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Regulation 32 of the
Overseas Companies
Regulations 2009

OS AA01

Statement of details of parent law and other
information for an overseas company



Companies House

☒ What this form is for
You may use this form to
accompany your accounts
disclosed under parent law

☐ What this form is NOT for
You cannot use this form
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with accounting requirements

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A22

02/07/2015

#295

COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of
overseas company ①

Citibank NA.

UK establishment
number

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Please complete in typescript or in
bold black capitals

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited

Legislation ②

Laws of the United States

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☒ Yes Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3

③ Please insert the name of the
appropriate accounting organisation
or body

Name of organisation
or body ③

Generally accepted accounting
principles in the United States

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☒ Yes Go to Section A4

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Statement of details of parent law and other information for an overseas company

A4 Audited accounts		
Audited accounts	<p>Have the accounts been audited in accordance with a set of generally accepted auditing standards?</p> <p>Please tick the appropriate box</p> <p><input type="checkbox"/> No Go to Part 3 'Signature'</p> <p><input checked="" type="checkbox"/> Yes Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'</p>	① Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ①	American Institute of Certified Public Accountants	
A5 Unaudited accounts		
Unaudited accounts	<p>Is the company required to have its accounts audited?</p> <p>Please tick the appropriate box</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes</p>	
Part 3 Signature		
Signature	I am signing this form on behalf of the overseas company	
	<p>Signature</p> <p>X <i>J. J. Reber</i> X</p>	
	This form may be signed by Director, Secretary, Permanent representative	

OS AA01

Statement of details of parent law and other information for an overseas company



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You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Jill Robson
Company name	
Address	Citigroup
	Citigroup Centre
	Canada Square
Post town	London
County/Region	
Postcode	E14 SLB
Country	
DX	
Telephone	



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CITIBANK, N.A.

(an indirect wholly owned subsidiary of Citigroup Inc.)

**Audited Consolidated Financial Statements
and Notes to the Consolidated Financial Statements**

For the Years Ended December 31, 2014 and 2013

CITIBANK, N.A.

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INDEPENDENT AUDITORS' REPORT



The Board of Directors
Citibank, N A

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Citibank, N A and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in stockholder's equity, and cash flows for the years then ended and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to

the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citibank, N A and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with U S generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

We also have examined in accordance with attestation standards established by the American Institute of Certified Public Accountants, the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 20, 2015 expressed an unqualified opinion on management's assertion that the Company maintained effective internal control over financial reporting.

KPMG LLP

New York New York
March 20, 2015

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

<i>In millions of dollars</i>	Years ended December 31	
	2014	2013
Revenues		
Interest revenue	\$ 47,474	\$ 47,728
Interest expense	8,028	9,154
Net interest revenue	\$ 39,446	\$ 38,574
Commissions and fees	\$ 10,103	\$ 10,406
Principal transactions	4,215	5,546
Net realized gains (losses) on sales of investments	369	525
Other-than-temporary impairment losses on investments		
Gross impairment losses	(338)	(174)
Less Impairments recognized in AOCI	—	—
Net impairment losses recognized in earnings	\$ (338)	\$ (174)
Other revenue	\$ 1,703	\$ 762
Total non-interest revenues	\$ 16,052	\$ 17,065
Total revenues, net of interest expense	\$ 55,498	\$ 55,639
Provisions for credit losses and for benefits and claims		
Provision for loan losses	\$ 3,989	\$ 4,817
Policyholder benefits and claims	41	61
Provision (release) for unfunded lending commitments	(136)	86
Total provisions for credit losses and for benefits and claims	\$ 3,894	\$ 4,964
Operating expenses		
Compensation and benefits	\$ 14,339	\$ 14,188
Premises and equipment	2,157	2,230
Other operating	19,018	14,000
Total operating expenses	\$ 35,514	\$ 30,418
Income from continuing operations before income taxes	\$ 16,090	\$ 20,257
Provision for income taxes	5,639	6,193
Income from continuing operations	\$ 10,451	\$ 14,064
Discontinued operations		
Income (loss) from discontinued operations	\$ 17	\$ (84)
Gain on sale	—	206
Provision (benefit) for income taxes	15	(214)
Income from discontinued operations, net of taxes	\$ 2	\$ 336
Net income before attribution of noncontrolling interests	\$ 10,453	\$ 14,400
Net income attributable to noncontrolling interests	104	100
Net income attributable to Citibank, N A	\$ 10,349	\$ 14,300

The Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of dollars</i>	Years ended December 31,	
	2014	2013
Net income before attribution of noncontrolling interests	\$ 10,453	\$ 14,400
Add Citibank, N A 's other comprehensive income (loss)		
Net change in unrealized gains and losses on investment securities, net of taxes	\$ 1,554	\$ (2,380)
Net change in cash flow hedges, net of taxes	254	864
Benefit plans liability adjustment, net of taxes ⁽¹⁾	(516)	449
Net change in foreign currency translation adjustment, net of taxes and hedges	(3,168)	(1,146)
Citibank, N A 's total other comprehensive income (loss)	\$ (1,876)	\$ (2,213)
Total comprehensive income before attribution of noncontrolling interests	\$ 8,577	\$ 12,187
Less Net income attributable to noncontrolling interests	104	100
Citibank, N A 's comprehensive income	\$ 8,473	\$ 12,087

(1) Primarily reflects adjustments based on the final year-end actuarial valuations of the Company's pension and postretirement plans' changes in mortality assumptions 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

<i>In millions of dollars except shares and per share amounts</i>	December 31,	
	2014	2013
Assets		
Cash and due from banks (including segregated cash and other deposits)	\$ 29,182	\$ 26,687
Deposits with banks	121,354	156,485
Federal funds sold and securities borrowed or purchased under agreements to resell (including \$237 and \$269 at December 31, 2014 and December 31, 2013, respectively, at fair value)	62,504	68,203
Trading account assets (including \$552 and \$1,285 pledged to creditors at December 31, 2014 and 2013, respectively)	168,880	150,584
Investments		
Available for Sale (including \$5,839 and \$7,974 pledged to creditors as of December 31, 2014 and December 31, 2013, respectively)	276,602	256,783
Held to Maturity	17,238	2,719
Non-Marketable Equity Securities (including \$108 and \$100 at fair value as of December 31, 2014 and December 31, 2013 respectively)	6,520	7,073
Total Investments	\$ 300,360	\$ 266,575
Loans, net of unearned income (including \$4,322 and \$4,607 at December 31, 2014 and 2013, respectively, at fair value)	587,007	600,946
Allowance for loan losses	(12,255)	(15,693)
Total loans, net	\$ 574,752	\$ 585,253
Goodwill	11,126	11,630
Intangible assets and mortgage servicing rights (MSRs) (including \$1,845 and \$2,718 at December 31, 2014 and 2013, respectively, at fair value, related to MSRs)	5,683	6,879
Interest and fees receivable	4,590	4,451
Other assets (including \$2,593 and \$2,925 at December 31, 2014 and 2013, respectively, at fair value)	78,350	79,045
Total assets	\$ 1,356,781	\$ 1,355,792

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 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.

<i>In millions of dollars</i>	December 31,	
	2014	2013
Assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs		
Cash and due from banks	\$ 140	\$ 71
Trading account assets	450	544
Investments	7,027	8,441
Loans, net of unearned income		
Consumer (including \$0 and \$910 at December 31, 2014 and 2013, respectively, at fair value)	63,808	58,717
Corporate (including \$0 and \$14 at December 31, 2014 and 2013, respectively, at fair value)	29,441	31,410
Loans, net of unearned income	\$ 93,249	\$ 90,127
Allowance for loan losses	(2,643)	(3,048)
Total loans, net	\$ 90,606	\$ 87,079
Other assets	320	721
Total assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs	\$ 98,543	\$ 96,856

Statement continues on the next page

CONSOLIDATED BALANCE SHEET

(Continued)

<i>In millions of dollars except shares and per share amounts</i>	December 31,	
	2014	2013
Liabilities		
Non-interest-bearing deposits in U S offices	\$ 131,079	\$ 131,624
Interest-bearing deposits in U S offices	324,482	319,481
Non-interest-bearing deposits in offices outside the U S	60,190	59,410
Interest-bearing deposits in offices outside the U S	400,011	470,326
Total deposits (including \$1,684 and \$1,677 as of December 31, 2014 and 2013, respectively, at fair value)	\$ 915,762	\$ 980,841
Trading account liabilities	71,113	42,761
Federal funds purchased and securities loaned or sold under agreements to repurchase	15,425	19,046
Short-term borrowings (including \$22 and \$25 at December 31, 2014 and 2013, respectively, at fair value)	37,370	39,717
Long-term debt (including \$958 and \$1,904 as of December 31, 2014 and 2013, respectively, at fair value)	89,358	74,451
Accrued taxes and other expenses	7,333	7,305
Other liabilities (including \$1,598 and \$1,823 as of December 31, 2014 and 2013, respectively, at fair value)	72,396	43,376
Total liabilities	\$ 1,208,757	\$ 1,207,497
Citibank, N A stockholder's equity		
Capital stock (\$20 par value, authorized shares 41,500,000, issued and outstanding shares 37,534,553 in each year)	\$ 751	\$ 751
Surplus	138,997	138,702
Retained earnings	19,635	18,236
Accumulated other comprehensive income (loss)	(12,008)	(10,132)
Total Citibank, N A stockholder's equity	\$ 147,375	\$ 147,557
Noncontrolling interest	649	738
Total equity	\$ 148,024	\$ 148,295
Total liabilities and equity	\$ 1,356,781	\$ 1,355,792

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 Citibank, N A.

<i>In millions of dollars</i>	December 31,	
	2014	2013
Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Citibank, N A		
Short-term borrowings	\$ 20,494	\$ 22,050
Long-term debt (including \$0 and \$909 at December 31, 2014 and 2013, respectively, at fair value)	38,088	34,553
Other liabilities	488	574
Total liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Citibank, N A	\$ 59,070	\$ 57,177

The Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

<i>In millions of dollars except shares</i>	Years ended December 31	
	2014	2013
Common stock (\$20 par value)		
Balance, beginning of year—shares 37,534,553 in 2014 and 2013	\$ 751	\$ 751
Balance, end of year—shares 37,534,553 in 2014 and 2013	\$ 751	\$ 751
Surplus		
Balance, beginning of year	\$ 138,702	\$ 138,521
Capital contribution from parent company	211	200
Employee benefit plans	65	122
Unearned compensation	19	(95)
Other	—	(46)
Balance, end of year	\$ 138,997	\$ 138,702
Retained earnings		
Balance, beginning of year	\$ 18,236	\$ 16,161
Citibank, N A 's net income	10,349	14,300
Dividends paid to parent company	(8,900)	(12,200)
Mark-to-market on stock options	(86)	(25)
Other ⁽¹⁾	36	—
Balance, end of year	\$ 19,635	\$ 18,236
Accumulated other comprehensive income (loss)		
Balance, beginning of year	\$ (10,132)	\$ (7,919)
Net change in Citibank, N A 's Accumulated other comprehensive income (loss)	(1,876)	(2,213)
Balance, end of year	\$ (12,008)	\$ (10,132)
Total Citibank, N A stockholder's equity	\$ 147,375	\$ 147,557
Noncontrolling interest		
Balance, beginning of year	\$ 738	\$ 734
Net income attributable to noncontrolling interest shareholders	104	100
Dividends paid to noncontrolling interest shareholders	(90)	(63)
Net change in Accumulated other comprehensive income (loss)	(106)	(17)
All other	3	(16)
Net change in noncontrolling interests	\$ (89)	\$ 4
Balance, end of year	\$ 649	\$ 738
Total equity	\$ 148,024	\$ 148,295

(1) Credit relates to the merger of Citicorp Data Systems, Inc into Citicorp Credit Services, Inc (USA)

The Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of dollars</i>	Years ended December 31,	
	2014	2013
Cash flows from operating activities of continuing operations		
Net income before attribution of noncontrolling interests	\$ 10,453	\$ 14,400
Net income attributable to noncontrolling interests	104	100
Citibank's net income	\$ 10,349	\$ 14,300
Income from discontinued operations, net of taxes	2	11
Gain on sale of discontinued operations, net of taxes	—	325
Income from continuing operations—excluding noncontrolling interests	\$ 10,347	\$ 13,964
Adjustments to reconcile net income to net cash used in operating activities of continuing operations—excluding noncontrolling interests		
Depreciation and amortization	\$ 2,280	\$ 2,130
Deferred tax expense	2,684	3,753
Provision for loan losses	3,989	4,817
Realized gains from sales of investments	(369)	(525)
Net impairment losses recognized in earnings	338	174
Change in trading account assets	(18,296)	24,807
Change in trading account liabilities	28,352	(11,817)
Change in loans held-for-sale	(1,638)	4,833
Change in other assets	(461)	(1,072)
Change in other liabilities	8,415	(385)
Other, net	4,847	2,171
Total adjustments	\$ 30,141	\$ 28,886
Net cash provided by operating activities of continuing operations—excluding noncontrolling interests	\$ 40,488	\$ 42,850
Cash flows from investing activities of continuing operations		
Change in deposits with banks	\$ 35,131	\$ (68,131)
Change in federal funds sold and securities borrowed or purchased under agreements to resell	5,699	605
Change in loans	(2,144)	(34,107)
Proceeds from sales and securitizations of loans	4,599	8,983
Change in investments, net	(33,754)	3,266
Capital expenditures on premises and equipment and capitalized software	(1,882)	(2,037)
Proceeds from sales of premises and equipment, subsidiaries and affiliates, and repossessed assets	380	402
Net cash provided by (used in) investing activities of continuing operations	\$ 8,029	\$ (91,019)
Cash flows from financing activities of continuing operations		
Dividends paid	\$ (8,900)	\$ (12,200)
Capital contributions from parent company	211	200
Change in federal funds purchased and securities loaned or sold under agreements to repurchase	(3,621)	(1,204)
Change in long-term debt, net	15,771	12,374
Change in deposits	(44,474)	39,656
Change in short-term borrowings	(2,837)	4,695
Net cash provided by (used in) financing activities of continuing operations	\$ (43,850)	\$ 43,521
Effect of exchange rate changes on cash and cash equivalents	\$ (2,172)	\$ (1,479)
Net cash used in discontinued operations	\$ —	\$ (10)
Change in cash and due from banks	\$ 2,495	\$ (6,137)
Cash and due from banks at beginning of year	26,687	32,824
Cash and due from banks at end of year	\$ 29,182	\$ 26,687

Statement continues on the next page

Supplemental disclosure of cash flow information for continuing operations

Cash paid during the period for income taxes	\$	3,934	\$	3,404
Cash paid during the period for interest		7,546		8,139
Non-cash investing activities				
Change in loans due to consolidation/deconsolidation of VIEs	\$	(374)	\$	6,718
Transfers to loans held-for-sale from loans		12,400		16,200
Transfers to OREO and other repossessed assets		218		190
Non-cash financing activities				
Decrease in deposits associated with reclassification to HFS	\$	(20,605)	\$	—
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 THE CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANIZATION

Citibank, N A (together with its consolidated subsidiaries, Citibank or the Company) is a direct wholly owned subsidiary of Citicorp which is a direct, wholly owned subsidiary of Citigroup Inc , a Delaware corporation and a financial holding company under the Bank Holding Company Act (Citigroup and its consolidated subsidiaries is referred to herein as Citigroup) Citibank was originally organized on June 16, 1812 and is currently a national banking association organized under the National Bank Act of 1864 Citibank s principal offerings include consumer finance credit cards, mortgage lending and retail banking products and services, investment banking, commercial banking cash management, trade finance and e-commerce products and services, and private banking products and services

At December 31, 2014 Citibank had 863 U S branches within 13 states and the District of Columbia and 874 non-U S branches in 56 countries and territories (including branches of subsidiaries in certain countries around the world)

Significant Citigroup legal entities that are not a part of Citibank include Banco Nacional de Mexico (Banamex), OneMain Financial (North American consumer finance business) and primary broker-dealer subsidiaries including Citigroup Global Markets Inc (CGMI) and Citigroup Global Markets Limited (CGML)

The Company is subject to regulation and examination primarily by the Office of the Comptroller of the Currency (OCC) and also by the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board (FRB) The foreign branches, representative offices and subsidiaries of Citibank are subject to regulation and examination by their respective country's financial regulators as well as by the OCC and the FRB

These consolidated financial statements and Notes to the Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles in the United States (GAAP)

Certain reclassifications have been made to the prior period s financial statements and notes to conform to the current period's presentation These include presentation changes on the Consolidated Balance Sheet associated with related party transactions

The Company has evaluated subsequent events through March 20 2015, which is the date its Consolidated Financial Statements were issued

Additional information about Citibank and Citigroup is available in Citigroup s Annual Report on Form 10-K for the year ended December 31 2014, filed with the U S Securities and Exchange Commission on February 25 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Citibank 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 19 to the Consolidated Financial Statements, Citibank consolidates entities deemed to be variable interest entities when Citibank 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*.

Variable Interest Entities

An entity is referred to as a variable interest entity (VIE) if it meets the criteria outlined in Accounting Standards Codification (ASC) Topic 810, *Consolidation*, which are: (i) the entity has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (ii) the entity has equity investors that cannot make significant decisions about the entity's operations or that do not absorb their proportionate share of the entity's expected losses or expected returns.

The Company consolidates a VIE when it has both the power to direct the activities that most significantly impact the VIE's economic performance and a right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE (that is, Citibank is the primary beneficiary).

In addition to variable interests held in consolidated VIEs, the Company has variable interests in other VIEs that are not consolidated because the Company is not the primary beneficiary. These include multi-seller finance companies, certain collateralized debt obligations (CDOs), many structured finance transactions and various investment funds. However, these VIEs and all other unconsolidated VIEs are monitored by the Company to assess whether any events have occurred to cause its primary beneficiary status to change. These events include:

- purchases or sales of variable interests by Citibank or an unrelated third party which cause Citibank's overall variable interest ownership to change,
- changes in contractual arrangements that reallocate expected losses and residual returns among the variable interest holders,

- changes in the party that has power to direct the activities of a VIE that most significantly impact the entity's economic performance, and
- providing financial support to an entity that results in an implicit variable interest.

All other entities not deemed to be VIEs with which the Company has involvement are evaluated for consolidation under other subtopics of ASC 810.

