,500	

The goodwill impairment testing process, including the methodology and assumptions used to estimate the fair value of the reporting units, is disclosed in more detail in Note 1 of Citigroup's 2013 Annual Report on Form 10-K.

During the first nine months of 2014, no goodwill was written off due to impairment. The Company performed its annual goodwill impairment test during the third quarter of 2014 resulting in no impairment for any of the reporting units. The fair values of the Company's reporting units as of the most recent goodwill impairment tests substantially exceeded their carrying values and did not indicate a more likely than not risk of impairment.

The following table shows reporting units with goodwill balances as of September 30, 2014.

In millions of dollars

Reporting Unit <sup>(1)</sup>	Goodwill
North America Global Consumer Banking	\$6,765
EMEA Global Consumer Banking	346
Asia Global Consumer Banking	4,987
Latin America Global Consumer Banking	1,733
Banking	3,786
Markets and Securities Services	6,841
Latin America Retirement Services	42
Total	\$24,500

(1)Citi Holdings—Other is excluded from the table as there is no goodwill allocated to it.

## Intangible Assets

The components of intangible assets as of September 30, 2014 and December 31, 2013 were as follows:

In millions of dollars	September 30, 2014		December 31, 2013		Net carrying amount	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization		
Purchased credit card relationships	\$7,521	\$6,229	\$1,292	\$7,552	\$6,006	\$1,546
Core deposit intangibles	1,210	1,059	151	1,255	1,052	203
Other customer relationships	615	344	271	675	389	286
Present value of future profits	237	154	83	238	146	92
Indefinite-lived intangible assets	314	—	314	323	—	323
Other <sup>(1)</sup>	5,088	2,674	2,414	5,073	2,467	2,606
Intangible assets (excluding MSR's)	\$14,985	\$10,460	\$4,525	\$15,116	\$10,060	\$5,056
Mortgage servicing rights (MSR's)	2,093	—	2,093	2,718	—	2,718
Total intangible assets	\$17,078	\$10,460	\$6,618	\$17,834	\$10,060	\$7,774

(1) Includes contract-related intangible assets.



The changes in intangible assets during the nine months ended September 30, 2014 were as follows:

In millions of dollars	Net carrying amount at December 31, 2013	Acquisitions/divestitures	Amortization	Impairments	FX and other <sup>(1)</sup>	Net carrying amount at September 30, 2014
Purchased credit card relationships	\$1,546	\$(9)	\$(247)	)	\$2	\$1,292
Core deposit intangibles	203	(6)	(44)	)	(2)	)151
Other customer relationships	286	14	(21)	)	(8)	)271
Present value of future profits	92	—	(9)	)	—	83
Indefinite-lived intangible assets	323	(2)	)—	)	(7)	)314
Other	2,606		(252)	)	(2)	)62
Intangible assets (excluding MSR)	\$5,056	\$(3)	\$(573)	)	\$(2)	)\$47
Mortgage servicing rights (MSR) <sup>(2)</sup>	2,718					2,093
Total intangible assets	\$7,774					\$6,618

(1) Includes foreign exchange translation and purchase accounting adjustments.

(2) See Note 20 to the Consolidated Financial Statements for the roll-forward of MSRs.

## 17. DEBT

## Short-Term Borrowings

In millions of dollars	September 30, 2014	December 31, 2013
Commercial paper		
Significant Citibank Entities <sup>(1)</sup>	\$ 17,600	\$ 17,677
Parent <sup>(2)</sup>	163	201
Total Commercial paper	\$ 17,763	\$ 17,878
Other borrowings <sup>(3)</sup>	47,075	41,066
Total	\$ 64,838	\$ 58,944

(1) Significant Citibank Entities consist of Citibank, N.A. units domiciled in the U.S., Western Europe, Hong Kong and Singapore.

(2) Parent includes the parent holding company (Citigroup Inc.) and Citi's broker-dealer subsidiaries that are consolidated into Citigroup.

(3) At both September 30, 2014 and December 31, 2013, collateralized short-term advances from the Federal Home Loan Banks were \$11 billion.

Borrowings under bank lines of credit may be at interest rates based on LIBOR, CD rates, the prime rate or bids submitted by the banks. Citigroup pays commitment fees for its lines of credit.

Some of Citigroup's non-bank subsidiaries have credit facilities with Citigroup's subsidiary depository institutions, including Citibank, N.A. Borrowings under these facilities are secured in accordance with Section 23A of the Federal Reserve Act.

Citigroup Global Markets Holdings Inc. (CGMHI) has borrowing agreements consisting of facilities that CGMHI has been advised are available, but where no contractual lending obligation exists. These arrangements are reviewed on an ongoing basis to ensure flexibility in meeting CGMHI's short-term requirements.

## Long-Term Debt

In millions of dollars	September 30, 2014	December 31, 2013
Citigroup Inc. <sup>(1)</sup>	\$ 147,892	\$ 156,804
Bank <sup>(2)</sup>	67,908	56,457
Broker-dealer <sup>(3)</sup>	8,042	7,855
Total <sup>(4)</sup>	\$ 223,842	\$ 221,116

(1) Parent holding company, Citigroup Inc.

Represents the Significant Citibank Entities as well as other Citibank and Banamex entities. At September 30, 2014 (2) and December 31, 2013, collateralized long-term advances from the Federal Home Loan Banks were \$23.3 billion and \$14.0 billion, respectively.

(3) Represents broker-dealer subsidiaries that are consolidated into Citigroup Inc., the parent holding company.

(4) Includes senior notes with carrying values of \$87 million issued to outstanding Safety First Trusts at December 31, 2013. As of September 30, 2014, no amounts were outstanding to these trusts.

Long-term debt outstanding includes trust preferred securities with a balance sheet carrying value of \$1.7 billion and \$3.9 billion at September 30, 2014 and December 31, 2013, respectively (for the structure and terms of Citi's trust preferred securities, see Note 18 to the Consolidated Financial Statements in the 2013 Annual Report on Form 10-K).

The following table summarizes the Company's outstanding trust preferred securities at September 30, 2014:

Trust	Issuance date	Securities issued	Liquidation value <sup>(1)</sup>	Coupon rate <sup>(2)</sup>	Junior subordinated debentures owned by trust		Maturity	Redeemable by issuer beginning
					Common shares issued to parent	Amount		
In millions of dollars, except share amounts								
Citigroup Capital III	Dec. 1996	194,053	\$ 194	7.625%	6,003	\$ 200	Dec. 1, 2036	Not redeemable
Citigroup Capital XIII	Sept. 2010	89,840,000	2,246	7.875%	1,000	2,246	Oct. 30, 2040	Oct. 30, 2015
Citigroup Capital XVIII	Jun. 2007	99,901	162	6.829%	50	162	June 28, 2067	June 28, 2017
Total obligated			\$ 2,602			\$ 2,608		

Note: Distributions on the trust preferred securities and interest on the subordinated debentures are payable semiannually for Citigroup Capital III and Citigroup Capital XVIII and quarterly for Citigroup Capital XIII.

(1) Represents the notional value received by investors from the trusts at the time of issuance.

(2) In each case, the coupon rate on the subordinated debentures is the same as that on the trust preferred securities.

## 18. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in each component of Citigroup's Accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2014 and 2013 are as follows:

Three months ended September 30, 2014:

In millions of dollars	Net unrealized gains (losses) on investment securities	Cash flow hedges <sup>(1)</sup>	Benefit plans <sup>(2)</sup>	Foreign currency translation adjustment, net of hedges (CTA) <sup>(3)(4)</sup>	Accumulated other comprehensive income (loss)
Balance, June 30, 2014	\$(206)	\$(1,007)	\$(4,166)	\$(12,768)	\$(18,147)
Other comprehensive income (losses) before reclassifications	\$(173)	\$(42)	\$17	\$(1,721)	\$(1,919)
Increase (decrease) due to amounts reclassified from AOCI	(34)	70	54	—	90
Change, net of taxes	\$(207)	\$28	\$71	\$(1,721)	\$(1,829)
Balance at September 30, 2014	\$(413)	\$(979)	\$(4,095)	\$(14,489)	\$(19,976)
Nine months ended September 30, 2014:					
In millions of dollars					
Balance, December 31, 2013	\$(1,640)	\$(1,245)	\$(3,989)	\$(12,259)	\$(19,133)
Other comprehensive income (losses) before reclassifications	\$1,242	\$62	\$(240)	\$(2,230)	\$(1,166)
Increase (decrease) due to amounts reclassified from AOCI	(15)	204	134	—	323
Change, net of taxes	\$1,227	\$266	\$(106)	\$(2,230)	\$(843)
Balance at September 30, 2014	\$(413)	\$(979)	\$(4,095)	\$(14,489)	\$(19,976)
Three months ended September 30, 2013:					
In millions of dollars					
Balance, June 30, 2013	\$(1,301)	\$(1,671)	\$(4,615)	\$(12,337)	\$(19,924)
Other comprehensive income before reclassifications	\$7	\$177	\$261	\$506	\$951
Increase (decrease) due to amounts reclassified from AOCI	(15)	153	37	—	175
Change, net of taxes	\$(8)	\$330	\$298	\$506	\$1,126
Balance at September 30, 2013	\$(1,309)	\$(1,341)	\$(4,317)	\$(11,831)	\$(18,798)
Nine months ended September 30, 2013:					
In millions of dollars					
Balance, December 31, 2012	\$597	\$(2,293)	\$(5,270)	\$(9,930)	\$(16,896)
Other comprehensive income (losses) before reclassifications	\$(1,582)	\$509	\$836	\$(1,901)	\$(2,138)
Increase (decrease) due to amounts reclassified from AOCI	(324)	443	117	—	236
Change, net of taxes	\$(1,906)	\$952	\$953	\$(1,901)	\$(1,902)
Balance at September 30, 2013	\$(1,309)	\$(1,341)	\$(4,317)	\$(11,831)	\$(18,798)

(1) Primarily driven by Citigroup's pay fixed/receive floating interest rate swap programs that hedge the floating rates on liabilities.

(2) Primarily reflects adjustments based on the quarterly actuarial valuations of the Company's significant pension and postretirement plans and amortization of amounts previously recognized in other comprehensive income.

Primarily reflects the movements in (by order of impact) the Mexican peso, Euro, British pound, and Australian dollar against the U.S. dollar, and changes in related tax effects and hedges for the quarter ended September 30, 2014. Primarily reflects the movements in (by order of impact) the Korean won, British pound, Euro, and Mexican (3) peso against the U.S. dollar, and changes in related tax effects and hedges for the quarter ended June 30, 2014. Primarily reflects the movements in the Russian ruble, Argentine peso, Korean won, and Japanese yen against the U.S. dollar, and changes in related tax effects and hedges for the quarter ended March 31, 2014. Primarily reflects the movements in (by order of impact) the Korean won, Euro, British pound, Mexican peso and Polish zloty

against the U.S. dollar, and changes in related tax effects and hedges for the quarter ended September 30, 2013. Primarily reflects the movements in (by order of impact) the Mexican peso, Australian dollar, Indian rupee, and Brazilian real against the U.S. dollar, and changes in related tax effects and hedges for the quarter ended June 30, 2013. primarily reflects the movements in (by order of impact) the Mexican peso, Japanese yen, British pound, and Korean won against the U.S. dollar, and changes in related tax effects and hedges for the quarter ended March 31, 2013.

(4) Reclassified to reflect the allocation of foreign currency translation between net unrealized gains (losses) on investment securities to CTA.

The pretax and after-tax changes in each component of Accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2014 and 2013 are as follows:

Three months ended September 30, 2014:

In millions of dollars	Pretax	Tax effect	After-tax
Balance, June 30, 2014	\$(25,645 )	\$7,498	\$(18,147 )
Change in net unrealized gains (losses) on investment securities	(321 )	114	(207 )
Cash flow hedges	45	(17 )	28
Benefit plans	107	(36 )	71
Foreign currency translation adjustment	(2,094 )	373	(1,721 )
Change	\$(2,263 )	\$434	\$(1,829 )
Balance, September 30, 2014	\$(27,908 )	\$7,932	\$(19,976 )

Nine months ended September 30, 2014:

In millions of dollars	Pretax	Tax effect	After-tax
Balance, December 31, 2013	\$(27,596 )	\$8,463	\$(19,133 )
Change in net unrealized gains (losses) on investment securities	1,967	(740 )	1,227
Cash flow hedges	431	(165 )	266
Benefit plans	(187 )	81	(106 )
Foreign currency translation adjustment	(2,523 )	293	(2,230 )
Change	\$(312 )	\$(531 )	\$(843 )
Balance, September 30, 2014	\$(27,908 )	\$7,932	\$(19,976 )

Three months ended September 30, 2013:

In millions of dollars	Pretax	Tax effect	After-tax
Balance, June 30, 2013	\$(28,846 )	\$8,922	\$(19,924 )
Change in net unrealized gains (losses) on investment securities	(20 )	12	(8 )
Cash flow hedges	514	(184 )	330
Benefit plans	326	(28 )	298
Foreign currency translation adjustment	338	168	506
Change	\$1,158	\$(32 )	\$1,126
Balance, September 30, 2013	\$(27,688 )	\$8,890	\$(18,798 )

Nine months ended September 30, 2013:

In millions of dollars	Pretax	Tax effect	After-tax
Balance, December 31, 2012	\$(25,334 )	\$8,438	\$(16,896 )
Change in net unrealized gains (losses) on investment securities	(3,013 )	1,107	(1,906 )
Cash flow hedges	1,519	(567 )	952
Benefit plans	1,323	(370 )	953
Foreign currency translation adjustment	(2,183 )	282	(1,901 )
Change	\$(2,354 )	\$452	\$(1,902 )
Balance, September 30, 2013	\$(27,688 )	\$8,890	\$(18,798 )

During the three and nine months ended September 30, 2014, respectively, the Company recognized a pretax loss of \$154 million (\$90 million net of tax) and a pretax loss of \$527 million (\$323 million net of tax) related to amounts reclassified out of Accumulated other comprehensive income (loss) into the Consolidated Statement of Income. See details in the table below:

In millions of dollars	Increase (decrease) in AOCI due to amounts reclassified to Consolidated Statement of Income	
	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Realized (gains) losses on sales of investments	\$(136	)(348
OTTI gross impairment losses	91	329
Subtotal, pretax	\$(45	)(19
Tax effect	11	4
Net realized (gains) losses on investment securities, after-tax <sup>(1)</sup>	\$(34	)(15
Interest rate contracts	\$84	\$218
Foreign exchange contracts	30	114
Subtotal, pretax	\$114	\$332
Tax effect	(44	)(128
Amortization of cash flow hedges, after-tax <sup>(2)</sup>	\$70	\$204
Amortization of unrecognized Prior service cost (benefit)	\$(11	)(30
Net actuarial loss	63	183
Curtailment/settlement impact <sup>(3)</sup>	33	61
Subtotal, pretax	\$85	\$214
Tax effect	(31	)(80
Amortization of benefit plans, after-tax <sup>(3)</sup>	\$54	\$134
Foreign currency translation adjustment	\$—	\$—
Total amounts reclassified out of AOCI, pretax	\$154	\$527
Total tax effect	(64	)(204
Total amounts reclassified out of AOCI, after-tax	\$90	\$323

The pretax amount is reclassified to Realized gains (losses) on sales of investments, net and Gross impairment (1) losses on the Consolidated Statement of Income. See Note 13 to the Consolidated Financial Statements for additional details.

(2) See Note 21 to the Consolidated Financial Statements for additional details.

(3) See Notes 1 and 8 to the Consolidated Financial Statements for additional details.

During the three and nine months ended September 30, 2013, respectively, the Company recognized a pretax loss of \$286 million (\$175 million net of tax) and a pretax loss of \$416 million (\$236 million net of tax) related to amounts reclassified out of Accumulated other comprehensive income (loss) into the Consolidated Statement of Income. See details in the table below:

In millions of dollars	Increase (decrease) in AOCI due to amounts reclassified to Consolidated Statement of Income	
	Three Months Ended September 30, 2013	Nine months ended September 30, 2013
Realized (gains) losses on sales of investments	\$(63	)(764
OTTI gross impairment losses	39	270
Subtotal, pretax	\$(24	)(494
Tax effect	9	170
Net realized (gains) losses on investment securities, after-tax <sup>(1)</sup>	\$(15	)(324
Interest rate contracts	\$211	\$596
Foreign exchange contracts	38	124
Subtotal, pretax	\$249	\$720
Tax effect	(96	)(277
Amortization of cash flow hedges, after-tax <sup>(2)</sup>	\$153	\$443
Amortization of unrecognized Prior service cost (benefit)	\$2	\$7
Net actuarial loss	61	205
Curtailment/settlement impact <sup>(3)</sup>	(2	)(2
Cumulative effect of change in accounting policy <sup>(3)</sup>	—	(20
Subtotal, pretax	\$61	\$190
Tax effect	(24	)(73
Amortization of benefit plans, after-tax <sup>(3)</sup>	\$37	\$117
Foreign currency translation adjustment	\$—	\$—
Total amounts reclassified out of AOCI, pretax	\$286	\$416
Total tax effect	(111	)(180
Total amounts reclassified out of AOCI, after-tax	\$175	\$236

The pretax amount is reclassified to Realized gains (losses) on sales of investments, net and Gross impairment (1) losses on the Consolidated Statement of Income. See Note 13 to the Consolidated Financial Statements for additional details.

(2) See Note 21 to the Consolidated Financial Statements for additional details.

(3) See Notes 1 and 8 to the Consolidated Financial Statements for additional details.



## 19. PREFERRED STOCK

The following table summarizes the Company's preferred stock outstanding at September 30, 2014 and December 31, 2013:

	Issuance date	Redeemable by issuer beginning	Dividend rate	Redemption price per depositary share/preference share	Number of depositary shares	September 30, 2014	December 31, 2013
Series AA <sup>(1)</sup>	January 25, 2008	February 15, 2018	8.125	25	3,870,330	\$97	\$97
Series E <sup>(2)</sup>	April 28, 2008	April 30, 2018	8.400	1,000	121,254	121	121
Series A <sup>(3)</sup>	October 29, 2012	January 30, 2023	5.950	1,000	1,500,000	1,500	1,500
Series B <sup>(4)</sup>	December 13, 2012	February 15, 2023	5.900	1,000	750,000	750	750
Series C <sup>(5)</sup>	March 26, 2013	April 22, 2018	5.800	25	23,000,000	575	575
Series D <sup>(6)</sup>	April 30, 2013	May 15, 2023	5.350	1,000	1,250,000	1,250	1,250
Series J <sup>(7)</sup>	September 19, 2013	September 30, 2023	7.125	25	38,000,000	950	950
Series K <sup>(8)</sup>	October 31, 2013	November 15, 2023	6.875	25	59,800,000	1,495	1,495
Series L <sup>(9)</sup>	February 12, 2014	February 12, 2019	6.875	25	19,200,000	480	—
Series M <sup>(10)</sup>	April 30, 2014	May 15, 2024	6.300	1,000	1,750,000	1,750	—
						\$8,968	\$6,738

Issued as depositary shares, each representing a 1/1,000<sup>th</sup> interest in a share of the corresponding series of (1) non-cumulative perpetual preferred stock. Dividends payable quarterly on February 15, May 15, August 15 and November 15 when, as and if declared by the Citi Board of Directors.

Issued as depositary shares, each representing a 1/25<sup>th</sup> interest in a share of the corresponding series of (2) non-cumulative perpetual preferred stock. Dividends payable semi-annually on April 30 and October 30 at a fixed rate until April 30, 2018, thereafter payable quarterly on January 30, April 30, July 30 and October 30 at a floating rate, in each case when, as and if declared by the Citi Board of Directors.

Issued as depositary shares, each representing a 1/25<sup>th</sup> interest in a share of the corresponding series of (3) non-cumulative perpetual preferred stock. Dividends payable semi-annually on January 30 and July 30 at a fixed rate until January 30, 2023, thereafter payable quarterly on January 30, April 30, July 30 and October 30 at a floating rate, in each case when, as and if declared by the Citi Board of Directors.

Issued as depositary shares, each representing a 1/25<sup>th</sup> interest in a share of the corresponding series of (4) non-cumulative perpetual preferred stock. Dividends payable semi-annually on February 15 and August 15 at a fixed rate until February 15, 2023, thereafter payable quarterly on February 15, May 15, August 15 and November 15 at a floating rate, in each case when, as and if declared by the Citi Board of Directors.

Issued as depositary shares, each representing a 1/1,000<sup>th</sup> interest in a share of the corresponding series of (5) non-cumulative perpetual preferred stock. Dividends payable quarterly on January 22, April 22, July 22 and October 22 when, as and if declared by the Citi Board of Directors.

Issued as depositary shares, each representing a 1/25<sup>th</sup> interest in a share of the corresponding series of (6) non-cumulative perpetual preferred stock. Dividends payable semi-annually on May 15 and November 15 at a fixed rate until May 15, 2023, thereafter payable quarterly on February 15, May 15, August 15 and November 15 at a floating rate, in each case when, as and if declared by the Citi Board of Directors.

(7) Issued as depositary shares, each representing a 1/1,000<sup>th</sup> interest in a share of the corresponding series of non-cumulative perpetual preferred stock. Dividends payable quarterly on March 30, June 30, September 30 and

December 30 at a fixed rate until September 30, 2023, thereafter payable quarterly on the same dates at a floating rate, in each case when, as and if declared by the Citi Board of Directors.

(8) Issued as depository shares, each representing a 1/1,000<sup>th</sup> interest in a share of the corresponding series of non-cumulative perpetual preferred stock. Dividends payable quarterly on February 15, May 15, August 15 and November 15 at a fixed rate until November 15, 2023, thereafter payable quarterly on the same dates at a floating rate, in each case when, as and if declared by the Citi Board of Directors.

(9) Issued as depository shares, each representing a 1/1,000<sup>th</sup> interest in a share of the corresponding series of non-cumulative perpetual preferred stock. Dividends payable quarterly on February 12, May 12, August 12 and November 12 at a fixed rate, in each case when, as and if declared by the Citi Board of Directors.

(10) Issued as depository shares, each representing a 1/25<sup>th</sup> interest in a share of the corresponding series of non-cumulative perpetual preferred stock. Dividends payable semi-annually on May 15 and November 15 at a fixed rate until May 15, 2024, thereafter payable quarterly on February 15, May 15, August 15, and November 15 at a floating rate, in each case when, as and if declared by the Citi Board of Directors.

Through the third quarter of 2014, Citi had distributed \$352 million in dividends on its outstanding preferred stock. Based on its preferred stock outstanding as of September 30, 2014, Citi estimates it will distribute preferred dividends of approximately \$159 million during the remainder of 2014, in each case assuming such dividends are approved by the Citi Board of Directors.

On October 29, 2014, Citi issued \$1.5 billion of Series N Preferred Stock as depository shares, each representing a 1/25<sup>th</sup> interest in a share of the corresponding series of non-cumulative perpetual preferred stock. The dividend rate is 5.800% per annum, payable semi-annually on each May 15

and November 15, from issuance to, but excluding, November 15, 2019, and thereafter a floating rate equal to three-month LIBOR plus 4.093% per annum, payable quarterly on each February 15, May 15, August 15 and November 15, in each case when, as and if declared by the Citi Board of Directors.

## 20. SECURITIZATIONS AND VARIABLE INTEREST ENTITIES

### Uses of Special Purpose Entities

A special purpose entity (SPE) is an entity designed to fulfill a specific limited need of the company that organized it. The principal uses of SPEs are to obtain liquidity and favorable capital treatment by securitizing certain of Citigroup's financial assets, to assist clients in securitizing their financial assets, and to create investment products for clients. SPEs may be organized in various legal forms, including trusts, partnerships or corporations. In a securitization, the company transferring assets to an SPE converts all (or a portion) of those assets into cash before they would have been realized in the normal course of business through the SPE's issuance of debt and equity instruments, certificates, commercial paper and other notes of indebtedness. These issuances are recorded on the balance sheet of the SPE, which may or may not be consolidated onto the balance sheet of the company that organized the SPE.

Investors usually have recourse only to the assets in the SPE and often benefit from other credit enhancements, such as a collateral account or over-collateralization in the form of excess assets in the SPE, a line of credit, or a liquidity facility, such as a liquidity put option or asset purchase agreement. Because of these enhancements, the SPE issuances can typically obtain a more favorable credit rating from rating agencies than the transferor could obtain for its own debt issuances. This results in less expensive financing costs than unsecured debt. The SPE may also enter into derivative contracts in order to convert the yield or currency of the underlying assets to match the needs of the SPE investors or to limit or change the credit risk of the SPE. Citigroup may be the provider of certain credit enhancements as well as the counterparty to any related derivative contracts.

Most of Citigroup's SPEs are variable interest entities (VIEs), as described below.

### Variable Interest Entities

VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest (i.e., ability to make significant decisions through voting rights and a right to receive the expected residual returns of the entity or an obligation to absorb the expected losses of the entity). Investors that finance the VIE through debt or equity interests or other counterparties providing other forms of support, such as guarantees, subordinated fee arrangements or certain types of derivative contracts are variable interest holders in the entity.

The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. Citigroup would be deemed to have a controlling financial interest and be the primary beneficiary if it has both of the following characteristics:

- power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- an obligation to absorb losses of the entity that could potentially be significant to the VIE, or a right to receive benefits from the entity that could potentially be significant to the VIE.

The Company must evaluate its involvement in each VIE to understand the purpose and design of the entity, the role the Company had in the entity's design and its involvement in the VIE's ongoing activities. The Company then must evaluate which activities most significantly impact the economic performance of the VIE and who has the power to direct such activities.

For those VIEs where the Company determines that it has the power to direct the activities that most significantly impact the VIE's economic performance, the Company then must evaluate its economic interests, if any, and determine whether it could absorb losses or receive benefits that could potentially be significant to the VIE. When evaluating whether the Company has an obligation to absorb losses that could potentially be significant, it considers the maximum exposure to such loss without consideration of probability. Such obligations could be in various forms, including, but not limited to, debt and equity investments, guarantees, liquidity agreements and certain derivative contracts.

In various other transactions, the Company may: (i) act as a derivative counterparty (for example, interest rate swap, cross-currency swap, or purchaser of credit protection under a credit default swap or total return swap where the Company pays the total return on certain assets to the SPE); (ii) act as underwriter or placement agent; (iii) provide administrative, trustee or other services; or (iv) make a market in debt securities or other instruments issued by VIEs. The Company generally considers such involvement, by itself, not to be variable interests and thus not an indicator of power or potentially significant benefits or losses.

Edgar Filing: CITIGROUP INC - Form 10-Q

Citigroup's involvement with consolidated and unconsolidated VIEs with which the Company holds significant variable interests or has continuing involvement through servicing a majority of the assets in a VIE, each as of September 30, 2014 and December 31, 2013, is presented below:

As of September 30, 2014

In millions of dollars	Total involvement with SPE assets	Consolidated VIE / SPE assets	Significant unconsolidated VIE assets <sup>(3)</sup>	Maximum exposure to loss in significant unconsolidated VIEs <sup>(1)</sup>				Total
				Debt investments	Equity investments	Funding commitments	Guarantees and derivatives	
Citicorp								
Credit card securitizations	\$59,448	\$59,448	\$—	\$—	\$—	\$—	\$—	\$—
Mortgage securitizations <sup>(4)</sup>								
U.S. agency-sponsored	232,316	—	232,316	3,196	—	—	23	3,219
Non-agency-sponsored	5,502	349	5,153	377	—	—	—	377
Citi-administered asset-backed commercial paper conduits (ABCP)	30,213	30,213	—	—	—	—	—	—
Collateralized debt obligations (CDOs)	3,772	—	3,772	62	—	—	—	62
Collateralized loan obligations (CLOs)	17,675	—	17,675	1,728	—	—	—	1,728
Asset-based financing	56,320	1,560	54,760	20,582	94	2,115	347	23,138
Municipal securities tender option bond trusts (TOBs)	12,187	6,642	5,545	14	—	3,626	—	3,640
Municipal investments	16,511	137	16,374	1,962	2,041	1,074	—	5,077
Client intermediation	1,749	256	1,493	12	—	—	10	22
Investment funds <sup>(5)</sup>	33,259	1,877	31,382	13	385	74	—	472
Trust preferred securities	2,646	—	2,646	—	6	—	—	6
Other	2,494	315	2,179	133	617	31	76	857
<b>Total</b>	<b>\$474,092</b>	<b>\$100,797</b>	<b>\$373,295</b>	<b>\$28,079</b>	<b>\$3,143</b>	<b>\$6,920</b>	<b>\$456</b>	<b>\$38,598</b>
Citi Holdings								
Credit card securitizations	\$345	\$76	\$269	\$—	\$—	\$—	\$—	\$—
Mortgage securitizations								
U.S. agency-sponsored	36,286	—	36,286	240	—	—	98	338
Non-agency-sponsored	10,695	366	10,329	20	—	—	1	21
Student loan securitizations	—	—	—	—	—	—	—	—
Collateralized debt obligations (CDOs)	2,786	—	2,786	246	—	—	139	385
	1,078	—	1,078	60	—	—	—	60

Collateralized loan obligations (CLOs)								
Asset-based financing	1,930	3	1,927	216	3	90	—	309
Municipal investments	6,957	—	6,957	3	180	920	—	1,103
Investment funds	591	—	591	—	—	—	—	—
Other	2,653	2,647	6	—	—	—	—	—
Total	\$63,321	\$3,092	\$60,229	\$785	\$183	\$1,010	\$238	\$2,216
Total Citigroup	\$537,413	\$103,889	\$433,524	\$28,864	\$3,326	\$7,930	\$694	\$40,814

(1) The definition of maximum exposure to loss is included in the text that follows this table.

(2) Included on Citigroup's September 30, 2014 Consolidated Balance Sheet.

(3) A significant unconsolidated VIE is an entity where the Company has any variable interest or continuing involvement considered to be significant, regardless of the likelihood of loss or the notional amount of exposure.

(4) Citicorp mortgage securitizations also include agency and non-agency (private-label) re-securitization activities. These SPEs are not consolidated. See "Re-securitizations" below for further discussion.

(5) Substantially all of the unconsolidated investment funds' assets are related to retirement funds in Mexico managed by Citi. See "Investment Funds" below for further discussion.

Edgar Filing: CITIGROUP INC - Form 10-Q

As of December 31, 2013

Maximum exposure to loss in significant  
unconsolidated VIEs <sup>(1)</sup>

Funded exposures <sup>(2)</sup>    Unfunded exposures

In millions of dollars	Total involvement with SPE assets	Consolidated VIE / SPE assets	Significant unconsolidated VIE assets <sup>(3)</sup>	Debt investments	Equity investments	Funding commitments	Guarantees and derivatives	Total
<b>Citicorp</b>								
Credit card securitizations	\$52,229	\$52,229	\$—	\$—	\$—	\$—	\$—	\$—
<b>Mortgage securitizations <sup>(4)</sup></b>								
U.S. agency-sponsored	239,204	—	239,204	3,583	—	—	36	3,619
Non-agency-sponsored	7,711	598	7,113	583	—	—	—	583
<b>Citi-administered asset-backed commercial paper conduits (ABCP)</b>								
Collateralized debt obligations (CDOs)	4,204	—	4,204	34	—	—	—	34
Collateralized loan obligations (CLOs)	16,883	—	16,883	1,938	—	—	—	1,938
Asset-based financing	45,884	971	44,913	17,452	74	1,132	195	18,853
<b>Municipal securities</b>								
tender option bond trusts (TOBs)	12,716	7,039	5,677	29	—	3,881	—	3,910
Municipal investments	15,962	223	15,739	1,846	2,073	1,173	—	5,092
Client intermediation	1,778	195	1,583	145	—	—	—	145
Investment funds <sup>(5)</sup>	32,324	3,094	29,230	191	264	81	—	536
Trust preferred securities	4,822	—	4,822	—	51	—	—	51
Other	2,439	225	2,214	143	649	20	78	890
<b>Total</b>	<b>\$467,915</b>	<b>\$96,333</b>	<b>\$ 371,582</b>	<b>\$25,944</b>	<b>\$3,111</b>	<b>\$6,287</b>	<b>\$309</b>	<b>\$35,651</b>
<b>Citi Holdings</b>								
Credit card securitizations	\$1,867	\$1,448	\$ 419	\$—	\$—	\$—	\$—	\$—
<b>Mortgage securitizations</b>								
U.S. agency-sponsored	73,549	—	73,549	549	—	—	77	626
Non-agency-sponsored	13,193	1,695	11,498	35	—	—	2	37
Student loan securitizations	1,520	1,520	—	—	—	—	—	—
Collateralized debt obligations (CDOs)	3,879	—	3,879	273	—	—	87	360
Collateralized loan obligations (CLOs)	2,733	—	2,733	358	—	—	111	469
Asset-based financing	3,508	3	3,505	629	3	258	—	890

Edgar Filing: CITIGROUP INC - Form 10-Q

Municipal investments	7,304	—	7,304	3	204	939	—	1,146
Investment funds	1,237	—	1,237	—	61	—	—	61
Other	4,494	4,434	60	—	—	—	—	—
Total	\$113,284	\$9,100	\$104,184	\$1,847	\$268	\$1,197	\$277	\$3,589
Total Citigroup	\$581,199	\$105,433	\$475,766	\$27,791	\$3,379	\$7,484	\$586	\$39,240

(1) The definition of maximum exposure to loss is included in the text that follows this table.

(2) Included on Citigroup's December 31, 2013 Consolidated Balance Sheet.

(3) A significant unconsolidated VIE is an entity where the Company has any variable interest or continuing involvement considered to be significant, regardless of the likelihood of loss or the notional amount of exposure.

(4) Citicorp mortgage securitizations also include agency and non-agency (private-label) re-securitization activities. These SPEs are not consolidated. See "Re-securitizations" below for further discussion.