Foreign Currency Translation

Assets and liabilities of Citibank's foreign operations are translated from their respective functional currencies into U.S. dollars using period-end spot foreign-exchange rates. The effects of those translation adjustments are reported in *Accumulated other comprehensive income (loss)*, a component of stockholder's equity, along with any related hedge and tax effects until realized upon sale or substantial liquidation of the foreign operation. Revenues and expenses of Citibank's foreign operations are translated monthly from their respective functional currencies into U.S. dollars at amounts that approximate weighted average exchange rates.

For transactions whose terms are denominated in a currency other than the functional currency, including transactions denominated in the local currencies of foreign operations with the U.S. dollar as their functional currency, the effects of changes in exchange rates are primarily included in *Principal transactions*, along with the related effects of any economic hedges. Instruments used to hedge foreign currency exposures include foreign currency forward, option and swap contracts and, in certain instances, designated issues of non-U.S. dollar debt. Foreign operations in countries with highly inflationary economies designate the U.S. dollar as their functional currency with the effects of changes in exchange rates primarily included in *Other revenue*.

Investment Securities

Investments include fixed income and equity securities. Fixed income instruments include bonds, notes and redeemable preferred stocks, as well as certain loan-backed and structured securities that are subject to prepayment risk. Equity securities include common and nonredeemable preferred stock.

Investment securities are classified and accounted for as follows:

- Fixed income securities classified as held-to-maturity are securities that the Company has both the ability and the intent to hold until maturity and are carried at amortized cost. Interest income on such securities is included in *Interest revenue*.
- Fixed income securities and marketable equity securities classified as available-for-sale are carried at fair value with changes in fair value reported in *Accumulated other comprehensive income (loss)*, a component of *Stockholder's equity*, net of applicable income taxes and hedges. Realized gains and losses on sales are included in income primarily on a specific identification cost.

basis. Interest and dividend income on such securities is included in *Interest revenue*.

- Certain investments in non-marketable equity securities and certain investments that would otherwise have been accounted for using the equity method are carried at fair value, since the Company has elected to apply fair value accounting. Changes in fair value of such investments are recorded in earnings.
- Certain non-marketable equity securities are carried at cost and are periodically assessed for other-than-temporary impairment as described in Note 12 to the Consolidated Financial Statements.

For investments in fixed income securities classified as held-to-maturity or available-for-sale, the accrual of interest income is suspended for investments that are in default or for which it is likely that future interest payments will not be made as scheduled.

Investment securities are subject to evaluation for other-than-temporary impairment as described in Note 12 to the Consolidated Financial Statements.

The Company uses a number of valuation techniques for investments carried at fair value, which are described in Note 22 to the Consolidated Financial Statements. Realized gains and losses on sales of investments are included in earnings.

Trading Account Assets and Liabilities

Trading account assets include debt and marketable equity securities, derivatives in a receivable position, residual interests in securitizations and physical commodities inventory. In addition, as described in Note 23 to the Consolidated Financial Statements, certain assets that Citibank has elected to carry at fair value under the fair value option, such as loans and purchased guarantees, are also included in *Trading account assets*.

Trading account liabilities include securities sold, not yet purchased (short positions) and derivatives in a net payable position, as well as certain liabilities that Citibank has elected to carry at fair value (as described in Note 23 to the Consolidated Financial Statements).

Other than physical commodities inventory, all trading account assets and liabilities are carried at fair value. Revenues generated from trading assets and trading liabilities are generally reported in *Principal transactions* and include realized gains and losses as well as unrealized gains and losses resulting from changes in the fair value of such instruments. Interest income on trading assets is recorded in *Interest revenue* reduced by interest expense on trading liabilities.

Physical commodities inventory is carried at the lower of cost or market with related losses reported in *Principal transactions*. Realized gains and losses on sales of commodities inventory are included in *Principal transactions*. Investments in unallocated precious metals accounts (gold, silver, platinum and palladium) are accounted for as hybrid instruments containing a debt host contract and an embedded non-financial derivative instrument indexed to the price of the relevant precious metal. The embedded derivative instrument is separated from the debt host contract and accounted for at fair value. The debt host contract is accounted for at fair value under the fair value option, as described in Note 23 to the Consolidated Financial Statements.

Derivatives used for trading purposes include interest rate, currency, equity, credit and commodity swap agreements, options, caps and floors, warrants and financial and commodity futures and forward contracts. Derivative asset and liability positions are presented net by counterparty on the Consolidated Balance Sheet when a valid master netting agreement exists and the other conditions set out in ASC 210-20, *Balance Sheet—Offsetting*, are met. See Note 20 to the Consolidated Financial Statements.

The Company uses a number of techniques to determine the fair value of trading assets and liabilities, which are described in Note 22 to the Consolidated Financial Statements.

Securities Borrowed and Securities Loaned

Securities borrowing and lending transactions generally do not constitute a sale of the underlying securities for accounting purposes and are treated as collateralized financing transactions. Such transactions are recorded at the amount of proceeds advanced or received plus accrued interest. As described in Note 23 to the Consolidated Financial Statements, the Company has elected to apply fair value accounting to a number of securities borrowing and lending transactions. Fees paid or received for all securities lending and borrowing transactions are recorded in *Interest expense* or *Interest revenue* at the contractually specified rate.

The Company monitors the fair value of securities borrowed or loaned on a daily basis and obtains or posts additional collateral in order to maintain contractual margin protection.

As described in Note 22 to the Consolidated Financial Statements, the Company uses a discounted cash flow technique to determine the fair value of securities lending and borrowing transactions.

Repurchase and Resale Agreements

Securities sold under agreements to repurchase (repos) and securities purchased under agreements to resell (reverse repos) generally do not constitute a sale of the underlying securities for accounting purposes and are treated as collateralized financing transactions. As described in Note 23 to the Consolidated Financial Statements, the Company has elected to apply fair value accounting to the majority of such transactions, with changes in fair value reported in earnings. Any transactions for which fair value accounting has not been elected are recorded at the amount of cash advanced or received plus accrued interest. Irrespective of whether the Company has elected fair value accounting, interest paid or received on all repo and reverse repo transactions is recorded in *Interest expense* or *Interest revenue* at the contractually specified rate.

Where the conditions of ASC 210-20-45-11, *Balance Sheet-Offsetting: Repurchase and Reverse Repurchase Agreements*, are met, repos and reverse repos are presented net on the Consolidated Balance Sheet.

The Company's policy is to take possession of securities purchased under reverse repurchase agreements. The Company monitors the fair value of securities subject to repurchase or resale on a daily basis and obtains or posts additional collateral in order to maintain contractual margin protection.

As described in Note 22 to the Consolidated Financial Statements, the Company uses a discounted cash flow technique to determine the fair value of repo and reverse repo transactions.

Loans

Loans are reported at their outstanding principal balances net of any unearned income and unamortized deferred fees and costs except that credit card receivable balances also include accrued interest and fees. Loan origination fees and certain

direct origination costs are generally deferred and recognized as adjustments to income over the lives of the related loans.

As described in Note 23 to the Consolidated Financial Statements, Citibank has elected fair value accounting for certain loans. Such loans are carried at fair value with changes in fair value reported in earnings. Interest income on such loans is recorded in *Interest revenue* at the contractually specified rate.

Loans for which the fair value option has not been elected are classified upon origination or acquisition as either held-for-investment or held-for-sale. This classification is based on management's initial intent and ability with regard to those loans.

Loans that are held-for-investment are classified as *Loans, net of unearned income* on the Consolidated Balance Sheet, and the related cash flows are included within the cash flows from investing activities category in the Consolidated Statement of Cash Flows on the line *Change in loans*. However, when the initial intent for holding a loan has changed from held-for-investment to held-for-sale, the loan is reclassified to held-for-sale, but the related cash flows continue to be reported in cash flows from investing activities in the Consolidated Statement of Cash Flows on the line *Proceeds from sales and securitizations of loans*.

Consumer loans

Consumer loans represent loans and leases managed primarily by the Company's Consumer Businesses.

Consumer non-accrual and re-aging policies

As a general rule, interest accrual ceases for installment and real estate (both open- and closed-end) loans when payments are 90 days contractually past due. For credit cards and other unsecured revolving loans, however, Citibank generally accrues interest until payments are 180 days past due. As a result of OCC guidance, home equity loans are classified as non-accrual if the related residential first mortgage is 90 days or more past due. Also as a result of OCC guidance, mortgage loans discharged through Chapter 7 bankruptcy other than FHA-insured loans are classified as non-accrual. Commercial market loans are 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.

Loans that have been modified to grant a concession to a borrower in financial difficulty may not be accruing interest at the time of the modification. The policy for returning such modified loans to accrual status varies by product and/or region. Modified loans are returned to accrual status if a credit evaluation at the time of or subsequent to, the modification indicates the borrower is able to meet the restructured terms, and the borrower is current and has demonstrated a reasonable period of sustained payment performance (minimum six months of consecutive payments).

For U.S. consumer loans, generally one of the conditions to qualify for modification is that a minimum number of payments (typically ranging from one to three)

must 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, Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) loans may only be modified under those respective agencies' guidelines and payments are not always required in order to re-age a modified loan to current.

Consumer charge-off policies

Citibank's charge-off policies follow the general guidelines below:

- Unsecured installment loans are charged off at 120 days contractually past due.
- Unsecured revolving loans and credit card loans are charged off at 180 days contractually past due.
- Loans secured with non-real estate collateral are written down to the estimated value of the collateral, less costs to sell, at 120 days contractually past due.
- Real estate-secured loans are written down to the estimated value of the property, less costs to sell, at 180 days contractually past due.
- Real estate-secured loans are charged off no later than 180 days contractually past due if a decision has been made not to foreclose on the loans.
- Unsecured loans in bankruptcy are charged off within 60 days of notification of filing by the bankruptcy court or in accordance with Citibank's charge-off policy, whichever occurs earlier.
- Consistent with OCC guidance, real estate-secured loans that were discharged through Chapter 7 bankruptcy other than FHA-insured loans, are written down to the estimated value of the property, less costs to sell. Other real estate-secured loans in bankruptcy are written down to the estimated value of the property, less costs to sell, at the later of 60 days after notification or 60 days contractually past due.
- Commercial market loans are written down to the extent that principal is judged to be uncollectable.

Corporate loans

Corporate loans represent loans and leases managed by the Company's Corporate Banking Businesses. 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.

Impaired corporate loans and leases are written down to the extent that principal is deemed to be uncollectable. 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. Cash-basis loans are returned to accrual status when all contractual principal and interest amounts are reasonably assured of repayment and there is a sustained period of repayment performance in accordance with the contractual terms.

Loans Held-for-Sale

Corporate and consumer loans that have been identified for sale are classified as loans held-for-sale and included in *Other assets*. The practice of Citibank's U.S. prime mortgage business has been to sell substantially all of its conforming loans. As such, U.S. prime mortgage conforming loans are classified as held-for-sale and the fair value option is elected at origination, with changes in fair value recorded in *Other revenue*. With the exception of those loans for which the fair value option has been elected, held-for-sale loans are accounted for at the lower of cost or market value, with any write-downs or subsequent recoveries charged to *Other revenue*. The related cash flows are classified in the Consolidated Statement of Cash Flows in the cash flows from operating activities category on the line *Change in loans held-for-sale*.

Allowance for Loan Losses

Allowance for loan losses represents management's best estimate of probable losses inherent in the portfolio, including probable losses related to large individually evaluated impaired loans and troubled debt restructurings. Attribution of the allowance is made for analytical purposes only, and the entire allowance is available to absorb probable loan losses inherent in the overall portfolio. Additions to the allowance are made through the *Provision for loan losses*. Loan losses are deducted from the allowance and subsequent recoveries are added. Assets received in exchange for loan claims in a restructuring are initially recorded at fair value with any gain or loss reflected as a recovery or charge-off to the provision.

Consumer loans

For consumer loans, each portfolio of non-modified smaller-balance, homogeneous loans is independently evaluated by product type (e.g., residential mortgage, credit card, etc.) for impairment in accordance with ASC 450 *Contingencies* (formerly SFAS 5). The allowance for loan losses attributed to these loans is established via a process that estimates the probable losses inherent in the specific portfolio. This process includes migration analysis, in which historical

delinquency and credit loss experience is applied to the current aging of the portfolio, together with analyses that reflect current and anticipated economic conditions including changes in housing prices and unemployment trends. Citibank's allowance for loan losses under ASC 450 only considers contractual principal amounts due, except for credit card loans where estimated loss amounts related to accrued interest receivable are also included.

Management also considers overall portfolio indicators, including historical credit losses, delinquent non-performing and classified loans, trends in volumes and terms of loans, an evaluation of overall credit quality, the credit process, including lending policies and procedures, and economic, geographical, product and other environmental factors.

Separate valuation allowances are determined for impaired smaller-balance homogeneous loans whose terms have been modified in a troubled debt restructuring (TDR). Long-term modification programs, as well as short-term (less than 12 months) modifications originated since January 1, 2011 that provide concessions (such as interest rate reductions) to borrowers in financial difficulty, are reported as TDRs. In addition, loan modifications that involve a trial period are reported as TDRs at the start of the trial period. The allowance for loan losses for TDRs is determined in accordance with ASC 310-10-35 *Receivables—Subsequent Measurement* (formerly SFAS 114) considering all available evidence, including, as appropriate, the present value of the expected future cash flows discounted at the loan's original contractual effective rate, the secondary market value of the loan and the fair value of collateral less disposal costs. These expected cash flows incorporate modification program default rate assumptions. The original contractual effective rate for credit card loans is the pre-modification rate, which may include interest rate increases under the original contractual agreement with the borrower.

Valuation allowances for commercial market loans, which are classifiably managed Consumer loans, are determined in the same manner as for Corporate loans and are described in more detail in the following section. Generally, an asset-specific component is calculated under ASC 310-10-35 on an individual basis for larger-balance, non-homogeneous loans that are considered impaired and the allowance for the remainder of the classifiably managed Consumer loan portfolio is calculated under ASC 450 using a statistical methodology that may be supplemented by management adjustment.

Corporate loans

In the corporate portfolios, the *Allowance for loan losses* includes an asset-specific component and a statistically based component. The asset-specific component is calculated under ASC 310-10-35, on an individual basis for larger-balance, non-homogeneous loans, which are considered impaired. An asset-specific allowance is established when the discounted cash flows, collateral value (less disposal costs) or observable market price of the impaired loan are lower than its carrying value. This allowance considers the borrower's overall financial condition, resources, and payment record, the prospects for

support from any financially responsible guarantors (discussed further below) and, if appropriate, the realizable value of any collateral. The asset-specific component of the allowance for smaller balance impaired loans is calculated on a pool basis considering historical loss experience.

The allowance for the remainder of the loan portfolio is determined under ASC 450, using a statistical methodology, supplemented by management judgment. The statistical analysis considers the portfolio's size, remaining tenor and credit quality as measured by internal risk ratings assigned to individual credit facilities, which reflect probability of default and loss given default. The statistical analysis considers historical default rates and historical loss severity in the event of default, including historical average levels and historical variability. The result is an estimated range for inherent losses. The best estimate within the range is then determined by management's quantitative and qualitative assessment of current conditions, including general economic conditions, specific industry and geographic trends, and internal factors including portfolio concentrations, trends in internal credit quality indicators, and current and past underwriting standards.

For both the asset-specific and the statistically based components of the *Allowance for loan losses*, management may incorporate guarantor support. The financial wherewithal of the guarantor is evaluated, as applicable, based on net worth, cash flow statements and personal or company financial statements which are updated and reviewed at least annually. Citibank seeks performance on guarantee arrangements in the normal course of business. Seeking performance entails obtaining satisfactory cooperation from the guarantor or borrower in the specific situation. This regular cooperation is indicative of pursuit and successful enforcement of the guarantee; the exposure is reduced without the expense and burden of pursuing a legal remedy. A guarantor's reputation and willingness to work with Citibank is evaluated based on the historical experience with the guarantor and the knowledge of the marketplace. In the rare event that the guarantor is unwilling or unable to perform or facilitate borrower cooperation, Citibank pursues a legal remedy, however, enforcing a guarantee via legal action against the guarantor is not the primary means of resolving a troubled loan situation and rarely occurs. If Citibank does not pursue a legal remedy, it is because Citibank does not believe that the guarantor has the financial wherewithal to perform regardless of legal action or because there are legal limitations on simultaneously pursuing guarantors and foreclosure. A guarantor's reputation does not impact Citibank's decision or ability to seek performance under the guarantee.

In cases where a guarantee is a factor in the assessment of loan losses, it is included via adjustment to the loan's internal risk rating, which in turn is the basis for the adjustment to the statistically based component of the *Allowance for loan losses*. To date, it is only in rare circumstances that an impaired commercial loan or commercial real estate loan is carried at a value in excess of the appraised value due to a guarantee.

When Citibank's monitoring of the loan indicates that the guarantor's wherewithal to pay is uncertain or has deteriorated, there is either no change in the risk rating, because the guarantor's credit support was never initially factored in or the risk rating is adjusted to reflect that uncertainty or deterioration. Accordingly, a guarantor's ultimate failure to perform or a lack of legal enforcement of the guarantee does not materially impact the allowance for loan losses as there is typically no further significant adjustment of the loan's risk rating at that time. Where Citibank is not seeking performance under the guarantee contract, it provides for loan losses as if the loans were non-performing and not guaranteed.

Reserve Estimates and Policies

Management provides reserves for an estimate of probable losses inherent in the funded loan portfolio on the Consolidated Balance Sheet in the form of an allowance for loan losses. These reserves are established in accordance with Citibank's credit reserve policies, as approved by the Audit Committee of the Board of Directors. Citibank's Chief Risk Officer and Chief Financial Officer review the adequacy of the credit loss reserves each quarter with representatives from the risk management and finance staffs for each applicable business area. Applicable business areas include those having classifiably managed portfolios where internal credit-risk ratings are assigned or modified. Consumer loans, where concessions were granted due to the borrowers' financial difficulties.

The above-mentioned representatives for these business areas present recommended reserve balances for their funded and unfunded lending portfolios along with supporting quantitative and qualitative data discussed below.