(5) Substantially all of the unconsolidated investment funds' assets are related to retirement funds in Mexico managed by Citi. See "Investment Funds" below for further discussion.



The previous tables do not include:

- certain venture capital investments made by some of the Company's private equity subsidiaries, as the Company accounts for these investments in accordance with the Investment Company Audit Guide (codified in ASC 946);
- certain limited partnerships that are investment funds that qualify for the deferral from the requirements of ASC 810 where the Company is the general partner and the limited partners have the right to replace the general partner or liquidate the funds;
- certain investment funds for which the Company provides investment management services and personal estate trusts for which the Company provides administrative, trustee and/or investment management services;
- VIEs structured by third parties where the Company holds securities in inventory, as these investments are made on arm's-length terms;
- certain positions in mortgage-backed and asset-backed securities held by the Company, which are classified as Trading account assets or Investments, where the Company has no other involvement with the related securitization entity deemed to be significant (for more information on these positions, see Notes 12 and 13 to the Consolidated Financial Statements);
- certain representations and warranties exposures in legacy Securities and Banking-sponsored mortgage-backed and asset-backed securitizations, where the Company has no variable interest or continuing involvement as servicer. The outstanding balance of mortgage loans securitized during 2005 to 2008 where the Company has no variable interest or continuing involvement as servicer was approximately \$14 billion and \$16 billion at September 30, 2014 and December 31, 2013, respectively; and
- certain representations and warranties exposures in Citigroup residential mortgage securitizations, where the original mortgage loan balances are no longer outstanding.

The asset balances for consolidated VIEs represent the carrying amounts of the assets consolidated by the Company. The carrying amount may represent the amortized cost or the current fair value of the assets depending on the legal form of the asset (e.g., security or loan) and the Company's standard accounting policies for the asset type and line of business.

The asset balances for unconsolidated VIEs where the Company has significant involvement represent the most current information available to the Company. In most cases, the asset balances represent an amortized cost basis without regard to impairments in fair value, unless fair value information is readily available to the Company. For VIEs that obtain asset exposures synthetically through derivative instruments (for example, synthetic CDOs), the tables generally include the full original notional amount of the derivative as an asset balance.

The maximum funded exposure represents the balance sheet carrying amount of the Company's investment in the VIE. It reflects the initial amount of cash invested in the VIE adjusted for any accrued interest and cash principal payments received. The carrying amount may also be adjusted for increases or declines in fair value or any impairment in value recognized in earnings. The maximum exposure of unfunded positions represents the remaining undrawn committed amount, including liquidity and credit facilities provided by the Company, or the notional amount of a derivative instrument considered to be a variable interest. In certain transactions, the Company has entered into derivative instruments or other arrangements that are not considered variable interests in the VIE (e.g., interest rate swaps, cross-currency swaps, or where the Company is the purchaser of credit protection under a credit default swap or total return swap where the Company pays the total return on certain assets to the SPE). Receivables under such arrangements are not included in the maximum exposure amounts.

## Funding Commitments for Significant Unconsolidated VIEs—Liquidity Facilities and Loan Commitments

The following table presents the notional amount of liquidity facilities and loan commitments that are classified as funding commitments in the VIE tables above as of September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014		December 31, 2013	
	Liquidity facilities	Loan commitments	Liquidity facilities	Loan commitments
<b>Citicorp</b>				
Asset-based financing	\$5	\$2,110	\$5	\$1,127
Municipal securities tender option bond trusts (TOBs)	3,626	—	3,881	—
Municipal investments	—	1,074	—	1,173
Investment funds	—	74	—	81
Other	—	31	—	20
<b>Total Citicorp</b>	<b>\$3,631</b>	<b>\$3,289</b>	<b>\$3,886</b>	<b>\$2,401</b>
<b>Citi Holdings</b>				
Asset-based financing	\$—	\$90	\$—	\$258
Municipal investments	—	920	—	939
<b>Total Citi Holdings</b>	<b>\$—</b>	<b>\$1,010</b>	<b>\$—</b>	<b>\$1,197</b>
<b>Total Citigroup funding commitments</b>	<b>\$3,631</b>	<b>\$4,299</b>	<b>\$3,886</b>	<b>\$3,598</b>

## Citicorp and Citi Holdings Consolidated VIEs

The Company engages in on-balance-sheet securitizations, which are securitizations that do not qualify for sales treatment; thus, the assets remain on the Company's balance sheet, and any proceeds received are recognized as secured liabilities. The consolidated VIEs included in the tables below represent hundreds of separate entities with which the Company is involved. In general, the third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the respective VIEs and do not have such recourse to the Company, except where the Company has provided a guarantee to the investors or is the counterparty to certain derivative transactions involving the VIE. Thus, the

Company's maximum legal exposure to loss related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets due to outstanding third-party financing. Intercompany assets and liabilities are excluded from the table. All VIE assets are restricted from being sold or pledged as collateral. The cash flows from these assets are the only source used to pay down the associated liabilities, which are non-recourse to the Company's general assets.

The following table presents the carrying amounts and classifications of consolidated assets that are collateral for consolidated VIE obligations as of September 30, 2014 and December 31, 2013:

In billions of dollars	September 30, 2014			December 31, 2013		
	Citicorp	Citi Holdings	Citigroup	Citicorp	Citi Holdings	Citigroup
Cash	\$0.1	\$0.1	\$0.2	\$0.2	\$0.2	\$0.4
Trading account assets	0.8	—	0.8	1.0	—	1.0
Investments	9.9	—	9.9	10.9	—	10.9
Total loans, net	89.3	2.6	91.9	83.2	8.7	91.9
Other	0.7	0.3	1.0	1.1	0.2	1.3
<b>Total assets</b>	<b>\$100.8</b>	<b>\$3.0</b>	<b>\$103.8</b>	<b>\$96.4</b>	<b>\$9.1</b>	<b>\$105.5</b>
Short-term borrowings	\$24.2	\$—	\$24.2	\$24.3	\$—	\$24.3
Long-term debt	38.2	2.0	40.2	32.8	2.0	34.8
Other liabilities	0.8	0.1	0.9	0.9	0.1	1.0
<b>Total liabilities</b>	<b>\$63.2</b>	<b>\$2.1</b>	<b>\$65.3</b>	<b>\$58.0</b>	<b>\$2.1</b>	<b>\$60.1</b>



## Citicorp and Citi Holdings Significant Interests in Unconsolidated VIEs—Balance Sheet Classification

The following table presents the carrying amounts and classification of significant variable interests in unconsolidated VIEs as of September 30, 2014 and December 31, 2013:

In billions of dollars	September 30, 2014			December 31, 2013		
	Citicorp	Citi Holdings	Citigroup	Citicorp	Citi Holdings	Citigroup
Trading account assets	\$4.3	\$0.3	\$4.6	\$4.8	\$0.6	\$5.4
Investments	2.5	0.2	2.7	3.7	0.4	4.1
Total loans, net	22.5	0.2	22.7	18.3	0.6	18.9
Other	1.9	0.2	2.1	2.2	0.5	2.7
Total assets	\$31.2	\$0.9	\$32.1	\$29.0	\$2.1	\$31.1

## Credit Card Securitizations

The Company securitizes credit card receivables through trusts established to purchase the receivables. Citigroup transfers receivables into the trusts on a non-recourse basis. Credit card securitizations are revolving securitizations; as customers pay their credit card balances, the cash proceeds are used to purchase new receivables and replenish the receivables in the trust.

Substantially all of the Company's credit card securitization activity is through two trusts—Citibank Credit Card Master Trust (Master Trust) and the Citibank Omni Master Trust (Omni Trust), with the substantial majority through the Master Trust. These trusts are consolidated entities because, as servicer, Citigroup has the power to direct

the activities that most significantly impact the economic performance of the trusts, Citigroup holds a seller's interest and certain securities issued by the trusts, and also provides liquidity facilities to the trusts, which could result in potentially significant losses or benefits from the trusts. Accordingly, the transferred credit card receivables remain on Citi's Consolidated Balance Sheet with no gain or loss recognized. The debt issued by the trusts to third parties is included in Citi's Consolidated Balance Sheet.

The Company utilizes securitizations as one of the sources of funding for its business in North America. The following table reflects amounts related to the Company's securitized credit card receivables as of September 30, 2014 and December 31, 2013:

In billions of dollars	Citicorp		Citi Holdings	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Ownership interests in principal amount of trust credit card receivables				
Sold to investors via trust-issued securities	\$37.9	\$32.3	\$—	\$—
Retained by Citigroup as trust-issued securities	10.0	8.1	—	1.3
Retained by Citigroup via non-certificated interests	11.6	12.1	—	—
Total ownership interests in principal amount of trust credit card receivables	\$59.5	\$52.5	\$—	\$1.3

## Credit Card Securitizations—Citicorp

The following tables summarize selected cash flow information related to Citicorp's credit card securitizations for the three and nine months ended September 30, 2014 and 2013:

In billions of dollars	Three months ended	
	September 30, 2014	September 30, 2013
Proceeds from new securitizations	\$3.1	\$4.9
Pay down of maturing notes	(2.8)	—
In billions of dollars	Nine months ended	
	September 30, 2014	September 30, 2013

Edgar Filing: CITIGROUP INC - Form 10-Q

Proceeds from new securitizations	\$9.8	\$7.4	
Pay down of maturing notes	(4.1	)(1.6	)

Credit Card Securitizations—Citi Holdings

The following tables summarize selected cash flow information related to Citi Holdings' credit card securitizations for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		
In billions of dollars	2014	2013	
Proceeds from new securitizations	\$—	\$0.2	
Pay down of maturing notes	—	—	
	Nine months ended September 30,		
In billions of dollars	2014	2013	
Proceeds from new securitizations	\$0.1	\$0.2	
Pay down of maturing notes	—	(0.1	)

### Managed Loans

After securitization of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the trusts. As a result, the Company considers the securitized credit card receivables to be part of the business it manages. As Citigroup consolidates the credit card trusts, all managed securitized card receivables are on-balance sheet.

### Funding, Liquidity Facilities and Subordinated Interests

As noted above, Citigroup securitizes credit card receivables through two securitization trusts—Master Trust, which is part of Citicorp, and Omni Trust, which is also substantially all part of Citicorp. The liabilities of the trusts are included in the Consolidated Balance Sheet, excluding those retained by Citigroup.

Master Trust issues fixed- and floating-rate term notes. Some of the term notes are issued to multi-seller commercial paper conduits. The weighted average maturity of the term notes issued by the Master Trust was 2.9 years as of September 30, 2014 and 3.1 years as of December 31, 2013.

#### Master Trust Liabilities (at par value)

In billions of dollars	September 30, 2014	Dec. 31, 2013
Term notes issued to third parties	\$36.4	\$27.9
Term notes retained by Citigroup affiliates	8.1	6.2
Total Master Trust liabilities	\$44.5	\$34.1

The Omni Trust issues fixed- and floating-rate term notes, some of which are purchased by multi-seller commercial paper conduits. The weighted average maturity of the third-party term notes issued by the Omni Trust was 0.1 years as of September 30, 2014 and 0.7 years as of December 31, 2013.

#### Omni Trust Liabilities (at par value)

In billions of dollars	September 30, 2014	Dec. 31, 2013
Term notes issued to third parties	\$1.5	\$4.4
Term notes retained by Citigroup affiliates	1.9	1.9
Total Omni Trust liabilities	\$3.4	\$6.3

### Mortgage Securitizations

The Company provides a wide range of mortgage loan products to a diverse customer base. Once originated, the Company often securitizes these loans through the use of VIEs. These VIEs are funded through the issuance of trust certificates backed solely by the transferred assets. These certificates have the same life as the transferred assets. In addition to providing a source of liquidity and less expensive funding, securitizing these assets also reduces the Company's credit exposure to the borrowers. These mortgage loan securitizations are primarily non-recourse, thereby effectively transferring the risk of future credit losses to the purchasers of the securities issued by the trust. However, the Company's consumer business generally retains the servicing rights and in certain instances retains investment securities, interest-only strips and residual interests in future cash flows from the trusts and also provides servicing for a limited number of ICG securitizations. ICG and Citi Holdings do not retain servicing for their mortgage securitizations.

The Company securitizes mortgage loans generally through either a government-sponsored agency, such as Ginnie Mae, Fannie Mae or Freddie Mac (U.S. agency-sponsored mortgages), or private-label (non-agency-sponsored mortgages) securitization. The Company is not the primary beneficiary of its U.S. agency-sponsored mortgage securitizations because Citigroup does not have the power to direct the activities of the VIE that most significantly impact the entities' economic performance. Therefore, Citi does not consolidate these U.S. agency-sponsored mortgage securitizations.

The Company does not consolidate certain non-agency-sponsored mortgage securitizations, because Citi is either not the servicer with the power to direct the significant activities of the entity or Citi is the servicer but the servicing

relationship is deemed to be a fiduciary relationship and, therefore, Citi is not deemed to be the primary beneficiary of the entity.

In certain instances, the Company has (i) the power to direct the activities and (ii) the obligation to either absorb losses or the right to receive benefits that could be potentially significant to its non-agency-sponsored mortgage securitizations and, therefore, is the primary beneficiary and thus consolidates the VIE.

## Mortgage Securitizations—Citicorp

The following table summarizes selected cash flow information related to Citicorp mortgage securitizations for the three and nine months ended September 30, 2014 and 2013:

In billions of dollars	Three months ended September 30,			
	2014	2013	2014	2013
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages
Proceeds from new securitizations	\$6.2	\$1.7	\$15.4	\$2.0
Contractual servicing fees received	0.1	—	0.1	—
In billions of dollars	Nine months ended September 30,			
	2014	2013	2014	2013
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages
Proceeds from new securitizations	\$19.4	\$6.9	\$54.2	\$5.0
Contractual servicing fees received	0.3	—	0.3	—

Gains recognized on the securitization of U.S. agency-sponsored mortgages were \$16 million and \$28 million for the three and nine months ended September 30, 2014, respectively. For the three and nine months ended September 30, 2014, gains recognized on the securitization of non-agency sponsored mortgages were \$9 million and \$38 million, respectively.

Gains recognized on the securitization of U.S. agency-sponsored mortgages were \$3 million and \$147 million for the three and nine months ended September 30, 2013, respectively. For the three and nine months ended September 30, 2013, gains recognized on the securitization of non-agency sponsored mortgages were \$13 million and \$45 million, respectively.

Key assumptions used in measuring the fair value of retained interests at the date of sale or securitization of mortgage receivables for the three and nine months ended September 30, 2014 and 2013 were as follows:

	Three months ended September 30, 2014		
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages (1)	
		Senior interests	Subordinated interests
Discount rate	0.0% to 14.7%	—	6.7% to 9.0%
Weighted average discount rate	12.3	%—	8.7 %
Constant prepayment rate	4.6% to 18.1%	—	0.5% to 8.9%
Weighted average constant prepayment rate	5.8	%—	1.7 %
Anticipated net credit losses <sup>(2)</sup>	NM	—	8.9% to 40.0%
Weighted average anticipated net credit losses	NM	—	35.6 %
Weighted average life	5.2 to 8.9 years	—	6.7 to 7.3 years
	Three months ended September 30, 2013		
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages <sup>(1)</sup>	
		Senior interests	Subordinated interests
Discount rate	0.8% to 12.2%	3.9	%0.1% to 9.8%



Edgar Filing: CITIGROUP INC - Form 10-Q

Weighted average discount rate	10.0	%3.9	%6.1	%
Constant prepayment rate	2.4% to 19.0%	5.4	%0.1% to 11.2%	
Weighted average constant prepayment rate	4.5	%5.4	%6.8	%
Anticipated net credit losses <sup>(2)</sup>	NM	47.8	%0.1% to 49.0%	
Weighted average anticipated net credit losses	NM	47.8	%29.6	%
Weighted average life	5.3 to 8.4 years	7.0 years	10.0 to 10.2 years	

168

---

	Nine months ended September 30, 2014		
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages <sup>(1)</sup>	
		Senior interests	Subordinated interests
Discount rate	0.0% to 14.7%	1.4% to 4.6%	2.6% to 9.1%
Weighted average discount rate	11.1	%3.8	%7.8 %
Constant prepayment rate	0.0% to 18.1%	0.0	%0.5% to 8.9%
Weighted average constant prepayment rate	5.4	%0.0	%3.2 %
Anticipated net credit losses <sup>(2)</sup>	NM	40.0	%8.9% to 58.5%
Weighted average anticipated net credit losses	NM	40.0	%43.1 %
Weighted average life	0.0 to 9.7 years	2.6 to 8.6 years	3.0 to 14.5 years
	Nine months ended September 30, 2013		
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages <sup>(1)</sup>	
		Senior interests	Subordinated interests
Discount rate	0.8% to 12.4%	2.3% to 4.3%	0.1% to 19.2%
Weighted average discount rate	10.0	%3.4	%7.6 %
Constant prepayment rate	2.4% to 21.4%	5.4% to 10.0%	0.1% to 11.2%
Weighted average constant prepayment rate	5.3	%7.2	%6.9 %
Anticipated net credit losses <sup>(2)</sup>	NM	47.2% to 53.0%	0.1% to 89.0%
Weighted average anticipated net credit losses	NM	49.3	%49.3 %
Weighted average life	0.1 to 11.8 years	2.9 to 9.7 years	2.5 to 16.5 years

(1) Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

(2) Anticipated net credit losses represent estimated loss severity associated with defaulted mortgage loans underlying the mortgage securitizations disclosed above. Anticipated net credit losses, in this instance, do not represent total credit losses incurred to date, nor do they represent credit losses expected on retained interests in mortgage securitizations.

NM Not meaningful. Anticipated net credit losses are not meaningful due to U.S. agency guarantees.

The interests retained by the Company range from highly rated and/or senior in the capital structure to unrated and/or residual interests.

At September 30, 2014 and December 31, 2013, the key assumptions used to value retained interests, and the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions, are set forth in the tables

below. The negative effect of each change is calculated independently, holding all other assumptions constant. Because the key assumptions may not be independent, the net effect of simultaneous adverse changes in the key assumptions may be less than the sum of the individual effects shown below.

	September 30, 2014		
	U.S. agency-sponsored mortgages	Senior interests	Subordinated interests
Discount rate	0.0% to 22.0%	1.0% to 17.3%	1.6% to 18.2%
Weighted average discount rate	8.6	% 6.0	% 8.7
Constant prepayment rate	5.4% to 36.4%	3.1% to 100.0%	0.5% to 16.0%
Weighted average constant prepayment rate	12.1	% 19.8	% 6.4
Anticipated net credit losses <sup>(2)</sup>	NM	0.0% to 40.0%	1.6% to 40.0%
Weighted average anticipated net credit losses	NM	27.5	% 15.2
Weighted average life	0.1 to 19.0 years	0.7 to 11.9 years	0.9 to 25.3 years
	December 31, 2013		
	U.S. agency-sponsored mortgages	Senior interests	Subordinated interests
Discount rate	0.1% to 20.9%	0.5% to 17.4%	2.1% to 19.6%
Weighted average discount rate	6.9	% 5.5	% 11.2
Constant prepayment rate	6.2% to 30.4%	1.3% to 100.0%	1.4% to 23.1%
Weighted average constant prepayment rate	11.1	% 6.4	% 7.4
Anticipated net credit losses <sup>(2)</sup>	NM	0.1% to 80.0%	25.5% to 81.9%
Weighted average anticipated net credit losses	NM	49.5	% 52.8
Weighted average life	2.1 to 14.1 years	0.0 to 11.9 years	0.0 to 26.0 years

(1) Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

(2) Anticipated net credit losses represent estimated loss severity associated with defaulted mortgage loans underlying the mortgage securitizations disclosed above. Anticipated net credit losses, in this instance, do not represent total credit losses incurred to date, nor do they represent credit losses expected on retained interests in mortgage securitizations.

NM Not meaningful. Anticipated net credit losses are not meaningful due to U.S. agency guarantees.

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars at September 30, 2014	U.S. agency- sponsored mortgages	Non-agency-sponsored mortgages <sup>(1)</sup>	
		Senior interests	Subordinated interests
Carrying value of retained interests	\$2,470	\$ 158	\$502
Discount rates			
Adverse change of 10%	\$(78	)\$(3	)\$(30
Adverse change of 20%	(152	)5	)58
Constant prepayment rate			
Adverse change of 10%	(81	)1	)8
Adverse change of 20%	(157	)2	)17
Anticipated net credit losses			
Adverse change of 10%	NM	(2	)10
Adverse change of 20%	NM	(2	)17

In millions of dollars at December 31, 2013	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages <sup>(1)</sup>	
		Senior interests	Subordinated interests
Carrying value of retained interests	\$2,519	\$293	\$429
Discount rates			
Adverse change of 10%	\$(76)	\$(6)	\$(25)
Adverse change of 20%	(148)	(11)	(48)
Constant prepayment rate			
Adverse change of 10%	(96)	(1)	(7)
Adverse change of 20%	(187)	(2)	(14)
Anticipated net credit losses			
Adverse change of 10%	NM	(2)	(7)
Adverse change of 20%	NM	(3)	(14)

(1) Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

NM Not meaningful. Anticipated net credit losses are not meaningful due to U.S. agency guarantees.

#### Mortgage Securitizations—Citi Holdings

The following table summarizes selected cash flow information related to Citi Holdings mortgage securitizations for the three and nine months ended September 30, 2014 and 2013:

In billions of dollars	Three months ended September 30,			
	2014	2013	2014	2013
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages
Proceeds from new securitizations	\$0.1	\$—	\$0.1	\$—
Contractual servicing fees received	—	—	0.1	—

  

In billions of dollars	Nine months ended September 30,			
	2014	2013	2014	2013
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages
Proceeds from new securitizations	\$0.2	\$—	\$0.1	\$—
Contractual servicing fees received	0.1	—	0.2	—

Gains recognized on the securitization of U.S. agency-sponsored mortgages were \$10 million and \$30 million for the three and nine months ended September 30, 2014, respectively. Gains recognized on the securitization of U.S. agency-sponsored mortgages were \$7 million and \$14 million for the three and nine months ended September 30, 2013, respectively.

The Company did not securitize non-agency-sponsored mortgages for the quarters ended September 30, 2014 and 2013.

Similar to Citicorp mortgage securitizations discussed above, the range in the key assumptions is due to the different characteristics of the interests retained by the Company. The

interests retained range from highly rated and/or senior in the capital structure to unrated and/or residual interests.

At September 30, 2014 and December 31, 2013, the key assumptions used to value retained interests, and the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions, are set forth in the tables below. The negative effect of each change is calculated independently, holding all other assumptions constant. Because the key assumptions may not in fact be independent, the net effect of simultaneous adverse changes in the key assumptions may be less than the sum of the individual effects shown below.

	September 30, 2014		
	U.S. agency-sponsored mortgages	Senior interests	Non-agency-sponsored mortgages <sup>(1)</sup> Subordinated interests <sup>(2)</sup>
Discount rate	4.4% to 32.4%	35.8	%—
Weighted average discount rate	19.1	%35.8	%—
Constant prepayment rate	18.1% to 28.0%	11.7	%—
Weighted average constant prepayment rate	27.7	%11.7	%—
Anticipated net credit losses	NM	0.2	%—
Weighted average anticipated net credit losses	NM	0.2	%—
Weighted average life	4.1 to 7.2 years	3.3 years	—
	December 31, 2013		
	U.S. agency-sponsored mortgages	Senior interests	Non-agency-sponsored mortgages <sup>(1)</sup> Subordinated interests <sup>(2)</sup>
Discount rate	0.0% to 49.3%	9.9	%—
Weighted average discount rate	9.5	%9.9	%—
Constant prepayment rate	9.6% to 26.2%	12.3% to 27.3%	—
Weighted average constant prepayment rate	20.0	%15.6	%—
Anticipated net credit losses	NM	0.3	%—
Weighted average anticipated net credit losses	NM	0.3	%—
Weighted average life	2.3 to 7.6 years	5.2 years	—

(1) Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

(2) Citi Holdings held no subordinated interests in mortgage securitizations as of September 30, 2014 and December 31, 2013.

NM Not meaningful. Anticipated net credit losses are not meaningful due to U.S. agency guarantees.

In millions of dollars at September 30, 2014	Non-agency-sponsored mortgages <sup>(1)</sup>		
	U.S. agency-sponsored mortgages	Senior interests	Subordinated interests
Carrying value of retained interests	\$238	\$24	\$—
Discount rates			
Adverse change of 10%	\$(7	)\$(3	)\$—
Adverse change of 20%	(14	) (5	)—
Constant prepayment rate			
Adverse change of 10%	(6	) (2	)—
Adverse change of 20%	(12	) (4	)—
Anticipated net credit losses			
Adverse change of 10%	NM	(4	)—
Adverse change of 20%	NM	(8	)—
In millions of dollars at December 31, 2013	Non-agency-sponsored mortgages <sup>(1)</sup>		
	U.S. agency-sponsored mortgages	Senior interests	Subordinated interests
Carrying value of retained interests	\$585	\$50	\$—

Edgar Filing: CITIGROUP INC - Form 10-Q

Discount rates			
Adverse change of 10%	\$ (16	) \$ (3	) \$ —
Adverse change of 20%	(32	) (5	) —
Constant prepayment rate			—
Adverse change of 10%	(33	) (3	) —
Adverse change of 20%	(65	) (6	) —
Anticipated net credit losses			
Adverse change of 10%	NM	(5	) —
Adverse change of 20%	NM	(11	) —

(1) Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

NM Not meaningful. Anticipated net credit losses are not meaningful due to U.S. agency guarantees.



### Mortgage Servicing Rights

In connection with the securitization of mortgage loans, the Company's U.S. consumer mortgage business generally retains the servicing rights, which entitle the Company to a future stream of cash flows based on the outstanding principal balances of the loans and the contractual servicing fee. Failure to service the loans in accordance with contractual requirements may lead to a termination of the servicing rights and the loss of future servicing fees.

These transactions create an intangible asset referred to as mortgage servicing rights (MSRs), which are recorded at fair value on Citi's Consolidated Balance Sheet. The fair value of Citi's capitalized MSRs was \$2.1 billion and \$2.6 billion at September 30, 2014 and 2013, respectively. Of these amounts, approximately \$1.9 billion and \$2.0 billion, respectively, were specific to Citicorp, with the remainder to Citi Holdings. The MSRs correspond to principal loan balances of \$232 billion and \$295 billion as of September 30, 2014 and 2013, respectively. The following tables summarize the changes in capitalized MSRs for the three and nine months ended September 30, 2014 and 2013:

In millions of dollars	Three months ended	
	September 30,	
	2014	2013
Balance, as of June 30	\$2,282	\$2,524
Originations	52	167
Changes in fair value of MSRs due to changes in inputs and assumptions	(11	)11
Other changes <sup>(1)</sup>	(108	)(121
Sale of MSRs	(122	)(1
Balance, as of September 30	\$2,093	\$2,580
In millions of dollars	Nine months ended September 30,	
	2014	2013
Balance, beginning of year	\$2,718	\$1,942
Originations	151	543
Changes in fair value of MSRs due to changes in inputs and assumptions	(186	)481
Other changes <sup>(1)</sup>	(333	)(384
Sale of MSRs	(257	)(2
Balance, as of September 30	\$2,093	\$2,580

(1) Represents changes due to customer payments and passage of time.

The fair value of the MSRs is primarily affected by changes in prepayments of mortgages that result from shifts in mortgage interest rates. Specifically, higher interest rates tend to lead to declining prepayments which causes the fair value of the MSRs to increase. In managing this risk, the Company economically hedges a significant portion of the value of its MSRs through the use of interest rate derivative contracts, forward purchase and sale commitments of mortgage-backed securities and purchased securities classified as Trading account assets.

The Company receives fees during the course of servicing previously securitized mortgages. The amounts of these fees for the three and nine months ended September 30, 2014 and 2013 were as follows:

In millions of dollars	Three months ended		Nine months ended September 30,	
	September 30,		2014	2013
	2014	2013	2014	2013
Servicing fees	\$159	\$196	\$491	\$611
Late fees	5	12	20	31
Ancillary fees	11	27	47	79
Total MSR fees	\$175	\$235	\$558	\$721

These fees are classified in the Consolidated Statement of Income as Other revenue.

#### Re-securitizations

The Company engages in re-securitization transactions in which debt securities are transferred to a VIE in exchange for new beneficial interests. During the three and nine months ended September 30, 2014, Citi transferred non-agency (private-label) securities with an original par value of approximately \$81 million and \$470 million, respectively, to re-securitization entities, compared to \$284 million and \$680 million for the three and nine months ended September 30, 2013. These securities are backed by either residential or commercial mortgages and are often structured on behalf of clients.

As of September 30, 2014, the fair value of Citi-retained interests in private-label re-securitization transactions structured by Citi totaled approximately \$375 million (including \$46 million related to re-securitization transactions executed in 2014), which has been recorded in Trading account assets. Of this amount, approximately \$10 million was related to senior beneficial interests and approximately \$365 million was related to subordinated beneficial interests. As of December 31, 2013, the fair value of Citi-retained interests in private-label re-securitization transactions structured by Citi totaled approximately \$425 million (including \$131 million related to re-securitization transactions executed in 2013). Of this amount, approximately \$58 million was related to senior beneficial interests, and approximately \$367 million was related to subordinated beneficial interests. The original par value of private-label re-securitization transactions in which Citi holds a retained interest as of September 30, 2014 and December 31, 2013 was approximately \$4.7 billion and \$6.1 billion, respectively.

The Company also re-securitizes U.S. government-agency guaranteed mortgage-backed (agency) securities. During the three and nine months ended September 30, 2014, Citi transferred agency securities with a fair value of approximately \$5.4 billion and \$16.7 billion, respectively, to re-securitization entities compared to approximately \$5.3 billion and \$20.1 billion for the three and nine months ended September 30, 2013.

As of September 30, 2014, the fair value of Citi-retained interests in agency re-securitization transactions structured by Citi totaled approximately \$1.3 billion (including \$998 million related to re-securitization transactions executed in 2014) compared to \$1.5 billion as of December 31, 2013 (including

\$1.2 billion related to re-securitization transactions executed in 2013), which is recorded in Trading account assets. The original fair value of agency re-securitization transactions in which Citi holds a retained interest as of September 30, 2014 and December 31, 2013 was approximately \$69.3 billion and \$75.5 billion, respectively. As of September 30, 2014 and December 31, 2013, the Company did not consolidate any private-label or agency re-securitization entities.

#### Citi-Administered Asset-Backed Commercial Paper Conduits

The Company is active in the asset-backed commercial paper conduit business as administrator of several multi-seller commercial paper conduits and also as a service provider to single-seller and other commercial paper conduits sponsored by third parties.

Citi's multi-seller commercial paper conduits are designed to provide the Company's clients access to low-cost funding in the commercial paper markets. The conduits purchase assets from or provide financing facilities to clients and are funded by issuing commercial paper to third-party investors. The conduits generally do not purchase assets originated by the Company. The funding of the conduits is facilitated by the liquidity support and credit enhancements provided by the Company.

As administrator to Citi's conduits, the Company is generally responsible for selecting and structuring assets purchased or financed by the conduits, making decisions regarding the funding of the conduits, including determining the tenor and other features of the commercial paper issued, monitoring the quality and performance of the conduits' assets, and facilitating the operations and cash flows of the conduits. In return, the Company earns structuring fees from customers for individual transactions and earns an administration fee from the conduit, which is equal to the income from the client program and liquidity fees of the conduit after payment of conduit expenses. This administration fee is fairly stable, since most risks and rewards of the underlying assets are passed back to the clients. Once the asset pricing is negotiated, most ongoing income, costs and fees are relatively stable as a percentage of the conduit's size. The conduits administered by the Company do not generally invest in liquid securities that are formally rated by third parties. The assets are privately negotiated and structured transactions that are generally designed to be held by the conduit, rather than actively traded and sold. The yield earned by the conduit on each asset is generally tied to the rate on the commercial paper issued by the conduit, thus passing interest rate risk to the client. Each asset purchased by the conduit is structured with transaction-specific credit enhancement features provided by the third-party client seller, including over collateralization, cash and excess spread collateral accounts, direct recourse or third-party guarantees. These credit enhancements are sized with the objective of approximating a credit rating of A or above, based on the Company's internal risk ratings. At September 30, 2014 and December 31, 2013, the conduits had approximately \$30 billion and \$32 billion of purchased assets outstanding, respectively, and had incremental funding commitments with

clients of approximately \$15.2 billion and \$13.5 billion, respectively.

Substantially all of the funding of the conduits is in the form of short-term commercial paper. At the respective periods ended September 30, 2014 and December 31, 2013, the weighted average remaining lives of the commercial paper issued by the conduits were approximately 63 and 67 days, respectively.

The primary credit enhancement provided to the conduit investors is in the form of transaction-specific credit enhancements described above. One conduit holds only loans that are fully guaranteed primarily by AAA-rated government agencies that support export and development financing programs. In addition to the transaction-specific credit enhancements, the conduits, other than the government guaranteed loan conduit, have obtained a letter of credit from the Company, which is equal to at least 8% to 10% of the conduit's assets with a minimum of \$200 million. The letters of credit provided by the Company to the conduits total approximately \$2.3 billion as of September 30, 2014 and December 31, 2013. The net result across multi-seller conduits administered by the Company, other than the government guaranteed loan conduit, is that, in the event defaulted assets exceed the transaction-specific credit enhancements described above, any losses in each conduit are allocated first to the Company and then the commercial paper investors.