Estimated probable losses for non-performing, non-homogeneous exposures within a business line's classifiably managed portfolio and impaired smaller-balance homogeneous loans whose terms have been modified due to the borrowers' financial difficulties, where it was determined that a concession was granted to the borrower

Consideration may be given to the following as appropriate when determining this estimate: (i) the present value of expected future cash flows discounted at the loan's original effective rate, (ii) the borrower's overall financial condition, resources and payment record, and (iii) the prospects for support from financially responsible guarantors or the realizable value of any collateral. In the determination of the allowance for loan losses for TDRs, management considers a combination of historical re-default rates, the current economic environment and the nature of the modification program when forecasting expected cash flows. When impairment is measured based on the present value of expected future cash flows, the entire change in present value is recorded in the *Provision for loan losses*.

Statistically calculated losses inherent in the classifiably managed portfolio for performing and de minimis non-performing exposures. The calculation is based on: (i) Citibank's internal system of credit-risk ratings which are analogous to the risk ratings of the major rating agencies, and (ii) historical default and loss data including rating agency information regarding default rates from 1983 to 2013 and internal data dating to the early 1970s on severity of losses in the event of default. Adjustments may be made to this data. Such adjustments include: (i) statistically calculated estimates to cover the historical fluctuation of the default rates over the credit cycle, the historical variability of loss severity among defaulted loans and the degree to which there are large obligor concentrations in the global portfolio, and (ii) adjustments made for specific known items such as current environmental factors and credit trends.

In addition, representatives from each of the risk management and finance staffs that cover business areas with delinquency-managed portfolios containing smaller-balance homogeneous loans present their recommended reserve balances based on leading credit indicators, including loan delinquencies and changes in portfolio size as well as economic trends, including current and future housing prices, unemployment, length of time in foreclosure costs to sell and GDP. This methodology is applied separately for each individual product within each geographic region in which these portfolios exist.

This evaluation process is subject to numerous estimates and judgments. The frequency of default risk ratings, loss recovery rates, the size and diversity of individual large credits, and the ability of borrowers with foreign currency obligations to obtain the foreign currency necessary for orderly debt servicing among other things are all taken into account during this review. Changes in these estimates could have a direct impact on the credit costs in any period and could result in a change in the allowance.

Allowance for Unfunded Lending Commitments

A similar approach to the allowance for loan losses is used for calculating a reserve for the expected losses related to unfunded lending commitments and standby letters of credit. This reserve is classified on the balance sheet in *Other liabilities*. Changes to the allowance for unfunded lending commitments are recorded in the *Provision for unfunded lending commitments*.

Mortgage Servicing Rights

Mortgage servicing rights (MSRs) are recognized as intangible assets when purchased or when the Company sells or securitizes loans acquired through purchase or origination and retains the right to service the loans. Mortgage servicing rights are accounted for at fair value, with changes in value recorded in *Other revenue* in the Company's Consolidated Statement of Income.

Additional information on the Company's MSRs can be found in Note 19 to the Consolidated Financial Statements.

Citibank Residential Mortgages—Representations and Warranties

In connection with Citibank's sales of residential mortgage loans to the U.S. government-sponsored entities (GSEs) and private investors, as well as through private-label securitizations, Citibank typically makes representations and warranties that the loans sold meet certain requirements, such as the loans' 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 Citibank in any particular transaction depend on, among other things, the nature of the transaction and the requirements of the investor.

These sales expose Citibank to potential claims for alleged breaches of its representations and warranties. In the event of a breach of its representations and warranties, Citibank 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.

Citibank has recorded a repurchase reserve for its potential repurchase or make-whole liability regarding residential mortgage representation and warranty claims. Beginning in 2013, Citibank has considered private-label residential mortgage securitization representation and warranty claims as part of its litigation accrual analysis and not as part of its repurchase reserve. Accordingly, Citibank's repurchase reserve has been recorded 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.

In the case of a repurchase, Citibank will bear any subsequent credit loss on the mortgage loan and the loan is typically considered a credit-impaired loan and accounted for under AICPA Statement of Position (SOP) 03-3, "Accounting for Certain Loans and Debt Securities Acquired in a Transfer" (now incorporated into ASC 310-30, *Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality*) (SOP 03-3).

In the case of a repurchase of a credit-impaired SOP 03-3 loan, the difference between the loan's fair value and unpaid principal balance at the time of the repurchase is recorded as a utilization of the repurchase reserve. Make-whole payments to the investor are also treated as utilizations and charged directly against the reserve. The repurchase reserve is estimated when Citibank sells loans (recorded as an adjustment to the gain on sale, which is included in *Other revenue* in the Consolidated Statement of Income). Any change in estimate is recorded in *Other revenue*.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired. Goodwill is subject to annual impairment testing and between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount.

Under ASC 350, *Intangibles—Goodwill and Other*, the Company has an option to assess qualitative factors to determine if it is necessary to perform the goodwill impairment test. If, after assessing the totality of events or circumstances, the Company determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, no further testing is necessary. If, however, the Company determines that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then the Company should perform the first step of the two-step goodwill impairment test.

The Company has an unconditional option to bypass the qualitative assessment for any reporting unit in any reporting period and proceed directly to the first step of the goodwill impairment test. Furthermore, on any business dispositions, goodwill is allocated to the business disposed of based on the ratio of the fair value of the business disposed of to the fair value of the reporting unit.

The first step requires a comparison of the fair value of the individual reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is in excess of the carrying value, the related goodwill is considered not to be impaired and no further analysis is necessary. If the carrying value of the reporting unit exceeds the fair value, there is an indication of potential impairment and a second step of testing is performed to measure the amount of impairment, if any, for that reporting unit.

If required, the second step involves calculating the implied fair value of goodwill for each of the affected reporting units. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit determined in step one over the fair value of the net assets and identifiable intangibles as if the reporting unit were being acquired. If the amount of the goodwill allocated to the reporting unit exceeds the implied fair value of the goodwill in the pro forma purchase price allocation, an impairment charge is recorded for the excess. A recognized impairment charge cannot exceed the amount of goodwill allocated to a reporting unit and cannot subsequently be reversed even if the fair value of the reporting unit recovers.

Additional information on Citibank's goodwill impairment testing can be found in Note 15 to the Consolidated Financial Statements.

Intangible Assets

Intangible assets, including core deposit intangibles, present value of future profits, purchased credit card relationships, other customer relationships, and other intangible assets, but excluding MSRs, are amortized over their estimated useful lives. Intangible assets deemed to have indefinite useful lives, primarily certain asset management contracts and trade names, are not amortized and are subject to annual impairment tests. An impairment exists if the carrying value of the indefinite-lived intangible asset exceeds its fair value. For other intangible assets subject to amortization, an impairment is recognized if the carrying amount is not recoverable and exceeds the fair value of the intangible asset.

Similar to the goodwill impairment analysis in performing the annual impairment analysis for indefinite-lived intangible assets, Citibank may and has elected to bypass the optional qualitative assessment, choosing instead to perform a quantitative analysis.

Other Assets and Other Liabilities

Other assets include, among other items, loans held-for-sale, deferred tax assets, equity method investments, interest and fees receivable, premises and equipment (including purchased and developed software), repossessed assets, and other receivables. *Other liabilities* include, among other items, accrued expenses and other payables, deferred tax liabilities, and reserves for legal claims, taxes, unfunded lending commitments, repositioning reserves, and other matters.

Other Real Estate Owned and Repossessed Assets

Real estate or other assets received through foreclosure or repossession are generally reported in *Other assets*, net of a valuation allowance for selling costs and subsequent declines in fair value.

Securitizations

The Company primarily securitizes credit card receivables and mortgages. Other types of securitized assets include corporate debt instruments (in cash and synthetic form).

There are two key accounting determinations that must be made relating to securitizations. Citibank first makes a determination as to whether the securitization entity must be consolidated. Second, it determines whether the transfer of financial assets to the entity is considered a sale under GAAP. If the securitization entity is a VIE, the Company consolidates the VIE if it is the primary beneficiary (as discussed in "Variable Interest Entities" above). For all other securitization entities determined not to be VIEs in which Citibank participates, consolidation is based on which party has voting control of the entity, giving consideration to removal and liquidation rights in certain partnership structures. Only securitization entities controlled by Citibank are consolidated.

Interests in the securitized and sold assets may be retained in the form of subordinated or senior interest-only strips, subordinated tranches, spread accounts and servicing rights. In credit card securitizations, the Company retains a

seller's interest in the credit card receivables transferred to the trusts, which is not in securitized form. In the case of consolidated securitization entities, including the credit card trusts, these retained interests are not reported on Citibank's Consolidated Balance Sheet. The securitized loans remain on the balance sheet. Substantially all of the Consumer loans sold or securitized through non-consolidated trusts by Citibank are U.S. prime residential mortgage loans. Retained interests in non-consolidated mortgage securitization trusts are classified as *Trading account assets*, except for MSRs, which are included in *Intangible assets and mortgage servicing rights* on Citibank's Consolidated Balance Sheet.

Debt

Short-term borrowings and *Long-term debt* are accounted for at amortized cost, except where the Company has elected to report the debt instruments, including certain structured notes at fair value, or the debt is in a fair value hedging relationship.

Transfers of Financial Assets

For a transfer of financial assets to be considered a sale: (i) the assets must have been legally isolated from the Company, even in bankruptcy or other receivership, (ii) the purchaser must have the right to pledge or sell the assets transferred or, if the purchaser is an entity whose sole purpose is to engage in securitization and asset-backed financing activities through the issuance of beneficial interests and that entity is constrained from pledging the assets it receives, each beneficial interest holder must have the right to sell or pledge their beneficial interests, and (iii) the Company may not have an option or obligation to reacquire the assets.

If these sale requirements are met, the assets are removed from the Company's Consolidated Balance Sheet. If the conditions for sale are not met, the transfer is considered to be a secured borrowing; the assets remain on the Consolidated Balance Sheet and the sale proceeds are recognized as the Company's liability. A legal opinion on a sale generally is obtained for complex transactions or where the Company has continuing involvement with assets transferred or with the securitization entity. For a transfer to be eligible for sale accounting, those opinions must state that the asset transfer would be considered a sale and that the assets transferred would not be consolidated with the Company's other assets in the event of the Company's insolvency.

For a transfer of a portion of a financial asset to be considered a sale, the portion transferred must meet the definition of a participating interest. A participating interest must represent a pro rata ownership in an entire financial asset, all cash flows must be divided proportionately with the same priority of payment, no participating interest in the transferred asset may be subordinated to the interest of another participating interest holder, and no party may have the right to pledge or exchange the entire financial asset unless all participating interest holders agree. Otherwise, the transfer is accounted for as a secured borrowing.

See Note 19 to the Consolidated Financial Statements for further discussion

Risk Management Activities—Derivatives Used for Hedging Purposes

The Company manages its exposures to market rate movements outside its trading activities by modifying the asset and liability mix either directly or through the use of derivative financial products, including interest-rate swaps, futures, forwards and purchased options, as well as foreign-exchange contracts. These end-user derivatives are carried at fair value in *Other assets*, *Other liabilities*, *Trading account assets* and *Trading account liabilities*.

To qualify as an accounting hedge under the hedge accounting rules (versus an economic hedge where hedge accounting is not sought), a derivative must be highly effective in offsetting the risk designated as being hedged. The hedge relationship must be formally documented at inception, detailing the particular risk management objective and strategy for the hedge. This includes the item and risk being hedged, the derivative being used and how effectiveness will be assessed and ineffectiveness measured. The effectiveness of these hedging relationships is evaluated both on a retrospective and prospective basis, typically using quantitative measures of correlation with hedge ineffectiveness measured and recorded in current earnings.

If a hedge relationship is not highly effective, it no longer qualifies as an accounting hedge and hedge accounting may not be applied. Any gains or losses attributable to the derivatives, as well as subsequent changes in fair value, are recognized in *Other revenue* or *Principal transactions* with no offset to the hedged item, similar to trading derivatives.

The foregoing criteria are applied on a decentralized basis consistent with the level at which market risk is managed but are subject to various limits and controls. The underlying asset, liability or forecasted transaction may be an individual item or a portfolio of similar items.

For fair value hedges in which derivatives hedge the fair value of assets or liabilities, changes in the fair value of derivatives are reflected in *Other revenue* together with changes in the fair value of the hedged item related to the hedged risk. These amounts are expected to, and generally do, offset each other. Any net amount, representing hedge ineffectiveness, is reflected in current earnings. Citibank's fair value hedges are primarily hedges of fixed-rate long-term debt and available-for-sale securities.

For cash flow hedges, in which derivatives hedge the variability of cash flows related to floating- and fixed-rate assets, liabilities or forecasted transactions, the accounting treatment depends on the effectiveness of the hedge. To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, the effective portion of the changes in the derivatives' fair values will not be included in current earnings, but is reported in *Accumulated other comprehensive income (loss)*. These changes in fair value will be included in earnings of future periods when the hedged cash flows impact earnings. To the extent these derivatives are not effective, changes in their fair values are

immediately included in *Other revenue*. Citibank's cash flow hedges primarily include hedges of floating-rate debt and floating-rate assets, including loans and securities purchased under agreements to resell, as well as rollovers of short-term fixed-rate liabilities and floating-rate liabilities and forecasted debt issuances.

For net investment hedges in which derivatives hedge the foreign currency exposure of a net investment in a foreign operation, the accounting treatment will similarly depend on the effectiveness of the hedge. The effective portion of the change in fair value of the derivative, including any forward premium or discount, is reflected in *Accumulated other comprehensive income (loss)* as part of the foreign currency translation adjustment.

For those accounting hedge relationships that are terminated or when hedge designations are removed, the hedge accounting treatment described in the paragraphs above is no longer applied. Instead, the end-user derivative is terminated or transferred to the trading account. For fair value hedges, any changes in the fair value of the hedged item remain as part of the basis of the asset or liability and are ultimately reflected as an element of the yield. For cash flow hedges, any changes in fair value of the end-user derivative remain in *Accumulated other comprehensive income (loss)* and are included in earnings of future periods when the hedged cash flows impact earnings. However, if it becomes probable that some or all of the hedged forecasted transactions will not occur, any amounts that remain in *Accumulated other comprehensive income (loss)* related to these transactions are immediately reflected in *Other revenue*.

End-user derivatives that are economic hedges rather than qualifying for hedge accounting are also carried at fair value, with changes in value included in *Principal transactions* or *Other revenue*. Citibank often uses economic hedges when qualifying for hedge accounting would be too complex or operationally burdensome. Examples are hedges of the credit risk component of commercial loans and loan commitments. Citibank periodically evaluates its hedging strategies in other areas and may designate either a qualifying hedge or an economic hedge, after considering the relative costs and benefits. Economic hedges are also employed when the hedged item itself is marked to market through current earnings, such as hedges of commitments to originate one-to-four-family mortgage loans to be held for sale and MSR's. See Note 20 to the Consolidated Financial Statements for a further discussion of the Company's hedging and derivative activities.

Employee Benefits Expense

Employee benefits expense includes current service costs of pension and other postretirement benefit plans (which are accrued on a current basis), contributions and unrestricted awards under other employee plans, the amortization of restricted stock awards and costs of other employee benefits. For its most significant pension and postretirement benefit plans (Significant Plans), Citigroup measures and discloses plan obligations, plan assets and periodic plan expense quarterly instead of annually. The effect of remeasuring the

Significant Plan obligations and assets by updating plan actuarial assumptions on a quarterly basis is reflected in *Accumulated other comprehensive income (loss)* and periodic plan expense. The Company recognizes its proportionate share of Citigroup's benefit plans' assets liabilities, AOCI and benefit expense. All other plans (All Other Plans) are remeasured annually. See Note 8 to the Consolidated Financial Statements.

Stock-Based Compensation

The Company recognizes compensation expense related to Citigroup stock and option awards over the requisite service period, generally based on the instruments' grant-date fair value, reduced by expected forfeitures. Compensation cost related to awards granted to employees who meet certain age plus years-of-service requirements (retirement-eligible employees) is accrued in the year prior to the grant date, in the same manner as the accrual for cash incentive compensation. Certain stock awards with performance conditions or certain clawback provisions are subject to variable accounting pursuant to which the associated compensation expense fluctuates with changes in Citigroup's stock price. See Note 7 to the Consolidated Financial Statements.

Income Taxes

The Company is subject to the income tax laws of the U.S. and its states and municipalities, and the foreign jurisdictions in which it operates. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. In establishing a provision for income tax expense, the Company must make judgments and interpretations about the application of these inherently complex tax laws. The Company must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign.

Disputes over interpretations of the tax laws may be subject to review and adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon examination or audit. The Company treats interest and penalties on income taxes as a component of *Income tax expense*.

Deferred taxes are recorded for the future consequences of events that have been recognized for financial statements or tax returns based upon enacted tax laws and rates. Deferred tax assets are recognized subject to management's judgment that realization is more-likely-than-not. FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) (now incorporated into ASC 740, *Income Taxes*), sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit that is greater than 50% likely to be realized. ASC 740 also sets out disclosure requirements to enhance transparency of an entity's tax reserves.

See Note 9 to the Consolidated Financial Statements for a further description of the Company's tax provision and related income tax assets and liabilities.

Commissions, Underwriting and Principal Transactions

Commissions revenues are recognized in income when earned. Underwriting revenues are recognized in income typically at the closing of the transaction. Principal transactions revenues are recognized in income on a trade-date basis. See Note 5 to the Consolidated Financial Statements for a description of the Company's revenue recognition policies for commissions and fees, and Note 6 to the Consolidated Financial Statements for details of principal transactions revenue.

Use of Estimates

Management must make estimates and assumptions that affect the Consolidated Financial Statements and the related Notes to the Consolidated Financial Statements. Such estimates are used in connection with certain fair value measurements. See Note 22 to the Consolidated Financial Statements for further discussions on estimates used in the determination of fair value. Moreover, estimates are significant in determining the amounts of other-than-temporary impairments, impairments of goodwill and other intangible assets, provisions for probable losses that may arise from credit-related exposures and probable and estimable losses related to litigation and regulatory proceedings, and tax reserves. While management makes its best judgment, actual amounts or results could differ from those estimates. Current market conditions increase the risk and complexity of the judgments in these estimates.

Cash Flows

Cash equivalents are defined as those amounts included in *Cash and due from banks*. Cash flows from risk management activities are classified in the same category as the related assets and liabilities.