The Company also provides the conduits with two forms of liquidity agreements that are used to provide funding to the conduits in the event of a market disruption, among other events. Each asset of the conduits is supported by a

transaction-specific liquidity facility in the form of an asset purchase agreement (APA). Under the APA, the Company has generally agreed to purchase non-defaulted eligible receivables from the conduit at par. The APA is not generally designed to provide credit support to the conduit, as it generally does not permit the purchase of defaulted or impaired assets. Any funding under the APA will likely subject the underlying conduit clients to increased interest costs. In addition, the Company provides the conduits with program-wide liquidity in the form of short-term lending commitments. Under these commitments, the Company has agreed to lend to the conduits in the event of a short-term disruption in the commercial paper market, subject to specified conditions. The Company receives fees for providing both types of liquidity agreements and considers these fees to be on fair market terms.

Finally, the Company is one of several named dealers in the commercial paper issued by the conduits and earns a market-based fee for providing such services. Along with third-party dealers, the Company makes a market in the commercial paper and may from time to time fund commercial paper pending sale to a third party. On specific dates with less liquidity in the market, the Company may hold in inventory commercial paper issued by conduits administered by the Company, as well as conduits administered by third parties. The amount of commercial paper issued by its administered conduits held in inventory fluctuates based on market conditions and activity. At September 30, 2014 and December 31, 2013, the Company owned \$12.3 billion and

\$13.9 billion, respectively, of the commercial paper issued by its administered conduits.

The asset-backed commercial paper conduits are consolidated by the Company. The Company determined that, through its roles as administrator and liquidity provider, it had the power to direct the activities that most significantly impacted the entities' economic performance. These powers included its ability to structure and approve the assets purchased by the conduits, its ongoing surveillance and credit mitigation activities, its ability to sell or repurchase assets out of the conduits, and its liability management. In addition, as a result of all the Company's involvement described above, it was concluded that the Company had an economic interest that could potentially be significant. However, the assets and

liabilities of the conduits are separate and apart from those of Citigroup. No assets of any conduit are available to satisfy the creditors of Citigroup or any of its other subsidiaries.

During the second quarter of 2013, Citi consolidated the government guaranteed loan conduit it administers that was previously not consolidated due to changes in the primary risks and design of the conduit that were identified as a reconsideration event. Citi, as the administrator and liquidity provider, previously determined it had an economic interest that could potentially be significant. Upon the reconsideration event, it was determined that Citi had the power to direct the activities that most significantly impacted the conduit's economic performance. The impact of the consolidation resulted in an increase of assets and liabilities of approximately \$7 billion each and a net pretax gain to the Consolidated Statement of Income of approximately \$40 million.

#### Collateralized Debt and Loan Obligations

A securitized collateralized debt obligation (CDO) is a VIE that purchases a pool of assets consisting of asset-backed securities and synthetic exposures through derivatives on asset-backed securities and issues multiple tranches of equity and notes to investors.

A cash CDO, or arbitrage CDO, is a CDO designed to take advantage of the difference between the yield on a portfolio of selected assets, typically residential mortgage-backed securities, and the cost of funding the CDO through the sale of notes to investors. "Cash flow" CDOs are entities in which the CDO passes on cash flows from a pool of assets, while "market value" CDOs pay to investors the market value of the pool of assets owned by the CDO at maturity. In these transactions, all of the equity and notes issued by the CDO are funded, as the cash is needed to purchase the debt securities.

A synthetic CDO is similar to a cash CDO, except that the CDO obtains exposure to all or a portion of the referenced assets synthetically through derivative instruments, such as credit default swaps. Because the CDO does not need to raise cash sufficient to purchase the entire referenced portfolio, a substantial portion of the senior tranches of risk is typically passed on to CDO investors in the form of unfunded liabilities or derivative instruments. The CDO writes credit protection on select referenced debt securities to the Company or third parties. Risk is then passed on to the CDO investors in the form of funded notes or purchased credit protection through derivative instruments. Any cash raised from investors is

invested in a portfolio of collateral securities or investment contracts. The collateral is then used to support the obligations of the CDO on the credit default swaps written to counterparties.

A securitized collateralized loan obligation (CLO) is substantially similar to the CDO transactions described above, except that the assets owned by the VIE (either cash instruments or synthetic exposures through derivative instruments) are corporate loans and to a lesser extent corporate bonds, rather than asset-backed debt securities.

A third-party asset manager is typically retained by the CDO/CLO to select the pool of assets and manage those assets over the term of the VIE. The Company is the manager for a limited number of CLO transactions over the term of the VIE.

The Company earns fees for warehousing assets prior to the creation of a "cash flow" or "market value" CDO/CLO, structuring CDOs/CLOs and placing debt securities with investors. In addition, the Company has retained interests in many of the CDOs/CLOs it has structured and makes a market in the issued notes.

The Company's continuing involvement in synthetic

CDOs/CLOs generally includes purchasing credit protection through credit default swaps with the CDO/CLO, owning a portion of the capital structure of the CDO/CLO in the form of both unfunded derivative positions (primarily “super-senior” exposures discussed below) and funded notes, entering into interest-rate swap and total-return swap transactions with the CDO/CLO, lending to the CDO/CLO, and making a market in the funded notes.

Where a CDO/CLO entity issues preferred shares (or subordinated notes that are the equivalent form), the preferred shares generally represent an insufficient amount of equity (less than 10%) and create the presumption that preferred shares are insufficient to finance the entity’s activities without subordinated financial support. In addition, although the preferred shareholders generally have full exposure to expected losses on the collateral and uncapped potential to receive expected residual returns, they generally do not have the ability to make decisions significantly affecting the entity’s financial results because of their limited role in making day-to-day decisions and their limited ability to remove the asset manager. Because one or both of the above conditions will generally be met, the Company has concluded, even where a CDO/CLO entity issued preferred shares, the entity should be classified as a VIE.

In general, the asset manager, through its ability to purchase and sell assets or—where the reinvestment period of a CDO/CLO has expired—the ability to sell assets, will have the power to direct the activities of the entity that most significantly impact the economic performance of the CDO/CLO. However, where a CDO/CLO has experienced an event of default or an optional redemption period has gone into effect, the activities of the asset manager may be curtailed and/or certain additional rights will generally be provided to the investors in a CDO/CLO entity, including the right to direct the liquidation of the CDO/CLO entity.

The Company has retained significant portions of the “super-senior” positions issued by certain CDOs. These positions are referred to as “super-senior” because they represent the most senior positions in the CDO and, at the time

of structuring, were senior to tranches rated AAA by independent rating agencies.

The Company does not generally have the power to direct the activities of the entity that most significantly impact the economic performance of the CDOs/CLOs, as this power is generally held by a third-party asset manager of the CDO/CLO. As such, those CDOs/CLOs are not consolidated. The Company may consolidate the CDO/CLO when: (i) the Company is the asset manager and no other single investor has the unilateral ability to remove the Company or unilaterally cause the liquidation of the CDO/CLO, or the Company is not the asset manager but has a unilateral right to remove the third-party asset manager or unilaterally liquidate the CDO/CLO and receive the underlying assets, and (ii) the Company

has economic exposure to the entity that could be potentially significant to the entity.

The Company continues to monitor its involvement in unconsolidated CDOs/CLOs to assess future consolidation risk. For example, if the Company were to acquire additional interests in these entities and obtain the right, due to an event of default trigger being met, to unilaterally liquidate or direct the activities of a CDO/CLO, the Company may be required to consolidate the asset entity. For cash CDOs/CLOs, the net result of such consolidation would be to gross up the Company's balance sheet by the current fair value of the securities held by third parties and assets held by the CDO/CLO, which amounts are not considered material. For synthetic CDOs/CLOs, the net result of such consolidation may reduce the Company's balance sheet, because intercompany derivative receivables and payables would be eliminated in consolidation, and other assets held by the CDO/CLO and the securities held by third parties would be recognized at their current fair values.

#### Key Assumptions and Retained Interests—Citicorp

At September 30, 2014 and December 31, 2013, the key assumptions used to value retained interests in CLOs, and the sensitivity of the fair value to adverse changes of 10% and 20% are set forth in the tables below:

	September 30, 2014	December 31, 2013
Discount rate	1.5% to 1.6%	1.5% to 1.6%
September 30, 2014		
In millions of dollars		CLO
Carrying value of retained interests		\$1,542
Value of underlying portfolio		
Adverse change of 10%		\$(10 )
Adverse change of 20%		(20 )
December 31, 2013		
In millions of dollars		CLO
Carrying value of retained interests		\$1,333
Value of underlying portfolio		
Adverse change of 10%		\$(7 )
Adverse change of 20%		(14 )

#### Key Assumptions and Retained Interests—Citi Holdings

At September 30, 2014 and December 31, 2013, the key assumptions used to value retained interests, and the sensitivity of the fair value to adverse changes of 10% and 20% are set forth in the tables below:

	September 30, 2014	
	CDOs	CLOs
Discount rate	44.4% to 48.9%	4.5% to 5.0%
	December 31, 2013	
	CDOs	CLOs
Discount rate	44.3% to 48.7%	4.5% to 5.0%
	September 30, 2014	
In millions of dollars	CDOs	CLOs

Edgar Filing: CITIGROUP INC - Form 10-Q

Carrying value of retained interests	\$6	\$8
Discount rates		
Adverse change of 10%	\$(1	)\$—
Adverse change of 20%	(2	)—
	December 31, 2013	
In millions of dollars	CDOs	CLOs
Carrying value of retained interests	\$19	\$31
Discount rates		
Adverse change of 10%	\$(1	)\$—
Adverse change of 20%	(2	)—

Asset-Based Financing

The Company provides loans and other forms of financing to VIEs that hold assets. Those loans are subject to the same credit approvals as all other loans originated or purchased by the Company. Financings in the form of debt securities or derivatives are, in most circumstances, reported in Trading account assets and accounted for at fair value through earnings. The Company generally does not have the power to direct the activities that most significantly impact these VIEs' economic performance and thus it does not consolidate them.

Asset-Based Financing—Citicorp

The primary types of Citicorp's asset-based financings, total assets of the unconsolidated VIEs with significant involvement and the Company's maximum exposure to loss at September 30, 2014 and December 31, 2013 are shown below. For the Company to realize the maximum loss, the VIE (borrower) would have to default with no recovery from the assets held by the VIE.

In millions of dollars	September 30, 2014	
	Total unconsolidated VIE assets	Maximum exposure to unconsolidated VIEs
Type		
Commercial and other real estate	\$21,090	\$6,922
Corporate loans	460	475
Airplanes, ships and other assets	33,210	15,741
Total	\$54,760	\$23,138



In millions of dollars	December 31, 2013	
	Total unconsolidated VIE assets	Maximum exposure to unconsolidated VIEs
Type		
Commercial and other real estate	\$ 14,042	\$ 3,902
Corporate loans	2,221	1,754
Airplanes, ships and other assets	28,650	13,197
Total	\$ 44,913	\$ 18,853

The following table summarizes selected cash flow information related to asset-based financings for the three and nine months ended September 30, 2014 and 2013:

In billions of dollars	Three months ended	
	September 30,	
	2014	2013
Proceeds from new securitizations	\$—	\$—
Cash flows received on retained interest and other net cash flows	\$—	\$—
	Nine months ended September 30,	
	2014	2013
Proceeds from new securitizations	\$0.5	\$—
Cash flows received on retained interest and other net cash flows	\$0.2	\$0.6

The key assumption used to value retained interests and the sensitivity of the fair value to adverse changes of 10% and 20% is set forth in the tables below for the following periods presented:

	Sept. 30, 2014	Dec. 31, 2013
Discount rate	N/A	3.0%
September 30, 2014		
In millions of dollars		Asset-based financing
Carrying value of retained interests		\$—
Value of underlying portfolio		
Adverse change of 10%		\$—
Adverse change of 20%		—
December 31, 2013		
In millions of dollars		Asset-based financing
Carrying value of retained interests		\$1,316
Value of underlying portfolio		
Adverse change of 10%		\$(11 )
Adverse change of 20%		(23 )

#### Asset-Based Financing—Citi Holdings

The primary types of Citi Holdings' asset-based financing, total assets of the unconsolidated VIEs with significant involvement and the Company's maximum exposure to loss at September 30, 2014 and December 31, 2013 are shown below. For the Company to realize the maximum loss, the VIE (borrower) would have to default with no recovery from the assets held by the VIE.

September 30, 2014

In millions of dollars

Edgar Filing: CITIGROUP INC - Form 10-Q

Type	Total unconsolidated VIE assets	Maximum exposure to unconsolidated VIEs
Commercial and other real estate	\$715	\$228
Corporate loans	—	—
Airplanes, ships and other assets	1,212	81
Total	\$1,927	\$309

December 31, 2013

In millions of dollars	Total unconsolidated VIE assets	Maximum exposure to unconsolidated VIEs
Type		
Commercial and other real estate	\$774	\$298
Corporate loans	112	96
Airplanes, ships and other assets	2,619	496
Total	\$3,505	\$890

The following table summarizes selected cash flow information related to asset-based financings for the three and nine months ended September 30, 2014 and 2013:

In billions of dollars	Three months ended	
	September 30, 2014	2013
Cash flows received on retained interest and other net cash flows	\$—	\$—
In billions of dollars	Nine months ended September 30,	
	2014	2013
Cash flows received on retained interest and other net cash flows	\$0.1	\$0.2

At September 30, 2014 and December 31, 2013, the effects of adverse changes of 10% and 20% in the discount rate used to determine the fair value of retained interests are set forth in the tables below:

September 30, 2014

In millions of dollars	Asset-based financing
Carrying value of retained interests	\$—
Value of underlying portfolio	
Adverse change of 10%	\$—
Adverse change of 20%	—

December 31, 2013

In millions of dollars	Asset-based financing
Carrying value of retained interests	\$95
Value of underlying portfolio	
Adverse change of 10%	\$—
Adverse change of 20%	—

#### Municipal Securities Tender Option Bond (TOB) Trusts

TOB trusts hold fixed- and floating-rate, taxable and tax-exempt securities issued by state and local governments and municipalities. The trusts are typically single-issuer trusts whose assets are purchased from the Company or from other investors in the municipal securities market. The TOB trusts fund the purchase of their assets by issuing long-term, puttable floating rate certificates (Floaters) and residual certificates (Residuals). The trusts are referred to as TOB trusts because the Floater holders have the ability to tender their interests periodically back to the issuing trust, as described further below. The Floaters and Residuals evidence beneficial ownership interests in, and are collateralized by, the underlying assets of the trust. The Floaters are held by third-party investors, typically tax-exempt money market funds. The Residuals are typically held by the original owner of the municipal securities being financed.

The Floaters and the Residuals have a tenor that is equal to or shorter than the tenor of the underlying municipal bonds. The Residuals entitle their holders to the residual cash flows from the issuing trust, the interest income generated by the underlying municipal securities net of interest paid on the Floaters and trust expenses. The Residuals are rated based on the long-term rating of the underlying municipal bond. The Floaters bear variable interest rates that are reset periodically to a new market rate based on a spread to a high grade, short-term, tax-exempt index. The Floaters have a long-term rating based on the long-term rating of the underlying municipal bond and a short-term rating based on that of the liquidity provider to the trust.

There are two kinds of TOB trusts: customer TOB trusts and non-customer TOB trusts. Customer TOB trusts are trusts through which customers finance their investments in municipal securities. The Residuals are held by customers and the Floaters by third-party investors, typically tax-exempt money market funds. Non-customer TOB trusts are trusts through which the Company finances its own investments in municipal securities. In such trusts, the Company holds the Residuals, and third-party investors, typically tax-exempt money market funds, hold the Floaters.

The Company serves as remarketing agent to the trusts, placing the Floaters with third-party investors at inception, facilitating the periodic reset of the variable rate of interest on the Floaters, and remarketing any tendered Floaters. If Floaters are tendered and the Company (in its role as remarketing agent) is unable to find a new investor within a specified period of time, it can declare a failed remarketing, in which case the trust is unwound. The Company may, but is not obligated to, buy the Floaters into its own inventory. The level of the Company's inventory of Floaters fluctuates over time. At September 30, 2014 and December 31, 2013, the Company

held \$23 million and \$176 million, respectively, of Floaters related to both customer and non-customer TOB trusts. For certain non-customer trusts, the Company also provides credit enhancement. At September 30, 2014 and December 31, 2013 approximately \$218 million and \$230 million, respectively, of the municipal bonds owned by TOB trusts have a credit guarantee provided by the Company.

The Company provides liquidity to many of the outstanding trusts. If a trust is unwound early due to an event other than a credit event on the underlying municipal bond, the underlying municipal bonds are sold in the market. If there is a shortfall in the trust's cash flows between the redemption price of the tendered Floaters and the proceeds from the sale of the

underlying municipal bonds, the trust draws on a liquidity agreement in an amount equal to the shortfall. For customer TOBs where the Residual is less than 25% of the trust's capital structure, the Company has a reimbursement agreement with the Residual holder under which the Residual holder reimburses the Company for any payment made under the liquidity arrangement. Through this reimbursement agreement, the Residual holder remains economically exposed to

fluctuations in value of the underlying municipal bonds. These reimbursement agreements are generally subject to daily margining based on changes in value of the underlying municipal bond. In cases where a third party provides liquidity to a non-customer TOB trust, a similar reimbursement arrangement is made whereby the Company (or a consolidated subsidiary of the Company) as Residual holder absorbs any losses incurred by the liquidity provider. At September 30, 2014 and December 31, 2013, liquidity agreements provided with respect to customer TOB trusts totaled \$3.6 billion and \$3.9 billion, respectively, of which \$2.5 billion and \$2.8 billion, respectively, were offset by reimbursement agreements. For the remaining exposure related to TOB transactions, where the Residual owned by the customer was at least 25% of the bond value at the inception of the transaction, no reimbursement agreement was executed. The Company also provides other liquidity agreements or letters of credit to customer-sponsored municipal investment funds, which are not variable interest entities, and municipality-related issuers that totaled \$6.4 billion and \$5.4 billion as of September 30, 2014 and December 31, 2013, respectively. These liquidity agreements and letters of credit are offset by reimbursement agreements with various term-out provisions.

The Company considers the customer and non-customer TOB trusts to be VIEs. Customer TOB trusts are not consolidated by the Company. The Company has concluded that the power to direct the activities that most significantly impact the economic performance of the customer TOB trusts is primarily held by the customer Residual holder, which may unilaterally cause the sale of the trust's bonds.

Non-customer TOB trusts generally are consolidated. Similar to customer TOB trusts, the Company has concluded that the power over the non-customer TOB trusts is primarily held by the Residual holder, which may unilaterally cause the sale of the trust's bonds. Because the Company holds the Residual interest, and thus has the power to direct the activities that most significantly impact the trust's economic performance, it consolidates the non-customer TOB trusts.

### Municipal Investments

Municipal investment transactions include debt and equity interests in partnerships that finance the construction and rehabilitation of low-income housing, facilitate lending in new or underserved markets, or finance the construction or operation of renewable municipal energy facilities. The Company generally invests in these partnerships as a limited partner and earns a return primarily through the receipt of tax credits and grants earned from the investments made by the partnership. The Company may also provide construction loans or permanent loans for the development or operation of real estate properties held by partnerships. These entities are generally considered VIEs. The power to direct the activities of these entities is typically held by the general partner. Accordingly, these entities are not consolidated by the Company.

### Client Intermediation

Client intermediation transactions represent a range of transactions designed to provide investors with specified returns based on the returns of an underlying security, referenced asset or index. These transactions include credit-linked notes and equity-linked notes. In these transactions, the VIE typically obtains exposure to the underlying security, referenced asset or index through a derivative instrument, such as a total-return swap or a credit-default swap. In turn the VIE issues notes to investors that pay a return based on the specified underlying security, referenced asset or index. The VIE invests the proceeds in a financial asset or a guaranteed insurance contract that serves as collateral for the derivative contract over the term of the transaction. The Company's involvement in these transactions includes being the counterparty to the VIE's derivative instruments and investing in a portion of the notes issued by the VIE. In certain transactions, the investor's maximum risk of loss is limited and the Company absorbs risk of loss above a specified level. The Company does not have the power to direct the activities of the VIEs that most significantly impact their economic performance and thus it does not consolidate them.

The Company's maximum risk of loss in these transactions is defined as the amount invested in notes issued by the VIE and the notional amount of any risk of loss absorbed by the Company through a separate instrument issued by the VIE. The derivative instrument held by the Company may generate a receivable from the VIE (for example, where the Company purchases credit protection from the VIE in connection with the VIE's issuance of a credit-linked note), which is collateralized by the assets owned by the VIE. These derivative instruments are not considered variable interests and any associated receivables are not included in the calculation of maximum exposure to the VIE.

The proceeds from new securitizations related to the Company's client intermediation transactions for the three and nine months ended September 30, 2014 totaled approximately \$0.5 billion and \$1.7 billion, respectively.

### Investment Funds

The Company is the investment manager for certain investment funds and retirement funds that invest in various asset classes including private equity, hedge funds, real estate, fixed income and infrastructure. The Company earns a management fee, which is a percentage of capital under management, and may earn performance fees. In addition, for some of these funds the Company has an ownership interest in the investment funds. The Company has also established a number of investment funds as opportunities for qualified employees to invest in private equity investments. The Company acts as investment manager to these funds and may provide employees with financing on both recourse and non-recourse bases for a portion of the employees' investment commitments.

The Company has determined that a majority of the investment entities managed by Citigroup are provided a deferral from the requirements of SFAS 167, Amendments to FASB Interpretation No. 46(R), because they meet the criteria in Accounting Standards Update No. 2010-10, Consolidation (Topic 810), Amendments for Certain Investment Funds (ASU 2010-10). These entities continue to be evaluated under the requirements of ASC 810-10, prior to the implementation of SFAS 167 (FIN 46(R), Consolidation of Variable Interest Entities), which required that a VIE be consolidated by the party with a variable interest that will absorb a majority of the entity's expected losses or residual returns, or both.

### Trust Preferred Securities

The Company has previously raised financing through the issuance of trust preferred securities. In these transactions, the Company forms a statutory business trust and owns all of the voting equity shares of the trust. The trust issues preferred equity securities to third-party investors and invests the gross proceeds in junior subordinated deferrable interest debentures issued by the Company. The trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the preferred equity securities held by third-party investors. Obligations of the trusts are fully and unconditionally guaranteed by the Company.

Because the sole asset of each of the trusts is a receivable from the Company and the proceeds to the Company from the receivable exceed the Company's investment in the VIE's equity shares, the Company is not permitted to consolidate the trusts, even though it owns all of the voting equity shares of the trust, has fully guaranteed the trusts' obligations, and has the right to redeem the preferred securities in certain circumstances. The Company recognizes the subordinated debentures on its Consolidated Balance Sheet as long-term liabilities. For additional information, see Note 17 to the Consolidated Financial Statements.

## 21. DERIVATIVES ACTIVITIES

In the ordinary course of business, Citigroup enters into various types of derivative transactions. These derivative transactions include:

- Futures and forward contracts, which are commitments to buy or sell at a future date a financial instrument, commodity or currency at a contracted price and may be settled in cash or through delivery.
- Swap contracts, which are commitments to settle in cash at a future date or dates that may range from a few days to a number of years, based on differentials between specified financial indices, as applied to a notional principal amount.
- Option contracts, which give the purchaser, for a premium, the right, but not the obligation, to buy or sell within a specified time a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

The swap and forward contracts are over-the-counter (OTC) derivatives that are bilaterally negotiated with counterparties and settled with those counterparties, except for swap contracts that are novated and "cleared" through central counterparties (CCPs). Futures and option contracts are generally standardized contracts that are traded on an exchange with a CCP as the counterparty from the inception of the transaction. Citigroup enters into these derivative contracts relating to interest rate, foreign currency, commodity and other market/credit risks for the following reasons:

**Trading Purposes—Customer Needs:** Citigroup offers its customers derivatives in connection with their risk-management actions to transfer, modify or reduce their interest rate, foreign exchange and other market/credit risks or for their own trading purposes. As part of this process, Citigroup considers the customers' suitability for the risk involved and the business purpose for the transaction. Citigroup also manages its derivative risk positions through offsetting trade activities, controls focused on price verification, and daily reporting of positions to senior managers.

**Trading Purposes—Citigroup trades derivatives as an active market maker.** Trading limits and price verification controls are key aspects of this activity.

**Hedging—Citigroup uses derivatives in connection with its risk-management activities to hedge certain risks or reposition the risk profile of the Company.** For example, Citigroup issues fixed-rate long-term debt and then enters into a receive-fixed, pay-variable-rate interest rate swap with the same tenor and notional amount to convert the interest payments to a net variable-rate basis. This strategy is the most common form of an interest rate hedge, as it minimizes interest cost in certain yield curve environments. Derivatives are also used to manage risks inherent in specific groups of on-balance-sheet assets and liabilities, including AFS securities and borrowings, as well as other interest-sensitive assets and liabilities. In

addition, foreign-exchange contracts are used to hedge non-U.S.-dollar-denominated debt, foreign-currency-denominated AFS securities and net investment exposures.

Derivatives may expose Citigroup to market, credit or liquidity risks in excess of the amounts recorded on the Consolidated Balance Sheet. Market risk on a derivative product is the exposure created by potential fluctuations in interest rates, foreign-exchange rates and other factors and is a function of the type of product, the volume of transactions, the tenor and terms of the agreement and the underlying volatility. Credit risk is the exposure to loss in the event of nonperformance by the other party to the transaction where the value of any collateral held is not adequate to cover such losses. The recognition in earnings of unrealized gains on these transactions is subject to management's assessment as to collectability. Liquidity risk is the potential exposure that arises when the size of the derivative position may not be able to be rapidly adjusted at a reasonable cost in periods of high volatility and financial stress. Derivative transactions are customarily documented under industry standard master agreements and credit support annexes, which provide that following an uncured payment default or other event of default the non-defaulting party may promptly terminate all transactions between the parties and determine a net amount due to be paid to, or by, the defaulting party. Events of default generally include: (i) failure to make a payment on a derivatives transaction (which remains uncured following applicable notice and grace periods), (ii) breach of a covenant (which remains uncured after applicable notice and grace periods), (iii) breach of a representation, (iv) cross default, either to third-party debt

or to another derivatives transaction entered into among the parties, or, in some cases, their affiliates, (v) the occurrence of a merger or consolidation which results in a party's becoming a materially weaker credit, and (vi) the cessation or repudiation of any applicable guarantee or other credit support document. An event of default may also occur under a credit support annex if a party fails to make a collateral delivery (which remains uncured following applicable notice and grace periods).

The enforceability of offsetting rights incorporated in the master netting agreements for derivative transactions is evidenced to the extent that a supportive legal opinion has been obtained from counsel of recognized standing that provides the requisite level of certainty regarding the enforceability of these agreements and that the exercise of rights by the non-defaulting party to terminate and close-out transactions on a net basis under these agreements will not be stayed or avoided under applicable law upon an event of default including bankruptcy, insolvency or similar proceeding.

A legal opinion may not have been sought or obtained for certain jurisdictions where local law is silent or sufficiently ambiguous to determine the enforceability of offsetting rights or where adverse case law or conflicting regulation may cast doubt on the enforceability of such rights. In some jurisdictions and for some counterparty types, the insolvency law for a particular counterparty type may be nonexistent or



unclear as overlapping regimes may exist. For example, this may be the case for certain sovereigns, municipalities, central banks and U.S. pension plans.

Exposure to credit risk on derivatives is impacted by market volatility, which may impair the ability of clients to satisfy their obligations to the Company. Credit limits are established and closely monitored for customers engaged in derivatives transactions. Citi considers the level of legal certainty regarding enforceability of its offsetting rights under master netting agreements and credit support annexes to be an important factor in its risk management process. For example, because derivatives executed under master netting agreements where Citi does not have the requisite level of legal certainty regarding enforceability, consume much greater amounts of single counterparty credit limits, than those executed under enforceable master netting agreements, Citi generally transacts

much lower volumes of derivatives under master netting agreements where Citi does not have the requisite level of legal certainty regarding enforceability.

Cash collateral and security collateral in the form of G10 government debt securities generally is posted to secure the net open exposure of derivative transactions, at a counterparty level, whereby the receiving party is free to commingle/rehypothebate such collateral in the ordinary course of its business. Nonstandard collateral such as corporate bonds, municipal bonds, U.S. agency securities and/or MBS may also be pledged as collateral for derivative transactions. Security collateral posted to open and maintain a master netting agreement with a counterparty, in the form of cash and securities, may from time to time be segregated in an account at a third-party custodian pursuant to a tri-party Account Control Agreement.

Information pertaining to the volume of derivative activity is provided in the table below. The notional amounts, for both long and short derivative positions, of Citigroup's derivative instruments as of September 30, 2014 and December 31, 2013 are presented in the table below.

## Derivative Notionals

In millions of dollars	Hedging instruments under ASC 815 <sup>(1)(2)</sup>		Other derivative instruments			
			Trading derivatives		Management hedges <sup>(3)</sup>	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Interest rate contracts						
Swaps	\$ 172,774	\$ 132,823	\$ 34,796,574	\$ 36,370,196	\$ 68,093	\$ 93,286
Futures and forwards	—	20	6,579,341	6,129,742	38,233	61,398
Written options	—	—	3,349,604	3,342,832	4,132	3,103
Purchased options	—	—	3,278,606	3,240,990	4,560	3,185
Total interest rate contract notionals	\$ 172,774	\$ 132,843	\$ 48,004,125	\$ 49,083,760	\$ 115,018	\$ 160,972
Foreign exchange contracts						
Swaps	\$ 25,923	\$ 22,402	\$ 4,405,719	\$ 3,298,500	\$ 24,214	\$ 20,013
Futures and forwards	75,176	79,646	2,240,032	1,982,303	10,819	14,226
Written options	238	101	1,573,970	1,037,433	—	—
Purchased options	238	106	1,593,341	1,029,872	—	71
Total foreign exchange contract notionals	\$ 101,575	\$ 102,255	\$ 9,813,062	\$ 7,348,108	\$ 35,033	\$ 34,310
Equity contracts						
Swaps	\$ —	\$ —	\$ 122,190	\$ 100,019	\$ —	\$ —
Futures and forwards	—	—	26,459	23,161	—	—
Written options	—	—	374,468	333,945	—	—
Purchased options	—	—	332,799	266,570	—	—
Total equity contract notionals	\$ —	\$ —	\$ 855,916	\$ 723,695	\$ —	\$ —
Commodity and other contracts						
Swaps	\$ —	\$ —	\$ 161,538	\$ 81,112	\$ —	\$ —
Futures and forwards	1,201	—	105,036	98,265	—	—
Written options	—	—	117,188	100,482	—	—
Purchased options	—	—	111,742	97,626	—	—
Total commodity and other contract notionals	\$ 1,201	\$ —	\$ 495,504	\$ 377,485	\$ —	\$ —
Credit derivatives <sup>(4)</sup>						
Protection sold	\$ —	\$ —	\$ 1,161,986	\$ 1,143,363	\$ —	\$ —
Protection purchased	—	95	1,201,251	1,195,223	15,428	19,744
Total credit derivatives	\$ —	\$ 95	\$ 2,363,237	\$ 2,338,586	\$ 15,428	\$ 19,744
Total derivative notionals	\$ 275,550	\$ 235,193	\$ 61,531,844	\$ 59,871,634	\$ 165,479	\$ 215,026

The notional amounts presented in this table do not include hedge accounting relationships under ASC 815 where

(1) Citigroup is hedging the foreign currency risk of a net investment in a foreign operation by issuing a foreign-currency-denominated debt instrument. The notional amount of such debt was \$4,198 million and \$6,450 million at September 30, 2014 and December 31, 2013, respectively.

(2) Derivatives in hedge accounting relationships accounted for under ASC 815 are recorded in either Other assets/Other liabilities or Trading account assets/Trading account liabilities on the Consolidated Balance Sheet.

(3) Management hedges represent derivative instruments used in certain economic hedging relationships that are identified for management purposes, but for which hedge accounting is not applied. These derivatives are recorded

in either Other assets/Other liabilities or Trading account assets/Trading account liabilities on the Consolidated Balance Sheet.

Credit derivatives are arrangements designed to allow one party (protection buyer) to transfer the credit risk of a “reference asset” to another party (protection seller). These arrangements allow a protection seller to assume the (4) credit risk associated with the reference asset without directly purchasing that asset. The Company has entered into credit derivative positions for purposes such as risk management, yield enhancement, reduction of credit concentrations and diversification of overall risk.

The following tables present the gross and net fair values of the Company’s derivative transactions, and the related offsetting amount permitted under ASC 210-20-45 and ASC 815-10-45, as of September 30, 2014 and December 31, 2013.

Under ASC 210-20-45, gross positive fair values are offset against gross negative fair values by counterparty pursuant to enforceable master netting agreements. Under ASC 815-10-45, payables and receivables in respect of cash

collateral received from or paid to a given counterparty pursuant to an enforceable credit support annex are included in the offsetting amount. U.S. GAAP does not permit offsetting for security collateral posted. The table also includes amounts that are not permitted to be offset under ASC 210-20-45 and

ASC 815-10-45, such as security collateral posted or cash collateral posted at third-party custodians, but would be eligible for offsetting to the extent an event of default occurred and a legal opinion supporting enforceability of the offsetting rights has been obtained.