Related Party Transactions

The Company has related party transactions with certain of its subsidiaries and affiliates. These transactions, which are primarily short-term in nature, include cash accounts, collateralized financing transactions, margin accounts, derivative transactions, charges for operational support and the borrowing and lending of funds, and are entered into in the ordinary course of business.

ACCOUNTING CHANGES

Accounting for Share-Based Payments with Performance Targets

In June 2014, the FASB issued Accounting Standards Update (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. Citibank elected to adopt this ASU in 2014. The impact of adopting the ASU was not material.

Discontinued Operations and Significant Disposals

The FASB issued ASU 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 early-adopted the ASU in 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.

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 clarifies the accounting for the cumulative translation adjustment (CTA) when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The ASU requires the CTA to remain in equity until the foreign entity is disposed of or it is completely or substantially liquidated.

This ASU became effective for Citibank on January 1, 2014, and was applied on a prospective basis. The accounting prescribed in this ASU is consistent with Citibank's prior practice and, as a result, adoption did not result in any impact to the Company.

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: (i) the loan has a government guarantee that is not separable from the loan before foreclosure, (ii) 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 (iii) 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 is measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor.

Citibank early adopted the ASU on a modified retrospective basis in 2014, which resulted in reclassifying approximately \$130 million of foreclosed assets from Other Real Estate Owned to a separate other receivable that is included in *Other assets*. Given the modified retrospective approach to adoption, prior years have not been restated.

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*. Any transition adjustment is reflected as an adjustment to retained earnings in the earliest period presented (retrospective application).

The ASU is applicable to Citibank'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. Citibank qualifies 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*.

Citibank adopted ASU 2014-01 in January of 2015. The adoption of this ASU will reduce *Retained earnings* by approximately \$339 million, *Other assets* by approximately \$166 million, and deferred tax assets by approximately \$173 million, each in January of 2015.

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 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 financial statements.

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 became effective for Citi from the first quarter of 2015, with the exception of the collateral disclosures which will be effective from the second quarter of 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. Adoption of the ASU did not have a material effect on the Company's financial statements.

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 Citibank from the first quarter of 2016 and is not expected to have a material effect on the Company.

Accounting for Derivatives – Hybrid Financial Instruments

In November 2014, the FASB issued ASU No. 2014-16, *Derivatives and Hedging (Topic 815) Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity*. The ASU will require an entity to evaluate the economic characteristics and risks of an entire hybrid financial instrument issued in the form of a share (including the embedded derivative feature) in order to determine whether the nature of the host contract is more akin to debt or equity. Additionally, the ASU clarifies that no single term or feature would necessarily determine the economic characteristics and risks of the host contract, therefore, an entity should use judgment based on an evaluation of all the relevant terms and features.

This ASU is effective for Citibank from the first quarter of 2016 with early adoption permitted. Citibank may choose to report the effects of initial adoption as a cumulative-effect adjustment to retained earnings as of January 1, 2016 or apply the guidance retrospectively to all prior periods. The

impact of adopting this ASU is not expected to be material to Citibank

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 financial institutions and other 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 an 'expected credit loss' measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired and adjusted each period for changes in expected credit losses. For available-for-sale securities where fair value is less than cost, impairment would be recognized in the allowance for credit losses and adjusted each period 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.

Consolidation

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810) Amendments to the Consolidation Analysis*, which is intended to improve certain areas of consolidation guidance for legal entities such as limited partnerships, limited liability companies, and securitization structures. The ASU will reduce the number of consolidation models. The ASU will be effective on January 1, 2016. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the effect that ASU 2015-02 will have on its Consolidated Financial Statements.

3 DISCONTINUED OPERATIONS AND SIGNIFICANT DISPOSALS

Sale of Brazil Credicard Business

On December 20, 2013 Citibank sold its 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 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:

<i>In millions of dollars</i>	2014	2013
Total revenues, net of interest expense ⁽¹⁾	\$ 69	\$ 1,012
Income (loss) from discontinued operations	63	(48)
Gain (loss) on sale	—	206
Provision (benefit) for income taxes	11	(138)
Income from discontinued operations, net of taxes	\$ 52	\$ 296

(1) Total revenues include gain or loss on sale, if applicable.

Cash Flows from Discontinued Operations

<i>In millions of dollars</i>	2014	2013
Cash flows from operating activities	\$ —	\$ 197
Cash flows from investing activities	—	(207)
Cash flows from financing activities	—	—
Net cash provided by (used in) discontinued operations	\$ —	\$ (10)

Sale of Egg Banking plc Credit Card Business

In April 2011 Citibank 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:

<i>In millions of dollars</i>	2014	2013
Total revenues, net of interest expense ⁽¹⁾	\$ 5	\$ —
Income (loss) from discontinued operations	(46)	(62)
Gain (loss) on sale	—	—
Provision (benefit) for income taxes	(16)	(22)
Loss from discontinued operations, net of taxes	\$ (30)	\$ (40)

(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 Citibank German Consumer Tax Group

Citibank 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 Citibank'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, Egg and previous *Discontinued operations* for which Citibank continues to have minimal residual costs associated with the sales:

<i>In millions of dollars</i>	2014	2013
Total revenues, net of interest expense ⁽¹⁾	\$ 74	\$ 1,012
Income (loss) from discontinued operations	17	(84)
Gain on sale	—	206
Provision (benefit) for income taxes	15	(214)
Income (loss) from discontinued operations, net of taxes	\$ 2	\$ 336

(1) Total revenues include gain or loss on sale, if applicable.

Cash Flows from Discontinued Operations

<i>In millions of dollars</i>	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)

Significant Disposals

The following sales were identified as significant disposals including the assets and liabilities that were reclassified to held-for-sale within *Other assets* and *Other liabilities* on the Consolidated Balance Sheet and the *Income (loss) before taxes (benefits)* related to each business:

Agreement to Sell Japan Retail Banking Business

On December 25, 2014, Citibank entered into an agreement to sell its Japan retail banking business. The sale, which is subject to regulatory approvals and other customary closing conditions, is expected to occur by the fourth quarter of 2015 and result in an after-tax gain upon completion. 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:

<i>In millions of dollars</i>	2014	2013
Income (loss) before taxes	\$ (5)	\$ 31

The following assets and liabilities for the Japan retail banking business were identified and reclassified to held-for-sale within *Other assets* and *Other liabilities* on the Consolidated Balance Sheet at December 31, 2014

<i>In millions of dollars</i>	December 31, 2014	
Assets		
Cash and deposits with banks	\$	151
Loans (net of allowance of \$2 million)		544
Goodwill		51
Other assets, advances to/from subs		19,854
Other assets		66
Total assets	\$	20,666
Liabilities		
Deposits	\$	20,605
Other liabilities		61
Total liabilities	\$	20,666

Sale of Spain Consumer Operations

On September 22, 2014, Citibank sold its consumer operations in Spain, 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 \$327 million (\$205 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:

<i>In millions of dollars</i>	2014	2013
Income before taxes	\$373	\$59

Sale of Greece Consumer Operations

On September 30, 2014, Citibank sold its consumer operations in Greece, 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:

<i>In millions of dollars</i>	2014	2013
Income before taxes	\$133	\$(113)

4 INTEREST REVENUE AND EXPENSE

For the years ended December 31 2014 and 2013, respectively, *Interest revenue* and *Interest expense* consisted of the following

<i>In millions of dollars</i>	2014	2013
Interest revenue		
Loan interest, including fees	\$ 36,689	\$ 37,150
Deposits with banks	830	851
Federal funds sold, securities borrowed or purchased under agreements to resell	1,094	1,189
Investments, including dividends	5,822	5,388
Trading account assets ⁽¹⁾	2,727	2,803
Other interest	312	347
Total interest revenue	\$ 47,474	\$ 47,728
Interest expense		
Deposits ⁽²⁾	\$ 5,368	\$ 6,133
Federal funds purchased and securities loaned or sold under agreements to repurchase	236	270
Trading account liabilities ⁽¹⁾	139	132
Short-term borrowings	487	515
Long-term debt	1,798	2,104
Total interest expense	\$ 8,028	\$ 9,154
Net interest revenue	\$ 39,446	\$ 38,574
Provision for loan losses	3,989	4,817
Net interest revenue after provision for loan losses	\$ 35,457	\$ 33,757

(1) Certain interest expense on *Trading account liabilities* is reported as a reduction of interest revenue from *Trading account assets*

(2) Includes deposit insurance fees and charges of \$870 million and \$972 million for the years ended December 31 2014 and 2013 respectively

5 COMMISSIONS AND FEES

The table below sets forth Citibank's *Commissions and fees* revenue for the years ended December 31 2014 and 2013, respectively The primary components of *Commissions and fees* revenue for the year ended December 31 2014 were asset management and other fiduciary fees, credit card and bank card fees and transaction services fees

Asset management and other fiduciary fees include fees earned for securities safekeeping and processing services, performing transfers, paying agent, or dividend reinvestment services, fees from clean or documentary letters of credit, and endorsements or other guarantee arrangements that facilitate customer financing or performance

Credit card and bank card fees are primarily composed of interchange revenue and certain card fees, including annual fees, reduced by reward program costs Interchange revenue and fees are recognized when earned, except for annual card fees which 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

The following table presents *Commissions and fees* revenue for the years ended December 31

<i>In millions of dollars</i>	2014	2013
Asset management and other fiduciary fees	\$ 3,374	\$ 3,369
Credit cards and bank cards	1,618	1,851
Trade and securities services	1,678	1,658
Insurance related	721	738
Checking-related	351	401
Corporate finance ⁽¹⁾	498	451
Loan servicing	378	499
Other	1,485	1,439
Total commissions and fees	\$ 10,103	\$ 10,406

(1) Primarily consists 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) 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 years ended December 31.

<i>In millions of dollars</i>	2014	2013
Interest rate contracts ⁽¹⁾	\$ 2,112	\$ 3,848
Foreign exchange contracts ⁽²⁾	2,135	2,190
Equity contracts ⁽³⁾	(131)	(463)
Commodity and other contracts ⁽⁴⁾	189	98
Credit products and derivatives ⁽⁵⁾	(90)	(127)
Total	\$ 4,215	\$ 5,546

- (1) Includes revenues from government securities and corporate debt, municipal securities, preferred stock, 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) Includes revenues from commodity swaps, options, futures and forward contracts and various commodity trades.
- (5) Includes revenues from structured credit products.

7 INCENTIVE PLANS

Discretionary Annual Incentive Awards

Citibank participates in various Citigroup stock-based and other deferred incentive programs. Citigroup grants immediate cash bonus payments, deferred cash awards, stock payments and restricted and deferred stock awards as part of its discretionary annual incentive award program involving a large segment of Citigroup's employees worldwide, including employees of the Company.

Discretionary annual incentive awards are generally awarded in the first quarter of the year based upon the previous year's performance. Awards valued at less than U.S. \$100,000 (or the local currency equivalent) are generally paid entirely in the form of an immediate cash bonus. Pursuant to Citigroup policy and/or regulatory requirements, certain employees and officers are subject to mandatory deferrals of incentive pay and generally receive 25% to 60% of their awards in a combination of restricted or deferred stock and deferred cash. Discretionary annual incentive awards to many employees in the EU are subject to deferral requirements regardless of the total award value, with 50% of the immediate incentive delivered in the form of a stock payment or stock unit award subject to a restriction on sale or transfer or hold back (generally, for six months).

Deferred annual incentive awards are generally delivered as two awards—a restricted or deferred stock award under Citigroup's Capital Accumulation Program (CAP) and a deferred cash award. The applicable mix of CAP and deferred cash awards may vary based on the employee's minimum deferral requirement and the country of employment. In some cases, the entire deferral will be in the form of either a CAP or deferred cash award.

Subject to certain exceptions (principally for retirement-eligible employees), continuous employment within Citigroup is required to vest in CAP and deferred cash awards. Post-employment vesting by retirement-eligible employees and participants who meet other conditions is generally conditioned upon their refraining from competition with Citigroup during the remaining vesting period, unless the employment relationship has been terminated by Citigroup under certain conditions.

Generally, the CAP and deferred cash awards vest in equal annual installments over three- or four-year periods. Vested CAP awards are delivered in shares of Citigroup common stock. Deferred cash awards are payable in cash and earn a fixed notional rate of interest that is paid only if and when the underlying principal award amount vests. Generally, in the EU, vested CAP shares are subject to a restriction on sale or transfer after vesting, and vested deferred cash awards are subject to hold back (generally for six months in each case).

Unvested CAP and deferred cash awards made in January 2011 or later are subject to one or more clawback provisions that apply in certain circumstances, including in the case of employee risk-limit violations or other misconduct or where the awards were based on earnings that were misstated. CAP awards made to certain employees in February 2013 and later are subject to a formulaic performance-based vesting

condition pursuant to which amounts otherwise scheduled to vest will be reduced based on the amount of any pretax loss in the participant's business in the calendar year preceding the scheduled vesting date. For CAP awards made in February 2013 and later, a minimum reduction of 20% applies for the first dollar of loss.

In addition, deferred cash awards made to certain employees in February 2013 and later are subject to a discretionary performance-based vesting condition under which an amount otherwise scheduled to vest may be reduced in the event of a material adverse outcome for which a participant has significant responsibility. Deferred cash awards made to these employees in February 2014 and later are subject to an additional clawback provision pursuant to which unvested awards may be canceled if the employee engaged in misconduct or exercised materially imprudent judgment, or failed to supervise or escalate the behavior of other employees who did.

Certain CAP and other stock-based awards, including those to participants in the EU that are subject to certain discretionary clawback provisions, are subject to variable accounting pursuant to which the associated value of the award fluctuates with changes in Citigroup's common stock price until the date that the award is settled, either in cash or shares. For these awards, the total amount that will be recognized as expense cannot be determined in full until the settlement date.

Compensation Allowances

In 2013 and 2014, certain employees of Citibank's U.K. regulated entities were granted fixed allowances in addition to salary and annual incentive awards. Generally, these cash allowances are payable in equal installments during the service year and the following year or two years. The payments cease if the employee does not continue to meet applicable service or other requirements. The allowance payments are not subject to performance conditions or clawback. Discretionary incentives awarded for performance years 2013 and 2014 to employees receiving allowances were at reduced levels and subject to greater deferral requirements, of up to 100% in some cases.

Sign-on and Long-Term Retention Awards

Stock awards, deferred cash awards and grants of stock options may be made at various times during the year as sign-on awards to induce new hires to join Citibank or to high-potential employees as long-term retention awards. Vesting periods and other terms and conditions pertaining to these awards tend to vary by grant. Generally, recipients must remain employed through the vesting dates to vest in the awards, except in cases of death, disability or involuntary termination other than for gross misconduct. These awards do not usually provide for post-employment vesting by retirement-eligible participants. Any stock option grants are for Citigroup common stock with exercise prices that are no less than the fair market value at the time of grant.

Performance Share Units

Certain executive officers were awarded a target number of performance share units (PSUs) on February 19, 2013, for performance in 2012, and to a broader group of executives on February 18, 2014 and February 18, 2015, for performance in 2013 and 2014, respectively. PSUs will be earned only to the extent that Citigroup attains specified performance goals relating to Citigroup's return on assets and relative total shareholder return against peers over the three-year period beginning with the year of award. The actual dollar amounts ultimately earned could vary from zero, if performance goals are not met, to as much as 150% of target, if performance goals are meaningfully exceeded. The value of each PSU is equal to the value of one share of Citigroup common stock. The value of the award will fluctuate with changes in Citigroup's stock price and the attainment of the specified performance goals for each award, until it is settled solely in cash after the end of the performance period.

Stock Option Programs

Stock options have not been granted to Citibank's employees as part of the annual incentive award programs since 2009.

On February 14, 2011, Citigroup granted options exercisable for approximately 2.9 million shares of Citigroup common stock to certain of its executive officers. The options have six-year terms and vested in three equal annual installments. The exercise price of the options is \$49.10, equal to the closing price of a share of Citigroup common stock on the grant date. Upon exercise of the options before the fifth anniversary of the grant date, the shares received on exercise (net of the amount required to pay taxes and the exercise price) are subject to a one-year transfer restriction.

The February 14, 2011 grant is the only prior stock option grant that was not fully vested by January 1, 2014 and as a result, is the only grant that resulted in an amount of compensation expense in 2014. All other stock option grants were fully vested at December 31, 2013, and as a result Citibank will not incur any future compensation expense related to those grants.

Profit Sharing Plan

The 2010 Key Employee Profit Sharing Plan (KEPSP) entitled participants to profit-sharing payments calculated with reference to the pretax income of Citicorp (as defined in the KEPSP) over a performance measurement period of January 1, 2010, through December 31, 2013. Generally, if a participant remained employed and all other conditions to vesting and payment were satisfied, the participant became entitled to payment. Payments were made in cash, except for U.K. participants who, pursuant to regulatory requirements, received 50% of their payment in Citigroup common stock that was subject to a six-month sale restriction.

Other Variable Incentive Compensation

Employees of Citibank participate in various incentive plans globally that are used to motivate and reward performance primarily in the areas of sales, operational excellence and customer satisfaction. Participation in these plans is generally limited to employees who are not eligible for discretionary annual incentive awards.

Summary

Except for awards subject to variable accounting, the total expense recognized for stock awards represents the grant date fair value of such awards, which is generally recognized as a charge to income ratably over the vesting period, other than for awards to retirement-eligible employees and immediately vested awards. Whenever awards are made or are expected to be made to retirement-eligible employees, the charge to income is accelerated based on when the applicable conditions to retirement eligibility were or will be met. If the employee is retirement eligible on the grant date, or the award is vested at grant date, the entire expense is recognized in the year prior to grant.

Recipients of Citigroup stock awards generally do not have any stockholder rights until shares are delivered upon vesting or exercise, or after the expiration of applicable required holding periods. Recipients of restricted or deferred stock awards and stock unit awards, however, may be entitled to receive dividends or dividend-equivalent payments during the vesting period. Recipients of restricted stock awards generally are entitled to vote the shares in their award during the vesting period. Once a stock award vests, the shares are freely transferable unless they are subject to a restriction on sale or transfer for a specified period. Pursuant to a stock ownership commitment, certain executives have committed to holding most of their vested shares indefinitely.

The Company recognized compensation expense of \$193 million and \$217 million in 2014 and 2013, respectively, relating to its stock-based and deferred compensation programs.