#### Derivative Mark-to-Market (MTM) Receivables/Payables

In millions of dollars at September 30, 2014	Derivatives classified in Trading account		Derivatives classified in Other	
	assets / liabilities <sup>(1)(2)(3)</sup>		assets / liabilities <sup>(2)(3)</sup>	
Derivatives instruments designated as ASC 815 hedges	Assets	Liabilities	Assets	Liabilities
Over-the-counter	\$1,159	\$189	\$3,021	\$342
Cleared	2,791	623	1	—
Interest rate contracts	\$3,950	\$812	\$3,022	\$342
Over-the-counter	\$1,892	\$570	\$756	\$707
Foreign exchange contracts	\$1,892	\$570	\$756	\$707
Total derivative instruments designated as ASC 815 hedges	\$5,842	\$1,382	\$3,778	\$1,049
Derivatives instruments not designated as ASC 815 hedges				
Over-the-counter	\$332,157	\$314,791	\$39	\$1
Cleared	212,808	218,472	8	7
Exchange traded	52	27	719	816
Interest rate contracts	\$545,017	\$533,290	\$766	\$824
Over-the-counter	\$139,883	\$140,359	\$—	\$17
Cleared	759	713	—	—
Exchange traded	8	21	—	—
Foreign exchange contracts	\$140,650	\$141,093	\$—	\$17
Over-the-counter	\$17,899	\$32,629	\$—	\$—
Cleared	205	403	—	—
Exchange traded	7,136	2,409	—	—
Equity contracts	\$25,240	\$35,441	\$—	\$—
Over-the-counter	\$11,392	\$12,581	\$—	\$—
Exchange traded	668	754	—	—
Commodity and other contracts	\$12,060	\$13,335	\$—	\$—
Over-the-counter	\$37,541	\$37,535	\$118	\$403
Cleared	3,290	3,365	5	140
Credit derivatives <sup>(4)</sup>	\$40,831	\$40,900	\$123	\$543
Total derivatives instruments not designated as ASC 815 hedges	\$763,798	\$764,059	\$889	\$1,384
Total derivatives	\$769,640	\$765,441	\$4,667	\$2,433
Cash collateral paid/received <sup>(5)(6)</sup>	\$3,258	\$11,828	\$197	\$292
Less: Netting agreements <sup>(7)</sup>	(674,769)	(674,769)	—	—
Less: Netting cash collateral received/paid <sup>(8)</sup>	(40,435)	(43,789)	(2,297)	—
Net receivables/payables included on the Consolidated Balance Sheet <sup>(9)</sup>	\$57,694	\$58,711	\$2,567	\$2,725
Additional amounts subject to an enforceable master netting agreement but not offset on the Consolidated Balance Sheet				
Less: Cash collateral received/paid	\$(578)	\$(14)	\$—	\$—
Less: Non-cash collateral received/paid	(9,350)	(5,663)	(997)	—

Total Net receivables/payables <sup>(9)</sup>	\$47,766	\$53,034	\$1,570	\$2,725
---	----------	----------	---------	---------

(1) The trading derivatives fair values are presented in Note 12 to the Consolidated Financial Statements.

(2) Derivative mark-to-market receivables/payables related to management hedges are recorded in either Other assets/Other liabilities or Trading account assets/Trading account liabilities.

Over-the-counter (OTC) derivatives include derivatives executed and settled bilaterally with counterparties without the use of an organized exchange or central clearing house. Cleared derivatives include derivatives executed (3) bilaterally with a counterparty in the OTC market but then novated to a central clearing house, whereby the central clearing house becomes the counterparty to both of the original counterparties. Exchange traded derivatives include derivatives executed directly on an organized exchange that provides pre-trade price transparency.

The credit derivatives trading assets comprise \$14,398 million related to protection purchased and \$26,433 million (4) related to protection sold as of September 30, 2014. The credit derivatives trading liabilities comprise \$27,629 million related to protection purchased and \$13,271 million related to protection sold as of September 30, 2014.

For the trading assets/liabilities, this is the net amount of the \$47,047 million and \$52,263 million of gross cash (5) collateral paid and received, respectively. Of the gross cash collateral paid, \$43,789 million was used to offset trading derivative liabilities and, of the gross cash collateral received, \$40,435 million was used to offset trading derivative assets.

For cash collateral received with respect to non-trading derivative liabilities, this is the net amount of \$2,589 (6) million of the gross cash collateral received, of which \$2,297 million is netted against OTC non-trading derivative positions within Other assets.

Represents the netting of derivative receivable and payable balances for the same counterparty under enforceable (7) netting agreements. Approximately \$453 billion, \$220 billion and \$2 billion of the netting against trading account asset/liability balances is attributable to each of the OTC, cleared and exchange traded derivatives, respectively.

Represents the netting of cash collateral paid and received by counterparty under enforceable credit support (8) agreements. Substantially all cash collateral received is netted against OTC derivative assets. Cash collateral paid of approximately \$40 billion and \$4 billion is netted against each of the OTC and cleared derivative liabilities, respectively.

The net receivables/payables include approximately \$14 billion and \$12 billion of derivative asset and liability fair (9) values as of September 30, 2014, respectively, not subject to enforceable master netting agreements.

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars at December 31, 2013	Derivatives classified in		Derivatives classified in	
	Trading account assets / liabilities <sup>(1)(2)(3)</sup>		Other assets / liabilities <sup>(2)(3)</sup>	
	Assets	Liabilities	Assets	Liabilities
Derivatives instruments designated as ASC 815 hedges				
Over-the-counter	\$956	\$306	\$3,082	\$854
Cleared	2,505	585	5	—
Interest Rate contracts	\$3,461	\$891	\$3,087	\$854
Over-the-counter	\$1,540	\$1,244	\$989	\$293
Foreign exchange contracts	\$1,540	\$1,244	\$989	\$293
Over-the-counter	\$—	\$—	\$—	\$2
Credit derivatives	\$—	\$—	\$—	\$2
Total derivative instruments designated as ASC 815 hedges	\$5,001	\$2,135	\$4,076	\$1,149
Derivatives instruments not designated as ASC 815 hedges				
Over-the-counter	\$313,772	\$297,115	\$37	\$9
Cleared	311,114	319,190	27	5
Exchange traded	33	30	—	—
Interest Rate contracts	\$624,919	\$616,335	\$64	\$14
Over-the-counter	\$89,847	\$86,147	\$79	\$3
Cleared	1,119	1,191	—	—
Exchange traded	48	55	—	—
Foreign exchange contracts	\$91,014	\$87,393	\$79	\$3
Over-the-counter	\$19,080	\$28,458	\$—	\$—
Exchange traded	5,797	5,834	—	—
Equity contracts	\$24,877	\$34,292	\$—	\$—
Over-the-counter	\$7,921	\$9,059	\$—	\$—
Exchange traded	1,161	1,111	—	—
Commodity and other Contracts	\$9,082	\$10,170	\$—	\$—
Over-the-counter	\$38,496	\$38,247	\$71	\$563
Cleared	1,850	2,547	—	—
Credit derivatives <sup>(4)</sup>	\$40,346	\$40,794	\$71	\$563
Total Derivatives instruments not designated as ASC 815 hedges	\$790,238	\$788,984	\$214	\$580
Total derivatives	\$795,239	\$791,119	\$4,290	\$1,729
Cash collateral paid/received <sup>(5)(6)</sup>	\$6,073	\$8,827	\$82	\$282
Less: Netting agreements <sup>(7)</sup>	(713,598)	)(713,598)	)—	—
Less: Netting cash collateral received/paid <sup>(8)</sup>	(34,893)	)(39,094)	)(2,951)	)—
Net receivables/payables included on the Consolidated Balance Sheet <sup>(9)</sup>	\$52,821	\$47,254	\$1,421	\$2,011
Additional amounts subject to an enforceable master netting agreement but not offset on the Consolidated Balance Sheet				
Less: Cash collateral received/paid	\$(365)	)\$ (5)	)\$—	\$—
Less: Non-cash collateral received/paid	(7,478)	)(3,345)	)(341)	)—
Total Net receivables/payables <sup>(9)</sup>	\$44,978	\$43,904	\$1,080	\$2,011

(1) The trading derivatives fair values are presented in Note 12 to the Consolidated Financial Statements.

(2) Derivative mark-to-market receivables/payables related to management hedges are recorded in either Other assets/Other liabilities or Trading account assets/Trading account liabilities.

(3) Over-the-counter (OTC) derivatives include derivatives executed and settled bilaterally with counterparties without the use of an organized exchange or central clearing house. Cleared derivatives include derivatives executed

bilaterally with a counterparty in the OTC market but then novated to a central clearing house, whereby the central clearing house becomes the counterparty to both of the original counterparties. Exchange traded derivatives include derivatives executed directly on an organized exchange that provides pre-trade price transparency.

The credit derivatives trading assets comprise \$13,673 million related to protection purchased and \$26,673 million (4) related to protection sold as of December 31, 2013. The credit derivatives trading liabilities comprise \$28,158 million related to protection purchased and \$12,636 million related to protection sold as of December 31, 2013.

For the trading assets/liabilities, this is the net amount of the \$45,167 million and \$43,720 million of gross cash (5) collateral paid and received, respectively. Of the gross cash collateral paid, \$39,094 million was used to offset derivative liabilities and, of the gross cash collateral received, \$34,893 million was used to offset derivative assets.

For cash collateral received with respect to non-trading derivative liabilities, this is the net amount of \$3,233 (6) million of gross cash collateral received of which \$2,951 million is netted against non-trading derivative positions within other assets.



Represents the netting of derivative receivable and payable balances for the same counterparty under enforceable (7) netting agreements. Approximately \$392 billion, \$317 billion and \$5 billion of the netting against trading account asset/liability balances is attributable to each of the OTC, cleared and exchange-traded derivatives, respectively.

Represents the netting of cash collateral paid and received by counterparty under enforceable credit support (8) agreements. Substantially all cash collateral received is netted against OTC derivative assets. Cash collateral paid of approximately \$33 billion and \$6 billion is netted against OTC and cleared derivative liabilities, respectively.

(9) The net receivables/payables include approximately \$16 billion of both derivative asset and liability fair values not subject to enforceable master netting agreements.

The amounts recognized in Principal transactions in the Consolidated Statement of Income for the three and nine months ended September 30, 2014 and 2013 related to derivatives not designated in a qualifying hedging relationship as well as the underlying non-derivative instruments are presented in Note 6 to the Consolidated Financial Statements. Citigroup presents this disclosure by business classification, showing derivative gains and losses related to its trading activities together with gains and losses related to non-

derivative instruments within the same trading portfolios, as this represents the way these portfolios are risk managed. The amounts recognized in Other revenue in the Consolidated Statement of Income for the three and nine months ended September 30, 2014 and 2013 related to derivatives not designated in a qualifying hedging relationship are shown below. The table below does not include the offsetting gains/losses on the economically hedged items to the extent such amounts are also recorded in Other revenue.

	Gains (losses) included in Other revenue			
	Three Months Ended September		Nine months ended September	
In millions of dollars	30, 2014	2013	30, 2014	2013
Interest rate contracts	\$25	\$5	\$146	\$(245)
Foreign exchange	(1,812)	)867	(1,772)	)(35)
Credit derivatives	37	(196)	)(191)	)(367)
Total Citigroup	\$(1,750)	)\$676	\$(1,817)	)(647)

#### Accounting for Derivative Hedging

Citigroup accounts for its hedging activities in accordance with ASC 815, Derivatives and Hedging. As a general rule, hedge accounting is permitted where the Company is exposed to a particular risk, such as interest-rate or foreign-exchange risk, that causes changes in the fair value of an asset or liability or variability in the expected future cash flows of an existing asset, liability or a forecasted transaction that may affect earnings.

Derivative contracts hedging the risks associated with changes in fair value are referred to as fair value hedges, while contracts hedging the variability of expected future cash flows are called cash flow hedges. Hedges that utilize derivatives or debt instruments to manage the foreign exchange risk associated with equity investments in non-U.S.-dollar-functional-currency foreign subsidiaries (net investment in a foreign operation) are called net investment hedges.

If certain hedging criteria specified in ASC 815 are met, including testing for hedge effectiveness, special hedge accounting may be applied. The hedge effectiveness assessment methodologies for similar hedges are performed in a similar manner and are used consistently throughout the hedging relationships. For fair value hedges, changes in the value of the hedging derivative, as well as changes in the value of the related hedged item due to the risk being hedged are reflected in current earnings. For cash flow hedges and net investment hedges, changes in the value of the hedging derivative are reflected in Accumulated other comprehensive income (loss) in Citigroup's stockholders' equity to the extent the hedge is effective. Hedge ineffectiveness, in either case, is reflected in current earnings.

For asset/liability management hedging, fixed-rate long-term debt is recorded at amortized cost under current GAAP.

However, by designating an interest rate contract as a hedging instrument and electing to apply ASC 815 fair value hedge accounting, the carrying value of the debt is adjusted for changes in the benchmark interest rate, with such changes in value recorded in current earnings. The related interest-rate swap also is recorded on the balance sheet at fair value, with any changes in fair value reflected in earnings. Thus, any ineffectiveness resulting from the hedging relationship is captured in current earnings. Alternatively, a management hedge, which does not meet the ASC 815 hedging criteria, would allow recording only the derivative at fair value on the balance sheet, with its associated changes in fair value recorded in earnings, while the debt would continue to be carried at amortized cost. Therefore, current earnings would be impacted only by the interest rate shifts and other factors that cause a change in the swap's value. This type of hedge is undertaken when hedging requirements cannot be achieved or management decides not to apply ASC 815 hedge accounting. Another alternative for the Company is to elect to carry the debt at fair value under the fair value option. Once the irrevocable election is made upon issuance of the debt, the full change in fair value of the debt would be reported in earnings. The related interest rate swap, with changes in fair value, would also be reflected in earnings, and provides a natural offset to the debt's fair value change. To the extent the two offsets are not exactly equal because the full change in the fair value of the debt includes risks not offset by the interest rate swap, the difference is captured in current earnings.

Key aspects of achieving ASC 815 hedge accounting are documentation of a hedging strategy and specific hedge relationships at hedge inception and substantiating hedge effectiveness on an ongoing basis. A derivative must be highly effective in accomplishing the hedge objective of offsetting

either changes in the fair value or cash flows of the hedged item for the risk being hedged. Any ineffectiveness in the hedge relationship is recognized in current earnings. The assessment of effectiveness excludes changes in the value of the hedged item that are unrelated to the risks being hedged. Similarly, the assessment of effectiveness may exclude changes in the fair value of a derivative related to time value that, if excluded, are recognized in current earnings.

#### Fair Value Hedges

##### Hedging of benchmark interest rate risk

Citigroup hedges exposure to changes in the fair value of outstanding fixed-rate issued debt and certificates of deposit. These types of hedges are designated as fair value hedges of the benchmark interest rate risk associated with the benchmark interest rate commensurate with the currency of the hedged liability. The fixed cash flows of the hedged item are converted to benchmark variable-rate cash flows by entering into receive-fixed, pay-variable interest rate swaps. These fair value hedge relationships use either regression or dollar-offset ratio analysis to determine whether the hedging relationships are highly effective at inception and on an ongoing basis.

Citigroup also hedges exposure to changes in the fair value of fixed-rate assets, including available-for-sale debt securities and loans. The hedging instruments used are receive-variable, pay-fixed interest rate swaps. These fair value hedging relationships use either regression or dollar-offset ratio analysis to determine whether the hedging relationships are highly effective at inception and on an ongoing basis.

##### Hedging of foreign exchange risk

Citigroup hedges the change in fair value attributable to foreign-exchange rate movements in available-for-sale securities that are denominated in currencies other than the functional currency of the entity holding the securities, which may be within or outside the U.S. The hedging instrument employed is generally a forward foreign-exchange contract. In this type of hedge, the change in fair value of the hedged available-for-sale security attributable to the portion of foreign exchange risk hedged is reported in earnings and not Accumulated other comprehensive income—a process that serves to offset substantially the change in fair value of the forward contract that is also reflected in earnings. Citigroup considers the premium associated with forward contracts (i.e., the differential between spot and contractual forward rates) as the cost of hedging; this is excluded from the assessment of hedge effectiveness and reflected directly in earnings. The dollar-offset method is used to assess hedge effectiveness. Since that assessment is based on changes in fair value attributable to changes in spot rates on both the available-for-sale securities and the forward contracts for the portion of the relationship hedged, the amount of hedge ineffectiveness is not significant.

The following table summarizes the gains (losses) on the Company's fair value hedges for the three and nine months ended September 30, 2014 and 2013:

In millions of dollars	Gains (losses) on fair value hedges <sup>(1)</sup>			
	Three Months Ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Gain (loss) on the derivatives in designated and qualifying fair value hedges				
Interest rate contracts	\$(330)	\$(97)	)\$278	\$(2,588)
Foreign exchange contracts	780	343	1,110	90
Commodity contracts	47	—	(56)	)—
Total gain (loss) on the derivatives in designated and qualifying fair value hedges	\$497	\$246	\$1,332	\$(2,498)
Gain (loss) on the hedged item in designated and qualifying fair value hedges				
Interest rate hedges	\$371	\$51	\$(283)	)\$2,519
Foreign exchange hedges	(789)	)(296	)(1,157	)6
Commodity hedges	(20)	)—	86	—
Total gain (loss) on the hedged item in designated and qualifying fair value hedges	\$(438)	)\$245	)(1,354	)\$2,525
Hedge ineffectiveness recognized in earnings on designated and qualifying fair value hedges				
Interest rate hedges	\$44	\$(46)	)\$2	)(69)
Foreign exchange hedges	(11)	)2	(11)	)(4)
Total hedge ineffectiveness recognized in earnings on designated and qualifying fair value hedges	\$33	\$(44)	)(13	)(73)
Net gain (loss) excluded from assessment of the effectiveness of fair value hedges				
Interest rate contracts	\$(3)	)\$—	\$(3)	)\$—
Foreign exchange contracts <sup>(2)</sup>	2	45	(36)	)100
Commodity hedges <sup>(2)</sup>	27	—	30	—
Total net gain (loss) excluded from assessment of the effectiveness of fair value hedges	\$26	\$45	\$(9)	)\$100

(1) Amounts are included in Other revenue on the Consolidated Statement of Income. The accrued interest income on fair value hedges is recorded in Net interest revenue and is excluded from this table.

(2) Amounts relate to the premium associated with forward contracts (differential between spot and contractual forward rates). These amounts are excluded from the assessment of hedge effectiveness and are reflected directly in earnings.

#### Cash Flow Hedges

##### Hedging of benchmark interest rate risk

Citigroup hedges variable cash flows associated with floating-rate liabilities and the rollover (re-issuance) of liabilities. Variable cash flows from those liabilities are converted to fixed-rate cash flows by entering into receive-variable, pay-fixed interest rate swaps and receive-variable, pay-fixed forward-starting interest rate swaps. Citi also hedges variable cash flows from recognized and forecasted floating-rate assets. Variable cash flows from those assets are converted to fixed-rate cash flows by entering into receive-fixed, pay-variable interest rate swaps. These cash-flow hedging relationships use either regression analysis or dollar-offset ratio analysis to assess whether the hedging relationships are highly effective at inception and on an ongoing basis. When certain interest rates do not qualify as a benchmark interest rate, Citigroup designates the risk being hedged as the risk of overall changes in the

hedged cash flows. Since efforts are made to match the terms of the derivatives to those of the hedged forecasted cash flows as closely as possible, the amount of hedge ineffectiveness is not significant.

#### Hedging of foreign exchange risk

Citigroup locks in the functional currency equivalent cash flows of long-term debt and short-term borrowings that are denominated in currencies other than the functional currency of the issuing entity. Depending on the risk management objectives, these types of hedges are designated as either cash flow hedges of only foreign exchange risk or cash flow hedges of both foreign exchange and interest rate risk, and the hedging instruments used are foreign exchange cross-currency swaps and forward contracts. These cash flow hedge relationships use dollar-offset ratio analysis to determine whether the hedging relationships are highly effective at inception and on an ongoing basis.

### Hedging of overall changes in cash flows

Citigroup hedges the overall exposure to variability in cash flows related to the future acquisition of mortgage-backed securities using “to be announced” forward contracts. Since the hedged transaction is the gross settlement of the forward contract, the assessment of hedge effectiveness is based on assuring that the terms of the hedging instrument and the hedged forecasted transaction are the same.

### Hedging total return

Citigroup generally manages the risk associated with leveraged loans it has originated or in which it participates by transferring a majority of its exposure to the market through SPEs prior to or shortly after funding. Retained exposures to leveraged loans receivable are generally hedged using total return swaps.

The amount of hedge ineffectiveness on the cash flow hedges recognized in earnings for the three and nine months ended September 30, 2014 and 2013 is not significant. The pretax change in Accumulated other comprehensive income (loss) from cash flow hedges is presented below:

In millions of dollars	Three Months Ended September		Nine months ended September	
	30, 2014	2013	30, 2014	2013
Effective portion of cash flow hedges included in AOCI				
Interest rate contracts	\$(70	)\$230	\$153	\$748
Foreign exchange contracts	1	34	(56	)37
Credit derivatives	—	1	2	14
Total effective portion of cash flow hedges included in AOCI	\$(69	)\$265	\$99	\$799
Effective portion of cash flow hedges reclassified from AOCI to earnings				
Interest rate contracts	\$(84	)\$211	)\$(218	)\$(596
Foreign exchange contracts	(30	)38	)114	)124
Total effective portion of cash flow hedges reclassified from AOCI to earnings <sup>(1)</sup>	\$(114	)\$249	)\$(332	)\$(720

(1)Included primarily in Other revenue and Net interest revenue on the Consolidated Income Statement.

For cash flow hedges, any changes in the fair value of the end-user derivative remaining in Accumulated other comprehensive income (loss) on the Consolidated Balance Sheet will be included in earnings of future periods to offset the variability of the hedged cash flows when such cash flows affect earnings. The net loss associated with cash flow hedges expected to be reclassified from Accumulated other comprehensive income (loss) within 12 months of September 30, 2014 is approximately \$0.3 billion. The maximum length of time over which forecasted cash flows are hedged is 10 years.

The after-tax impact of cash flow hedges on AOCI is shown in Note 18 to the Consolidated Financial Statements.

### Net Investment Hedges

Consistent with ASC 830-20, Foreign Currency Matters—Foreign Currency Transactions, ASC 815 allows hedging of the foreign currency risk of a net investment in a foreign operation. Citigroup uses foreign currency forwards, options and foreign-currency-denominated debt instruments to manage the foreign exchange risk associated with Citigroup’s equity investments in several non-U.S.-dollar-functional-currency foreign subsidiaries. Citigroup records the change

in the carrying amount of these investments in the Foreign currency translation adjustment account within Accumulated other comprehensive income (loss). Simultaneously, the effective portion of the hedge of this exposure is also recorded in the Foreign currency translation adjustment account and the ineffective portion, if any, is immediately recorded in earnings.

For derivatives designated as net investment hedges, Citigroup follows the forward-rate method outlined in ASC 815-35-35-16 through 35-26. According to that method, all changes in fair value, including changes related to the forward-rate component of the foreign currency forward contracts and the time value of foreign currency options, are recorded in the Foreign currency translation adjustment account within Accumulated other comprehensive income (loss).

For foreign-currency-denominated debt instruments that are designated as hedges of net investments, the translation gain or loss that is recorded in the Foreign currency translation adjustment account is based on the spot exchange

rate between the functional currency of the respective subsidiary and the U.S. dollar, which is the functional currency of Citigroup. To the extent the notional amount of the hedging instrument exactly matches the hedged net investment and the underlying exchange rate of the derivative hedging instrument relates to the exchange rate between the functional currency of the net investment and Citigroup's functional currency (or, in the case of a non-derivative debt instrument, such instrument is denominated in the functional currency of the net investment), no ineffectiveness is recorded in earnings.

The pretax gain (loss) recorded in the Foreign currency translation adjustment account within Accumulated other comprehensive income (loss), related to the effective portion of the net investment hedges, is \$2,020 million and \$402 million for the three and nine months ended September 30, 2014, respectively and \$(534) million and \$1,788 million for the three and nine months ended September 30, 2013, respectively.

#### Credit Derivatives

A credit derivative is a bilateral contract between a buyer and a seller under which the seller agrees to provide protection to the buyer against the credit risk of a particular entity ("reference entity" or "reference credit"). Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined credit events (commonly referred to as "settlement triggers"). These settlement triggers are defined by the form of the derivative and the reference credit and are generally limited to the market standard of failure to pay on indebtedness and bankruptcy of the reference credit and, in a more limited range of transactions, debt restructuring.

#### Credit derivative

transactions referring to emerging market reference credits will also typically include additional settlement triggers to cover the acceleration of indebtedness and the risk of repudiation or a payment moratorium. In certain transactions, protection may be provided on a portfolio of reference credits or asset-backed securities. The seller of such protection may not be required to make payment until a specified amount of losses has occurred with respect to the portfolio and/or may only be required to pay for losses up to a specified amount.

The Company is a market maker and trades a range of credit derivatives. Through these contracts, the Company either purchases or writes protection on either a single name or a portfolio of reference credits. The Company also uses credit derivatives to help mitigate credit risk in its corporate and consumer loan portfolios and other cash positions, and to facilitate client transactions.

The range of credit derivatives sold includes credit default swaps, total return swaps, credit options and credit-linked notes.

A credit default swap is a contract in which, for a fee, a protection seller agrees to reimburse a protection buyer for any losses that occur due to a credit event on a reference entity. If there is no credit default event or settlement trigger, as defined by the specific derivative contract, then the protection seller makes no payments to the protection buyer and receives only the contractually specified fee. However, if a credit event occurs as defined in the specific derivative contract sold, the

protection seller will be required to make a payment to the protection buyer.

A total return swap transfers the total economic performance of a reference asset, which includes all associated cash flows, as well as capital appreciation or depreciation. The protection buyer receives a floating rate of interest and any depreciation on the reference asset from the protection seller and, in return, the protection seller receives the cash flows associated with the reference asset plus any appreciation. Thus, according to the total return swap agreement, the protection seller will be obligated to make a payment any time the floating interest rate payment and any depreciation of the reference asset exceed the cash flows associated with the underlying asset. A total return swap may terminate upon a default of the reference asset subject to the provisions of the related total return swap agreement between the protection seller and the protection buyer.

A credit option is a credit derivative that allows investors to trade or hedge changes in the credit quality of the reference asset. For example, in a credit spread option, the option writer assumes the obligation to purchase or sell the reference asset at a specified "strike" spread level. The option purchaser buys the right to sell the reference asset to, or purchase it from, the option writer at the strike spread level. The payments on credit spread options depend either on a



particular credit spread or the price of the underlying credit-sensitive asset. The options usually terminate if the underlying assets default.

A credit-linked note is a form of credit derivative structured as a debt security with an embedded credit default swap. The purchaser of the note writes credit protection to the issuer and receives a return that could be negatively affected by credit events on the underlying reference credit. If the reference entity defaults, the purchaser of the credit-linked note may assume the long position in the debt security and any future cash flows from it but will lose the amount paid to the issuer of the credit-linked note. Thus, the maximum amount of the exposure is the carrying amount of the credit-linked note. As of September 30, 2014 and December 31, 2013, the amount of credit-linked notes held by the Company in trading inventory was immaterial.

The following tables summarize the key characteristics of the Company's credit derivative portfolio as protection seller as of September 30, 2014 and December 31, 2013:

In millions of dollars at September 30, 2014	Maximum potential amount of future payments	Fair value payable <sup>(1)(2)</sup>
By industry/counterparty		
Bank	\$668,108	\$7,250
Broker-dealer	213,263	3,558
Non-financial	5,720	85
Insurance and other financial institutions	274,895	2,378
Total by industry/counterparty	\$1,161,986	\$13,271
By instrument		
Credit default swaps and options	\$1,155,278	\$13,101
Total return swaps and other	6,708	170
Total by instrument	\$1,161,986	\$13,271
By rating		
Investment grade	\$867,548	\$2,598
Non-investment grade	294,438	10,673
Total by rating	\$1,161,986	\$13,271
By maturity		
Within 1 year	\$249,306	\$1,271
From 1 to 5 years	842,025	8,761
After 5 years	70,655	3,239
Total by maturity	\$1,161,986	\$13,271

(1)In addition, fair value amounts payable under credit derivatives purchased were \$28,172 million.

(2)In addition, fair value amounts receivable under credit derivatives sold were \$26,433 million.

In millions of dollars at December 31, 2013	Maximum potential amount of future payments	Fair value payable <sup>(1)(2)</sup>
By industry/counterparty		
Bank	\$727,748	\$6,520
Broker-dealer	224,073	4,001
Non-financial	2,820	56
Insurance and other financial institutions	188,722	2,059
Total by industry/counterparty	\$1,143,363	\$12,636
By instrument		
Credit default swaps and options	\$1,141,864	\$12,607
Total return swaps and other	1,499	29
Total by instrument	\$1,143,363	\$12,636
By rating		
Investment grade	\$752,640	\$3,242
Non-investment grade	390,723	9,394
Total by rating	\$1,143,363	\$12,636
By maturity		
Within 1 year	\$221,562	\$858
From 1 to 5 years	853,391	7,492
After 5 years	68,410	4,286

Total by maturity	\$1,143,363	\$12,636
-------------------	-------------	----------

(1) In addition, fair value amounts payable under credit derivatives purchased were \$28,723 million.

(2) In addition, fair value amounts receivable under credit derivatives sold were \$26,673 million.

Citigroup evaluates the payment/performance risk of the credit derivatives for which it stands as a protection seller based on the credit rating assigned to the underlying referenced credit. Where external ratings by nationally recognized statistical rating organizations (such as Moody's and S&P) are used, investment grade ratings are considered to be Baa/BBB or above, while anything below is considered non-investment grade. The Citigroup internal ratings are in line with the related external credit rating system. Credit derivatives written on an underlying non-investment grade reference credit represent greater payment risk to the Company. The non-investment grade category in the table above also includes credit derivatives where the underlying referenced entity has been downgraded subsequent to the inception of the derivative.

The maximum potential amount of future payments under credit derivative contracts presented in the table above is based on the notional value of the derivatives. The Company believes that the maximum potential amount of future payments for credit protection sold is not representative of the actual loss exposure based on historical experience. This amount has not been reduced by the Company's rights to the underlying assets and the related cash flows. In accordance with most credit derivative contracts, should a credit event (or settlement trigger) occur, the Company usually is liable for the difference between the protection sold and the recourse it holds in the value of the underlying assets. Thus, if the

reference entity defaults, Citi will have a right to collect on the underlying reference credit and any related cash flows, while being liable for the full notional amount of credit protection sold to the buyer. Furthermore, this maximum potential amount of future payments for credit protection sold has not been reduced for any cash collateral paid to a given counterparty, as such payments would be calculated after netting all derivative exposures, including any credit derivatives with that counterparty in accordance with a related master netting agreement. Due to such netting processes, determining the amount of collateral that corresponds to credit derivative exposures alone is not possible. The Company actively monitors open credit-risk exposures and manages this exposure by using a variety of strategies, including purchased credit derivatives, cash collateral or direct holdings of the referenced assets. This risk mitigation activity is not captured in the table above.

#### Credit-Risk-Related Contingent Features in Derivatives

Certain derivative instruments contain provisions that require the Company to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit-risk-related event. These events, which are defined by the existing derivative contracts, are primarily downgrades in the credit ratings of the Company and its affiliates. The fair value (excluding CVA) of all derivative instruments with credit-risk-related contingent features that are in a net liability position at September 30, 2014 and December 31, 2013 was \$28 billion and \$26 billion, respectively. The Company has posted \$25 billion and \$24 billion as collateral for this exposure in the normal course of business as of September 30, 2014 and December 31, 2013, respectively.

Each downgrade would trigger additional collateral or cash settlement requirements for the Company and its affiliates. In the event that each legal entity was downgraded a single notch by the three rating agencies as of September 30, 2014, the Company would be required to post an additional \$2.4 billion as either collateral or settlement of the derivative transactions. Additionally, the Company would be required to segregate with third-party custodians collateral previously received from existing derivative counterparties in the amount of \$0.1 billion upon the single notch downgrade, resulting in aggregate cash obligations and collateral requirements of approximately \$2.5 billion.

## 22. FAIR VALUE MEASUREMENT

ASC 820-10 Fair Value Measurement, defines fair value, establishes a consistent framework for measuring fair value and requires disclosures 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. Among other things, the standard requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Under ASC 820-10, the probability of default of a counterparty is factored into the valuation of derivative positions and includes the impact of Citigroup's own credit risk on derivatives and other liabilities measured at fair value.

### Fair Value Hierarchy

ASC 820-10 specifies a hierarchy of inputs based on whether the inputs are observable or unobservable. Observable inputs are developed using market data and reflect market participant assumptions, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: 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.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As required under the fair value hierarchy, the Company considers relevant and observable market inputs in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observed prices in those markets.

The Company's policy with respect to transfers between levels of the fair value hierarchy is to recognize transfers into and out of each level as of the end of the reporting period.

### Determination of Fair Value

For assets and liabilities carried at fair value, the Company measures such value using the procedures set out below, irrespective of whether these assets and liabilities are measured at fair value as a result of an election or whether they are required to be measured at fair value.

When available, the Company generally uses quoted market prices to determine fair value and classifies such items as Level 1. In some cases where a market price is available, the Company will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified as Level 2.

The Company 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. The market activity and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations may be classified as Level 2. When less liquidity exists for a security or loan, a quoted price is stale, a significant adjustment to the price of a similar security is necessary to reflect differences in the terms of the actual security or loan being valued, or prices from independent sources are insufficient to corroborate the valuation, the "price" inputs are considered unobservable and the fair value measurements are classified as Level 3.

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. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified as Level 3 even though there may be some

significant inputs that are readily observable.

Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors or brokers. Vendors and brokers' valuations may be based on a variety of inputs ranging from observed prices to proprietary valuation models.

The following section describes the valuation methodologies used by the Company to measure various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models and any significant assumptions.

#### Market valuation adjustments

Liquidity adjustments are applied to items in Level 2 and Level 3 of the fair value hierarchy 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.

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.

Bilateral or "own" credit-risk adjustments are applied to reflect the Company's own credit risk when valuing derivatives and liabilities measured at fair value. Counterparty and own credit adjustments consider the expected future cash flows between Citi and its counterparties under the terms of the instrument and the effect of credit risk on the valuation of those cash flows, rather than a point-in-time assessment of the current recognized net asset or liability. Furthermore, the credit-risk adjustments take into account the effect of credit-

risk mitigants, such as pledged collateral and any legal right of offset (to the extent such offset exists) with a counterparty through arrangements such as netting agreements.