8 RETIREMENT BENEFITS

Pension and Postretirement Benefits

The Company participates in several noncontributory defined benefit pension plans sponsored by Citigroup Inc. covering certain U.S. employees and has various defined benefit pension and termination indemnity plans covering employees outside the United States.

Citigroup's 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 participates in 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 average pay formula, the benefits under these plans were frozen in prior years.

The Company also participates in postretirement health care and life insurance benefits offered by Citigroup to certain eligible U.S. retired employees, as well as to certain eligible employees outside the United States.

The Company's allocated share of the related net funded status of the plans and net amount recognized in equity are recognized in the Company's Consolidated Balance Sheet and summarized in the table below.

In millions of dollars	Pension plans				Postretirement benefit plans			
	U.S. plans ⁽¹⁾		Non-U.S. plans		U.S. plans		Non-U.S. plans	
	2014	2013	2014	2013	2014	2013	2014	2013
Net funded status (liability)	\$ (964)	\$ (212)	\$ (733)	\$ (717)	\$ (391)	\$ (326)	\$ (338)	\$ (340)
Net decrease recognized in equity	\$ 2,265	\$ 1,465	\$ 919	\$ 991	\$ 44	\$ (47)	\$ 102	\$ 116

(1) The net funded status reported above for the U.S. plans is composed of \$(435) million for the qualified pension plan and \$(529) million for the nonqualified pension plans for 2014. For 2013, the net funded status is composed of \$260 million for the qualified pension plan and \$(472) million for the nonqualified pension plans.

The Company's allocated share of the related net (benefit) expense for the plans is recognized in the Company's Consolidated Statement of Income and summarized in the table below.

In millions of dollars	Pension plans				Postretirement benefit plans			
	U.S. plans ⁽¹⁾		Non-U.S. plans		U.S. plans		Non-U.S. plans	
	2014	2013	2014	2013	2014	2013	2014	2013
Net (benefit) expense	\$ (69)	\$ (63)	\$ 256	\$ 191	\$ 13	\$ 13	\$ 38	\$ 42

(1) The net (benefit) expense reported above for the U.S. plans is composed of \$(101) million for the qualified pension plan and \$32 million for the nonqualified pension plans for 2014. For 2013, the net (benefit) expense is composed of \$(96) million for the qualified pension plan and \$33 million for the nonqualified pension plans.

Plan Assumptions

Citigroup utilizes a number of assumptions to determine plan obligations and expense. Changes in one or a combination of these assumptions will have an impact on the Company's pension and postretirement projected benefit obligation (PBO), funded status and benefit expense. Changes in the plans' funded status resulting from changes in the PBO and fair value of plan assets will have a corresponding impact on *Accumulated other comprehensive income (loss)*. A discussion of certain key assumptions follows.

Discount Rate

The discount rates for the U.S. pension and postretirement plans were selected by reference to a Citigroup-specific analysis using each plan's specific cash flows and compared with high quality corporate bond indices for reasonableness. Citigroup's policy is to round to the nearest five hundredths of a percent.

Accordingly, at December 31, 2014, the discount rate was set at 4.00% for the qualified pension plan, 3.90% for the nonqualified pension plans and 3.80% for the postretirement

plans. At December 31, 2013, the discount rate was set at 4.75% for the qualified and nonqualified pension plans and 4.35% for the postretirement plans.

Effective April 1, 2013, Citigroup changed to a quarterly measurement approach for its Significant Plans, including the U.S. qualified pension and U.S. postretirement plans. For these Significant Plans, the 2014 rates were utilized to calculate the December 31, 2014 benefit obligation and will be used to determine the 2015 first quarter expense. The 2013 rates were utilized to calculate the December 31, 2013 benefit obligation and used for the 2014 first quarter expense.

The discount rates for the non-U.S. pension and postretirement plans are selected by reference to high quality corporate bond rates in countries that have developed corporate bond markets. However, where developed corporate bond markets do not exist, the discount rates are selected by reference to local government bond rates with a premium added to reflect the additional risk for corporate bonds in certain countries.

Expected Rate of Return

Citigroup determines its assumptions for the expected rate of return on plan assets for its U.S. pension and postretirement plans using a "building block" approach which focuses on ranges of anticipated rates of return for each asset class. A weighted average range of nominal rates is then determined based on target allocations to each asset class. Market performance over a number of earlier years is evaluated covering a wide range of economic conditions to determine whether there are sound reasons for projecting any past trends.

Citigroup considers the expected rate of return to be a long-term assessment of return expectations and does not anticipate changing this assumption unless there are significant changes in investment strategy or economic conditions. This contrasts with the selection of the discount rate and certain other assumptions which are reconsidered annually (or quarterly for the Significant Plans) in accordance with generally accepted accounting principles.

The expected rate of return for the U.S. pension and postretirement plans was 7.00% at December 31, 2014 and 2013. The expected return on assets reflects the expected annual appreciation of the plan assets and reduces the annual pension expense of Citigroup. The expected return on assets is deducted from the sum of service cost, interest cost and other components of pension expense to arrive at the net pension (benefit) expense.

The following table shows the expected rate of return used in determining Citigroup's pension expense compared to the actual rate of return on plan assets for 2014 and 2013 for the U.S. pension and postretirement plans.

	2014	2013
Expected rate of return	7.00%	7.00%
Actual rate of return ⁽¹⁾	7.80%	6.00%

(1) Actual rates of return are presented net of fees.

Mortality Tables

At December 31, 2014, the Company adopted the Retirement Plan 2014 (RP-2014) and Mortality Projections 2014 (MP-2014) mortality tables for the U.S. plans.

	2014	2013
Mortality		
U.S. plans ^{(1) (2)}		
Pension	RP-2014/MP-2014	IRS RP-2000(2014)
Postretirement	RP-2014/MP-2014	IRS RP-2000(2014)

(1) The RP-2014 table is the white-collar RP-2014 table, with a 4% increase in rates to reflect the Citigroup-specific mortality experience. The MP-2014 projection scale includes a phase-out of the assumed rates of improvement from 2015 to 2027.

(2) The IRS mortality table (static version) includes a 7-year projection (from the measurement date) after retirement and 15-year projection (from the measurement date) prior to retirement using Projection Scale AA.

Adjustments were made to the RP-2014 tables and to the long-term rate of mortality improvement to reflect Citigroup specific experience. As a result, the Company's allocated share of the U.S. qualified and nonqualified pension and postretirement plans PBO at December 31, 2014 increased by \$545 million and its funded status and AOCI decreased by \$545 million (\$333 million, net of tax). In addition, the Company's allocated share of the 2015 qualified and nonqualified pension and postretirement benefit expense is expected to increase by approximately \$33 million.

Health Care Cost-Trend Rate

Assumed health care cost-trend rates were as follows:

	2014	2013
Health-care cost increase rate for U.S. Plans		
Following year	7.50%	8.00%
Ultimate rate to which cost increase is assumed to decline	5.00	5.00
Year in which the ultimate rate is reached ⁽¹⁾	2020	2020

(1) Weighted average for plans with different following year and ultimate rates.

Plan Assets

Third-party investment managers and advisors provide their services to Citigroup's U.S. pension and postretirement plans. Assets are rebalanced as Citigroup's Pension Plan Investment Committee deems appropriate. Citigroup's investment strategy with respect to its pension and postretirement assets is to maintain a globally diversified investment portfolio across several asset classes that are targeted to produce a total return that, when combined with Citigroup's contributions to the plans, will maintain the plans' ability to meet all required benefit obligations.

Investment Strategy

Citigroup's global pension and postretirement funds investment strategies are to invest in a prudent manner for the exclusive purpose of providing benefits to participants. Risk is controlled through diversification of asset types and investments in domestic and international equities, fixed-income securities and cash and short-term investments. The target asset allocation in most locations outside the U.S. is primarily in equity and debt securities. These allocations may vary by geographic region and country depending on the nature of applicable obligations and various other regional considerations. The wide variation in the actual range of plan asset allocations for the funded non-U.S. plans is a result of differing local statutory requirements and economic conditions. For example, in certain countries local law requires that all pension plan assets must be invested in fixed-income investments, government funds or local-country securities.

Significant Concentrations of Risk in Plan Assets

The assets of Citigroup's pension and postretirement plans are diversified to limit the impact of any individual investment. The U.S. qualified pension plan is diversified across multiple asset classes with publicly traded fixed income, hedge funds, publicly traded equity, and private equity representing the most significant asset allocations. Investments in these four asset classes are further diversified across funds, managers, strategies, vintages, sectors and geographies depending on the specific characteristics of each asset class. The pension assets for Citigroup's largest non-U.S. plans are primarily invested in publicly traded fixed income and publicly traded equity securities.

Oversight and Risk Management Practices

The framework for Citigroup's pension oversight process includes monitoring of retirement plans by plan fiduciaries and/or management at the global, regional or country level as appropriate. Independent risk management contributes to the risk oversight and monitoring for Citigroup's U.S. qualified pension plan and non-U.S. Significant Pension Plans. Although the specific components of the oversight process are tailored to the requirements of each region, country and plan, the following elements are common to Citigroup's monitoring and risk management process:

- periodic asset/liability management studies and strategic asset allocation reviews,
- periodic monitoring of funding levels and funding ratios,
- periodic monitoring of compliance with asset allocation guidelines,
- periodic monitoring of asset class and/or investment manager performance against benchmarks, and
- periodic risk capital analysis and stress testing.

Postemployment Plans

The Company participates in postemployment plans sponsored by Citigroup that provide income continuation and health and welfare benefits to certain eligible U.S. employees on long-term disability.

As of December 31, 2014 and 2013, the Company's allocated share of the plans' funded status recognized in the Company's Consolidated Balance Sheet was \$(165) million and \$(163) million, respectively. The amounts recognized in *Accumulated other comprehensive income (loss)* as of December 31, 2014 and 2013 were \$(24) million and \$(39) million, respectively. The Company's allocated share of the net expense recognized in the Consolidated Statement of Income during 2014 and 2013 was \$19 million and \$29 million, respectively.

Effective January 1, 2014, Citigroup made changes to its postemployment plans that limit the period for which future disabled employees are eligible for continued company subsidized medical benefits.

The following table summarizes certain assumptions used in determining the postemployment benefit obligations and net benefit expense for the Citigroup's U.S. postemployment plans.

	2014	2013
Discount rate	3.45%	4.05%
Health-care cost increase rate		
Following year	7.50%	8.00%
Ultimate rate to which cost increase is assumed to decline	5.00	5.00
Year in which the ultimate rate is reached	2020	2020

Defined Contribution Plans

The Company participates in several defined contribution plans in the U.S. and 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 Citigroup Inc. 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 compensation is provided. All contributions made by the plan sponsor are invested according to each participant's individual elections. The Company's allocated pretax expense associated with the Citigroup 401(k) Plan amounted to approximately \$224 million and \$228 million for the years ended December 31, 2014 and 2013, respectively. Citibank sponsors the Citibuilder 401(k) Plan for Puerto Rico, a defined contribution plan, under which eligible employees receive a matching contribution of up to 6% of their eligible compensation for 2014 and 2013. The 2014 and 2013 matching contributions were provided for all employees in Puerto Rico at all compensation levels. All contributions made by the plan sponsor are invested according to participants' individual elections. Additionally, for eligible employees whose compensation is \$100,000 or less, a fixed contribution of up to 2% of compensation is provided. The Company's pretax expense associated with the Citibuilder 401(k) Plan for Puerto Rico amounted to approximately \$1 million and \$2 million for the years ended December 31, 2014 and 2013.

9. INCOME TAXES

The Company is included in the Citigroup consolidated federal tax return and is party to a tax sharing agreement with Citigroup. Under such agreement, the Company is entitled to a tax benefit for its losses and credits that are recognized in Citigroup's Consolidated Financial Statements. Settlements between the Company and Citigroup of current taxes occur throughout the year. The Company also files in consolidated and combined state income tax returns with Citigroup and/or other of its subsidiaries, and files other separate state income tax returns.

Income Taxes

Details of the Company's income tax provision for the years ended December 31 are presented in the table below.

<i>In millions of dollars</i>	2014	2013
Current		
Federal	\$ 396	\$ (265)
Foreign	2,424	2,669
State	135	36
Total current income taxes	\$ 2,955	\$ 2,440
Deferred		
Federal	\$ 1,844	\$ 3,246
Foreign	(24)	(16)
State	864	523
Total deferred income taxes	\$ 2,684	\$ 3,753
Provision for income tax on continuing operations before noncontrolling interests⁽¹⁾	\$ 5,639	\$ 6,193
Provision (benefit) for income taxes on discontinued operations	15	(214)
Income tax expense (benefit) reported in stockholder's equity related to		
Foreign currency translation	(251)	(460)
Securities available-for-sale	930	(1,417)
Cash flow hedges	156	541
Pension liability adjustments	(304)	245
Income taxes before noncontrolling interests	\$ 6,185	\$ 4,888

(1) Includes the effect of securities transactions and other-than-temporary-impairment (OTTI) losses resulting in a provision (benefit) of \$129 million and \$(118) million in 2014 and \$184 million and \$(61) million in 2013, respectively.

Tax Rate

The reconciliation of the federal statutory income tax rate to the Company's effective income tax rate applicable to income from continuing operations (before noncontrolling interests) for the years ended December 31 was as follows:

	2014	2013
Federal statutory rate	35.0%	35.0%
State income taxes, net of federal benefit	2.6	1.9
Foreign income tax rate differential	(2.5)	(1.4)
Tax advantaged investments	(4.1)	(3.6)
Nondeductible legal and related expenses	6.5	0.0
Basis difference in affiliates	(2.3)	0.0
Effect of tax law changes	1.5	(0.2)
Audit settlements	(1.0)	(0.7)
Other, net	(0.6)	(0.4)
Effective income tax rate	35.1%	30.6%

Deferred Income Taxes

Deferred income taxes at December 31 related to the following:

<i>In millions of dollars</i>	2014	2013
Deferred tax assets		
Credit loss deduction	\$ 5,143	\$ 5,242
Deferred compensation and employee benefits	1,517	1,278
Restructuring and settlement reserves	811	881
Unremitted foreign earnings	2,854	4,098
Investments and loan basis differences	2,674	4,551
Cash flow hedges	452	620
Tax credit and net operating loss carry-forwards	8,777	8,903
Fixed assets and leases	1,510	417
Other deferred tax assets	1,247	1,001
Gross deferred tax assets	\$ 24,985	\$ 26,991
Valuation allowance	—	—
Deferred tax assets after valuation allowance	\$ 24,985	\$ 26,991
Deferred tax liabilities		
Intangibles	(22)	411
Other deferred tax liabilities	\$ (406)	\$ (456)
Gross deferred tax liabilities	\$ (428)	\$ (45)
Net deferred tax asset	\$ 24,557	\$ 26,946

Unrecognized Tax Benefits

The following is a roll-forward of the Company's unrecognized tax benefits

<i>In millions of dollars</i>	2014	2013
Total unrecognized tax benefits at January 1	\$ 593	\$ 1,589
Net amount of increases for current year's tax positions	92	38
Gross amount of increases (decreases) for prior years' tax positions	162	(26)
Gross amount of decreases for prior years' tax positions	(146)	(477)
Amounts of decreases relating to settlements	(25)	(531)
Reductions due to lapse of statutes of limitation	(23)	(4)
Foreign exchange, acquisitions and dispositions	4	4
Total unrecognized tax benefits at December 31	\$ 657	\$ 593

The total amounts of unrecognized tax benefits at December 31, 2014 and 2013 that, if recognized, would affect the Company's effective tax rate were \$522 million and \$425 million respectively. The remainder of the uncertain tax positions has offsetting amounts in other jurisdictions or these positions are temporary differences.

Interest and penalties (not included in "total unrecognized tax benefits" in the table above) are a component of the *Provision for income taxes*.

<i>In millions of dollars</i>	2014		2013	
	Pretax	Net of tax	Pretax	Net of tax
Total interest and penalties in the Consolidated Balance Sheet at January 1	\$ 183	\$ 114	\$ 347	\$ 223
Total interest and penalties in the Consolidated Statement of Income	28	17	(80)	(53)
Total interest and penalties in the Consolidated Balance Sheet at December 31	212	132	183	114

Citibank currently is under audit by the Internal Revenue Service and other major taxing jurisdictions around the world. It is thus reasonably possible that significant changes in the gross balance of unrecognized tax benefits may occur within the next 12 months, although Citibank does not expect such audits to result in amounts that would cause a significant change to its effective tax rate other than as discussed below.

Citibank expects to conclude its IRS audit for the 2012-2013 cycle within the next 12 months. The gross uncertain tax positions at December 31, 2014 for the items that may be resolved are as much as \$93 million. Because of the number and nature of the issues remaining to be resolved, the potential tax benefit to continuing operations could be anywhere from \$0 to \$93 million. In addition, Citibank may conclude certain state and local tax audits within the next 12 months. The gross uncertain tax positions at December 31, 2014 are as much as \$93 million. In addition, there is gross interest of as much as \$123 million. The potential tax benefit to continuing operations could be anywhere between \$0 and \$137 million, excluding interest.

The following are the major tax jurisdictions in which the Company and its affiliates operate and the earliest tax year subject to examination:

Jurisdiction	Tax year
United States	2012
New York State and City	2006
United Kingdom	2013
Ireland	2010
India	2010
Hong Kong	2008
Singapore	2007
Brazil	2010

Foreign Earnings

Foreign pretax earnings approximated \$8.2 billion in 2014 and \$11.4 billion in 2013. As a national banking association, Citibank and its U.S. subsidiaries are subject to U.S. taxation currently on all foreign pretax earnings earned by a foreign branch. Pretax earnings of a foreign subsidiary or affiliate are subject to U.S. taxation when effectively repatriated. The Company provides income taxes on the undistributed earnings of non-U.S. subsidiaries, except to the extent that such earnings are indefinitely invested outside the U.S.

At December 31, 2014, \$34.2 billion of accumulated undistributed earnings of non-U.S. subsidiaries were indefinitely invested. At the existing U.S. federal income tax

rate, additional taxes (net of U.S. foreign tax credits) of \$8.5 billion would have to be provided if such earnings were remitted currently. The current year's effect on the income tax expense from continuing operations is included in the "Foreign income tax rate differential" line in the reconciliation of the federal statutory rate to the Company's effective income tax rate.

Income taxes are not provided on the Company's savings bank base year bad debt reserves that arose before 1988, because, under current U.S. tax rules, such taxes will become payable only to the extent such amounts are distributed in excess of limits prescribed by federal law. At December 31, 2014, the amount of the base year reserves totaled approximately \$358 million (subject to a tax of \$125 million).

Deferred Tax Assets

Foreign tax credit carry-forwards expire between 2017 and 2023 and the state and local net operating loss carry-forwards between 2015 and 2034.

The Company had no valuation allowance on deferred tax assets at December 31, 2014 and December 31, 2013. Although it is not assured, the Company believes that the realization of the recognized net deferred tax asset of \$24.6 billion at December 31, 2014 is more-likely-than-not based on the recognition of its federal and certain state deferred tax assets in Citigroup's financial statements and expectations as to future taxable income in jurisdictions in which the other deferred tax assets 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.

10 FEDERAL FUNDS, SECURITIES BORROWED, LOANED, AND SUBJECT TO REPURCHASE/RESALE AGREEMENTS

Federal funds sold and securities borrowed or purchased under agreements to resell, at their respective carrying values, consisted of the following at December 31

<i>In millions of dollars</i>	2014	2013
Federal funds sold	\$ —	\$ 20
Securities purchased under agreements to resell	55,062	59,171
Deposits paid for securities borrowed	7,442	9,012
Total	\$ 62,504	\$ 68,203

Federal funds purchased and securities loaned or sold under agreements to repurchase, at their respective carrying values, consisted of the following at December 31

<i>In millions of dollars</i>	2014	2013
Federal funds purchased	\$ 334	\$ 910
Securities sold under agreements to repurchase	11,001	13,463
Deposits received for securities loaned	4,090	4,673
Total	\$ 15,425	\$ 19,046

The resale and repurchase agreements represent collateralized financing transactions. The Company executes the transactions primarily to 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 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 as the case may be, 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 its use of the securities.

A substantial portion of the resale and repurchase agreements are 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 as the case may be by the non-defaulting party, following a payment 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 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.

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 December 31, 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.

As of December 31, 2014

<i>In millions of dollars</i>	Gross amounts of recognized assets	Gross amounts offset on the Consolidated Balance Sheet ⁽¹⁾	Net amounts of assets included on the Consolidated Balance Sheet ⁽²⁾	Amounts not offset on the Consolidated Balance Sheet but eligible for offsetting upon counterparty default ⁽³⁾	Net amounts ⁽⁴⁾
Securities purchased under agreements to resell	\$ 58,202	\$ 3,140	\$ 55,062	\$ 29,268	\$ 25,794
Deposits paid for securities borrowed	7,442	—	7,442	4,366	3,076
Total	\$ 65,644	\$ 3,140	\$ 62,504	\$ 33,634	\$ 28,870

<i>In millions of dollars</i>	Gross amounts of recognized liabilities	Gross amounts offset on the Consolidated Balance Sheet ⁽¹⁾	Net amounts of liabilities included on the Consolidated Balance Sheet ⁽²⁾	Amounts not offset on the Consolidated Balance Sheet but eligible for offsetting upon counterparty default ⁽³⁾	Net amounts ⁽⁴⁾
Securities sold under agreements to repurchase	\$ 14,141	\$ 3,140	\$ 11,001	\$ 3,703	\$ 7,298
Deposits received for securities loaned	4,090	—	4,090	—	4,090
Total	\$ 18,231	\$ 3,140	\$ 15,091	\$ 3,703	\$ 11,388

As of December 31, 2013

<i>In millions of dollars</i>	Gross amounts of recognized assets	Gross amounts offset on the Consolidated Balance Sheet ⁽¹⁾	Net amounts of assets included on the Consolidated Balance Sheet ⁽²⁾	Amounts not offset on the Consolidated Balance Sheet but eligible for offsetting upon counterparty default ⁽³⁾	Net amounts ⁽⁴⁾
Securities purchased under agreements to resell	\$ 59,227	\$ 56	\$ 59,171	\$ 33,832	\$ 25,339
Deposits paid for securities borrowed	9,012	—	9,012	4,670	4,342
Total	\$ 68,239	\$ 56	\$ 68,183	\$ 38,502	\$ 29,681

<i>In millions of dollars</i>	Gross amounts of recognized liabilities	Gross amounts offset on the Consolidated Balance Sheet ⁽¹⁾	Net amounts of liabilities included on the Consolidated Balance Sheet ⁽²⁾	Amounts not offset on the Consolidated Balance Sheet but eligible for offsetting upon counterparty default ⁽³⁾	Net amounts ⁽⁴⁾
Securities sold under agreements to repurchase	\$ 13,519	\$ 56	\$ 13,463	\$ 7,269	\$ 6,194
Deposits received for securities loaned	4,673	—	4,673	—	4,673
Total	\$ 18,192	\$ 56	\$ 18,136	\$ 7,269	\$ 10,867

(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 TRADING ACCOUNT ASSETS AND LIABILITIES

Trading account assets and Trading account liabilities at fair value, consisted of the following at December 31

<i>In millions of dollars</i>	2014	2013
Trading account assets		
Mortgage-backed securities ⁽¹⁾		
U S government-sponsored agency guaranteed	\$ 11,257	\$ 10,070
Commercial	53	—
Non-U S residential	—	1
Total mortgage-backed securities	\$ 11,310	\$ 10,071
U S Treasury and federal agencies		
U S Treasuries	\$ 6,079	\$ 3,786
Total U S Treasury and federal agencies	\$ 6,079	\$ 3,786
State and municipal securities	\$ 2,720	\$ 2,600
Foreign government securities	32,760	34,984
Corporate	8,015	10,464
Derivatives ⁽²⁾	73,007	51,476
Equity securities	23,150	26,228
Asset-backed securities ⁽¹⁾	36	50
Other trading assets ⁽³⁾	11,803	10,925
Total trading account assets	\$ 168,880	\$ 150,584
Trading account liabilities		
Securities sold, not yet purchased	\$ 7,683	\$ 6,256
Derivatives ⁽²⁾	63,430	36,505
Total trading account liabilities	\$ 71,113	\$ 42,761

- (1) 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, information is provided in Note 19 to the Consolidated Financial Statements.
- (2) Presented net pursuant to master netting agreements. See Note 20 to the Consolidated Financial Statements for a discussion regarding the accounting and reporting for derivatives.
- (3) Includes investments in unallocated precious metals, as disclosed in Note 23 to the Consolidated Financial Statements. Also includes physical commodities accounted for at the lower of cost or fair value.

12. INVESTMENTS

Overview

<i>In millions of dollars</i>	December 31,	
	2014	2013
Securities available-for-sale (AFS)	\$ 276,602	\$ 256,783
Debt securities held-to-maturity (HTM) ⁽¹⁾	17,238	2,719
Non-marketable equity securities carried at fair value ⁽²⁾	108	100
Non-marketable equity securities carried at cost ⁽³⁾	6,412	6,973
Total investments	\$ 300,360	\$ 266,575

(1) Carried at amortized cost, including any 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) Primarily consists of shares issued by the Federal Reserve Bank, the Federal Home Loan Banks, foreign central banks and various clearing houses of which Citibank is a member

The following table presents interest and dividends on investments for the years ended December 31, 2014 and 2013

<i>In millions of dollars</i>	2014	2013
Taxable interest	\$ 4,979	\$ 4,260
Interest exempt from U.S. federal income tax	420	708
Dividends	423	420
Total interest and dividends	\$ 5,822	\$ 5,388

The following table presents realized gains and losses on all investments for the years ended December 31, 2014 and 2013. The gross realized investment losses exclude losses from other-than-temporary impairment (OTTI).

<i>In millions of dollars</i>	2014	2013
Gross realized investment gains	\$ 796	\$ 1,301
Gross realized investment losses	(427)	(776)
Net realized gains	\$ 369	\$ 525

Citibank has sold certain debt securities that were classified as HTM. These sales were in response to significant deterioration in the creditworthiness of the issuers or securities. In addition, other securities were reclassified to AFS investments in response to significant credit deterioration or because a substantial portion of the securities' principal outstanding at acquisition has been collected. Because Citibank generally intends to sell the securities, Citibank 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.

<i>In millions of dollars</i>	2014	2013
Carrying value of HTM securities sold	\$ 3	\$ 583
Net realized gain (loss) on sale of HTM securities	—	(104)
Carrying value of securities reclassified to AFS	795	285
OTTI losses on securities reclassified to AFS	(11)	(61)

Securities Available-for-Sale

The amortized cost and fair value of AFS securities at December 31 2014 and 2013 were as follows

<i>In millions of dollars</i>	2014				2013			
	Amortized cost	Gross unrealized gains ⁽¹⁾	Gross unrealized losses ⁽¹⁾	Fair value	Amortized cost	Gross unrealized gains ⁽¹⁾	Gross unrealized losses ⁽¹⁾	Fair value
Debt securities AFS								
Mortgage-backed securities ⁽²⁾								
U S government-agency guaranteed	\$ 35,026	\$ 576	\$ 126	\$ 35,476	\$ 41,858	\$ 369	\$ 861	\$ 41,366
Prime	1	1	—	2	2	—	—	2
Non-U S residential	8,247	67	7	8,307	9,976	95	4	10,067
Total mortgage-backed securities	\$ 43,274	\$ 644	\$ 133	\$ 43,785	\$ 51,836	\$ 464	\$ 865	\$ 51,435
U S Treasury and federal agency securities								
U S Treasury	\$ 109,936	\$ 317	\$ 127	\$ 110,126	\$ 68,579	\$ 438	\$ 145	\$ 68,872
Agency obligations	12,790	37	13	12,814	18,184	90	66	18,208
Total U S Treasury and federal agency securities	\$ 122,726	\$ 354	\$ 140	\$ 122,940	\$ 86,763	\$ 528	\$ 211	\$ 87,080
State and municipal ⁽³⁾	\$ 12,843	\$ 125	\$ 921	\$ 12,047	\$ 20,123	\$ 172	\$ 1,936	\$ 18,359
Foreign government	76,099	520	252	76,367	76,440	178	453	76,165
Corporate	7,393	39	54	7,378	6,467	50	44	6,473
Asset-backed securities ⁽²⁾	11,810	24	58	11,776	14,153	33	119	14,067
Other debt securities	661	—	—	661	710	1	—	711
Total debt securities AFS	\$ 274,806	\$ 1,706	\$ 1,558	\$ 274,954	\$ 256,492	\$ 1,426	\$ 3,628	\$ 254,290
Marketable equity securities AFS	\$ 1,371	\$ 277	\$ —	\$ 1,648	\$ 2,547	\$ 35	\$ 89	\$ 2,493
Total securities AFS	\$ 276,177	\$ 1,983	\$ 1,558	\$ 276,602	\$ 259,039	\$ 1,461	\$ 3,717	\$ 256,783

- (1) 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 unrealized gains of \$34 million and \$32 million as of December 31 2014 and 2013 respectively.
- (2) 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 19 to the Consolidated Financial Statements.
- (3) The gross unrealized losses on state and municipal debt securities are primarily attributable to the effects of fair value hedge accounting. Specifically, Citibank 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 (losses)* (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.

At December 31 2014, the amortized cost of approximately 6,100 investments in equity and fixed-income securities exceeded their fair value by \$1,558 million. \$362 million represented fixed-income investments that have been in a gross-unrealized-loss position for less than a year and, of these, 92% are rated investment grade, \$1,196 million represents fixed-income investments that have been in a gross-unrealized-loss position for a year or more and, of these 98% are rated investment grade.

At December 31, 2014, the AFS mortgage-backed securities portfolio fair value balance of \$43,785 million consisted of \$35,476 million of government-sponsored agency securities, and \$8,309 million of privately sponsored securities, substantially all of which were backed by non-U S residential mortgages.

As discussed in more detail below, the Company conducts 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 is recorded in earnings as OTTI. Non-credit-related impairment is recognized in AOCI if the Company does not plan to sell and is not likely to be required to sell. 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, each as of December 31, 2014 and 2013

<i>In millions of dollars</i>	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
December 31, 2014						
Securities AFS						
Mortgage-backed securities						
U S government-agency guaranteed	\$ 4,180	\$ 30	\$ 5,495	\$ 96	\$ 9,675	\$ 126
Non-U S residential	1,277	3	199	4	1,476	7
Total mortgage-backed securities	\$ 5,457	\$ 33	\$ 5,694	\$ 100	\$ 11,151	\$ 133
U S Treasury and federal agency securities						
U S Treasury	\$ 36,303	\$ 119	\$ 1,013	\$ 8	\$ 37,316	\$ 127
Agency obligations	5,698	9	745	4	6,443	13
Total U S Treasury and federal agency securities	\$ 42,001	\$ 128	\$ 1,758	\$ 12	\$ 43,759	\$ 140
State and municipal	\$ 361	\$ 14	\$ 5,519	\$ 907	\$ 5,880	\$ 921
Foreign government	16,694	131	2,544	121	19,238	252
Corporate	2,615	41	857	13	3,472	54
Asset-backed securities	3,563	12	3,748	46	7,311	58
Total securities AFS	\$ 70,691	\$ 359	\$ 20,120	\$ 1,199	\$ 90,811	\$ 1,558
December 31, 2013						
Securities AFS						
Mortgage-backed securities						
U S government-agency guaranteed	\$ 19,221	\$ 529	\$ 5,622	\$ 332	\$ 24,843	\$ 861
Non-U S residential	2,184	4	5	—	2,189	4
Total mortgage-backed securities	\$ 21,405	\$ 533	\$ 5,627	\$ 332	\$ 27,032	\$ 865
U S Treasury and federal agency securities						
U S Treasury	\$ 34,219	\$ 131	\$ 268	\$ 14	\$ 34,487	\$ 145
Agency obligations	6,677	65	101	1	6,778	66
Total U S Treasury and federal agency securities	\$ 40,896	\$ 196	\$ 369	\$ 15	\$ 41,265	\$ 211
State and municipal	\$ 508	\$ 26	\$ 11,162	\$ 1,910	\$ 11,670	\$ 1,936
Foreign government	34,189	531	2,313	59	36,502	590
Corporate	2,671	42	242	2	2,913	44
Asset-backed securities	10,943	57	1,864	62	12,807	119
Marketable equity securities AFS	1,239	89	—	—	1,239	89
Total securities AFS	\$ 111,851	\$ 1,474	\$ 21,577	\$ 2,380	\$ 133,428	\$ 3,854

The following table presents the amortized cost and fair value of AFS debt securities by contractual maturity dates as of December 31 2014 and 2013

<i>In millions of dollars</i>	2014		2013	
	Amortized cost	Fair value	Amortized cost	Fair value
Mortgage-backed securities ⁽¹⁾				
Due within 1 year	\$ 44	\$ 44	\$ 87	\$ 87
After 1 but within 5 years	925	928	340	348
After 5 but within 10 years	1,334	1,358	2,869	2,902
After 10 years ⁽²⁾	40,971	41,455	48,540	48,098
Total	\$ 43,274	\$ 43,785	\$ 51,836	\$ 51,435
U S Treasury and federal agencies				
Due within 1 year	\$ 13,032	\$ 13,046	\$ 15,779	\$ 15,840
After 1 but within 5 years	104,467	104,579	65,927	66,110
After 5 but within 10 years	2,269	2,307	2,116	2,173
After 10 years ⁽²⁾	2,958	3,008	2,941	2,957
Total	\$ 122,726	\$ 122,940	\$ 86,763	\$ 87,080
State and municipal				
Due within 1 year	\$ 583	\$ 583	\$ 565	\$ 569
After 1 but within 5 years	3,568	3,570	3,660	3,664
After 5 but within 10 years	421	428	338	379
After 10 years ⁽²⁾	8,271	7,466	15,560	13,747
Total	\$ 12,843	\$ 12,047	\$ 20,123	\$ 18,359
Foreign government				
Due within 1 year	\$ 27,276	\$ 27,299	\$ 32,895	\$ 32,829
After 1 but within 5 years	36,192	36,717	38,055	37,890
After 5 but within 10 years	12,229	11,951	5,328	5,174
After 10 years ⁽²⁾	402	400	299	272
Total	\$ 76,099	\$ 76,367	\$ 76,577	\$ 76,165
All other ⁽³⁾				
Due within 1 year	\$ 879	\$ 879	\$ 2,287	\$ 2,228
After 1 but within 5 years	8,384	8,396	8,441	8,467
After 5 but within 10 years	4,963	4,946	3,537	3,533
After 10 years ⁽²⁾	5,638	5,594	7,065	7,023
Total	\$ 19,864	\$ 19,815	\$ 21,330	\$ 21,251
Total debt securities AFS	\$ 274,806	\$ 274,954	\$ 256,629	\$ 254,290

(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 December 31 2014 and 2013 were as follows

<i>In millions of dollars</i>	Amortized cost ⁽¹⁾	Net unrealized gain/ (loss) recognized in AOCI	Carrying value ⁽²⁾	Gross unrealized gains	Gross unrealized (losses)	Fair value
December 31, 2014						
Debt securities held-to-maturity						
Mortgage-backed securities ⁽³⁾						
U S government agency guaranteed	\$ 8,795	\$ 95	\$ 8,890	\$ 106	\$ (6)	\$ 8,990
Alt-A	34	(7)	27	9	—	36
Subprime	3	(1)	2	—	—	2
Non-U S residential	983	(137)	846	92	—	938
Commercial	8	—	8	1	—	9
Total mortgage-backed securities	\$ 9,823	\$ (50)	\$ 9,773	\$ 208	\$ (6)	\$ 9,975
State and municipal ⁽⁴⁾	\$ 7,502	\$ (451)	\$ 7,051	\$ 159	\$ (36)	\$ 7,174
Corporate	—	—	—	—	—	—
Asset-backed securities ⁽³⁾	422	(8)	414	17	(9)	422
Total debt securities held-to-maturity ⁽⁵⁾	\$ 17,747	\$ (509)	\$ 17,238	\$ 384	\$ (51)	\$ 17,571
December 31, 2013						
Debt securities held-to-maturity						
Mortgage-backed securities ⁽³⁾						
Alt-A	\$ 41	\$ (9)	\$ 32	\$ 10	\$ (1)	\$ 41
Subprime	2	—	2	—	—	2
Non-U S residential	1,372	(206)	1,166	60	(20)	1,206
Commercial	10	—	10	1	—	11
Total mortgage-backed securities	\$ 1,425	\$ (215)	\$ 1,210	\$ 71	\$ (21)	\$ 1,260
State and municipal	\$ 345	\$ (5)	\$ 340	\$ 7	\$ (13)	\$ 334
Corporate	818	(78)	740	111	—	851
Asset-backed securities ⁽³⁾	441	(12)	429	19	(1)	447
Total debt securities held-to-maturity	\$ 3,029	\$ (310)	\$ 2,719	\$ 208	\$ (35)	\$ 2,892

- (1) For securities transferred to HTM from *Trading account assets*, amortized cost basis 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 basis 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 19 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, Citibank 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 2014, securities with a total fair value of approximately \$11.8 billion were transferred from AFS to HTM and comprised \$5.4 billion of U.S. government agency mortgage-backed securities and \$6.4 billion of obligations of U.S. states and municipalities. The transfer reflects the Company's intent to hold these securities to maturity or to issuer call in order to reduce the impact of price volatility on AOCI and certain capital measures under Basel III. While these securities were transferred to HTM at fair value as of the transfer date no subsequent changes in value may be recorded other than in connection with the recognition of any subsequent other-than-temporary impairment and the amortization of differences between the carrying values at the transfer date and the par values of each security as an adjustment of yield over the remaining contractual life of each security. Any net unrealized holding losses within AOCI related to the respective securities at the date of transfer, inclusive of any cumulative fair value hedge adjustments will be amortized over the remaining contractual life of each security as an adjustment of yield in a manner consistent with the amortization of any premium or discount.