Generally, the unit of account for a financial instrument is the individual financial instrument. The Company applies market valuation adjustments that are consistent with the unit of account, which does not include adjustment due to the size of the Company's position, except as follows. ASC 820-10 permits an exception, through an accounting policy election, to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position when certain criteria are met. Citi has elected to measure certain portfolios of financial instruments, such as derivatives, that meet those criteria on the basis of the net open risk position. The Company applies market valuation adjustments, including adjustments to account for the size of the net open risk position, consistent with market participant assumptions and in accordance with the unit of account.

#### Valuation Process for Fair Value Measurements

Price verification procedures and related internal control procedures are governed by the Citigroup Pricing and Price Verification Policy and Standards, which is jointly owned by Finance and Risk Management. Finance has implemented the ICG Pricing and Price Verification Standards and Procedures to facilitate compliance with this policy.

For fair value measurements of substantially all assets and liabilities held by the Company, individual business units are responsible for valuing the trading account assets and liabilities, and Product Control within Finance performs independent price verification procedures to evaluate those fair value measurements. Product Control is independent of the individual business units and reports to the Global Head of Product Control. It has authority over the valuation of financial assets and liabilities. Fair value measurements of assets and liabilities are determined using various techniques, including, but not limited to, discounted cash flows and internal models, such as option and correlation models.

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. When a position involves one or more significant inputs that are not directly observable, price verification procedures are performed that may include reviewing relevant historical data, analyzing profit and loss, valuing each component of a structured trade individually, and benchmarking, among others.

Reports of inventory that is classified within Level 3 of the fair value hierarchy are distributed to senior management in Finance, Risk and the business. This inventory is also discussed in Risk Committees and in monthly meetings with senior trading management. As deemed necessary, reports may go to the Audit Committee of the Board of Directors or to the full Board of Directors. Whenever an adjustment is needed to bring the price of an asset or liability to its exit price, Product Control reports it to management along with other price verification results.

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 the Model Validation Group within Risk Management and reviewed by 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. To ensure their continued applicability, models are independently reviewed annually. In addition, Risk Management approves and maintains a list of products permitted to be valued under each approved model for a given business.

Securities purchased under agreements to resell and securities sold under agreements to repurchase  
No quoted prices exist for such instruments, so fair value is determined using a discounted cash-flow technique. Cash flows are estimated based on the terms of the contract, taking into account any embedded derivative or other features. Expected cash flows are discounted using interest rates appropriate to the maturity of the instrument as well as the nature of the underlying collateral. Generally, when such instruments are held at fair value, they are classified within Level 2 of the fair value hierarchy, as the inputs used in the valuation are readily observable. However, certain long-dated positions are classified within Level 3 of the fair value hierarchy.

Trading account assets and liabilities—trading securities and trading loans

When available, the Company generally uses quoted market prices in active markets to determine the fair value of trading securities; such items are classified as Level 1 of the fair value hierarchy. Examples include some government securities and exchange-traded equity securities.

For bonds and secondary market loans traded over the counter, the Company 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 sources, including third-party vendors. Vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable. A price-based methodology utilizes, where available, quoted prices or other market information obtained from recent trading activity of assets with similar characteristics to the bond or loan being valued. The yields used in discounted cash flow models are derived from the same price information. Trading securities and loans priced using such methods are generally classified as Level 2. However, when less liquidity exists for a security or loan, a quoted price is stale, a significant adjustment to the

price of a similar security or loan is necessary to reflect differences in the terms of the actual security or loan being valued, or prices from independent sources are insufficient to corroborate valuation, a loan or security is generally classified as Level 3. The price input used in a price-based methodology may be zero for a security, such as a subprime CDO, that is



not receiving any principal or interest and is currently written down to zero.

Where the Company's principal market for a portfolio of loans is the securitization market, the Company uses the securitization price to determine the fair value of the portfolio. The securitization price is determined from the assumed proceeds of a hypothetical securitization in the current market, adjusted for transformation costs (i.e., direct costs other than transaction costs) and securitization uncertainties such as market conditions and liquidity. As a result of the severe reduction in the level of activity in certain securitization markets since the second half of 2007, observable securitization prices for certain directly comparable portfolios of loans have not been readily available. Therefore, such portfolios of loans are generally classified as Level 3 of the fair value hierarchy. However, for other loan securitization markets, such as commercial real estate loans, price verification of the hypothetical securitizations has been possible, since these markets have remained active. Accordingly, this loan portfolio is classified as Level 2 of the fair value hierarchy.

#### Trading account assets and liabilities—derivatives

Exchange-traded derivatives, measured at fair value using quoted (i.e., exchange) prices in active markets, where available, are classified as Level 1 of the fair value hierarchy.

Derivatives without a quoted price in an active market and derivatives executed over the counter are valued using internal valuation techniques. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. The principal techniques used to value these instruments are discounted cash flows and internal models, including Black-Scholes and Monte Carlo simulation.

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. The Company uses overnight indexed swap (OIS) curves as fair value measurement inputs for the valuation of certain collateralized derivatives. Citi uses the relevant benchmark curve for the currency of the derivative (e.g., the London Interbank Offered Rate for U.S. dollar derivatives) as the discount rate for uncollateralized derivatives.

During the third quarter of 2014, Citi incorporated funding valuation adjustments (FVA) into the fair value measurements of over-the-counter derivatives. In general, FVA reflects a market funding risk premium inherent in the uncollateralized portion of derivative portfolios, and in collateralized derivatives where the terms of the agreement do not permit the reuse of the collateral received. In connection with its implementation of FVA, Citigroup incurred a one-time pre-tax charge of approximately \$474 million, which was reflected in Principal transactions as a change in accounting estimate.

The derivative instruments are classified as either Level 2 or Level 3 depending upon the observability of the significant inputs to the model.

#### Subprime-related direct exposures in CDOs

The valuation of high-grade and mezzanine asset-backed security (ABS) CDO positions utilizes prices based on the underlying assets of each high-grade and mezzanine ABS CDO.

For most of the lending and structured direct subprime exposures, fair value is determined utilizing observable transactions where available, other market data for similar assets in markets that are not active and other internal valuation techniques.

#### Investments

The investments category includes available-for-sale debt and marketable equity securities whose fair value is generally determined by utilizing similar procedures described for trading securities above or, in some cases, using vendor pricing as the primary source.

Also included in investments are nonpublic investments in private equity and real estate entities. Determining the fair value of nonpublic securities involves a significant degree of management resources and judgment, as no quoted prices exist and such securities are generally very thinly traded. In addition, there may be transfer restrictions on private equity securities. The Company's process for determining the fair value of such securities utilizes commonly

accepted valuation techniques, including comparables analysis. In determining the fair value of nonpublic securities, the Company also considers events such as a proposed sale of the investee company, initial public offerings, equity issuances or other observable transactions. As discussed in Note 13 to the Consolidated Financial Statements, the Company uses net asset value to value certain of these investments.

Private equity securities are generally classified as Level 3 of the fair value hierarchy.

#### Short-term borrowings and long-term debt

Where fair value accounting has been elected, the fair value of non-structured liabilities is determined by utilizing internal models using the appropriate discount rate for the applicable maturity. Such instruments are generally classified as Level 2 of the fair value hierarchy when all significant inputs are readily observable.

The Company determines the fair value of hybrid financial instruments, including structured liabilities, using the appropriate derivative valuation methodology (described above in “Trading account assets and liabilities—derivatives”) given the nature of the embedded risk profile. Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

#### Alt-A mortgage securities

The Company classifies its Alt-A mortgage securities as held-to-maturity, available-for-sale or trading investments. The securities classified as trading and available-for-sale are recorded at fair value with changes in fair value reported in current earnings and AOCI, respectively. For these purposes, Citi defines Alt-A mortgage securities as non-agency residential mortgage-backed securities (RMBS) where (i) the underlying collateral has weighted average FICO scores between 680 and 720 or (ii) for instances where FICO scores are greater than 720, RMBS have 30% or less of the underlying collateral composed of full documentation loans.

Similar to the valuation methodologies used for other trading securities and trading loans, the Company generally determines the fair values of Alt-A mortgage securities utilizing internal valuation techniques. Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors.

Consensus data providers compile prices from various sources. Where available, the Company may also make use of quoted prices for recent trading activity in securities with the same or similar characteristics to the security being valued.

The valuation techniques used for Alt-A mortgage securities, as with other mortgage exposures, are price-based and yield analysis. The primary market-derived input is yield. Cash flows are based on current collateral performance with

prepayment rates and loss projections reflective of current economic conditions of housing price change, unemployment rates, interest rates, borrower attributes and other market indicators.

Alt-A mortgage securities that are valued using these methods are generally classified as Level 2. However, Alt-A mortgage securities backed by Alt-A mortgages of lower quality or subordinated tranches in the capital structure are mostly classified as Level 3 due to the reduced liquidity that exists for such positions, which reduces the reliability of prices available from independent sources.

#### Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair value hierarchy levels the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2014 and December 31, 2013. The Company's hedging of positions that have been classified in the Level 3 category is not limited to other financial instruments (hedging instruments) that have been classified as Level 3, but also instruments classified as Level 1 or Level 2 of the fair value hierarchy. The effects of these hedges are presented gross in the following table.

## Fair Value Levels

In millions of dollars at September 30, 2014	Level 1 <sup>(1)</sup>	Level 2 <sup>(1)</sup>	Level 3	Gross inventory	Netting <sup>(2)</sup>	Net balance
<b>Assets</b>						
Federal funds sold and securities borrowed or purchased under agreements to resell	\$—	\$176,675	\$3,479	\$180,154	\$(39,241)	\$140,913
<b>Trading non-derivative assets</b>						
<b>Trading mortgage-backed securities</b>						
U.S. government-sponsored agency guaranteed	\$—	\$18,990	\$789	\$19,779	\$—	\$19,779
Residential	—	1,396	2,490	3,886	—	3,886
Commercial	—	2,408	554	2,962	—	2,962
Total trading mortgage-backed securities	\$—	\$22,794	\$3,833	\$26,627	\$—	\$26,627
U.S. Treasury and federal agency securities	\$17,413	\$4,293	\$7	\$21,713	\$—	\$21,713
State and municipal	—	2,462	251	2,713	—	2,713
Foreign government	50,150	25,598	385	76,133	—	76,133
Corporate	—	27,174	1,214	28,388	—	28,388
Equity securities	51,172	2,535	1,955	55,662	—	55,662
Asset-backed securities	—	1,302	3,351	4,653	—	4,653
Other trading assets	—	12,500	4,739	17,239	—	17,239
Total trading non-derivative assets	\$118,735	\$98,658	\$15,735	\$233,128	\$—	\$233,128
<b>Trading derivatives</b>						
Interest rate contracts	\$18	\$545,414	\$3,535	\$548,967		
Foreign exchange contracts	12	141,374	1,156	142,542		
Equity contracts	2,901	20,283	2,056	25,240		
Commodity contracts	305	11,225	530	12,060		
Credit derivatives	—	38,082	2,749	40,831		
Total trading derivatives	\$3,236	\$756,378	\$10,026	\$769,640		
Cash collateral paid <sup>(3)</sup>				\$3,258		
Netting agreements					\$(674,769)	
Netting of cash collateral received					(40,435)	
Total trading derivatives	\$3,236	\$756,378	\$10,026	\$772,898	\$(715,204)	\$57,694
<b>Investments</b>						
<b>Mortgage-backed securities</b>						
U.S. government-sponsored agency guaranteed	\$—	\$36,776	\$92	\$36,868	\$—	\$36,868
Residential	—	9,277	13	9,290	—	9,290
Commercial	—	554	10	564	—	564
Total investment mortgage-backed securities	\$—	\$46,607	\$115	\$46,722	\$—	\$46,722
U.S. Treasury and federal agency securities	\$95,333	\$16,547	\$6	\$111,886	\$—	\$111,886
State and municipal	\$—	\$10,629	\$2,284	\$12,913	\$—	\$12,913
Foreign government	39,097	55,943	620	95,660	—	95,660
Corporate	5	13,591	362	13,958	—	13,958
Equity securities	2,806	419	761	3,986	—	3,986
Asset-backed securities	—	12,259	584	12,843	—	12,843
Other debt securities	—	645	65	710	—	710
Non-marketable equity securities	—	273	3,231	3,504	—	3,504
Total investments	\$137,241	\$156,913	\$8,028	\$302,182	\$—	\$302,182

## Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars at September 30, 2014	Level 1 <sup>(1)</sup>	Level 2 <sup>(1)</sup>	Level 3	Gross inventory	Netting <sup>(2)</sup>	Net balance
Loans <sup>(4)</sup>	\$—	\$1,463	\$2,948	\$4,411	\$—	\$4,411
Mortgage servicing rights	—	—	2,093	2,093	—	2,093
Non-trading derivatives and other financial assets measured on a recurring basis, gross	\$—	\$10,246	\$108	\$10,354		
Cash collateral paid				\$197		
Netting of cash collateral received					\$(2,297 )	
Non-trading derivatives and other financial assets measured on a recurring basis	\$—	\$10,246	\$108	\$10,551	\$(2,297 )	\$8,254
Total assets	\$259,212	\$1,200,333	\$42,417	\$1,505,417	\$(756,742)	\$748,675
Total as a percentage of gross assets <sup>(5)</sup>	17.3	%79.9	%2.8	%		
Liabilities						
Interest-bearing deposits	\$—	\$986	\$805	\$1,791	\$—	\$1,791
Federal funds purchased and securities loaned or sold under agreements to repurchase	\$—	\$82,845	\$1,034	\$83,879	\$(39,241 )	\$44,638
Trading account liabilities						
Securities sold, not yet purchased	63,791	14,402	368	78,561		78,561
Trading derivatives						
Interest rate contracts	\$14	\$530,491	\$3,597	\$534,102		
Foreign exchange contracts	24	141,260	379	141,663		
Equity contracts	2,959	29,367	3,115	35,441		
Commodity contracts	357	10,901	2,077	13,335		
Credit derivatives	—	37,618	3,282	40,900		
Total trading derivatives	\$3,354	\$749,637	\$12,450	\$765,441		
Cash collateral received <sup>(6)</sup>				\$11,828		
Netting agreements					\$(674,769)	
Netting of cash collateral paid					(43,789 )	
Total trading derivatives	\$3,354	\$749,637	\$12,450	\$777,269	\$(718,558)	\$58,711
Short-term borrowings	\$—	\$1,353	\$101	\$1,454	\$—	\$1,454
Long-term debt	—	18,897	7,558	26,455	—	26,455
Non-trading derivatives and other financial liabilities measured on a recurring basis, gross	\$—	\$2,426	\$7	\$2,433		
Cash collateral received <sup>(7)</sup>				\$292		
Total non-trading derivatives and other financial liabilities measured on a recurring basis	\$—	\$2,426	\$7	\$2,725		\$2,725
Total liabilities	\$67,145	\$870,546	\$22,323	\$972,134	\$(757,799)	\$214,335
Total as a percentage of gross liabilities <sup>(5)</sup>	7.0	%90.7	%2.3	%		

(1) For the three and nine months ended September 30, 2014, the Company transferred assets of approximately \$0.3 billion and \$2.1 billion, respectively, from Level 1 to Level 2, primarily related to foreign government securities not traded in active markets during the respective periods and Citi refining its methodology for certain equity contracts to reflect the prevalence of off-exchange trading. During the three and nine months ended September 30, 2014, the Company transferred assets of approximately \$0.7 billion and \$3.7 billion, respectively, from Level 2 to Level 1, almost all related to foreign government bonds traded with sufficient frequency to constitute a liquid market. During the three months ended September 30, 2014, there were no material transfers of liabilities between Level 1 and Level 2. During the nine months ended September 30, 2014, the Company transferred liabilities of approximately \$1.4 billion from Level 1 to Level 2, as Citi refined its methodology for certain equity contracts to

reflect the prevalence of off-exchange trading.

Represents netting of: (i) the amounts due under securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase; and (ii) derivative exposures covered by a qualifying master netting agreement and cash collateral offsetting.

(3) Reflects the net amount of \$47,047 million of gross cash collateral paid, of which \$43,789 million was used to offset derivative liabilities.

(4) There is no allowance for loan losses recorded for loans reported at fair value.

Because the amount of the cash collateral paid/received has not been allocated to the Level 1, 2 and 3 subtotals, (5) these percentages are calculated based on total assets and liabilities measured at fair value on a recurring basis, excluding the cash collateral paid/received on derivatives.

(6) Reflects the net amount of \$52,263 million of gross cash collateral received, of which \$40,435 million was used to offset derivative assets.

(7) Reflects the net amount of \$2,589 million of gross cash collateral received, of which \$2,297 million was used to offset derivative assets.

## Fair Value Levels

In millions of dollars at December 31, 2013	Level 1 <sup>(1)</sup>	Level 2 <sup>(1)</sup>	Level 3	Gross inventory	Netting <sup>(2)</sup>	Net balance
<b>Assets</b>						
Federal funds sold and securities borrowed or purchased under agreements to resell	\$—	\$172,848	\$3,566	\$176,414	\$(34,933)	\$141,481
<b>Trading non-derivative assets</b>						
<b>Trading mortgage-backed securities</b>						
U.S. government-sponsored agency guaranteed	—	22,861	1,094	23,955	—	23,955
Residential	—	1,223	2,854	4,077	—	4,077
Commercial	—	2,318	256	2,574	—	2,574
Total trading mortgage-backed securities	\$—	\$26,402	\$4,204	\$30,606	\$—	\$30,606
U.S. Treasury and federal agency securities	\$12,080	\$2,757	\$—	\$14,837	\$—	\$14,837
State and municipal	—	2,985	222	3,207	—	3,207
Foreign government	49,220	25,220	416	74,856	—	74,856
Corporate	—	28,699	1,835	30,534	—	30,534
Equity securities	58,761	1,958	1,057	61,776	—	61,776
Asset-backed securities	—	1,274	4,342	5,616	—	5,616
Other trading assets	—	8,491	3,184	11,675	—	11,675
Total trading non-derivative assets	\$120,061	\$97,786	\$15,260	\$233,107	\$—	\$233,107
<b>Trading derivatives</b>						
Interest rate contracts	\$11	\$624,902	\$3,467	\$628,380		
Foreign exchange contracts	40	91,189	1,325	92,554		
Equity contracts	5,793	17,611	1,473	24,877		
Commodity contracts	506	7,775	801	9,082		
Credit derivatives	—	37,336	3,010	40,346		
Total trading derivatives	\$6,350	\$778,813	\$10,076	\$795,239		
Cash collateral paid <sup>(3)</sup>				\$6,073		
Netting agreements					\$(713,598)	
Netting of cash collateral received					(34,893)	
Total trading derivatives	\$6,350	\$778,813	\$10,076	\$801,312	\$(748,491)	\$52,821
<b>Investments</b>						
<b>Mortgage-backed securities</b>						
U.S. government-sponsored agency guaranteed	\$—	\$41,810	\$187	\$41,997	\$—	\$41,997
Residential	—	10,103	102	10,205	—	10,205
Commercial	—	453	—	453	—	453
Total investment mortgage-backed securities	\$—	\$52,366	\$289	\$52,655	\$—	\$52,655
U.S. Treasury and federal agency securities	\$69,139	\$18,449	\$8	\$87,596	\$—	\$87,596
State and municipal	\$—	\$17,297	\$1,643	\$18,940	\$—	\$18,940
Foreign government	35,179	60,948	344	96,471	—	96,471
Corporate	4	10,841	285	11,130	—	11,130
Equity securities	2,583	336	815	3,734	—	3,734
Asset-backed securities	—	13,314	1,960	15,274	—	15,274
Other debt securities	—	661	50	711	—	711
Non-marketable equity securities	—	358	4,347	4,705	—	4,705
Total investments	\$106,905	\$174,570	\$9,741	\$291,216	\$—	\$291,216

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars at December 31, 2013	Level 1 <sup>(1)</sup>	Level 2 <sup>(1)</sup>	Level 3	Gross inventory	Netting <sup>(2)</sup>	Net balance
Loans <sup>(4)</sup>	\$—	\$886	\$4,143	\$5,029	\$—	\$5,029
Mortgage servicing rights	—	—	2,718	2,718	—	2,718
Non-trading derivatives and other financial assets measured on a recurring basis, gross	\$—	\$9,811	\$181	\$9,992		
Cash collateral paid				\$82		
Netting of cash collateral received					\$(2,951)	
Non-trading derivatives and other financial assets measured on a recurring basis	\$—	\$9,811	\$181	\$10,074	\$(2,951)	\$7,123
Total assets	\$233,316	\$1,234,714	\$45,685	\$1,519,870	\$(786,375)	\$733,495
Total as a percentage of gross assets <sup>(5)</sup>	15.4	%81.6	%3.0	%		
Liabilities						
Interest-bearing deposits	\$—	\$787	\$890	\$1,677	\$—	\$1,677
Federal funds purchased and securities loaned or sold under agreements to repurchase	—	85,576	902	86,478	(34,933)	51,545
Trading account liabilities						
Securities sold, not yet purchased	51,035	9,883	590	61,508		61,508
Trading account derivatives						
Interest rate contracts	\$12	\$614,586	\$2,628	\$617,226		
Foreign exchange contracts	29	87,978	630	88,637		
Equity contracts	5,783	26,178	2,331	34,292		
Commodity contracts	363	7,613	2,194	10,170		
Credit derivatives	—	37,510	3,284	40,794		
Total trading derivatives	\$6,187	\$773,865	\$11,067	\$791,119		
Cash collateral received <sup>(6)</sup>				\$8,827		
Netting agreements					\$(713,598)	
Netting of cash collateral paid					(39,094)	
Total trading derivatives	\$6,187	\$773,865	\$11,067	\$799,946	\$(752,692)	\$47,254
Short-term borrowings	—	3,663	29	3,692	—	3,692
Long-term debt	—	19,256	7,621	26,877	—	26,877
Non-trading derivatives and other financial liabilities measured on a recurring basis, gross	\$—	\$1,719	\$10	\$1,729		
Cash collateral received <sup>(7)</sup>				\$282		
Non-trading derivatives and other financial liabilities measured on a recurring basis	\$—	\$1,719	\$10	\$2,011		\$2,011
Total liabilities	\$57,222	\$894,749	\$21,109	\$982,189	\$(787,625)	\$194,564
Total as a percentage of gross liabilities <sup>(5)</sup>	5.9	%91.9	%2.2	%		

For the three and nine months ended September 30, 2013, the Company transferred assets of \$47 million and \$1.0 billion, respectively, from Level 1 to Level 2. During the three and nine months ended September 30, 2013, the Company transferred assets of approximately \$33 million and \$49.1 billion, respectively, from Level 2 to Level 1. (1) Almost all of the transfers during the nine months ended September 30, 2013 were related to U.S. Treasury securities held across the Company's major investment portfolios where Citi obtained additional information from its external pricing sources to meet the criteria for Level 1 classification. There were no material liability transfers between Level 1 and Level 2 during the three and nine months ended September 30, 2013.

Represents netting of: (i) the amounts due under securities purchased under agreements to resell and the amounts (2) owed under securities sold under agreements to repurchase; and (ii) derivative exposures covered by a qualifying master netting agreement and cash collateral offsetting.



- (3) Reflects the net amount of \$45,167 million of gross cash collateral paid, of which \$39,094 million was used to offset derivative liabilities.
- (4) There is no allowance for loan losses recorded for loans reported at fair value.  
Because the amount of the cash collateral paid/received has not been allocated to the Level 1, 2 and 3 subtotals,
- (5) these percentages are calculated based on total assets and liabilities measured at fair value on a recurring basis, excluding the cash collateral paid/received on derivatives.
- (6) Reflects the net amount of \$43,720 million of gross cash collateral received, of which \$34,893 million was used to offset derivative assets.
- (7) Reflects the net amount of \$3,233 million of gross cash collateral received, of which \$2,951 million was used to offset derivative assets.

## Changes in Level 3 Fair Value Category

The following tables present the changes in the Level 3 fair value category for the three and nine months ended September 30, 2014 and 2013. As discussed above, the Company classifies financial instruments as Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model. In addition to these unobservable inputs, the valuation models for Level 3 financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. The gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The Company often hedges positions with offsetting positions that are classified in a different level. For example, the gains and losses for assets and liabilities in the Level 3 category presented in the tables below do not reflect the effect of offsetting losses and gains on hedging instruments that have been classified by the Company in the Level 1 and Level 2 categories. In addition, the Company hedges items classified in the Level 3 category with instruments also classified in Level 3 of the fair value hierarchy. The effects of these hedges are presented gross in the following tables.

## Level 3 Fair Value Rollforward

In millions of dollars	Jun. 30, 2014	Net realized/unrealized gains (losses) incl. in				Purchases	Issuances	Sales	Settlements	Sept. 30, 2014	Unrealized gains (losses) still held <sup>(3)</sup>
		Principal transactions	Other <sup>(1)</sup>	into Level 3 <sup>(2)</sup>	out of Level 3						
<b>Assets</b>											
Federal funds sold and securities borrowed or purchased under agreements to resell	\$3,363	\$116	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$3,479	\$130
Trading non-derivative assets											
Trading mortgage-backed securities											
U.S. government-sponsored agency guaranteed	\$697	\$22	\$—	\$217	\$(145)	\$97	\$6	\$(89)	\$(16)	\$789	\$18
Residential	2,610	63	—	86	(77)	197	—	(389)	—	2,490	(4)
Commercial	409	7	—	84	(58)	288	—	(176)	—	554	(4)
Total trading mortgage-backed securities	\$3,716	\$92	\$—	\$387	\$(280)	\$582	\$6	\$(654)	\$(16)	\$3,833	\$10
U.S. Treasury and federal agency securities	\$—	\$—	\$—	\$—	\$—	\$7	\$—	\$—	\$—	\$7	\$—
State and municipal	242	7	—	4	(1)	15	—	(16)	—	251	6
Foreign government	465	(40)	—	31	(64)	212	—	(241)	22	385	(13)
Corporate	1,262	83	—	141	(104)	471	—	(685)	46	1,214	(42)
Equity securities	1,863	(2)	—	123	(35)	119	—	(113)	—	1,955	34
Asset-backed securities	3,376	394	—	37	(56)	1,219	—	(1,619)	—	3,351	33
Other trading assets	4,016	56	—	809	(607)	1,693	—	(917)	(311)	4,739	(34)

Edgar Filing: CITIGROUP INC - Form 10-Q

Total trading non-derivative assets	\$14,940	\$590	\$—	\$1,532	\$(1,147)	\$4,318	\$6	\$(4,245)	\$(259)	\$15,735	\$(6)
Trading derivatives, net <sup>(4)</sup>											
Interest rate contracts	17	76	—	(194)	7	52	—	(52)	32	(62)	94
Foreign exchange contracts	847	8	—	7	(73)	3	—	(1)	(14)	777	43
Equity contracts	(893)	8	—	(171)	143	124	—	(55)	(215)	(1,059)	(235)
Commodity contracts	(1,229)	(388)	—	—	(27)	—	—	—	97	(1,547)	(228)
Credit derivatives	(199)	(222)	—	(16)	(89)	—	—	—	(7)	(533)	(264)
Total trading derivatives, net <sup>(4)</sup>	\$(1,457)	\$(518)	\$—	\$(374)	\$(39)	\$179	\$—	\$(108)	\$(107)	\$(2,424)	\$(590)

201

---

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars	Jun. 30, 2014	Net realized/unrealized gains (losses) incl. in		Transfers		Purchase	Issuance	Sales	Settlements	Sept. 30, 2014	Unrealized gains (losses) still held <sup>(3)</sup>
		Principal transactions	Other <sup>(1)(2)</sup>	into Level 3	out of Level 3						
<b>Investments</b>											
<b>Mortgage-backed securities</b>											
<b>U.S.</b>											
government-sponsored agency guaranteed	\$ 163	\$—	\$ 2	\$ 18	\$(83 )	\$—	\$—	\$(7 )	\$(1 )	\$ 92	\$—
Residential	17	—	—	1	—	—	—	(5 )	—	13	—
Commercial	7	—	—	—	(4 )	7	—	—	—	10	2
Total investment mortgage-backed securities	\$ 187	\$—	\$ 2	\$ 19	\$(87 )	\$ 7	\$—	\$(12 )	\$(1 )	\$ 115	\$ 2
<b>U.S. Treasury and federal agency securities</b>											
State and municipal	2,102	—	37	67	(69 )	271	—	(124 )	—	2,284	6
Foreign government	615	—	(8 )	—	(63 )	294	—	(198 )	(20 )	620	(9 )
Corporate	512	—	(18 )	4	(136 )	23	—	(147 )	124	362	(4 )
Equity securities	826	—	18	6	(7 )	2	—	(84 )	—	761	(23 )
Asset-backed securities	1,739	—	4	—	(2 )	—	—	—	(1,157 )	584	(39 )
Other debt securities	48	—	—	—	—	66	—	(49 )	—	65	—
Non-marketable equity securities	3,722	—	(8 )	—	—	85	—	(51 )	(517 )	3,231	42
Total investments	\$ 9,758	\$—	\$ 27	\$ 96	\$(364 )	\$ 748	\$—	\$(666 )	\$(1,571 )	\$ 8,028	\$(25 )
<b>Loans</b>											
Mortgage servicing rights	2,282	—	(18 )	—	—	—	53	(125 )	(99 )	2,093	(18 )
Other financial assets measured on a recurring basis	201	—	14	(83 )	—	—	35	(1 )	(58 )	108	(2 )
<b>Liabilities</b>											
<b>Interest-bearing deposits</b>											
Federal funds purchased and securities loaned or sold under agreements to repurchase	\$ 909	\$—	\$ 184	\$—	\$(12 )	\$—	\$ 117	\$—	\$(25 )	\$ 805	\$ 20
Trading account liabilities	1,032	13	—	—	—	—	—	117	(102 )	1,034	5
Securities sold, not yet purchased	472	(1 )	—	19	(40 )	—	—	149	(233 )	368	(11 )
Short-term borrowings	129	—	—	1	—	—	23	—	(52 )	101	(8 )

Edgar Filing: CITIGROUP INC - Form 10-Q

Long-term debt	7,847	520	—	476	(760)	—	1,419	—	(904)	)7,558	215
Other financial liabilities measured on a recurring basis	6	—	(2)	)—	—	—	—	—	(1)	)7	(1)

202

---

In millions of dollars	Dec. 31, 2013	Net realized/unrealized gains (losses) incl. in			Transfers			Purchases	Issuances	Sales	Settlements	Sept. 30, 2014	Unrealized gains (losses) still held <sup>(3)</sup>
		Principal transactions	Other	into Level 3 <sup>(1)(2)</sup>	out of Level 3								
<b>Assets</b>													
Federal funds sold and securities borrowed or purchased under agreements to resell	\$3,566	\$37	\$—	\$67	\$(8)	\$75	\$—	\$—			\$(258)	\$3,479	\$153
Trading non-derivative assets													
Trading mortgage-backed securities													
U.S. government-sponsored agency guaranteed Residential	\$1,094	\$120	\$—	\$594	\$(743)	\$358	\$13	\$(606)			\$(41)	\$789	\$27
Commercial	2,854	380	—	239	(359)	1,877	—	(2,501)			—	2,490	108
Total trading mortgage-backed securities	256	18	—	160	(120)	524	—	(284)			—	554	1
U.S. Treasury and federal agency securities	\$4,204	\$518	\$—	\$993	\$(1,222)	\$2,759	\$13	\$(3,391)			\$(41)	\$3,833	\$136
State and municipal	\$—	\$3	\$—	\$—	\$—	\$7	\$—	\$(3)			\$—	\$7	\$—
Foreign government	222	11	—	149	(105)	33	—	(59)			—	251	(17)
Corporate	416	(56)	—	117	(166)	571	—	(519)			22	385	18
Equity securities	1,835	1	—	394	(444)	1,742	—	(2,353)			39	1,214	19
Asset-backed securities	1,057	(215)	—	159	(95)	1,305	—	(256)			—	1,955	22
Other trading assets	4,342	1,002	—	120	(284)	2,921	—	(4,750)			—	3,351	246
Total trading non-derivative assets	3,184	137	—	1,840	(1,786)	4,568	—	(2,827)			(377)	4,739	(14)
Trading derivatives, net <sup>(4)</sup>	\$15,260	\$1,401	\$—	\$3,772	\$(4,102)	\$13,906	\$13	\$(14,158)			\$(357)	\$15,735	\$410
Interest rate contracts	839	(508)	—	(42)	(117)	94	—	(150)			(178)	(62)	(11)
Foreign exchange contracts	695	105	—	28	(43)	4	—	(2)			(10)	777	67
Equity contracts	(858)	250	—	(762)	473	386	—	(192)			(356)	(1,059)	(402)
Commodity contracts	(1,393)	(140)	—	25	(35)	—	—	—			(4)	(1,547)	(9)
Credit derivatives	(274)	(449)	—	(100)	(134)	103	—	(3)			324	(533)	(196)
Total trading derivatives, net <sup>(4)</sup>	\$(991)	\$(742)	\$—	\$(851)	\$144	\$587	\$—	\$(347)			\$(224)	\$(2,424)	\$(551)

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars	Dec. 31, 2013	Net realized/unrealized gains (losses) incl. in				Transfers into Level 3	out of Level 3	Purchases	Issuances	Sales	Settlements	Sept. 30, 2014	Unrealized gains (losses) still held <sup>(3)</sup>
		Principal transactions	Other <sup>(1)(2)</sup>										
Investments													
Mortgage-backed securities													
U.S.													
government-sponsored agency guaranteed	\$ 187	\$—	\$ 47	\$ 53	\$(137)	\$ 17	\$—	\$(73)	\$(2)	\$ 92	\$(3)		
Residential	102	—	33	31	(1)	17	—	(169)	—	13	—		
Commercial	—	—	—	4	(4)	10	—	—	—	10	2		
Total investment mortgage-backed securities	\$ 289	\$—	\$ 80	\$ 88	\$(142)	\$ 44	\$—	\$(242)	\$(2)	\$ 115	\$(1)		
U.S. Treasury and federal agency securities													
State and municipal	1,643	—	102	784	(534)	769	—	(480)	—	2,284	72		
Foreign government	344	—	(13)	182	(105)	623	—	(305)	(106)	620	(2)		
Corporate	285	—	(5)	22	(137)	289	—	(196)	104	362	(8)		
Equity securities	815	—	30	18	(19)	8	—	(91)	—	761	(1)		
Asset-backed securities	1,960	—	15	—	(44)	55	—	(97)	(1,305)	584	—		
Other debt securities	50	—	(1)	—	—	116	—	(50)	(50)	65	—		
Non-marketable equity securities	4,347	—	24	67	—	704	—	(310)	(1,601)	3,231	66		
Total investments	\$ 9,741	\$—	\$ 232	\$ 1,161	\$(981)	\$ 2,608	\$—	\$(1,773)	\$(2,960)	\$ 8,028	\$ 126		
Loans													
Mortgage servicing rights	\$ 4,143	\$—	\$(183)	\$ 92	\$ 6	\$ 553	\$ 84	\$(630)	\$(1,117)	\$ 2,948	\$ 17		
Other financial assets measured on a recurring basis	2,718	—	(233)	—	—	—	165	(260)	(297)	2,093	(216)		
Liabilities													
Interest-bearing deposits	181	—	39	(83)	—	1	122	(10)	(142)	108	(20)		
Federal funds purchased and securities loaned or sold under agreements to repurchase	\$ 890	\$—	\$ 94	\$—	\$(12)	\$—	\$ 117	\$—	\$(96)	\$ 805	\$(31)		
Trading account liabilities	902	4	—	54	—	78	—	106	(102)	1,034	(18)		
Securities sold, not yet purchased	590	14	—	68	(91)	—	—	443	(628)	368	(19)		
Short-term borrowings	29	(31)	—	81	—	8	24	—	(72)	101	(15)		

Edgar Filing: CITIGROUP INC - Form 10-Q

Long-term debt	7,621	139	49	2,089	(2,998)	—	3,365	—	(2,331)	)7,558	(205)	)
Other financial liabilities measured on a recurring basis	10	—	(3)	)4	—	(1)	)1	(3)	)7	)7	(1)	)

Changes in fair value for available-for-sale investments are recorded in Accumulated other comprehensive income (1)(loss), unless other-than-temporarily impaired, while gains and losses from sales are recorded in Realized gains (losses) from sales of investments on the Consolidated Statement of Income.

(2)Unrealized gains (losses) on MSRs are recorded in Other revenue on the Consolidated Statement of Income.

Represents the amount of total gains or losses for the period, included in earnings (and Accumulated other comprehensive income (loss) for changes in fair value of available-for-sale investments), attributable to the change in fair value relating to assets and liabilities classified as Level 3 that are still held at September 30, 2014.

(4)Total Level 3 derivative assets and liabilities have been netted in these tables for presentation purposes only.



Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars	Jun. 30, 2013	Net realized/unrealized gains (losses) incl. in		Transfers		Purchases	Issuances	Sales	Settlements	Sept. 30, 2013	Unrealized gains (losses) still held <sup>(3)</sup>
		Principal transactions	Other <sup>(1)</sup>	into Level 3	out of Level 3						
<b>Assets</b>											
Federal funds sold and securities borrowed or purchased under agreements to resell	\$4,177	\$70	\$—	\$29	\$(534)	)\$25	\$—	\$—	\$—	\$3,767	\$(5 )
Trading non-derivative assets											
Trading mortgage-backed securities											
U.S. government-sponsored agency guaranteed	\$1,704	\$43	\$—	\$295	\$(453)	)\$160	\$6	\$(320)	\$(195)	\$1,240	\$4
Residential	2,938	99	—	61	(132)	)1,049	—	(1,320)	—	2,695	16
Commercial	326	24	—	109	(54)	)58	—	(84)	—	379	(48 )
Total trading mortgage-backed securities	\$4,968	\$166	\$—	\$465	\$(639)	)\$1,267	\$6	\$(1,724)	\$(195)	\$4,314	\$(28 )
U.S. Treasury and federal agency securities	\$—	\$—	\$—	\$54	\$—	\$—	\$—	\$—	\$—	\$54	\$2
State and municipal	241	9	—	2	—	11	—	(8)	—	255	4
Foreign government	240	(3)	—	7	—	83	—	(85)	—	242	1
Corporate	1,688	62	—	129	(240)	)408	—	(642)	(4)	1,401	44
Equity securities	190	(38)	—	132	(25)	)331	—	(33)	—	557	72
Asset-backed securities	4,259	99	—	14	(88)	)748	—	(964)	—	4,068	100
Other trading assets	2,276	59	—	2	(84)	)721	—	(98)	(51)	2,825	12
Total trading non-derivative assets	\$13,862	\$354	\$—	\$805	\$(1,076)	)\$3,569	\$6	\$(3,554)	\$(250)	\$13,716	\$207
Trading derivatives, net <sup>(4)</sup>											
Interest rate contracts	1,083	232	—	(47)	(121)	)65	—	(33)	156	1,335	530
Foreign exchange contracts	367	39	—	(1)	(9)	)6	—	(1)	—	401	(15 )
Equity contracts	(1,092)	(224)	—	(13)	(46)	)60	—	(69)	53	(1,331)	(814 )
Commodity contracts	(218)	(223)	—	(12)	(541)	—	—	—	(76)	(1,070)	(332 )
Credit derivatives	(41)	(108)	—	24	(6)	)7	—	—	84	(40)	(475 )
Total trading derivatives, net <sup>(4)</sup>	\$99	\$(284)	\$—	\$(49)	\$(723)	)\$138	\$—	\$(103)	\$217	\$(705)	\$(1,106 )
<b>Investments</b>											
Mortgage-backed securities											

Edgar Filing: CITIGROUP INC - Form 10-Q

U.S.											
government-sponsored agency guaranteed	\$420	\$—	\$(12)	)\$80	\$(371)	)\$44	\$—	\$(37)	)\$—	\$124	\$9
Residential	—	—	—	—	—	—	—	—	—	—	—
Commercial	3	—	—	1	—	—	—	—	—	4	—
Total investment mortgage-backed securities	\$423	\$—	\$(12)	)\$81	\$(371)	)\$44	\$—	\$(37)	)\$—	\$128	\$9
U.S. Treasury and federal agency securities	\$9	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$9	\$—
State and municipal	684	—	6	5	—	54	—	(23)	)—	726	2
Foreign government	367	—	3	63	(55)	)105	—	(140)	)(17)	)326	(28)
Corporate	404	—	17	42	—	85	—	(75)	)(1)	)472	8
Equity securities	779	—	34	—	(1)	)—	—	(13)	)—	799	33
Asset-backed securities	1,758	—	14	—	—	180	—	(14)	)(95)	)1,843	29
Other debt securities	51	—	—	—	—	—	—	(51)	)—	—	—
Non-marketable equity securities	5,363	—	111	—	—	68	—	—	(440)	)5,102	100
Total investments	\$9,838	\$—	\$173	\$191	\$(427)	)\$536	\$—	\$(353)	)\$ (553)	)\$9,405	\$153

In millions of dollars	Jun. 30, 2013	Net realized/unrealized gains (losses) incl. in		Transfers		Purchases	Issuances	Sales	Settlements	Sept. 30, 2013	Unrealized gains (losses) still held <sup>(3)</sup>
		Principal transactions	Other <sup>(1)(2)</sup>	into Level 3	out of Level 3						
Loans	\$4,321	\$—	\$(19)	\$—	\$—	\$—	\$ 631	\$—	\$(600)	\$4,333	\$(33)
Mortgage servicing rights	2,524	—	(6)	—	—	—	166	—	(104)	2,580	(10)
Other financial assets measured on a recurring basis	245	—	45	—	—	—	107	(31)	(96)	270	41
Liabilities											
Interest-bearing deposits	\$831	\$—	\$(19)	\$—	\$—	\$—	\$ 23	\$—	\$(5)	\$868	\$(8)
Federal funds purchased and securities loaned or sold under agreements to repurchase	1,007	14	—	15	—	—	—	—	(113)	895	6
Trading account liabilities											
Securities sold, not yet purchased	450	40	—	30	(10)	—	—	182	(136)	476	—
Short-term borrowings	335	(1)	—	2	—	—	25	—	(200)	163	(42)
Long-term debt	6,811	(309)	44	1,651	(1,016)	—	54	—	(316)	7,449	(349)
Other financial liabilities measured on a recurring basis	95	—	(23)	—	—	—	10	—	(111)	17	(23)

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars	Dec. 31, 2012	Net realized/unrealized gains (losses) incl. in				Purchases	Issuances	Sales	Settlements	Sept. 30, 2013	Unrealized gains (losses) still held <sup>(3)</sup>
		Principal transactions	Other <sup>(1)</sup>	into Level 3	out of Level 3						
<b>Assets</b>											
Federal funds sold and securities borrowed or purchased under agreements to resell	\$5,043	\$(93)	\$—	\$627	\$(1,852)	\$42	\$—	\$—	\$—	\$3,767	\$476
<b>Trading non-derivative assets</b>											
<b>Trading mortgage-backed securities</b>											
<b>U.S.</b>											
government-sponsored agency guaranteed	\$1,325	\$119	\$—	\$1,032	\$(1,158)	\$1,129	\$61	\$(1,027)	\$(241)	\$1,240	\$47
Residential	1,805	457	—	378	(344)	2,947	—	(2,541)	(7)	2,695	107
Commercial	1,119	116	—	264	(238)	204	—	(1,069)	(17)	379	7
Total trading mortgage-backed securities	\$4,249	\$692	\$—	\$1,674	\$(1,740)	\$4,280	\$61	\$(4,637)	\$(265)	\$4,314	\$161
<b>U.S. Treasury and federal agency securities</b>											
State and municipal	195	28	—	2	—	86	—	(56)	—	255	2
Foreign government	311	(5)	—	60	(61)	200	—	(263)	—	242	1
Corporate	2,030	32	—	267	(340)	1,787	—	(1,461)	(914)	1,401	(375)
Equity securities	264	(34)	—	180	(184)	471	—	(140)	—	557	347
Asset-backed securities	4,453	467	—	100	(143)	3,780	—	(4,372)	(217)	4,068	80
Other trading assets	2,321	165	—	510	(1,082)	2,254	—	(1,094)	(249)	2,825	6
Total trading non-derivative assets	\$13,823	\$1,345	\$—	\$2,847	\$(3,550)	\$12,858	\$61	\$(12,023)	\$(1,645)	\$13,716	\$224
<b>Trading derivatives, net<sup>(4)</sup></b>											
Interest rate contracts	181	544	—	702	(13)	208	—	(115)	(172)	1,335	1,430
Foreign exchange contracts	—	350	—	29	(6)	21	—	(9)	16	401	(183)
Equity contracts	(1,448)	37	—	(37)	300	176	—	(125)	(234)	(1,331)	(1,652)
Commodity contracts	(771)	188	—	(5)	(536)	15	—	(25)	64	(1,070)	108
Credit derivatives	(342)	(254)	—	134	(184)	19	—	—	587	(40)	(444)
Total trading derivatives, net <sup>(4)</sup>	\$(2,380)	\$865	\$—	\$823	\$(439)	\$439	\$—	\$(274)	\$261	\$(705)	\$(741)
<b>Investments</b>											
Mortgage-backed securities	\$1,458	\$—	\$(10)	\$1,977	\$(3,721)	\$514	\$—	\$(37)	\$(57)	\$124	\$9

U.S. government-sponsored agency guaranteed												
Residential	205	—	23	60	(265	)117	—	(140	)—	—	—	—
Commercial	—	—	—	4	(12	)12	—	—	—	4	—	—
Total investment mortgage-backed securities	\$1,663	\$—	\$13	\$2,041	\$(3,998)	\$643	\$—	\$(177	)\$(57	)\$128	\$9	
U.S. Treasury and federal agency securities	\$12	\$—	\$—	\$—	\$—	\$—	\$—	\$(3	)\$—	\$9	\$—	
State and municipal	849	—	4	12	(117	)261	—	(158	)125	)726	(3	)
Foreign government	383	—	(1	)168	(256	)394	—	(291	)71	)326	(36	)
Corporate	385	—	14	333	(116	)101	—	(222	)23	)472	4	
Equity securities	773	—	31	17	(1	)1	—	(22	)—	799	30	
Asset-backed securities	2,220	—	64	1,192	(1,684	)1,105	—	(31	)1,023	)1,843	4	
Other debt securities	258	—	—	—	(205	)—	—	(53	)—	—	—	
Non-marketable equity securities	5,364	—	289	—	—	621	—	(83	)1,089	)5,102	271	
Total investments	\$11,907	\$—	\$414	\$3,763	\$(6,377)	\$3,126	\$—	\$(1,040	)\$(2,388	)\$9,405	\$279	

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars	Dec. 31, 2012	Principal transactions	Net realized/unrealized gains (losses) incl. in	Transfers		Purchases	Issuances	Sales	Settlements	Sept. 30, 2013	Unrealized gains (losses) still held <sup>(3)</sup>
				into Level 3	out of Level 3						
Loans	\$4,931	\$—	\$(97)	\$353	\$—	\$59	\$644	\$(6)	\$(1,551)	\$4,333	\$(99)
Mortgage servicing rights	1,942	—	411	—	—	—	543	(1)	(315)	2,580	181
Other financial assets measured on a recurring basis	2,452	—	51	1	—	216	447	(2,041)	(856)	270	266
Liabilities											
Interest-bearing deposits	\$786	\$—	\$(86)	\$22	\$—	\$—	\$86	\$—	\$(112)	\$868	\$(298)
Federal funds purchased and securities loaned or sold under agreements to repurchase	841	74	—	216	(15)	—	—	40	(113)	895	35
Trading account liabilities											
Securities sold, not yet purchased	365	51	—	54	(21)	—	—	358	(229)	476	132
Short-term borrowings	112	25	—	2	(4)	—	316	—	(238)	163	(40)
Long-term debt	6,726	62	113	3,016	(2,030)	—	959	(1)	(1,046)	7,449	(1,027)
Other financial liabilities measured on a recurring basis	24	—	(208)	5	(2)	(3)	100	—	(315)	17	(26)

Changes in fair value for available-for-sale investments are recorded in Accumulated other comprehensive income (1)(loss), unless other-than-temporarily impaired, while gains and losses from sales are recorded in Realized gains (losses) from sales of investments on the Consolidated Statement of Income.

(2) Unrealized gains (losses) on MSRs are recorded in Other revenue on the Consolidated Statement of Income.

Represents the amount of total gains or losses for the period, included in earnings (and Accumulated other comprehensive income (loss) for changes in fair value of available-for-sale investments), attributable to the change in fair value relating to assets and liabilities classified as Level 3 that are still held at September 30, 2013.

(4) Total Level 3 derivative assets and liabilities have been netted in these tables for presentation purposes only.

Level 3 Fair Value Rollforward

For the period June 30, 2014 to September 30, 2014 there were no significant Level 3 transfers.

The following were the significant Level 3 transfers for the period December 31, 2013 to September 30, 2014:

Transfers of Long-term debt of \$2.1 billion from Level 2 to Level 3, and of \$3.0 billion from Level 3 to Level 2, mainly related to structured debt, reflecting changes in the significance of unobservable inputs as well as certain underlying market inputs becoming less or more observable.

•

Transfers of Other trading assets of \$1.8 billion from Level 2 to Level 3, and of \$1.8 billion from Level 3 to Level 2, related to trading loans, reflecting changes in the volume of market quotations.

The following were the significant Level 3 transfers from June 30, 2013 to September 30, 2013:

Transfers of Long-term debt of \$1.7 billion from Level 2 to Level 3 included \$1.3 billion related to the transfer of a previously bifurcated hybrid debt instrument from Level 2 to Level 3 to reflect the host contract and the reclassification of Level 3 commodity contracts into Long-term debt. Prior to the third quarter of 2013, certain bifurcated embedded derivatives were reported as derivatives within Trading account assets and Trading account liabilities, while the related debt host contracts were reported at fair value within Long-term debt. Beginning in the third quarter of 2013, these hybrid

instruments were reported on a combined basis within Long-term debt.

Additionally, during the third quarter of 2013, the Company transferred Long-term debt of \$1.0 billion from Level 3 to Level 2, related mainly to structured debt driven by certain underlying market inputs becoming more observable as well as unobservable inputs used in the valuation becoming not significant.

The following were the significant Level 3 transfers from December 31, 2012 to September 30, 2013:

Transfers of Federal funds sold and securities borrowed or purchased under agreements to resell of \$1.9 billion from Level 3 to Level 2 related to shortening of the remaining tenor of certain reverse repos. There is more transparency and observability for repo curves used in the valuation of structured reverse repos with tenors up to five years; thus, structured reverse repos maturing within five years are generally classified as Level 2.

Transfers of U.S. government-sponsored agency guaranteed mortgage-backed securities in Investments of \$2.0 billion from Level 2 to Level 3, and of \$3.7 billion from Level 3 to Level 2, due to changes in the level of price observability for the specific securities. Similarly, there were transfers of U.S. government-sponsored agency guaranteed mortgage-backed securities in Trading securities of \$1.0 billion from Level 2 to Level 3, and of \$1.2 billion from Level 3 to Level 2.

Transfers of asset-backed securities in Investments of \$1.2 billion from Level 2 to Level 3, and of \$1.7 billion from Level 3 to Level 2. These transfers were related to

collateralized loan obligations, reflecting changes in the level of price observability.

Transfers of Long-term debt of \$3.0 billion from Level 2 to Level 3, included \$1.3 billion related to the transfer of a previously bifurcated hybrid debt instrument from Level 2 to Level 3 to reflect the host contract and the reclassification of Level 3 commodity contracts into Long-term debt. The remaining amounts of Long-term debt transferred from Level 2 to Level 3 as well as the \$2.0 billion transfer from Level 3 to Level 2 were related mainly to structured debt reflecting changes in the significance of unobservable inputs as well as certain underlying market inputs becoming less or more observable.



## Valuation Techniques and Inputs for Level 3 Fair Value Measurements

The Company's Level 3 inventory consists of both cash securities and derivatives of varying complexities. The valuation methodologies applied to measure the fair value of these positions include discounted cash flow analyses, internal models and comparative analysis. A position is classified within Level 3 of the fair value hierarchy when at least one input is unobservable and is considered significant to its valuation. The specific reason an input is deemed unobservable varies. For example, at least one significant input to the pricing model is not observable in the market, at least one significant input has been adjusted to make it more representative of the position being valued, or the price quote available does not reflect sufficient trading activities.

The following tables present the valuation techniques covering the majority of Level 3 inventory and the most significant unobservable inputs used in Level 3 fair value measurements as of September 30, 2014 and December 31, 2013. Differences between this table and amounts presented in the Level 3 Fair Value Rollforward table represent individually immaterial items that have been measured using a variety of valuation techniques other than those listed.

## Valuation Techniques and Inputs for Level 3 Fair Value Measurements

As of September 30, 2014	Fair Value <sup>(1)</sup> (in millions)	Methodology	Input	Low <sup>(2)(3)</sup>	High <sup>(2)(3)</sup>	Weighted Average <sup>(4)</sup>	
Assets							
Federal funds sold and securities borrowed or purchased under agreements to resell	\$3,006	Model-based	Interest rate	1.69	% 2.18	% 2.04	%
Mortgage-backed securities	\$2,814	Price-based	Price	\$0.03	\$112.87	\$84.66	
	905	Yield analysis	Yield	0.01	% 21.53	% 7.08	%
State and municipal, foreign government, corporate and other debt securities	\$7,011	Price-based	Price	\$—	\$155.70	\$90.50	
Equity securities <sup>(5)</sup>	1,638	Cash flow	Credit spread	60 bps	600 bps	224 bps	
	\$1,874	Price-based	Price <sup>(5)</sup>	\$—	\$150.00	\$69.64	
	755	Cash flow	Yield	4.00	% 5.00	% 4.50	%
			WAL	0.10 years	3.54 years	1.12 years	
Asset-backed securities	\$3,786	Price-based	Price	\$—	\$105.50	\$70.02	
Non-marketable equity	\$1,629	Price-based	Discount to price	—	% 90.00	% 8.19	%
	1,179	Comparables analysis	EBITDA multiples	5.20	x 12.50	x 9.48	x
	400	Cash flow	PE ratio	8.30	x 8.30	x 8.30	x
			Price-to-book ratio	1.00	x 1.56	x 1.15	x
			Fund NAV	\$1	\$67,511,273	\$30,871,087	
Derivatives—Gross							
Interest rate contracts (gross)	\$6,989	Model-based	Interest rate (IR) lognormal volatility	14.15	% 76.70	% 24.27	%

Edgar Filing: CITIGROUP INC - Form 10-Q

			Mean reversion	1.00	% 20.00	% 10.44	%
Foreign exchange contracts (gross)	\$ 1,198	Model-based	Foreign exchange (FX) volatility	0.45	% 23.10	% 9.24	%
	291	Cash flow	Interest rate	5.00	% 12.75	% 5.83	%
			IR-FX correlation	40.00	% 60.00	% 50.00	%
			IR-IR correlation	40.00	% 40.00	% 40.00	%
Equity contracts (gross) <sup>(7)</sup>	\$4,258	Model-based	Equity volatility	8.22	% 80.00	% 26.79	%
	870	Price-based	Equity forward	84.19	% 121.00	% 98.80	%
			Equity-FX correlation	(84.00)	)% 71.00	%(23.66)	)%
			Equity-equity correlation	(66.30)	)% 99.00	% 41.41	%
			Price	\$—	\$ 174.94	\$ 53.76	
Commodity contracts (gross)	\$2,605	Model-based	Commodity volatility	5.00	% 66.00	% 15.00	%

210

Edgar Filing: CITIGROUP INC - Form 10-Q

As of September 30, 2014	Fair Value <sup>(1)</sup> (in millions)	Methodology	Input	Low <sup>(2)(3)</sup>	High <sup>(2)(3)</sup>	Weighted Average <sup>(4)</sup>	
Credit derivatives (gross)	\$4,437 1,580	Model-based	Commodity correlation	(52.00	)%90.00	%27.00	%
			Forward price	54.72	%226.83	%96.86	%
			Recovery rate	12.00	%60.00	%38.69	%
			Credit correlation	5.00	%95.00	%58.89	%
			Price	\$0.25	\$108.67	\$44.08	
			Credit spread	1 bps	1,377 bps	208 bps	
			Upfront points	1.01	99.90	71.85	
Nontrading derivatives and other financial assets and liabilities measured on a recurring basis (gross) <sup>(6)</sup>	\$47	Price-based	Price	\$—	\$133.00	\$100.29	
	45	Model-based	Interest Rate	7.01	%7.03	%7.02	%
	23	Comparables analysis	EBITDA multiples	3.60	x 12.50	x 11.52	x
			PE ratio	9.40	x 9.40	x 9.40	x
			Fund NAV	\$1	\$10,229,908	\$8,376,456	
			Redemption rate	3.00	%99.50	%66.38	%
			Discount to price	—	%52.00	%19.14	%
			Price-to-book ratio	1.20	x 1.20	x 1.20	x
Loans	\$1,092 803 570 442	Cash flow Price-based Model-based Yield analysis	Yield Price Credit spread	1.60 \$5.00 35 bps	%4.50 \$105.88 923 bps	%2.23 \$98.95 204 bps	%
Mortgage servicing rights	\$1,998	Cash flow	Yield	6.14	%20.75	%12.00	%
			WAL	3.30 years	8.48 years	6.10 years	
Liabilities							
Interest-bearing deposits	\$805	Model-based	Mean reversion	1.00	%20.00	%10.50	%
			Equity-IR	31.00	%31.00	%31.00	%
			Correlation	54.72	%226.83	%96.86	%
			Forward price	54.72	%226.83	%96.86	%
			Commodity correlation	(52.00	)%90.00	%27.00	%
			Commodity volatility	5.00	%66.00	%15.00	%
Federal funds purchased and securities loaned or sold under agreements to repurchase	\$1,034	Model-based	Interest rate	0.77	%2.72	%2.34	%
Trading account liabilities							

Edgar Filing: CITIGROUP INC - Form 10-Q

Securities sold, not yet purchased	\$333	Price-based	Credit-IR correlation	(70.49	)%5.37	%(41.74	)%
			Price	\$98.25	\$133.00	\$99.81	
Short-term borrowings and long-term debt	\$7,531	Model-based	IR lognormal volatility	11.86	%87.59	%23.93	%
			Mean reversion	1.00	%20.00	%10.44	%
			Equity volatility	14.20	%27.10	%22.45	%
			Equity-equity correlation	(66.30	)%99.00	%40.90	%
			Equity-FX correlation	(84.00	)%48.70	%(26.80	)%
			Equity forward	90.00	%121.00	%98.40	%
			Forward price	54.72	%226.83	%97.33	%
			Commodity correlation	(52.00	)%90.00	%27.00	%
			Commodity volatility	5.00	%66.00	%15.00	%

Edgar Filing: CITIGROUP INC - Form 10-Q

As of December 31, 2013	Fair Value <sup>(1)</sup> (in millions)	Methodology Input		Low <sup>(2)(3)</sup>	High <sup>(2)(3)</sup>	Weighted Average <sup>(4)</sup>	
Assets							
Federal funds sold and securities borrowed or purchased under agreements to resell	\$3,299	Model-based	Interest rate	1.33	% 2.19	% 2.04	%
Mortgage-backed securities	\$2,869	Price-based	Price	\$0.10	\$ 117.78	77.60	
	1,241	Yield analysis	Yield	0.03	% 21.80	% 8.66	%
State and municipal, foreign government, corporate and other debt securities	\$5,361	Price-based	Price	\$—	\$ 126.49	\$ 87.47	
Equity securities <sup>(5)</sup>	2,014	Cash flow	Credit spread	11 bps	375 bps	213 bps	
	\$947	Price-based	Price <sup>(5)</sup>	\$0.31	\$93.66	\$86.90	
	827	Cash flow	Yield	4.00	% 5.00	% 4.50	%
			WAL	0.01 years	3.55 years	1.38 years	
Asset-backed securities	\$4,539	Price-based	Price	\$—	\$ 135.83	\$ 70.89	
	1,300	Model-based	Credit spread	25 bps	378 bps	302 bps	
Non-marketable equity	\$2,324	Price-based	Fund NAV	\$612	\$336,559,340	\$124,080,454	
	1,470	Comparables analysis	EBITDA multiples	4.20	x 16.90	x 9.78	x
	533	Cash flow	Discount to price	—	% 75.00	% 3.47	%
			Price-to-book ratio	0.90	x 1.05	x 1.02	x
			PE ratio	9.10	x 9.10	x 9.10	x
Derivatives—Gross							
Interest rate contracts (gross)	\$5,721	Model-based	Interest rate (IR) lognormal volatility	10.60	% 87.20	% 21.16	%
Foreign exchange contracts (gross)	\$1,727	Model-based	Foreign exchange (FX) volatility	1.00	% 28.00	% 13.45	%
	189	Cash flow	Interest rate	0.11	% 13.88	% 6.02	%
			IR-FX correlation	40.00	% 60.00	% 50.00	%
			IR-IR correlation	40.00	% 68.79	% 40.52	%
			Credit spread	25 bps	419 bps	162 bps	
Equity contracts (gross) <sup>(7)</sup>	\$3,189	Model-based	Equity volatility	10.02	% 73.48	% 29.87	%
	563	Price-based	Equity forward	79.10	% 141.00	% 100.24	%
			Equity-equity correlation	(81.30)	)% 99.40	% 48.45	%
			Equity-FX correlation	(70.00)	)% 55.00	% 0.60	%
			Price	\$—	\$ 118.75	\$ 88.10	
Commodity contracts (gross)	\$2,988	Model-based	Commodity volatility	4.00	% 146.00	% 15.00	%

Edgar Filing: CITIGROUP INC - Form 10-Q

			Commodity correlation	(75.00)	)% 90.00	% 32.00	%
			Forward price	23.00	% 242.00	% 105.00	%
Credit derivatives (gross)	\$4,767	Model-based	Recovery rate	20.00	% 64.00	% 38.11	%
	1,520	Price-based	Credit correlation	5.00	% 95.00	% 47.43	%
			Price	\$0.02	\$ 115.20	\$ 29.83	
			Credit spread	3 bps	1,335 bps	203 bps	
			Upfront points	2.31	100.00	57.69	
Nontrading derivatives and other financial assets and liabilities measured on a recurring basis (gross) <sup>(6)</sup>	\$82	Price-based	EBITDA multiples	5.20	x 12.60	x 12.08	x
	60	Comparables analysis	PE ratio	6.90	x 6.90	x 6.90	x
	38	Model-based	Price-to-book Ratio	1.05	x 1.05	x 1.05	x
			Price	\$—	\$ 105.10	\$ 71.25	
			Fund NAV	\$ 1.00	\$ 10,688,600	\$ 9,706,488	

212

Edgar Filing: CITIGROUP INC - Form 10-Q

As of December 31, 2013	Fair Value <sup>(1)</sup> (in millions)	Methodology	Input	Low <sup>(2)(3)</sup>	High <sup>(2)(3)</sup>	Weighted Average <sup>(4)</sup>	
			Discount to price	—	% 35.00	% 16.36	%
Loans	\$2,153	Price-based	Price	\$—	\$103.75	\$91.19	
	1,422	Model-based	Yield	1.60	% 4.50	% 2.10	%
	549	Yield analysis	Credit spread	49 bps	1,600 bps	302 bps	
Mortgage servicing rights	\$2,625	Cash flow	Yield	3.64	% 12.00	% 7.19	%
			WAL	2.27 years	9.44 years	6.12 years	
<b>Liabilities</b>							
Interest-bearing deposits	\$890	Model-based	Equity volatility	14.79	% 42.15	% 27.74	%
			Mean reversion	1.00	% 20.00	% 10.50	%
			Equity-IR correlation	9.00	% 20.50	% 19.81	%
			Forward price	23.00	% 242.00	% 105.00	%
			Commodity correlation	(75.00)	% 90.00	% 32.00	%
			Commodity volatility	4.00	% 146.00	% 15.00	%
Federal funds purchased and securities loaned or sold under agreements to repurchase	\$902	Model-based	Interest rate	0.47	% 3.66	% 2.71	%
Trading account liabilities							
Securities sold, not yet purchased	\$289	Model-based	Credit spread	166 bps	180 bps	175 bps	
	\$273	Price-based	Credit-IR correlation	(68.00)	% 5.00	%(50.00)	)%
			Price	\$—	\$124.25	\$99.75	
Short-term borrowings and long-term debt	\$6,781	Model-based	IR lognormal volatility	10.60	% 87.20	% 20.97	%
	868	Price-based	Equity forward	79.10	% 141.00	% 99.51	%
			Equity volatility	10.70	% 57.20	% 19.41	%
			Equity-FX correlation	(70.00)	% 55.00	% 0.60	%
			Equity-equity correlation	(81.30)	% 99.40	% 48.30	%
			Interest rate	4.00	% 10.00	% 5.00	%
			Price	\$0.63	\$103.75	\$80.73	
			Forward price	23.00	% 242.00	% 101.00	%

(1) The fair value amounts presented in this table represent the primary valuation technique or techniques for each class of assets or liabilities.

(2) Some inputs are shown as zero due to rounding.

(3)

When the low and high inputs are the same, there is either a constant input applied to all positions, or the methodology involving the input applies to one large position only.

- (4) Weighted averages are calculated based on the fair value of the instrument.
- (5) For equity securities, the price input is expressed on an absolute basis, not as a percentage of the notional amount.
- (6) Both trading and nontrading account derivatives—assets and liabilities—are presented on a gross absolute value basis.
- (7) Includes hybrid products.



### Sensitivity to Unobservable Inputs and Interrelationships between Unobservable Inputs

The impact of key unobservable inputs on the Level 3 fair value measurements may not be independent of one another. In addition, the amount and direction of the impact on a fair value measurement for a given change in an unobservable input depends on the nature of the instrument as well as whether the Company holds the instrument as an asset or a liability. For certain instruments, the pricing hedging and risk management are sensitive to the correlation between various inputs rather than on the analysis and aggregation of the individual inputs.

The following section describes the sensitivities and interrelationships of the most significant unobservable inputs used by the Company in Level 3 fair value measurements.

#### Correlation

Correlation is a measure of the co-movement between two or more variables. A variety of correlation-related assumptions are required for a wide range of instruments, including equity and credit baskets, foreign-exchange options, CDOs backed by loans or bonds, mortgages, subprime mortgages and many other instruments. For almost all of these instruments, correlations are not observable in the market and must be estimated using historical information. Estimating correlation can be especially difficult where it may vary over time. Extracting correlation information from market data requires significant assumptions regarding the informational efficiency of the market (for example, swaption markets). Changes in correlation levels can have a major impact, favorable or unfavorable, on the value of an instrument, depending on its nature. A change in the default correlation of the fair value of the underlying bonds comprising a CDO structure would affect the fair value of the senior tranche. For example, an increase in the default correlation of the underlying bonds would reduce the fair value of the senior tranche, because highly correlated instruments produce larger losses in the event of default and a part of these losses would become attributable to the senior tranche. That same change in default correlation would have a different impact on junior tranches of the same structure.