Citibank 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 further 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 December 31, 2014 and 2013 for less than 12 months and for 12 months or longer.

The table below shows the fair value of HTM debt securities that have been in an unrecognized loss position as of December 31, 2014 and 2013

<i>In millions of dollars</i>	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
December 31, 2014						
Debt securities held-to-maturity						
Mortgage-backed securities	\$ —	\$ —	\$ 1,115	\$ 6	\$ 1,115	\$ 6
State and municipal	2,525	34	90	2	2,615	36
Asset-backed securities	—	—	171	9	171	9
Total debt securities held-to-maturity	\$ 2,525	\$ 34	\$ 1,376	\$ 17	\$ 3,901	\$ 51
December 31, 2013						
Debt securities held-to-maturity						
Mortgage-backed securities	\$ —	\$ —	\$ 334	\$ 21	\$ 334	\$ 21
State and municipal	87	11	9	2	96	13
Asset-backed securities	—	—	179	1	179	1
Total debt securities held-to-maturity	\$ 87	\$ 11	\$ 522	\$ 24	\$ 609	\$ 35

Excluded from the gross unrecognized losses presented in the above table are the \$(509) million and \$(310) million of net unrealized losses recorded in AOCI as of December 31, 2014 and 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 December 31, 2014 and 2013.

The following table presents the carrying value and fair value of HTM debt securities by contractual maturity dates as of December 31, 2014 and 2013

<i>In millions of dollars</i>	As of December 31, 2014		As of 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	863	869	10	11
After 10 years ⁽¹⁾	8,910	9,105	1,200	1,249
Total	\$ 9,773	\$ 9,974	\$ 1,210	\$ 1,260
State and municipal				
Due within 1 year	\$ 35	\$ 38	\$ 5	\$ 5
After 1 but within 5 years	10	10	3	3
After 5 but within 10 years	123	126	50	53
After 10 years ⁽¹⁾	6,883	7,000	282	273
Total	\$ 7,051	\$ 7,174	\$ 340	\$ 334
All other ⁽²⁾				
Due within 1 year	\$ —	\$ —	\$ —	\$ —
After 1 but within 5 years	—	—	740	851
After 5 but within 10 years	—	—	—	—
After 10 years ⁽¹⁾	414	423	429	447
Total	\$ 414	\$ 423	\$ 1,169	\$ 1,298
Total debt securities held-to-maturity	\$ 17,238	\$ 17,571	\$ 2,719	\$ 2,892

(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 Impairments

Overview

The Company conducts 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 basis. However, for HTM securities with credit-related losses, the credit loss is recognized in earnings as OTTI and any difference 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 impaired investments,
- 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,
- consideration 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 basis 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 will more-likely-than-not 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 to be 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 Citibank 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 and is not likely to be required to sell prior to recovery of value, 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 for security types that have the most significant unrealized losses as of December 31, 2014.

Akbank

As of December 31, 2014, Citibank's remaining 9.9% stake in Akbank T.A.S., an equity investment in Turkey (Akbank), is recorded within marketable equity securities available-for-sale. The revaluation of the Turkish lira was hedged, so the change in the value of the currency related to Akbank investment did not have a significant impact on earnings during the year. On March 5, 2015, Citibank sold 396 million common shares in Akbank, which represents its entire 9.9% equity interest in Akbank. Total proceeds from the transaction are expected to be \$1.15 billion, with no material financial impact to Citibank.

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 Citibank's AFS and HTM state and municipal bonds is primarily based on a credit analysis that incorporates third-party credit ratings. Citibank 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 payments.

For state and municipal bonds with unrealized losses that Citibank plans to sell (for AFS only) would likely be required to sell or will be subject to an issuer call deemed probable of exercise prior to the expected recovery of its amortized cost basis (for AFS and 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 year ended December 31, 2014.

<i>In millions of dollars</i>	Year ended December 31, 2014			
	AFS ⁽¹⁾	HTM	Other assets	Total
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 year ended December 31, 2014	\$ —	\$ —	\$ —	\$ —
Less: portion of impairment loss recognized in AOCI (before taxes)	—	—	—	—
Net impairment losses recognized in earnings for securities that the Company does not intend to sell nor will likely be required to sell	\$ —	\$ —	\$ —	\$ —
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	312	26	—	338
Total impairment losses recognized in earnings	\$ 312	\$ 26	\$ —	\$ 338

(1) Includes OTTI on non-marketable equity securities.

The following table presents the total OTTI recognized in earnings for the year ended December 31, 2013

OTTI on Investments and Other Assets	Year ended December 31, 2013			
	AFS ⁽¹⁾	HTM	Other assets	Total
<i>In millions of dollars</i>				
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 year ended December 31, 2013	\$ 6	\$ —	\$ —	\$ 6
Less portion of impairment loss recognized in AOCI (before taxes)	—	—	—	—
Net impairment losses recognized in earnings for securities that the Company does not intend to sell nor will likely be required to sell	\$ 6	\$ —	\$ —	\$ 6
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 ⁽²⁾	159	—	9	168
Total impairment losses recognized in earnings	\$ 165	\$ —	\$ 9	\$ 174

(1) Includes OTTI on non-marketable equity securities

The following table presents OTTI activity during 2014 of the credit-related impairments recognized in earnings for AFS and HTM debt securities held as of December 31, 2014 that the Company does not intend to sell nor will likely be required to sell

	OTTI activity for the year ended December 31, 2014			Total
	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	
<i>In millions of dollars</i>				
AFS debt securities				
Corporate	\$ —	\$ —	(1) \$	(1)
Other debt securities	—	—	—	—
Total OTTI credit losses recognized for AFS debt securities	\$ —	\$ —	(1) \$	(1)
HTM debt securities				
Corporate	\$ —	\$ —	(56) \$	(56)
Total OTTI credit losses recognized for HTM debt securities	\$ —	\$ —	(56) \$	(56)

13 LOANS

Citibank 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

The following table provides information by loan type at December 31, 2014 and 2013.

<i>In millions of dollars</i>	2014	2013
Consumer loans		
In U.S. offices		
Cards	\$ 112,917	\$ 115,576
Mortgage and real estate ⁽¹⁾	86,321	96,160
Installment, revolving credit and other	4,692	3,781
Commercial and industrial	5,895	6,592
	\$ 209,825	\$ 222,109
In offices outside the U.S.		
Cards	\$ 25,236	\$ 29,350
Mortgage and real estate ⁽¹⁾	45,940	46,234
Installment, revolving credit and other	22,391	22,676
Commercial and industrial	16,530	17,545
Lease financing	496	638
	\$ 110,593	\$ 116,443
Total Consumer loans	\$ 320,418	\$ 338,552
Net unearned income	908	984
Consumer loans, net of unearned income	\$ 321,326	\$ 339,536

(1) Loans secured primarily by real estate.

Citibank 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 additional 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 years ended December 31, 2014 and 2013, Citibank sold and/or reclassified to held-for-sale \$8 billion and \$11 billion, respectively, of consumer loans. The Company did not have significant purchases of consumer loans during the

year ended December 31, 2014. During the year ended December 31, 2013, Citibank acquired approximately \$7 billion of loans related to the acquisition of Best Buy's U.S. credit card portfolio.

Delinquency Status

Delinquency status is monitored and considered a key indicator of credit quality of consumer loans. Principally 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 a 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 are classified as non-accrual if the related residential first mortgage is 90 days or more past due. Mortgage loans 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 (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.

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 Citibank's consumer loan delinquency and non-accrual loans as of December 31, 2014 and December 31, 2013.

Consumer Loan Delinquency and Non-Accrual Details at December 31, 2014

<i>In millions of dollars</i>	Total current ⁽¹⁾⁽²⁾	30–89 days past due ⁽³⁾	≥ 90 days past due ⁽³⁾	Past due government guaranteed ⁽⁴⁾	Total loans ⁽²⁾	Total non-accrual	90 days past due and accruing
<i>In North America offices</i>							
Residential first mortgages	\$ 53,911	\$ 906	\$ 752	\$ 3,432	\$ 59,001	\$ 2,032	\$ 2,759
Home equity loans ⁽⁵⁾	25,063	275	458	—	25,796	1,207	—
Credit cards	111,435	1,318	1,273	—	114,026	—	1,273
Installment and other	3,583	48	18	—	3,649	—	—
Commercial market loans	8,638	33	14	—	8,685	139	14
Total	\$ 202,630	\$ 2,580	\$ 2,515	\$ 3,432	\$ 211,157	\$ 3,378	\$ 4,046
<i>In offices outside North America</i>							
Residential first mortgages	\$ 40,017	\$ 198	\$ 97	\$ —	\$ 40,312	\$ 123	\$ —
Home equity loans ⁽⁵⁾	—	—	—	—	—	—	—
Credit cards	24,079	377	306	—	24,762	63	306
Installment and other	22,996	234	122	—	23,352	123	15
Commercial market loans	21,593	59	91	—	21,743	177	—
Total	\$ 108,685	\$ 868	\$ 616	\$ —	\$ 110,169	\$ 486	\$ 321
Total Citibank	\$ 311,315	\$ 3,448	\$ 3,131	\$ 3,432	\$ 321,326	\$ 3,864	\$ 4,367

(1) Loans less than 30 days past due are presented as current.

(2) Includes \$43 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 \$0.6 billion and ≥ 90 days past due of \$2.8 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

<i>In millions of dollars</i>	Total current ⁽¹⁾⁽²⁾	30–89 days past due ⁽³⁾	≥ 90 days past due ⁽³⁾	Past due government guaranteed ⁽⁴⁾	Total loans ⁽²⁾	Total non-accrual	90 days past due and accruing
<i>In North America offices</i>							
Residential first mortgages	\$ 57,121	\$ 1,553	\$ 1,303	\$ 5,271	\$ 65,248	\$ 2,652	\$ 3,997
Home equity loans ⁽⁵⁾	27,999	368	533	—	28,900	1,379	—
Credit cards	113,874	1,495	1,456	—	116,825	—	1,456
Installment and other	3,765	68	23	—	3,856	30	3
Commercial market loans	8,744	29	29	—	8,802	124	7
Total	\$ 211,503	\$ 3,513	\$ 3,344	\$ 5,271	\$ 223,631	\$ 4,185	\$ 5,463
<i>In offices outside North America</i>							
Residential first mortgages	\$ 40,491	\$ 273	\$ 179	\$ —	\$ 40,943	\$ 203	\$ —
Home equity loans ⁽⁵⁾	—	—	—	—	—	—	—
Credit cards	27,772	541	417	—	28,730	72	412
Installment and other	22,541	274	115	—	22,930	123	—
Commercial market loans	23,082	94	126	—	23,302	215	—
Total	\$ 113,886	\$ 1,182	\$ 837	\$ —	\$ 115,905	\$ 613	\$ 412
Total Citibank	\$ 325,389	\$ 4,695	\$ 4,181	\$ 5,271	\$ 339,536	\$ 4,798	\$ 5,875

(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 Isaac 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 Citibank's U.S. consumer loan portfolio as of December 31, 2014 and 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⁽¹⁾⁽²⁾

December 31, 2014

<i>In millions of dollars</i>	Less than 620	≥ 620 but less than 660	Equal to or greater than 660
Residential first mortgages	\$ 4,590	\$ 3,665	\$ 43,383
Home equity loans	2,572	2,112	20,419
Credit cards	7,645	10,295	92,871
Installment and other	351	270	2,692
Total	\$ 15,158	\$ 16,342	\$ 159,365

- (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⁽¹⁾⁽²⁾

December 31, 2013

<i>In millions of dollars</i>	Less than 620	≥ 620 but less than 660	Equal to or greater than 660
Residential first mortgages	\$ 6,365	\$ 4,304	\$ 43,498
Home equity loans	3,204	2,379	22,551
Credit cards	8,121	10,691	94,427
Installment and other	408	277	2,829
Total	\$ 18,098	\$ 17,651	\$ 163,305

- (1) Excludes loans guaranteed by U.S. government agencies, 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 Citibank's U.S. consumer mortgage portfolios as of December 31, 2014 and 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⁽¹⁾⁽²⁾

December 31, 2014

<i>In millions of dollars</i>	Less than or equal to 80%	> 80% but less than or equal to 100%	Greater than 100%
Residential first mortgages	\$ 42,841	\$ 7,390	\$ 1,531
Home equity loans	13,964	6,686	4,339
Total	\$ 56,805	\$ 14,076	\$ 5,870

- (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⁽¹⁾⁽²⁾

December 31, 2013

<i>In millions of dollars</i>	Less than or equal to 80%	> 80% but less than or equal to 100%	Greater than 100%
Residential first mortgages	\$ 40,199	\$ 10,849	\$ 3,250
Home equity loans	13,569	7,849	6,596
Total	\$ 53,768	\$ 18,698	\$ 9,846

- (1) Excludes loans guaranteed by U.S. government agencies, 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 Citibank 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 Citibank 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 Citibank's short-term loan modification programs (i.e. for periods of 12 months or less) that were modified prior to January 1, 2011

The following tables present information about total impaired consumer loans at and for the periods ending December 31, 2014 and 2013, respectively and for the years ended December 31, 2014 and 2013 for interest income recognized on impaired consumer loans

At and for the year ended December 31, 2014					
<i>In millions of dollars</i>	Recorded investment ⁽¹⁾⁽²⁾	Unpaid principal balance	Related specific allowance ⁽³⁾	Average carrying value ⁽⁴⁾	Interest income recognized ⁽⁵⁾
Mortgage and real estate					
Residential first mortgages	\$ 10,014	\$ 10,774	\$ 1,224	\$ 11,399	\$ 443
Home equity loans	1,541	2,184	459	1,557	28
Credit cards	2,310	2,350	834	2,624	187
Installment and other					
Individual installment and other	300	315	169	337	24
Commercial market loans	210	383	47	173	21
Total	\$ 14,375	\$ 16,006	\$ 2,733	\$ 16,090	\$ 703

- (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) \$1,750 million of residential first mortgages, \$553 million of home equity loans and \$148 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) 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

At and for the year ended December 31, 2013					
<i>In millions of dollars</i>	Recorded investment ⁽¹⁾⁽²⁾	Unpaid principal balance	Related specific allowance ⁽³⁾	Average carrying value ⁽⁴⁾	Interest income recognized ⁽⁵⁾
Mortgage and real estate					
Residential first mortgages	\$ 12,515	\$ 13,412	\$ 1,516	\$ 13,115	\$ 514
Home equity loans	1,573	2,236	293	1,525	28
Credit cards	3,228	3,274	1,170	3,662	224
Installment and other					
Individual installment and other	431	460	260	435	38
Commercial market loans	182	381	40	255	22
Total	\$ 17,929	\$ 19,763	\$ 3,279	\$ 18,992	\$ 826

- (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) \$2,007 million of residential first mortgages, \$566 million of home equity loans and \$92 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) 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

Consumer Troubled Debt Restructurings

The following tables present consumer TDRs occurring during the years ended December 31, 2014 and 2013

At and for the year ended December 31, 2014						
<i>In millions of dollars except number of loans modified</i>	Number of loans modified	Post-modification recorded investment ⁽¹⁾⁽²⁾	Deferred principal ⁽³⁾	Contingent principal forgiveness ⁽⁴⁾	Principal forgiveness ⁽⁵⁾	Average interest rate reduction
North America						
Residential first mortgages	11,226	\$ 1,566	\$ 48	\$ 32	15	1%
Home equity loans	3,757	168	3	—	13	3
Credit cards	185,962	808	—	—	—	15
Installment and other revolving	1,848	11	—	—	—	4
Commercial markets ⁽⁶⁾	191	35	—	—	1	—
Total	202,984	\$ 2,588	\$ 51	\$ 32	29	
International						
Residential first mortgages	482	\$ 52	\$ —	\$ —	—	—%
Home equity loans	67	11	—	—	—	—
Credit cards	96,534	365	—	—	8	12
Installment and other revolving	34,360	182	—	—	7	9
Commercial markets ⁽⁶⁾	346	200	—	—	—	—
Total	131,789	\$ 810	\$ —	\$ —	15	

At and for the year ended December 31, 2013						
<i>In millions of dollars except number of loans modified</i>	Number of loans modified	Post-modification recorded investment ⁽¹⁾⁽²⁾	Deferred principal ⁽³⁾	Contingent principal forgiveness ⁽⁴⁾	Principal forgiveness ⁽⁵⁾	Average interest rate reduction
North America						
Residential first mortgages	19,021	\$ 2,829	\$ 61	\$ 22	132	1%
Home equity loans	7,466	404	1	—	85	1
Credit cards	172,211	826	—	—	—	14
Installment and other revolving	8,753	56	—	—	—	12
Commercial markets ⁽⁶⁾	202	39	—	—	—	—
Total	207,653	\$ 4,154	\$ 62	\$ 22	217	
International						
Residential first mortgages	1,556	\$ 127	\$ —	\$ —	—	1%
Home equity loans	58	1	—	—	—	1
Credit cards	101,772	442	—	—	10	13
Installment and other revolving	41,869	276	—	—	7	7
Commercial markets ⁽⁶⁾	413	104	2	—	—	—
Total	145,668	\$ 950	\$ 2	\$ —	17	