#### Volatility

Volatility represents the speed and severity of market price changes and is a key factor in pricing options. Typically, instruments can become more expensive if volatility increases. For example, as an index becomes more volatile, the cost to Citi of maintaining a given level of exposure increases because more frequent rebalancing of the portfolio is required. Volatility generally depends on the tenor of the underlying instrument and the strike price or level defined in the contract. Volatilities for certain combinations of tenor and strike are not observable. The general relationship between changes in the value of a portfolio to changes in volatility also depends on changes in interest rates and the level of the underlying index. Generally, long option positions (assets) benefit from increases in volatility, whereas short option positions (liabilities) will suffer losses. Some instruments are more sensitive to changes in volatility than others. For example, an

at-the-money option would experience a larger percentage change in its fair value than a deep-in-the-money option. In addition, the fair value of an option with more than one underlying security (for example, an option on a basket of bonds) depends on the volatility of the individual underlying securities as well as their correlations.

#### Yield

Adjusted yield is generally used to discount the projected future principal and interest cash flows on instruments, such as asset-backed securities. Adjusted yield is impacted by changes in the interest rate environment and relevant credit spreads.

In some circumstances, the yield of an instrument is not observable in the market and must be estimated from historical data or from yields of similar securities. This estimated yield may need to be adjusted to capture the characteristics of the security being valued. In other situations, the estimated yield may not represent sufficient market liquidity and must be adjusted as well. Whenever the amount of the adjustment is significant to the value of the security, the fair value measurement is classified as Level 3.

#### Prepayment

Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security. The effect of prepayments is more pronounced for residential mortgage-backed securities. An increase in prepayments—in speed or magnitude—generally creates losses for the holder of these securities. Prepayment is generally negatively correlated with delinquency and interest rate. A combination of low prepayment and high delinquencies amplify each input's negative impact on mortgage securities' valuation. As prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending upon the nature of the security and the direction of the change in the weighted average life.

#### Recovery

Recovery is the proportion of the total outstanding balance of a bond or loan that is expected to be collected in a liquidation scenario. For many credit securities (such as asset-backed securities), there is no directly observable market input for recovery, but indications of recovery levels are available from pricing services. The assumed recovery of a security may differ from its actual recovery that will be observable in the future. The recovery rate impacts the valuation of credit securities. Generally, an increase in the recovery rate assumption increases the fair value of the security. An increase in loss severity, the inverse of the recovery rate, reduces the amount of principal available for distribution and, as a result, decreases the fair value of the security.

#### Credit Spread

Credit spread is a component of the security representing its credit quality. Credit spread reflects the market perception of changes in prepayment, delinquency and recovery rates, therefore capturing the impact of other variables on the fair value. Changes in credit spread affect the fair value of

securities differently depending on the characteristics and maturity profile of the security. For example, credit spread is a more significant driver of the fair value measurement of a high yield bond as compared to an investment grade bond. Generally, the credit spread for an investment grade bond is also more observable and less volatile than its high yield counterpart.

#### Qualitative Discussion of the Ranges of Significant Unobservable Inputs

The following section describes the ranges of the most significant unobservable inputs used by the Company in Level 3 fair value measurements. The level of aggregation and the diversity of instruments held by the Company lead to a wide range of unobservable inputs that may not be evenly distributed across the Level 3 inventory.

##### Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

##### Volatility

Similar to correlation, asset-specific volatility inputs vary widely by asset type. For example, ranges for foreign exchange volatility are generally lower and narrower than equity volatility. Equity volatilities are wider due to the nature of the equities market and the terms of certain exotic instruments. For most instruments, the interest rate volatility input is on the lower end of the range; however, for certain structured or exotic instruments (such as market-linked deposits or exotic interest rate derivatives), the range is much wider.

##### Yield

Ranges for the yield inputs vary significantly depending upon the type of security. For example, securities that typically have lower yields, such as municipal bonds, will fall on the lower end of the range, while more illiquid securities or securities with lower credit quality, such as certain residual tranche asset-backed securities, will have much higher yield inputs.

##### Credit Spread

Credit spread is relevant primarily for fixed income and credit instruments; however, the ranges for the credit spread input can vary across instruments. For example, certain fixed income instruments, such as certificates of deposit, typically have lower credit spreads, whereas certain derivative instruments with high-risk counterparties are typically subject to higher credit spreads when they are uncollateralized or have a longer tenor. Other instruments, such as credit default swaps, also have credit spreads that vary with the attributes of the underlying obligor. Stronger companies have tighter credit spreads, and weaker companies have wider credit spreads.

##### Price

The price input is a significant unobservable input for certain fixed income instruments. For these instruments, the price input is expressed as a percentage of the notional amount, with a price of \$100 meaning that the instrument is valued at par. For most of these instruments, the price varies between zero to \$100, or slightly above \$100. Relatively illiquid assets that have experienced significant losses since issuance, such as certain asset-backed securities, are at the lower end of the range, whereas most investment grade corporate bonds will fall in the middle to the higher end of the range. For certain structured debt instruments with embedded derivatives, the price input may be above \$100 to reflect the embedded features of the instrument (for example, a step-up coupon or a conversion option).

The price input is also a significant unobservable input for certain equity securities; however, the range of price inputs varies depending on the nature of the position, the number of shares outstanding and other factors.



### Items Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis and therefore are not included in the tables above. These include assets measured at cost that have been written down to fair value during the periods as a result of an impairment. In addition, these assets include loans held-for-sale and other real estate owned that are measured at the lower of cost or market.

The following table presents the carrying amounts of all assets that were still held as of September 30, 2014 and December 31, 2013, for which a nonrecurring fair value measurement was recorded:

In millions of dollars	Fair value	Level 2	Level 3
September 30, 2014			
Loans held-for-sale	\$4,184	\$1,267	\$2,917
Other real estate owned	109	20	89
Loans <sup>(1)</sup>	3,441	3,027	414
Total assets at fair value on a nonrecurring basis	\$7,734	\$4,314	\$3,420

<sup>(1)</sup> Represents impaired loans held for investment whose carrying amount is based on the fair value of the underlying collateral, including primarily real-estate secured loans.

In millions of dollars	Fair value	Level 2	Level 3
December 31, 2013			
Loans held-for-sale	\$3,483	\$2,165	\$1,318
Other real estate owned	138	15	123
Loans <sup>(1)</sup>	4,713	3,947	766
Total assets at fair value on a nonrecurring basis	\$8,334	\$6,127	\$2,207

<sup>(1)</sup> Represents impaired loans held for investment whose carrying amount is based on the fair value of the underlying collateral, including primarily real-estate secured loans.

The fair value of loans-held-for-sale is determined where possible using quoted secondary-market prices. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan. Fair value for the other real estate owned is based on appraisals. For loans whose carrying amount is based on the fair value of the underlying collateral, the fair values depend on the type of collateral. Fair value of the collateral is typically estimated based on quoted market prices if available, appraisals or other internal valuation techniques.

Where the fair value of the related collateral is based on an unadjusted appraised value, the loan is generally classified as Level 2. Where significant adjustments are made to the appraised value, the loan is classified as Level 3.

Additionally, for corporate loans, appraisals of the collateral are often based on sales of similar assets; however, because the prices of similar assets require significant adjustments to reflect the unique features of the underlying collateral, these fair value measurements are generally classified as Level 3.

### Valuation Techniques and Inputs for Level 3 Nonrecurring Fair Value Measurements

The following tables present the valuation techniques covering the majority of Level 3 nonrecurring fair value measurements and the most significant unobservable inputs used in those measurements as of September 30, 2014 and December 31, 2013:

As of September 30, 2014	Fair Value <sup>(1)</sup> (in millions)	Methodology	Input	Low	High	Weighted average <sup>(2)</sup>
Loans held-for-sale	\$2,585	Price-based	Price	\$91.78	\$100.00	\$99.00
Other real estate owned	\$81	Price-based	Appraised Value	\$1,128,491	\$8,518,230	\$4,953,898
			Price	\$51.81	\$100.00	\$78.37
			Discount to price	13.00	% 62.00	% 32.00
						%

Edgar Filing: CITIGROUP INC - Form 10-Q

Loans <sup>(3)</sup>	\$ 353	Price-based	Discount to price <sup>(4)</sup>	13.00	% 39.00	% 31.00	%
----------------------	--------	-------------	----------------------------------	-------	---------	---------	---

(1) The fair value amounts presented in this table represent the primary valuation technique or techniques for each class of assets or liabilities.

(2) Weighted averages are calculated based on the fair value of the instrument.

(3) Represents loans held for investment whose carrying amounts are based on the fair value of the underlying collateral.

(4) Includes estimated costs to sell.

As of December 31, 2013	Fair Value <sup>(1)</sup> (in millions)	Methodology	Input	Low	High	Weighted average <sup>(2)</sup>	
Loans held-for-sale	\$912	Price-based	Price <sup>(5)</sup>	\$60.00	\$100.00	\$98.77	
	393	Cash Flow	Credit Spread	45 bps	80 bps	64 bps	
Other real estate owned	\$98	Price-based	Discount to price <sup>(4)</sup>	34.00	% 59.00	% 39.00	%
	17	Cash Flow	Price <sup>(5)</sup>	\$60.46	\$100.00	\$96.67	
			Appraised Value	\$636,249	\$15,897,503	\$11,392,478	
Loans <sup>(3)</sup>	\$581	Price-based	Discount to price <sup>(4)</sup>	34.00	% 39.00	% 35.00	%
	109	Model-based	Price <sup>(5)</sup>	\$52.40	\$68.00	\$65.32	
			Appraised Value	\$6,500,000	\$86,000,000	\$43,532,719	

(1) The fair value amounts presented in this table represent the primary valuation technique or techniques for each class of assets or liabilities.

(2) Weighted averages are based on the fair value of the instrument.

(3) Represents loans held for investment whose carrying amounts are based on the fair value of the underlying collateral.

(4) Includes estimated costs to sell.

(5) Prices are based on appraised values.

#### Nonrecurring Fair Value Changes

The following table presents total nonrecurring fair value measurements for the period, included in earnings, attributable to the change in fair value relating to assets that are still held at September 30, 2014 and September 30, 2013:

In millions of dollars	Three months ended September 30,	
	2014	2013
Loans held-for-sale	\$(11	)\$ (44
Other real estate owned	(7	)(1
Loans <sup>(1)</sup>	(158	)(186
Total nonrecurring fair value gains (losses)	\$(176	)(231

(1) Represents loans held for investment whose carrying amount is based on the fair value of the underlying collateral, including primarily real-estate loans.

In millions of dollars	Nine months ended September 30,	
	2014	2013
Loans held-for-sale	\$58	\$(44
Other real estate owned	(15	)(6
Loans <sup>(1)</sup>	(462	)(444
Total nonrecurring fair value gains (losses)	\$(419	)(494

(1) Represents loans held for investment whose carrying amount is based on the fair value of the underlying collateral, including primarily real-estate loans.

## Estimated Fair Value of Financial Instruments Not Carried at Fair Value

The table below presents the carrying value and fair value of Citigroup's financial instruments that are not carried at fair value. The table below therefore excludes items measured at fair value on a recurring basis presented in the tables above.

The disclosure also excludes leases, affiliate investments, pension and benefit obligations and insurance policy claim reserves. In addition, contract-holder fund amounts exclude certain insurance contracts. Also, as required, the disclosure excludes the effect of taxes, any premium or discount that could result from offering for sale at one time the entire holdings of a particular instrument, excess fair value associated with deposits with no fixed maturity, and other expenses that would be incurred in a market transaction. In addition, the table excludes the values of non-financial assets and liabilities, as well as a wide range of franchise, relationship and intangible values, which are integral to a full assessment of Citigroup's financial position and the value of its net assets.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The

carrying value of short-term financial instruments not accounted for at fair value, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realization. Quoted market prices are used when available for investments and for liabilities, such as long-term debt not carried at fair value. For loans not accounted for at fair value, cash flows are discounted at quoted secondary market rates or estimated market rates if available. Otherwise, sales of comparable loan portfolios or current market origination rates for loans with similar terms and risk characteristics are used. Expected credit losses are either embedded in the estimated future cash flows or incorporated as an adjustment to the discount rate used. The value of collateral is also considered. For liabilities such as long-term debt not accounted for at fair value and without quoted market prices, market borrowing rates of interest are used to discount contractual cash flows.

In billions of dollars	September 30, 2014		Estimated fair value		
	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Investments	\$30.9	\$32.2	\$5.0	\$24.8	\$2.4
Federal funds sold and securities borrowed or purchased under agreements to resell	104.5	104.5	—	94.8	9.7
Loans <sup>(1)(2)</sup>	629.7	627.2	—	6.5	620.7
Other financial assets <sup>(2)(3)</sup>	247.1	247.1	9.0	170.0	68.1
<b>Liabilities</b>					
Deposits	\$940.9	\$938.5	\$—	\$644.8	\$293.7
Federal funds purchased and securities loaned or sold under agreements to repurchase	131.1	131.1	—	131.0	0.1
Long-term debt <sup>(4)</sup>	197.4	204.4	—	170.4	34.0
Other financial liabilities <sup>(5)</sup>	153.9	153.9	—	43.2	110.7
In billions of dollars	December 31, 2013		Estimated fair value		
	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Investments	\$17.8	\$19.3	\$5.3	\$11.9	\$2.1
Federal funds sold and securities borrowed or purchased under agreements to resell	115.6	115.6	—	107.2	8.4
Loans <sup>(1)(2)</sup>	637.9	635.1	—	5.6	629.5
Other financial assets <sup>(2)(3)</sup>	250.7	250.7	9.4	189.5	51.8



Edgar Filing: CITIGROUP INC - Form 10-Q

Liabilities					
Deposits	\$966.6	\$965.6	\$—	\$776.4	\$189.2
Federal funds purchased and securities loaned or sold under agreements to repurchase	152.0	152.0	—	151.8	0.2
Long-term debt <sup>(4)</sup>	194.2	201.3	—	175.6	25.7
Other financial liabilities <sup>(5)</sup>	136.2	136.2	—	41.2	95.0

218

---

The carrying value of loans is net of the Allowance for loan losses of \$16.9 billion for September 30, 2014 and (1) \$19.6 billion for December 31, 2013. In addition, the carrying values exclude \$2.8 billion and \$2.9 billion of lease finance receivables at September 30, 2014 and December 31, 2013, respectively.

(2) Includes items measured at fair value on a nonrecurring basis.

Includes cash and due from banks, deposits with banks, brokerage receivables, reinsurance recoverable and other (3) financial instruments included in Other assets on the Consolidated Balance Sheet, for all of which the carrying value is a reasonable estimate of fair value.

(4) The carrying value includes long-term debt balances under qualifying fair value hedges.

Includes brokerage payables, separate and variable accounts, short-term borrowings (carried at cost) and other (5) financial instruments included in Other liabilities on the Consolidated Balance Sheet, for all of which the carrying value is a reasonable estimate of fair value.

Fair values vary from period to period based on changes in a wide range of factors, including interest rates, credit quality and market perceptions of value, and as existing assets and liabilities run off and new transactions are entered into. The estimated fair values of loans reflect changes in credit status since the loans were made, changes in interest rates in the case of fixed-rate loans, and premium values at origination of certain loans.

The estimated fair values of the Company's corporate unfunded lending commitments at September 30, 2014 and December 31, 2013 were liabilities of \$4.8 billion and \$5.2 billion, respectively, substantially all of which are classified as Level 3. The Company does not estimate the fair values of consumer unfunded lending commitments, which are generally cancelable by providing notice to the borrower.

## 23. FAIR VALUE ELECTIONS

The Company may elect to report most financial instruments and certain other items at fair value on an instrument-by-instrument basis with changes in fair value reported in earnings. The election is made upon the initial recognition of an eligible financial asset, financial liability or firm commitment or when certain specified reconsideration events occur. The fair value election may not be revoked once an election is made. The changes in fair value are recorded in current earnings. Additional discussion regarding the applicable areas in which fair value elections were made is presented in Note 22 to the Consolidated Financial Statements.

All servicing rights are recognized initially at fair value. The Company has elected fair value accounting for its mortgage servicing rights. See Note 20 to the Consolidated Financial Statements for further discussions regarding the accounting and reporting of MSRs.

The following table presents the changes in fair value gains and losses for the three and nine months ended September 30, 2014 and 2013 associated with those items for which the fair value option was elected:

In millions of dollars	Changes in fair value gains (losses) for the			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>Assets</b>				
Federal funds sold and securities borrowed or purchased under agreements to resell				
Selected portfolios of securities purchased under agreements to resell and securities borrowed	\$(137	)\$(37	)\$836	\$(505
Trading account assets	3	(102	)235	(272
Investments	(15	)24	37	(33
<b>Loans</b>				
Certain corporate loans <sup>(1)</sup>	(39	)37	(26	)324
Certain consumer loans <sup>(1)</sup>	2	(47	)44	(114
Total loans	\$(37	)\$(10	)70	)210
<b>Other assets</b>				
MSRs	\$(11	)\$(6	)\$(186	)\$410
Certain mortgage loans held for sale <sup>(2)</sup>	96	98	354	612
Certain equity method investments	(6	)4	)8	(5
Total other assets	\$79	\$88	\$160	\$1,017
Total assets	\$(107	)\$(37	)\$728	\$417
<b>Liabilities</b>				
Interest-bearing deposits	\$27	\$9	\$10	\$128
Federal funds purchased and securities loaned or sold under agreements to repurchase	2	12	(4	)85
Selected portfolios of securities sold under agreements to repurchase and securities loaned				
Trading account liabilities	(3	)24	)1	14
Short-term borrowings	(44	)34	)54	)54
Long-term debt	794	(718	)66	(324
Total liabilities	\$776	\$755	)\$19	\$(43

(1) Includes mortgage loans held by mortgage loan securitization VIEs consolidated upon the adoption of ASC 810 Consolidation (SFAS 167) on January 1, 2010.

(2)

Includes gains (losses) associated with interest rate lock-commitments for those loans that have been originated and elected under the fair value option.

220

---

### Own Debt Valuation Adjustments

Own debt valuation adjustments are recognized on Citi's liabilities for which the fair value option has been elected using Citi's credit spreads observed in the bond market. The fair value of liabilities for which the fair value option is elected (other than non-recourse and similar liabilities) is impacted by the narrowing or widening of the Company's credit spreads. The estimated change in the fair value of these liabilities due to such changes in the Company's own credit risk (or instrument-specific credit risk) was a gain of \$112 million and a loss of \$241 million for the three months ended September 30, 2014 and 2013, respectively and a gain of \$102 million and a loss of \$249 million for the nine months ended September 30, 2014 and 2013. Changes in fair value resulting from changes in instrument-specific credit risk were estimated by incorporating the Company's current credit spreads observable in the bond market into the relevant valuation technique used to value each liability as described above.

### The Fair Value Option for Financial Assets and Financial Liabilities

Selected portfolios of securities purchased under agreements to resell, securities borrowed, securities sold under agreements to repurchase, securities loaned and certain non-collateralized short-term borrowings

The Company elected the fair value option for certain portfolios of fixed-income securities purchased under agreements to resell and fixed-income securities sold under agreements to repurchase, securities borrowed, securities loaned, and certain non-collateralized short-term borrowings held primarily by broker-dealer entities in the United States, United Kingdom and Japan. In each case, the election was made because the related interest-rate risk is managed on a portfolio basis, primarily with derivative instruments that are accounted for at fair value through earnings.

Changes in fair value for transactions in these portfolios are recorded in Principal transactions. The related interest revenue and interest expense are measured based on the contractual rates specified in the transactions and are reported as interest revenue and expense in the Consolidated Statement of Income.

### Certain loans and other credit products

Citigroup has elected the fair value option for certain originated and purchased loans, including certain unfunded loan products, such as guarantees and letters of credit, executed by Citigroup's lending and trading businesses. None of these credit products are highly leveraged financing commitments. Significant groups of transactions include loans and unfunded loan products that are expected to be either sold or securitized in the near term, or transactions where the economic risks are hedged with derivative instruments, such as purchased credit default swaps or total return swaps where the Company pays the total return on the underlying loans to a third party. Citigroup has elected the fair value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplifications. Fair value was not elected for most lending transactions across the Company.

The following table provides information about certain credit products carried at fair value at September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014		December 31, 2013	
	Trading assets	Loans	Trading assets	Loans
Carrying amount reported on the Consolidated Balance Sheet	\$11,071	\$4,409	\$9,262	\$4,105
Aggregate unpaid principal balance in excess of (less than) fair value	113	12	4	(79)
Balance of non-accrual loans or loans more than 90 days past due	8	4	97	5
Aggregate unpaid principal balance in excess of fair value for non-accrual loans or loans more than 90 days past due	(2)	3	41	5

In addition to the amounts reported above, \$2,300 million and \$2,308 million of unfunded loan commitments related to certain credit products selected for fair value accounting were outstanding as of September 30, 2014 and December 31, 2013, respectively.

Changes in fair value of funded and unfunded credit products are classified in Principal transactions in the Company's Consolidated Statement of Income. Related interest revenue is measured based on the contractual interest rates and reported as Interest revenue on Trading account

assets or loan interest depending on the balance sheet classifications of the credit products. The changes in fair value for the nine months ended September 30, 2014 and 2013 due to instrument-specific credit risk totaled to a loss of \$77 million and a gain of \$5 million, respectively.

#### Certain investments in unallocated precious metals

Citigroup invests in unallocated precious metals accounts (gold, silver, platinum and palladium) as part of its commodity and foreign currency trading activities or to economically hedge certain exposures from issuing structured liabilities. Under ASC 815, the investment is bifurcated into a debt host contract and a commodity forward derivative instrument. Citigroup elects the fair value option for the debt host contract, and reports the debt host contract within Trading account assets on the Company's Consolidated Balance Sheet. The total carrying amount of debt host contracts across unallocated precious metals accounts was approximately \$1.5 billion at September 30, 2014 and approximately \$1.3 billion at December 31, 2013. The amounts are expected to fluctuate based on trading activity in future periods.

As part of its commodity and foreign currency trading activities, Citi sells (buys) unallocated precious metals investments and executes forward purchase (sale) derivative contracts with trading counterparties. When Citi sells an unallocated precious metals investment, Citi's receivable from its depository bank is repaid and Citi derecognizes its investment in the unallocated precious metal. The forward purchase (sale) contract with the trading counterparty indexed to unallocated precious metals is accounted for as a derivative, at fair value through earnings. As of September 30, 2014, there were approximately \$9.6 billion and \$6.6 billion notional amounts of such forward purchase and forward sale derivative contracts outstanding, respectively.

#### Certain investments in private equity and real estate ventures and certain equity method and other investments

Citigroup invests in private equity and real estate ventures for the purpose of earning investment returns and for capital

appreciation. The Company has elected the fair value option for certain of these ventures, because such investments are considered similar to many private equity or hedge fund activities in Citi's investment companies, which are reported at

fair value. The fair value option brings consistency in the accounting and evaluation of these investments. All investments (debt and equity) in such private equity and real estate entities are accounted for at fair value. These investments are classified as Investments on Citigroup's Consolidated Balance Sheet.

Citigroup also holds various non-strategic investments in leveraged buyout funds and other hedge funds for which the Company elected fair value accounting to reduce operational and accounting complexity. Since the funds account for all of their underlying assets at fair value, the impact of applying the equity method to Citigroup's investment in these funds was equivalent to fair value accounting. These investments are classified as Other assets on Citigroup's Consolidated Balance Sheet.

Changes in the fair values of these investments are classified in Other revenue in the Company's Consolidated Statement of Income.

Citigroup also elects the fair value option for certain non-marketable equity securities whose risk is managed with derivative instruments that are accounted for at fair value through earnings. These securities are classified as Trading account assets on Citigroup's Consolidated Balance Sheet. Changes in the fair value of these securities and the related derivative instruments are recorded in Principal transactions.

#### Certain mortgage loans (HFS)

Citigroup has elected the fair value option for certain purchased and originated prime fixed-rate and conforming adjustable-rate first mortgage loans HFS. These loans are intended for sale or securitization and are hedged with derivative instruments. The Company has elected the fair value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplifications.

The following table provides information about certain mortgage loans HFS carried at fair value at September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014	December 31, 2013
------------------------	-----------------------	----------------------

Edgar Filing: CITIGROUP INC - Form 10-Q

Carrying amount reported on the Consolidated Balance Sheet	\$1,640	\$2,089
Aggregate fair value in excess of unpaid principal balance	62	48
Balance of non-accrual loans or loans more than 90 days past due	—	—
Aggregate unpaid principal balance in excess of fair value for non-accrual loans or loans more than 90 days past due	—	—

The changes in fair values of these mortgage loans are reported in Other revenue in the Company's Consolidated Statement of Income. There was no net change in fair value during the nine months ended September 30, 2014 and 2013 due to instrument-specific credit risk. Related interest income continues to be measured based on the contractual interest rates and reported as Interest revenue in the Consolidated Statement of Income.

Certain consolidated VIEs

The Company has elected the fair value option for all qualified assets and liabilities of certain VIEs that were consolidated upon the adoption of SFAS 167 on January 1, 2010, including certain private label mortgage securitizations, mutual fund deferred sales commissions and collateralized loan obligation VIEs. The Company elected the fair value option for these VIEs, as the Company believes this method better reflects the economic risks, since substantially all of the Company's retained interests in these entities are carried at fair value.



With respect to the consolidated mortgage VIEs, the Company determined the fair value for the mortgage loans and long-term debt utilizing internal valuation techniques. The fair value of the long-term debt measured using internal valuation techniques is verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources and may apply matrix pricing for similar securities when no price is observable. Security pricing associated with long-term debt that is valued using observable inputs is classified as Level 2, and debt that is valued using one or more significant unobservable inputs is classified as Level 3. The fair value of mortgage loans in each VIE is derived from the security pricing. When substantially all of the long-term debt of a VIE is valued using Level 2 inputs, the corresponding mortgage loans are classified as Level 2. Otherwise, the mortgage loans of a VIE are classified as Level 3.

With respect to the consolidated mortgage VIEs for which the fair value option was elected, the mortgage loans are classified as Loans on Citigroup's Consolidated Balance Sheet. The changes in fair value of the loans are reported as Other revenue in the Company's Consolidated Statement of Income. Related interest revenue is measured based on the contractual interest rates and reported as Interest revenue in the Company's Consolidated Statement of Income. Information about these mortgage loans is included in the

table below. The change in fair value of these loans due to instrument-specific credit risk was a loss of \$48 million and \$115 million for the nine months ended September 30, 2014 and 2013, respectively.

The debt issued by these consolidated VIEs is classified as long-term debt on Citigroup's Consolidated Balance Sheet. The changes in fair value for the majority of these liabilities are reported in Other revenue in the Company's Consolidated Statement of Income. Related interest expense is measured based on the contractual interest rates and reported as Interest expense in the Consolidated Statement of Income. The aggregate unpaid principal balance of long-term debt of these consolidated VIEs exceeded the aggregate fair value by \$9 million and \$223 million as of September 30, 2014 and December 31, 2013, respectively.

The following table provides information about corporate and consumer loans of consolidated VIEs carried at fair value at September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014		December 31, 2013	
	Corporate loans	Consumer loans	Corporate loans	Consumer loans
Carrying amount reported on the Consolidated Balance Sheet	\$2	\$—	\$14	\$910
Aggregate unpaid principal balance in excess of fair value	10	—	7	212
Balance of non-accrual loans or loans more than 90 days past due	—	—	—	81
Aggregate unpaid principal balance in excess of fair value for non-accrual loans or loans more than 90 days past due	—	—	—	106

#### Certain structured liabilities

The Company has elected the fair value option for certain structured liabilities whose performance is linked to structured interest rates, inflation, currency, equity, referenced credit or commodity risks (structured liabilities). The Company elected the fair value option, because these exposures are considered to be trading-related positions and, therefore, are managed on a fair value basis. These positions will continue to be classified as debt, deposits or derivatives (Trading account liabilities) on the Company's Consolidated Balance Sheet according to their legal form.

The following table provides information about the carrying value of structured notes, disaggregated by type of embedded derivative instrument at September 30, 2014 and December 31, 2013:

In billions of dollars	September 30, 2014	December 31, 2013
Interest rate linked	\$10.7	\$9.8
Foreign exchange linked	0.3	0.5
Equity linked	7.4	7.0
Commodity linked	2.0	1.8
Credit linked	2.7	3.5
Total	\$23.1	\$22.6

The change in fair value of these structured liabilities is reported in Principal transactions in the Company's Consolidated Statement of Income. Changes in fair value of these structured liabilities include an economic component for accrued interest, which is included in the change in fair value reported in Principal transactions.

#### Certain non-structured liabilities

The Company has elected the fair value option for certain non-structured liabilities with fixed and floating interest rates (non-structured liabilities). The Company has elected the fair value option where the interest-rate risk of such liabilities is

economically hedged with derivative contracts or the proceeds are used to purchase financial assets that will also be accounted for at fair value through earnings. The election has been made to mitigate accounting mismatches and to achieve operational simplifications. These positions are reported in Short-term borrowings and Long-term debt on the Company's Consolidated Balance Sheet. The change in fair value of these non-structured liabilities is reported in Principal transactions in the Company's Consolidated Statement of Income. Related interest expense on non-structured liabilities is measured based on the contractual interest rates and reported as Interest expense in the Consolidated Statement of Income.

The following table provides information about long-term debt carried at fair value, excluding debt issued by consolidated VIEs, at September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014	December 31, 2013
Carrying amount reported on the Consolidated Balance Sheet	\$26,453	\$25,968

Edgar Filing: CITIGROUP INC - Form 10-Q

Aggregate unpaid principal balance in excess of (less than) fair value (357 ) (866 )

The following table provides information about short-term borrowings carried at fair value at September 30, 2014 and December 31, 2013:

In millions of dollars	September 30, 2014	December 31, 2013
Carrying amount reported on the Consolidated Balance Sheet	\$1,454	\$3,692
Aggregate unpaid principal balance in excess of (less than) fair value	32	(38 )

224

---

## 24. GUARANTEES AND COMMITMENTS

Citi provides a variety of guarantees and indemnifications to its customers to enhance their credit standing and enable them to complete a wide variety of business transactions. For certain contracts meeting the definition of a guarantee, the guarantor must recognize, at inception, a liability for the fair value of the obligation undertaken in issuing the guarantee.

In addition, the guarantor must disclose the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, if there were a total

default by the guaranteed parties. The determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. As such, Citi believes such amounts bear no relationship to the anticipated losses, if any, on these guarantees.

The following tables present information about Citi's guarantees at September 30, 2014 and December 31, 2013:

In billions of dollars at September 30, 2014 except carrying value in millions	Maximum potential amount of future payments			Carrying value (in millions of dollars)
	Expire within 1 year	Expire after 1 year	Total amount outstanding	
Financial standby letters of credit	\$24.6	\$73.2	\$97.8	\$257
Performance guarantees	7.2	4.7	11.9	33
Derivative instruments considered to be guarantees	15.4	77.2	92.6	1,404
Loans sold with recourse	—	0.2	0.2	16
Securities lending indemnifications <sup>(1)</sup>	105.7	—	105.7	—
Credit card merchant processing <sup>(1)</sup>	86.5	—	86.5	—
Custody indemnifications and other	—	41.0	41.0	54
<b>Total</b>	<b>\$239.4</b>	<b>\$196.3</b>	<b>\$435.7</b>	<b>\$1,764</b>

  

In billions of dollars at December 31, 2013 except carrying value in millions	Maximum potential amount of future payments			Carrying value (in millions of dollars)
	Expire within 1 year	Expire after 1 year	Total amount outstanding	
Financial standby letters of credit	\$28.8	\$71.4	\$100.2	\$429
Performance guarantees	7.6	4.9	12.5	42
Derivative instruments considered to be guarantees	6.0	61.6	67.6	797
Loans sold with recourse	—	0.3	0.3	22
Securities lending indemnifications <sup>(1)</sup>	79.2	—	79.2	—
Credit card merchant processing <sup>(1)</sup>	85.9	—	85.9	—
Custody indemnifications and other	—	36.3	36.3	53
<b>Total</b>	<b>\$207.5</b>	<b>\$174.5</b>	<b>\$382.0</b>	<b>\$1,343</b>

(1) The carrying values of securities lending indemnifications and credit card merchant processing were not material for either period presented, as the probability of potential liabilities arising from these guarantees is minimal.

### Financial standby letters of credit

Citi issues standby letters of credit which substitute its own credit for that of the borrower. If a letter of credit is drawn down, the borrower is obligated to repay Citi. Standby letters of credit protect a third party from defaults on contractual obligations. Financial standby letters of credit include: (i) guarantees of payment of insurance premiums and reinsurance risks that support industrial revenue bond underwriting; (ii) settlement of payment obligations to clearing houses, including futures and over-the-counter derivatives clearing (see further discussion below);

(iii) support options and purchases of securities in lieu of escrow deposit accounts; and (iv) letters of credit that backstop loans, credit facilities, promissory notes and trade acceptances.

#### Performance guarantees

Performance guarantees and letters of credit are issued to guarantee a customer's tender bid on a construction or systems-installation project or to guarantee completion of such projects in accordance with contract terms. They are also issued to support a customer's obligation to supply specified products, commodities, or maintenance or warranty services to a third party.

#### Derivative instruments considered to be guarantees

Derivatives are financial instruments whose cash flows are based on a notional amount and an underlying instrument, reference credit or index, where there is little or no initial investment, and whose terms require or permit net settlement. For a discussion of Citi's derivatives activities, see Note 21 to the Consolidated Financial Statements.

Derivative instruments considered to be guarantees include only those instruments that require Citi to make payments to the counterparty based on changes in an underlying instrument that is related to an asset, a liability or an equity security held by the guaranteed party. More specifically, derivative instruments considered to be guarantees include certain over-the-counter written put options where the counterparty is not a bank, hedge fund or broker-dealer (such counterparties are considered to be dealers in these markets and may, therefore, not hold the underlying instruments). Credit derivatives sold by Citi are excluded from the tables above as they are disclosed separately in Note 21 to the Consolidated Financial Statements. In instances where Citi's maximum potential future payment is unlimited, the notional amount of the contract is disclosed.

#### Loans sold with recourse

Loans sold with recourse represent Citi's obligations to reimburse the buyers for loan losses under certain circumstances. Recourse refers to the clause in a sales agreement under which a seller/lender will fully reimburse the buyer/investor for any losses resulting from the purchased loans. This may be accomplished by the seller taking back any loans that become delinquent.

In addition to the amounts shown in the tables above, Citi has recorded a repurchase reserve for its potential repurchases or make-whole liability regarding residential mortgage representation and warranty claims related to its whole loan sales to the U.S. government-sponsored enterprises (GSEs) and, to a lesser extent, private investors. The repurchase reserve was approximately \$225 million and \$341 million at September 30, 2014 and December 31, 2013, respectively, and these amounts are included in Other liabilities on the Consolidated Balance Sheet.

#### Securities lending indemnifications

Owners of securities frequently lend those securities for a fee to other parties who may sell them short or deliver them to another party to satisfy some other obligation. Banks may administer such securities lending programs for their clients. Securities lending indemnifications are issued by the bank to guarantee that a securities lending customer will be made whole in the event that the security borrower does not return the security subject to the lending agreement and collateral held is insufficient to cover the market value of the security.

#### Credit card merchant processing

Credit card merchant processing guarantees represent the Company's indirect obligations in connection with:

(i) providing transaction processing services to various merchants with respect to its private-label cards; and  
(ii) potential liability for bank card transaction processing services. The nature of the liability in either case arises as a result of a billing dispute between a merchant and a cardholder that is ultimately resolved in the cardholder's favor. The merchant is liable to refund the amount to the cardholder. In general, if the credit card processing company

is unable to collect this amount from the merchant, the credit card processing company bears the loss for the amount of the credit or refund paid to the cardholder.

With regard to (i) above, Citi has the primary contingent liability with respect to its portfolio of private-label merchants. The risk of loss is mitigated as the cash flows between Citi and the merchant are settled on a net basis and Citi has the right to offset any payments with cash flows otherwise due to the merchant. To further mitigate this risk, Citi may delay settlement, require a merchant to make an escrow deposit, include event triggers to provide Citi with more financial and operational control in the event of the financial deterioration of the merchant or require various credit enhancements (including letters of credit and bank guarantees). In the unlikely event that a private-label merchant is unable to deliver products, services or a refund to its private-label cardholders, Citi is contingently liable to credit or refund cardholders.

With regard to (ii) above, Citi has a potential liability for bank card transactions where Citi provides the transaction processing services as well as those where a third party provides the services and Citi acts as a secondary guarantor, should that processor fail to perform.

Citi's maximum potential contingent liability related to both bank card and private-label merchant processing services is estimated to be the total volume of credit card transactions that meet the requirements to be valid charge-back

transactions at any given time. At September 30, 2014 and December 31, 2013, this maximum potential exposure was estimated to be \$87 billion and \$86 billion, respectively.

However, Citi believes that the maximum exposure is not representative of the actual potential loss exposure based on its historical experience. This contingent liability is unlikely to arise, as most products and services are delivered when purchased and amounts are refunded when items are returned to merchants. Citi assesses the probability and amount of its contingent liability related to merchant processing based on the financial strength of the primary guarantor, the extent and nature of unresolved charge-backs and its historical loss experience. At September 30, 2014 and December 31, 2013, the losses incurred and the carrying amounts of Citi's contingent obligations related to merchant processing activities were immaterial.

#### Custody indemnifications

Custody indemnifications are issued to guarantee that custody clients will be made whole in the event that a third-party subcustodian or depository institution fails to safeguard clients' assets.

#### Other guarantees and indemnifications

##### Credit Card Protection Programs

Citi, through its credit card businesses, provides various cardholder protection programs on several of its card products, including programs that provide insurance coverage for rental cars, coverage for certain losses associated with purchased products, price protection for certain purchases and protection for lost luggage. These guarantees are not included in the table, since the total

outstanding amount of the guarantees and Citi's maximum exposure to loss cannot be quantified. The protection is limited to certain types of purchases and losses, and it is not possible to quantify the purchases that would qualify for these benefits at any given time. Citi assesses the probability and amount of its potential liability related to these programs based on the extent and nature of its historical loss experience. At September 30, 2014 and December 31, 2013, the actual and estimated losses incurred and the carrying value of Citi's obligations related to these programs were immaterial.

#### Other Representation and Warranty Indemnifications

In the normal course of business, Citi provides standard representations and warranties to counterparties in contracts in connection with numerous transactions and also provides indemnifications, including indemnifications that protect the counterparties to the contracts in the event that additional taxes are owed due either to a change in the tax law or an adverse interpretation of the tax law. Counterparties to these transactions provide Citi with comparable indemnifications. While such representations, warranties and indemnifications are essential components of many contractual relationships, they do not represent the underlying business purpose for the transactions. The indemnification clauses are often standard contractual terms related to Citi's own performance under the terms of a contract and are entered into in the normal course of business based on an assessment that the risk of loss is remote. Often these clauses are intended to ensure that terms of a contract are met at inception. No compensation is received for these standard representations and warranties, and it is not possible to determine their fair value because they rarely, if ever, result in a payment. In many cases, there are no stated or notional amounts included in the indemnification clauses, and the contingencies potentially triggering the obligation to indemnify have not occurred and are not expected to occur. As a result, these indemnifications are not included in the tables above.

#### Value-Transfer Networks

Citi is a member of, or shareholder in, hundreds of value-transfer networks (VTNs) (payment, clearing and settlement systems as well as exchanges) around the world. As a condition of membership, many of these VTNs require that members stand ready to pay a pro rata share of the losses incurred by the organization due to another member's default on its obligations. Citi's potential obligations may be limited to its membership interests in the VTNs, contributions to the VTN's funds, or, in limited cases, the obligation may be unlimited. The maximum exposure cannot be estimated as this would require an assessment of future claims that have not yet occurred. Citi believes the risk of loss is remote given historical experience with the VTNs. Accordingly, Citi's participation in VTNs is not reported in the guarantees tables above, and there are no amounts reflected on the Consolidated Balance Sheet as of September 30, 2014 or December 31, 2013 for potential obligations that could arise from Citi's involvement with VTN associations.

#### Long-Term Care Insurance Indemnification

In the sale of an insurance subsidiary, the Company provided an indemnification to an insurance company for policyholder claims and other liabilities relating to a book of long-term care (LTC) business (for the entire term of the LTC policies) that is fully reinsured by another insurance company. The reinsurer has funded two trusts with securities whose fair value (approximately \$6.1 billion at September 30, 2014, compared to \$5.4 billion at December 31, 2013) is designed to cover the insurance company's statutory liabilities for the LTC policies. The assets in these trusts are evaluated and adjusted periodically to ensure that the fair value of the assets continues to cover the estimated statutory liabilities related to the LTC policies, as those statutory liabilities change over time.

If the reinsurer fails to perform under the reinsurance agreement for any reason, including insolvency, and the assets in the two trusts are insufficient or unavailable to the ceding insurance company, then Citi must indemnify the ceding insurance company for any losses actually incurred in connection with the LTC policies. Since both events would have to occur before Citi would become responsible for any payment to the ceding insurance company pursuant to its indemnification obligation, and the likelihood of such events occurring is currently not probable, there is no liability reflected in the Consolidated Balance Sheet as of September 30, 2014 and December 31, 2013 related to this indemnification. Citi continues to closely monitor its potential exposure under this indemnification obligation.



#### Carrying Value—Guarantees and Indemnifications

At September 30, 2014 and December 31, 2013, the total carrying amounts of the liabilities related to the guarantees and indemnifications included in the tables above amounted to approximately \$1.8 billion and \$1.3 billion, respectively. The carrying value of financial and performance guarantees is included in Other liabilities. For loans sold with recourse, the carrying value of the liability is included in Other liabilities.

#### Futures and over-the-counter derivatives clearing

Citi provides clearing services for clients executing exchange-traded futures and over-the-counter (OTC) derivatives contracts with central counterparties (CCPs). Based on all relevant facts and circumstances, Citi has concluded that it acts as an agent for accounting purposes in its role as clearing member for these client transactions. As such, Citi does not reflect the underlying exchange-traded futures or OTC derivatives contracts in its Consolidated Financial Statements. See Note 21 for a discussion of Citi's derivatives activities that are reflected in its Consolidated Financial Statements.

As a clearing member, Citi collects and remits cash and securities collateral (margin) between its clients and the respective CCP. There are two types of margin: initial margin and variation margin. Where Citi obtains benefits from or controls cash initial margin (e.g., retains an interest spread), cash initial margin collected from clients and remitted to the CCP is reflected within Brokerage Payables

(payables to customers) and Brokerage Receivables (receivables from brokers, dealers and clearing organizations), respectively. However, for OTC derivatives contracts where Citi has contractually agreed with the client that (a) Citi will pass through to the client all interest paid by the CCP on cash initial margin; (b) Citi will not utilize its right as clearing member to transform cash margin into other assets; and (c) Citi does not guarantee and is not liable to the client for the performance of the CCP, cash initial margin collected from clients and remitted to the CCP is not reflected on Citi's Consolidated Balance Sheet. The total amount of cash initial margin collected and remitted in this manner was approximately \$3.3 billion and \$1.4 billion as of September 30, 2014 and December 31, 2013, respectively.

Variation margin due from clients to the respective CCP, or from the CCP to clients, reflects changes in the value of the client's derivative contracts for each trading day. As a clearing member, Citi is exposed to the risk of non-performance by clients (e.g., failure of a client to post variation margin to the CCP for negative changes in the value of the client's derivative contracts). In the event of non-performance by a client, Citi would move to close out the client's positions. The CCP would typically utilize initial margin posted by the client and held by the CCP, with any remaining shortfalls required to be paid by Citi as clearing member. Citi generally holds incremental cash or securities margin posted by the client, which would typically be expected to be sufficient to mitigate Citi's credit risk in the event the client fails to perform.

As required by ASC 860-30-25-5, securities collateral posted by clients is not recognized on Citi's Consolidated Balance Sheet.

#### Collateral

Cash collateral available to Citi to reimburse losses realized under these guarantees and indemnifications amounted to \$63 billion and \$52 billion at September 30, 2014 and

December 31, 2013, respectively. Securities and other marketable assets held as collateral amounted to \$49 billion and \$39 billion at September 30, 2014 and December 31, 2013, respectively. The majority of collateral is held to reimburse losses realized under securities lending indemnifications. Additionally, letters of credit in favor of Citi held as collateral amounted to \$3.8 billion and \$5.3 billion at September 30, 2014 and December 31, 2013, respectively. Other property may also be available to Citi to cover losses under certain guarantees and indemnifications; however, the value of such property has not been determined.

#### Performance risk

Citi evaluates the performance risk of its guarantees based on the assigned referenced counterparty internal or external ratings. Where external ratings are used, investment-grade ratings are considered to be Baa/BBB and above, while anything below is considered non-investment grade. Citi's internal ratings are in line with the related external rating system. On certain underlying referenced assets or entities, ratings are not available. Such referenced assets are included in the "not rated" category. The maximum potential amount of the future payments related to the outstanding guarantees is determined to be the notional amount of these contracts, which is the par amount of the assets guaranteed.

Presented in the tables below are the maximum potential amounts of future payments that are classified based upon internal and external credit ratings as of September 30, 2014 and December 31, 2013. As previously mentioned, the determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. As such, Citi believes such amounts bear no relationship to the anticipated losses, if any, on these guarantees.

In billions of dollars at September 30, 2014	Maximum potential amount of future payments			Total
	Investment grade	Non-investment grade	Not rated	
Financial standby letters of credit	\$72.4	\$ 15.4	\$10.0	\$97.8
Performance guarantees	6.9	4.1	0.9	11.9

Edgar Filing: CITIGROUP INC - Form 10-Q

Derivative instruments deemed to be guarantees	—	—	92.6	92.6
Loans sold with recourse	—	—	0.2	0.2
Securities lending indemnifications	—	—	105.7	105.7
Credit card merchant processing	—	—	86.5	86.5
Custody indemnifications and other	40.8	0.2	—	41.0
Total	\$120.1	\$ 19.7	\$295.9	\$435.7

228

---

In billions of dollars at December 31, 2013	Maximum potential amount of future payments			
	Investment grade	Non-investment grade	Not rated	Total
Financial standby letters of credit	\$76.2	\$ 14.8	\$9.2	\$100.2
Performance guarantees	7.4	3.6	1.5	12.5
Derivative instruments deemed to be guarantees	—	—	67.6	67.6
Loans sold with recourse	—	—	0.3	0.3
Securities lending indemnifications	—	—	79.2	79.2
Credit card merchant processing	—	—	85.9	85.9
Custody indemnifications and other	36.2	0.1	—	36.3
Total	\$119.8	\$ 18.5	\$243.7	\$382.0

### Credit Commitments and Lines of Credit

The table below summarizes Citigroup's credit commitments as of September 30, 2014 and December 31, 2013:

In millions of dollars	U.S.	Outside of U.S.	September 30,	December 31,
			2014	2013
Commercial and similar letters of credit	\$1,537	\$5,587	\$7,124	\$7,341
One- to four-family residential mortgages	2,281	2,601	4,882	4,946
Revolving open-end loans secured by one- to four-family residential properties	13,616	2,999	16,615	16,781
Commercial real estate, construction and land development	7,308	1,132	8,440	8,001
Credit card lines	493,404	124,578	617,982	641,111
Commercial and other consumer loan commitments	161,325	97,426	258,751	225,795
Other commitments and contingencies	1,257	8,045	9,302	7,863
Total	\$680,728	\$242,368	\$923,096	\$911,838

The majority of unused commitments are contingent upon customers' maintaining specific credit standards.

Commercial commitments generally have floating interest rates and fixed expiration dates and may require payment of fees. Such fees (net of certain direct costs) are deferred and, upon exercise of the commitment, amortized over the life of the loan or, if exercise is deemed remote, amortized over the commitment period.

### Commercial and similar letters of credit

A commercial letter of credit is an instrument by which Citigroup substitutes its credit for that of a customer to enable the customer to finance the purchase of goods or to incur other commitments. Citigroup issues a letter on behalf of its client to a supplier and agrees to pay the supplier upon presentation of documentary evidence that the supplier has performed in accordance with the terms of the letter of credit. When a letter of credit is drawn, the customer is then required to reimburse Citigroup.

### One- to four-family residential mortgages

A one- to four-family residential mortgage commitment is a written confirmation from Citigroup to a seller of a property that the bank will advance the specified sums enabling the buyer to complete the purchase.

### Revolving open-end loans secured by one- to four-family residential properties

Revolving open-end loans secured by one- to four-family residential properties are essentially home equity lines of credit. A home equity line of credit is a loan secured by a primary residence or second home to the extent of the excess of fair market value over the debt outstanding for the first mortgage.

### Commercial real estate, construction and land development

Commercial real estate, construction and land development include unused portions of commitments to extend credit for the purpose of financing commercial and multifamily residential properties as well as land development projects. Both secured-by-real-estate and unsecured commitments are included in this line, as well as undistributed loan proceeds, where there is an obligation to advance for construction progress payments. However, this line only includes those extensions of credit that, once funded, will be classified as Total loans, net on the Consolidated Balance Sheet.

Credit card lines

Citigroup provides credit to customers by issuing credit cards. The credit card lines are cancellable by providing notice to the cardholder or without such notice as permitted by local law.

Commercial and other consumer loan commitments

Commercial and other consumer loan commitments include overdraft and liquidity facilities, as well as commercial commitments to make or purchase loans, to purchase third-party receivables, to provide note issuance or revolving underwriting facilities and to invest in the form of equity. Amounts include \$56 billion and \$58 billion with an original maturity of less than one year at September 30, 2014 and December 31, 2013, respectively.

In addition, included in this line item are highly leveraged financing commitments, which are agreements that provide funding to a borrower with higher levels of debt (measured by the ratio of debt capital to equity capital of the borrower) than is generally considered normal for other companies. This type of financing is commonly employed in corporate acquisitions, management buy-outs and similar transactions.

Other commitments and contingencies

Other commitments and contingencies include committed or unsettled regular-way reverse repurchase agreements and all other transactions related to commitments and contingencies not reported on the lines above.

## 25. CONTINGENCIES

The following information supplements and amends, as applicable, the disclosures in Note 28 to the Consolidated Financial Statements of Citigroup's 2013 Annual Report on Form 10-K and Note 25 to the Consolidated Financial Statements of Citigroup's Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2014 and June 30, 2014. For purposes of this Note, Citigroup, its affiliates and subsidiaries, and current and former officers, directors and employees, are sometimes collectively referred to as Citigroup and Related Parties.

In accordance with ASC 450, Citigroup establishes accruals for contingencies, including the litigation and regulatory matters disclosed herein, when Citigroup believes it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of loss ultimately incurred in relation to those matters may be substantially higher or lower than the amounts accrued for those matters.

If Citigroup has not accrued for a matter because the matter does not meet the criteria for accrual (as set forth above), or Citigroup believes an exposure to loss exists in excess of the amount accrued for a particular matter, in each case assuming a material loss is reasonably possible, Citigroup discloses the matter. In addition, for such matters, Citigroup discloses an estimate of the aggregate reasonably possible loss or range of loss in excess of the amounts accrued for those matters as to which an estimate can be made. At September 30, 2014, Citigroup's estimate was materially unchanged from its estimate of approximately \$5 billion at December 31, 2013, as more fully described in Note 28 to the Consolidated Financial Statements in the 2013 Annual Report on Form 10-K.

As available information changes, the matters for which Citigroup is able to estimate will change, and the estimates themselves will change. In addition, while many estimates presented in financial statements and other financial disclosure involve significant judgment and may be subject to significant uncertainty, estimates of the range of reasonably possible loss arising from litigation and regulatory proceedings are subject to particular uncertainties. For example, at the time of making an estimate, Citigroup may have only preliminary, incomplete or inaccurate information about the facts underlying the claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties or regulators, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that Citigroup had not accounted for in its estimates because it had deemed such an outcome to be remote. For all these reasons, the amount of loss in excess of accruals ultimately incurred for the matters as to which an estimate has been made could be substantially higher or lower than the range of loss included in the estimate.

Subject to the foregoing, it is the opinion of Citigroup's management, based on current knowledge and after taking into

account its current legal accruals, that the eventual outcome of all matters described in this Note would not be likely to have a material adverse effect on the consolidated financial condition of Citigroup. Nonetheless, given the substantial or indeterminate amounts sought in certain of these matters, and the inherent unpredictability of such matters, an adverse outcome in certain of these matters could, from time to time, have a material adverse effect on Citigroup's consolidated results of operations or cash flows in particular quarterly or annual periods.

For further information on ASC 450 and Citigroup's accounting and disclosure framework for contingencies, including for litigation and regulatory matters disclosed herein, see Note 28 to the Consolidated Financial Statements of Citigroup's 2013 Annual Report on Form 10-K.

### Commodities Financing Contracts

A trial in the Commercial Court in London is scheduled to commence on December 1, 2014.

### Credit Crisis-Related Litigation and Other Matters

### Mortgage-Related Litigation and Other Matters

Regulatory Actions: As previously disclosed, on June 4, 2014, the United States Court of Appeals for the Second Circuit issued an opinion and order reversing the district court's order in UNITED STATES SECURITIES & EXCHANGE COMMISSION v. CITIGROUP GLOBAL MARKETS INC. refusing to approve Citigroup's proposed settlement with the SEC. The action was remanded to the district court for further proceedings consistent with the Second Circuit's decision. On August 5, 2014, the district court approved the settlement. Additional information relating to this action is publicly available in court filings under the docket numbers 11 Civ. 7387 (S.D.N.Y.) (Rakoff, J.) and 11-5227 (2d Cir.).

Mortgage-Backed Securities and CDO Investor Actions: Certain of the actions brought by purchasers of MBS sponsored, underwritten, or sold by Citigroup have been resolved through settlement and dismissed with prejudice. Additional information relating to these actions is publicly available in court filings under the docket numbers 12 Civ. 1841 (D. Minn.) (Montgomery, J.) and 14 Civ. 252 (C.D. Cal.) (Pfaelzer, J.).

On September 16, 2014, the Commonwealth of Virginia filed a complaint intervening in VIRGINIA EX REL. INTEGRA REC LLC. v. BARCLAYS CAPITAL INC., ET AL., asserting claims for fraud and a violation of the Virginia Fraud Against Taxpayers Act in relation to CGMI's alleged sale of RMBS to the Virginia Retirement System. Additional information relating to this action is publicly available in court filings under the docket number CL 14-399 (Vir. Cir. Ct.) (Hughes, J.).

As of September 30, 2014, the aggregate original purchase amount of the purchases at issue in the pending MBS and CDO investor suits is approximately \$6.2 billion, and the aggregate original purchase amount of the purchases covered by tolling agreements with MBS and CDO investors threatening litigation is approximately \$1.4 billion.



**Mortgage-Backed Security Repurchase Claims:** The deadline for trustees to accept or reject Citigroup's April 7, 2014 offer of settlement to resolve representation and warranty repurchase claims related to certain legacy securitizations was further extended to December 5, 2014.

#### Counterparty and Investor Actions

On October 6, 2014, the United States Supreme Court denied Abu Dhabi Investment Authority's petition for a writ of certiorari seeking review of the Second Circuit's affirmance of the district court's confirmation of the arbitration award. Additional information relating to this action is publicly available in court filings under the docket numbers 12 Civ. 283 (S.D.N.Y.) (Daniels, J.), 13-1068-cv (2d Cir.) and 13-1500 (U.S.).

#### KIKOs

As of September 30, 2014, there were 103 civil lawsuits filed by small- and medium-sized export businesses against Citibank Korea Inc. (CKI). To date, 101 decisions have been rendered at the district court level, and CKI has prevailed in 81 of those decisions. In the other 20 decisions, plaintiffs were awarded only a portion of the damages sought. The damage awards total in the aggregate approximately \$37.4 million. CKI is appealing the 20 adverse decisions. A significant number of plaintiffs that had decisions rendered against them are also filing appeals, including plaintiffs that were awarded less than all of the damages they sought.

Of the 101 cases decided at the district court level, 66 have been appealed to the high court, including the 20 in which an adverse decision was rendered against CKI in the district court. Of the 64 appeals decided or settled at the high court level, CKI prevailed in 47 cases, and in the other 17 cases plaintiffs were awarded partial damages. As a result, the aggregate damages awarded against CKI decreased by approximately \$10.2 million. CKI is appealing nine of the adverse decisions to the Korean Supreme Court and many plaintiffs have filed appeals to the Supreme Court as well. As of September 30, 2014, the Supreme Court has rendered 33 judgments relating to CKI. CKI prevailed in 30 cases. The Supreme Court confirmed lower court judgments in which plaintiffs were awarded partial damages in three cases. As a result, the aggregate damages awarded against CKI decreased by approximately \$0.3 million. After taking into account all decisions rendered through September 30, 2014 at the district court, high court, or Supreme Court levels, the damages awarded against CKI currently total in the aggregate approximately \$26.9 million.

#### Terra Firma Litigation

A trial of the claims asserted by Terra Firma against Citigroup in the High Court of Justice, Queen's Bench Division, Commercial Court in London is scheduled to begin on November 7, 2016. Additional information relating to this action is publicly available in court filings under the caption Terra Firma Investments (GP) 2 Ltd. & Ors v. Citigroup Global Markets Ltd. & Ors (Claim No 3MA40121).

#### Tribune Company Bankruptcy

Motions to dismiss are pending in the Litigation Trustee's action against former Tribune officers, directors and shareholders, and in the separate action in which CGMI has been named as a defendant in connection with its role as advisor to Tribune. Additionally, cross-appeals to the Second Circuit are pending with respect to the district court's September 23, 2013 order dismissing the constructive fraudulent transfer claims asserted by creditors of Tribune. Additional information relating to these actions is publicly available in court filings under the docket numbers 11 MD 2296 (S.D.N.Y.) (Sullivan, J.), 12 2296 (S.D.N.Y.) (Sullivan, J.), and 13-3992(L) (2d Cir.).

#### Credit Default Swaps Matters

On September 4, 2014, the United States District Court for the Southern District of New York granted in part and denied in part defendants' motion to dismiss the second consolidated amended complaint, dismissing plaintiffs' claim for violation of Section 2 of the Sherman Act and certain claims for damages, but permitting the case to proceed as to plaintiffs' claims for violation of Section 1 of the Sherman Act and unjust enrichment. Additional information relating to this action is publicly available in court filings under the docket number 13 MD 2476 (S.D.N.Y.) (Cote, J.).

#### Foreign Exchange Matters

Regulatory Actions: Government and regulatory agencies in the U.S., including the Antitrust Division and the Criminal Division of the Department of Justice and the Commodity Futures Trading Commission, as well as agencies in other jurisdictions, including the U.K. Financial Conduct Authority and the Swiss Competition Commission, are conducting investigations or making inquiries regarding Citigroup's foreign exchange business. Citigroup is fully cooperating with these and related investigations and inquiries.

#### Interbank Offered Rates-Related Litigation and Other Matters

Antitrust and Other Litigation: On August 29, 2014, plaintiffs in *GELBOIM, ET AL. v. BANK OF AMERICA CORP., ET AL.* filed their opening brief in the United States Supreme Court. Respondents' brief was filed on October 15, 2014, and oral argument is scheduled for December 9, 2014. Additional information concerning this action is publicly available in court filings under the docket numbers 13-3565 (2d Cir.), 13-3636 (2d Cir.), and 13-1174 (U.S.). On September 11, 2014, the United States District Court for the Southern District of New York granted the Department of Justice's motion to stay discovery in *SULLIVAN v. BARCLAYS PLC, ET AL.* for eight months, until May 12, 2015. Additional information concerning this action is publicly available in court filings under the docket number 1:13-cv-2811 (S.D.N.Y.) (Castel, J.).

#### ISDAFIX-Related Litigation and Other Matters

Regulatory Actions: Government agencies in the U.S., including the Department of Justice and the Commodity Futures Trading Commission, are conducting investigations or

making inquiries concerning submissions for the global benchmark for fixed interest rate swaps (ISDAFIX) and trading in products that reference ISDAFIX. Citigroup is fully cooperating with these and related investigations and inquiries.

**Antitrust and Other Litigation.** On September 4, 2014, Alaska Electrical Pension Fund filed a putative class action complaint in the United States District Court for the Southern District of New York against Citigroup and other U.S. dollar (USD) ISDAFIX panel banks. On September 30, 2014, the County of Beaver (Pennsylvania) filed a similar putative class action complaint in the United States District Court for the Southern District of New York. Plaintiffs in both actions assert federal antitrust claims, as well as claims under the Commodity Exchange Act and for unjust enrichment. On October 14, 2014, the Court signed an order consolidating these two actions for all purposes. Additional information concerning these actions is publicly available in court filings under the docket numbers 1:14-cv-7126 (S.D.N.Y.) (Furman, J.) and 1:14-cv-7907 (S.D.N.Y.) (Furman, J.).

Following the initial consolidation order, substantially similar putative class action complaints were filed by Magnolia Regional Health Center (on October 17, 2014 in the Southern District of New York), the County of Montgomery, Pennsylvania (on October 17, 2014 in the District of New Jersey) and the Genesee County Employees' Retirement System (on October 20, 2014 in the Southern District of New York). Additional information concerning these actions is publicly available in court filings under the docket numbers 1:14-cv-8342 (S.D.N.Y.) (Furman, J.), 2:14-cv-06427 (D.N.J.) (Linares, J.) and 1:14-cv-8365 (S.D.N.Y.) (Furman, J.).

#### Oceanografia Fraud and Related Matters

The Mexican National Banking and Securities Commission (CNBV) has finalized its review of the facts and circumstances of the fraud discovered in a Petróleos Mexicanos (Pemex) supplier program involving Oceanografía SA de CV (OSA). As a result of its review, the CNBV issued a corrective action order that must be implemented by Banamex and imposed a fine of approximately \$2.2 million.

Citigroup continues to cooperate fully with regulators and authorities in connection with investigations and inquiries related to the OSA fraud.

**Derivative Actions and Related Proceedings:** On September 30, 2014, the Chancery Court Master issued a final report recommending that the court enter an order granting in part and denying in part plaintiff's request for inspection. On October 7, 2014, Citigroup filed a notice of exception to the final report. Additional information concerning this action is publicly available in court filings under the docket number C.A. No. 9587-ML (Del. Ch.) (LeGrow, M.).

#### Parmalat Litigation and Related Matters

Following the October 20, 2008 verdict in New Jersey awarding \$431 million in damages on Citigroup's counterclaim, Citigroup has taken steps to enforce that judgment in the Italian Courts. On August 29, 2014, the Court of Appeal of Bologna affirmed the decision in the full amount of \$431 million, to be paid in Parmalat shares. The judgment is subject to appeal by Parmalat.

#### Regulatory Review of Consumer "Add-On" Products

Citigroup has settled industry-wide suits filed by certain state attorneys general under state consumer protection statutes that alleged deceptive marketing practices in connection with the sale of payment protection products and demanding restitution and statutory damages for in-state customers.

#### Settlement Payments

Payments required in settlement agreements described above have been made or are covered by existing litigation accruals.

[End of Consolidated Financial Statements and Notes to Consolidated Financial Statements]

233

---

## 26. SUBSEQUENT EVENT

As disclosed on October 30, 2014, Citi's results of operations for the third quarter of 2014 were impacted by an increase in legal expenses of \$600 million (pretax and after-tax), recorded in Citicorp. For additional information, see Citi's Form 8-K filed with the SEC on October 30, 2014. Citi's results of operations for the third quarter of 2014, as reported in this Quarterly Report on Form 10-Q for the period ended September 30, 2014, reflects the impact of this adjustment.

## LEGAL PROCEEDINGS

For a discussion of Citigroup's litigation and regulatory matters, see Note 25 to the Consolidated Financial Statements.

## UNREGISTERED SALES OF EQUITY, PURCHASES OF EQUITY SECURITIES, DIVIDENDS

## Unregistered Sales of Equity Securities

None.

## Equity Security Repurchases

The following table summarizes Citigroup's equity security repurchases, which consisted entirely of common stock repurchases, during the three months ended September 30, 2014:

In millions, except per share amounts	Total shares purchased	Average price paid per share	Approximate dollar value of shares that may yet be purchased under the plan or programs
July 2014			
Open market repurchases <sup>(1)</sup>	1.8	\$47.71	\$777
Employee transactions <sup>(2)</sup>	—	—	N/A
August 2014			
Open market repurchases <sup>(1)</sup>	1.3	49.61	713
Employee transactions <sup>(2)</sup>	—	—	N/A
September 2014			
Open market repurchases <sup>(1)</sup>	0.7	52.22	676
Employee transactions <sup>(2)</sup>	—	—	N/A
Amounts as of September 30, 2014	3.8	\$49.19	\$676

Represents repurchases under the \$1.2 billion 2014 common stock repurchase program (2014 Repurchase Program) that was approved by Citigroup's Board of Directors and announced on April 23, 2014, which was part of (1) the planned capital actions included by Citi in its 2014 Comprehensive Capital Analysis and Review. The 2014 Repurchase Program extends through the first quarter of 2015. Shares repurchased under the 2014 Repurchase Program are treasury stock.

Consisted of shares added to treasury stock related to (i) certain activity on employee stock option program (2) exercises where the employee delivers existing shares to cover the option exercise, or (ii) under Citi's employee restricted or deferred stock programs where shares are withheld to satisfy tax requirements.

N/A Not applicable

## Dividends

Any dividend on Citi's outstanding common stock would also be subject to regulatory approval and need to be made in compliance with Citi's obligations to its outstanding preferred stock.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 30th day of October, 2014.

CITIGROUP INC.  
(Registrant)

By /s/ John C. Gerspach  
John C. Gerspach  
Chief Financial Officer  
(Principal Financial Officer)

By /s/ Jeffrey R. Walsh  
Jeffrey R. Walsh  
Controller and Chief Accounting Officer  
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number Description of Exhibit

3.01+	Restated Certificate of Incorporation of Citigroup Inc., as amended, as in effect on the date hereof.
3.02	By-Laws of Citigroup Inc., as amended, as in effect on the date hereof, incorporated by reference to Exhibit 3.02 to Citigroup Inc.'s Current Report on Form 8-K filed January 10, 2013 (File No. 1-9924).
10.01 +	Form of Citigroup 2015 CAP/DCAP Agreement.
10.02 +	Form of Citigroup 2015 EU Immediate Award Agreement.
12.01+	Calculation of Ratio of Income to Fixed Charges.
12.02+	Calculation of Ratio of Income to Fixed Charges Including Preferred Stock Dividends.
31.01+	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02+	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.01+*	Resolution Agreement dated as of June 28, 2013 among Fannie Mae, CitiMortgage, Inc. and Citibank, N.A.
99.02+	Settlement Agreement dated as of September 25, 2013 between (i) Federal Home Loan Mortgage Corporation, and (ii) CitiMortgage, Inc. and Citibank, N.A., as successor in interest by merger to Citicorp Trust Bank.
101.01+	Financial statements from the Quarterly Report on Form 10-Q of Citigroup Inc. for the quarterly period ended September 30, 2014, filed on October 30, 2014, formatted in XBRL: (i) the Consolidated Statement of Income, (ii) the Consolidated Balance Sheet, (iii) the Consolidated Statement of Changes in Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements.

The total amount of securities authorized pursuant to any instrument defining rights of holders of long-term debt of the Company does not exceed 10% of the total assets of the Company and its consolidated subsidiaries. The Company will furnish copies of any such instrument to the SEC upon request.

+ Filed herewith

Denotes a management contract or compensatory plan or arrangement.

\* Confidential information contained in this agreement has been omitted and filed separately with the SEC.

Confidential treatment has been requested for this information.