- (1) Post-modification balances include past due amounts that are capitalized at the modification date
- (2) Post-modification balances in *North America* include \$186 million of residential first mortgages and \$46 million of home equity loans to borrowers who have gone through Chapter 7 bankruptcy in the year ended December 31, 2014. These amounts include \$111 million of residential first mortgages and \$41 million of home equity loans that were newly classified as TDRs in the year ended December 31, 2014 as a result of OCC guidance
- (3) 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
- (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 \$380 million of residential first mortgages and \$64 million of home equity loans to borrowers who have gone through Chapter 7 bankruptcy in the year ended December 31, 2013. These amounts include \$230 million of residential first mortgages and \$58 million of home equity loans that were newly classified as TDRs in the year ended December 31, 2013, as a result of OCC guidance

The following table presents consumer TDRs that defaulted during the years ended December 31, 2014 and 2013, respectively 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

Years ended December 31,			
<i>In millions of dollars</i>			
	2014	2013	
North America			
Residential first mortgages	\$ 471	\$ 1,053	
Home equity loans	36	78	
Credit cards	194	204	
Installment and other revolving	2	7	
Commercial markets	9	3	
Total	\$ 712	\$ 1,345	
International			
Residential first mortgages	\$ 8	\$ 28	
Home equity loans	—	—	
Credit cards	163	187	
Installment and other revolving	80	96	
Commercial markets	105	15	
Total	\$ 356	\$ 326	

Corporate Loans

Corporate loans represent loans and leases managed by Corporate businesses. The following table presents information by Corporate loan type as of December 31, 2014 and 2013

<i>In millions of dollars</i>		Dec 31, 2014	Dec 31, 2013
Corporate			
In U S offices			
Commercial and industrial	\$	34,447	\$ 31,762
Financial institutions		36,247	24,945
Mortgage and real estate ⁽¹⁾		32,392	29,100
Installment, revolving credit and other		29,190	34,431
Lease financing		1,410	1,269
	\$	133,686	\$ 121,507
In offices outside the U S			
Commercial and industrial	\$	73,246	\$ 77,206
Financial institutions		33,767	38,705
Mortgage and real estate ⁽¹⁾		5,597	5,826
Installment, revolving credit and other		17,903	16,849
Lease financing		236	350
Governments and official institutions		1,778	1,480
	\$	132,527	\$ 140,416
Total Corporate loans	\$	266,213	\$ 261,923
Net unearned income		(532)	(513)
Corporate loans, net of unearned income	\$	265,681	\$ 261,410

(1) Loans secured primarily by real estate

For the years ended December 31, 2014 and 2013, Citibank sold and/or reclassified (to held-for-sale) \$4.8 billion and \$5.7 billion of held-for-investment Corporate loans, respectively. Citibank did not have significant purchases of loans classified as held-for-investment for the year ended December 31, 2014.

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 December 31, 2014 and December 31, 2013.

Corporate Loan Delinquency and Non-Accrual Details at December 31, 2014

<i>In millions of dollars</i>	30–89 days past due and accruing ⁽¹⁾	≥ 90 days past due and accruing ⁽¹⁾	Total past due and accruing	Total non-accrual ⁽²⁾	Total current ⁽³⁾	Total loans
Commercial and industrial	\$ 50	\$ —	\$ 50	\$ 567	\$ 104,756	\$ 105,373
Financial institutions	2	—	2	248	68,056	68,306
Mortgage and real estate	86	—	86	238	37,622	37,946
Leases	—	—	—	49	1,597	1,646
Other	49	1	50	55	48,026	48,131
Loans at fair value						4,279
Total	\$ 187	\$ 1	\$ 188	\$ 1,157	\$ 260,057	\$ 265,681

- (1) Corporate loans that are greater than 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) Citibank 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 Citibank 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.

Corporate Loan Delinquency and Non-Accrual Details at December 31, 2013

<i>In millions of dollars</i>	30–89 days past due and accruing ⁽¹⁾	≥ 90 days past due and accruing ⁽¹⁾	Total past due and accruing	Total non-accrual ⁽²⁾	Total current ⁽³⁾	Total loans
Commercial and industrial	\$ 72	\$ 5	\$ 77	\$ 694	\$ 107,108	\$ 107,879
Financial institutions	—	—	—	362	61,883	62,245
Mortgage and real estate	183	3	186	507	33,439	34,132
Leases	3	1	4	189	1,426	1,619
Other	47	2	49	70	51,766	51,885
Loans at fair value						3,650
Total	\$ 305	\$ 11	\$ 316	\$ 1,822	\$ 255,622	\$ 261,410

- (1) Corporate loans that are greater than 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) Citibank 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 Citibank 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.

Citibank 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, Citibank 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
December 31, 2014 and 2013**

<i>In millions of dollars</i>	Recorded investment in loans⁽¹⁾ December 31,	
	2014	2013
Investment grade⁽²⁾		
Commercial and industrial	\$ 76,910	\$ 74,719
Financial institutions	56,632	49,951
Mortgage and real estate	15,741	12,949
Leases	1,282	1,097
Other	44,548	48,716
Total investment grade	\$ 195,113	\$ 187,432
Non-investment grade⁽²⁾		
Accrual		
Commercial and industrial	\$ 27,897	\$ 32,466
Financial institutions	11,426	11,932
Mortgage and real estate	3,351	3,674
Leases	315	333
Other	3,527	3,099
Non-accrual		
Commercial and industrial	567	694
Financial institutions	248	362
Mortgage and real estate	238	507
Leases	49	189
Other	55	70
Total non-investment grade	\$ 47,673	\$ 53,326
Private Banking loans managed on a delinquency basis⁽²⁾		
	\$ 18,616	\$ 17,002
Loans at fair value	4,279	3,650
Corporate loans, net of unearned income	\$ 265,681	\$ 261,410

(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 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 and for the years ended December 31, 2014 and 2013 respectively

Non-Accrual Corporate Loans

December 31, 2014					
<i>In millions of dollars</i>	Recorded investment ⁽¹⁾	Unpaid principal balance	Related specific allowance	Average carrying value ⁽²⁾	Interest income recognized
Non-accrual Corporate loans					
Commercial and industrial	\$ 567	\$ 686	\$ 154	\$ 617	\$ 14
Loans to financial institutions	248	259	7	276	4
Mortgage and real estate	238	255	24	249	9
Lease financing	49	50	29	84	—
Other	55	68	21	60	2
Total non-accrual Corporate loans	\$ 1,157	\$ 1,318	\$ 235	\$ 1,286	\$ 29

December 31, 2013					
<i>In millions of dollars</i>	Recorded investment ⁽¹⁾	Unpaid principal balance	Related specific allowance	Average carrying value ⁽²⁾	Interest income recognized
Non-accrual Corporate loans					
Commercial and industrial	\$ 694	\$ 998	\$ 74	\$ 845	\$ 10
Loans to financial institutions	362	380	3	375	9
Mortgage and real estate	507	630	35	576	3
Lease financing	189	190	131	189	—
Other	70	216	20	64	1
Total non-accrual Corporate loans	\$ 1,822	\$ 2,414	\$ 263	\$ 2,049	\$ 23

December 31, 2014				December 31, 2013	
<i>In millions of dollars</i>	Recorded investment ⁽¹⁾	Related specific allowance	Recorded investment ⁽¹⁾	Related specific allowance	
Non-accrual Corporate loans with valuation allowances					
Commercial and industrial	\$ 223	\$ 154	\$ 370	\$ 74	
Loans to financial institutions	37	7	24	3	
Mortgage and real estate	69	24	253	35	
Lease financing	47	29	186	131	
Other	55	21	61	20	
Total non-accrual Corporate loans with specific allowance	\$ 431	\$ 235	\$ 894	\$ 263	
Non-accrual Corporate loans without specific allowance					
Commercial and industrial	\$ 344		\$ 323		
Loans to financial institutions	211		338		
Mortgage and real estate	169		254		
Lease financing	2		3		
Other	—		9		
Total non-accrual Corporate loans without specific allowance	\$ 726	N/A	\$ 927	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

N/A Not Applicable

Corporate Troubled Debt Restructurings

The following table presents Corporate TDRs occurring during the year ended December 31, 2014

<i>In millions of dollars</i>	Carrying Value	TDRs involving changes in the amount and/or timing of principal payments ⁽¹⁾	TDRs involving changes in the amount and/or timing of interest payments ⁽²⁾	TDRs involving changes in the amount and/or timing of both principal and interest payments
Commercial and industrial	\$ 48	\$ 30	\$ 17	\$ 1
Mortgage and real estate	8	5	1	2
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 TDRs occurring during the year ended December 31, 2013

<i>In millions of dollars</i>	Carrying Value	TDRs involving changes in the amount and/or timing of principal payments ⁽¹⁾	TDRs involving changes in the amount and/or timing of interest payments ⁽²⁾	TDRs involving changes in the amount and/or timing of both principal and interest payments
Commercial and industrial	\$ 130	\$ 55	\$ 58	\$ 17
Mortgage and real estate	34	19	14	1
Other	5	—	—	5
Total	\$ 169	\$ 74	\$ 72	\$ 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 December 31, 2014 and 2013, as well as those TDRs that defaulted during the years ended 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.

<i>In millions of dollars</i>	TDR balances at December 31, 2014	TDRs in payment default during the year ended December 31, 2014 ⁽¹⁾	TDR balances at December 31, 2013	TDRs in payment default during the year ended December 31, 2013 ⁽¹⁾
Commercial and industrial	\$ 117	\$ —	\$ 197	\$ 27
Financial institutions	—	—	14	—
Mortgage and real estate	104	—	156	17
Other	354	—	423	—
Total	\$ 575	\$ —	\$ 790	\$ 44

- (1) Payment default constitutes failure to pay principal or interest when due per the contractual terms of the loan.

Purchased Distressed Loans

Included in the Corporate and Consumer loan outstanding tables above are purchased distressed loans, which are loans that have evidenced significant credit deterioration subsequent to origination but prior to acquisition by Citibank. In accordance with SOP 03-3 (codified as ASC 310-30), the difference between the total expected cash flows for these loans and the initial recorded investment is recognized in income over the life of the loans using a level yield. Accordingly, these loans have been excluded from the impaired loan table information presented above. In addition, per SOP 03-3, subsequent decreases in the expected cash flows for a purchased distressed loan require a build of an

allowance so the loan retains its level yield. However, increases in the expected cash flows are first recognized as a reduction of any previously established allowance and then recognized as income prospectively over the remaining life of the loan by increasing the loan's level yield. Where the expected cash flows cannot be reliably estimated, the purchased distressed loan is accounted for under the cost recovery method.

The carrying amount of the Company's purchased distressed loan portfolio was \$355 million and \$557 million, net of an allowance of \$15 million and \$29 million at December 31, 2014 and 2013, respectively.

The changes in the accretable yield, related allowance and carrying amount net of accretable yield for 2014 and 2013 are as follows:

<i>In millions of dollars</i>	Accretable yield	Carrying amount of loan receivable	Allowance
Beginning balance at December 31, 2012	\$ 33	\$ 428	\$ 35
Purchases ⁽¹⁾	46	404	—
Disposals/payments received	(5)	(201)	(8)
Accretion	(10)	10	—
Builds (reductions) to the allowance	3	—	6
Increase to expected cash flows	3	—	—
FX/other	(3)	(55)	(4)
Beginning balance at December 31, 2013	\$ 67	\$ 586	\$ 29
Purchases ⁽¹⁾	1	46	—
Disposals/payments received	(6)	(248)	(15)
Accretion	(24)	24	—
Builds (reductions) to the allowance	(1)	—	8
Increase to expected cash flows	23	—	—
FX/other	(4)	(38)	(7)
Balance at December 31, 2014 ⁽²⁾	\$ 56	\$ 370	\$ 15

- (1) The amounts reported in the column "Carrying amount of loan receivable" consist of \$46 million and \$404 million in 2014 and 2013, respectively, of purchased loans accounted for under the level-yield method. No purchased loans were accounted for under the cost-recovery method. These balances represent the fair value of these loans at their acquisition date. The related total expected cash flows for the level-yield loans at their acquisition dates were \$46 million and \$451 million in 2014 and 2013, respectively.
- (2) The balances reported in the column "Carrying amount of loan receivable" consist of \$362 million and \$574 million of loans accounted for under the level-yield method and \$8 million and \$12 million accounted for under the cost-recovery method in 2014 and 2013, respectively.

14 ALLOWANCE FOR CREDIT LOSSES

<i>In millions of dollars</i>	2014	2013
Allowance for loan losses at beginning of year	\$ 15,693	\$ 20,913
Gross credit losses	(8,061)	(9,815)
Gross recoveries ⁽¹⁾	1,826	1,961
Net credit (losses) recoveries (NCLs)	\$ (6,235)	\$ (7,854)
NCLs	\$ 6,235	\$ 7,854
Net reserve releases	(2,060)	(1,993)
Net specific reserve releases	(186)	(1,044)
Total provision for loan losses	\$ 3,989	\$ 4,817
Other, net ⁽²⁾	(1,192)	(2,183)
Allowance for loan losses at end of year	\$ 12,255	\$ 15,693
Allowance for credit losses on unfunded lending commitments at beginning of year ⁽³⁾	\$ 1,136	\$ 1,026
Provision for unfunded lending commitments	(136)	86
Other, net	(4)	24
Allowance for credit losses on unfunded lending commitments at end of year ⁽³⁾	\$ 996	\$ 1,136
Total allowance for loans, leases, and unfunded lending commitments	\$ 13,251	\$ 16,829

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

(2) 2014 includes reductions of approximately \$0.9 billion related to the sale or transfer to held-for-sale (HFS) of various loan portfolios which includes approximately \$390 million related to the transfer of various real estate loan portfolios to HFS, approximately \$204 million related to the transfer to HFS of a business in Greece, approximately \$177 million related to the transfer to HFS of a business in Spain, approximately \$29 million related to the transfer to HFS of a business in Honduras, and approximately \$108 million related to the transfer to HFS of various EMEA loan portfolios. Additionally, 2014 includes a reduction of approximately \$184 million related to foreign currency translation. 2013 includes reductions of approximately \$1.6 billion related to the sale or transfer to held-for-sale of various loan portfolios which includes approximately \$360 million related to the sale of Credicard and approximately \$255 million related to a transfer to held-for-sale of a loan portfolio in Greece and approximately \$129 million related to foreign currency translation.

(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 at December 31, 2014

<i>In millions of dollars</i>	Corporate	Consumer	Total
Allowance for loan losses at beginning of year	\$ 2,300	\$ 13,393	\$ 15,693
Charge-offs	(229)	(7,832)	(8,061)
Recoveries	115	1,711	1,826
Replenishment of net charge-offs	114	6,121	6,235
Net reserve releases	(51)	(2,009)	(2,060)
Net specific reserve releases	(16)	(170)	(186)
Other	(26)	(1,166)	(1,192)
Ending balance	\$ 2,207	\$ 10,048	\$ 12,255
Allowance for loan losses			
Determined in accordance with ASC 450	\$ 1,972	\$ 7,300	\$ 9,272
Determined in accordance with ASC 310-10-35	235	2,733	2,968
Determined in accordance with ASC 310-30	—	15	15
Total allowance for loan losses	\$ 2,207	\$ 10,048	\$ 12,255
Loans, net of unearned income			
Loans collectively evaluated for impairment in accordance with ASC 450	\$ 259,941	\$ 306,538	\$ 566,479
Loans individually evaluated for impairment in accordance with ASC 310-10-35	1,461	14,375	15,836
Loans acquired with deteriorated credit quality in accordance with ASC 310-30	—	370	370
Loans held at fair value	4,279	43	4,322
Total loans, net of unearned income	\$ 265,681	\$ 321,326	\$ 587,007

Allowance for Credit Losses and Investment in Loans at December 31, 2013

<i>In millions of dollars</i>	Corporate	Consumer	Total
Allowance for loan losses at beginning of year	\$ 2,495	\$ 18,418	\$ 20,913
Charge-offs	(340)	(9,475)	(9,815)
Recoveries	157	1,804	1,961
Replenishment of net charge-offs	183	7,671	7,854
Net reserve releases	(197)	(1,796)	(1,993)
Net specific reserve releases	(1)	(1,043)	(1,044)
Other	3	(2,186)	(2,183)
Ending balance	\$ 2,300	\$ 13,393	\$ 15,693
Allowance for loan losses			
Determined in accordance with ASC 450	\$ 2,037	\$ 10,085	\$ 12,122
Determined in accordance with ASC 310-10-35	263	3,279	3,542
Determined in accordance with ASC 310-30	—	29	29
Total allowance for loan losses	\$ 2,300	\$ 13,393	\$ 15,693
Loans, net of unearned income			
Loans collectively evaluated for impairment in accordance with ASC 450	\$ 255,616	\$ 320,019	\$ 575,635
Loans individually evaluated for impairment in accordance with ASC 310-10-35	2,143	17,929	20,072
Loans acquired with deteriorated credit quality in accordance with ASC 310-30	1	631	632
Loans held at fair value	3,650	957	4,607
Total loans, net of unearned income	\$ 261,410	\$ 339,536	\$ 600,946

15 GOODWILL AND INTANGIBLE ASSETS

Goodwill

The changes in *Goodwill* during 2014 and 2013 were as follows

In millions of dollars

Balance at December 31, 2012	\$	11,730
Foreign exchange translation		(13)
Acquisitions/divestitures, purchase accounting adjustments and other		(25)
Sale of Brazil Credicard		(62)
Balance at December 31, 2013	\$	11,630
Foreign exchange translation		(400)
Acquisitions/divestitures, purchase accounting adjustments and other		(104)
Balance at December 31, 2014	\$	11,126

Goodwill impairment testing is performed at the level below the business segments (referred to as a reporting unit). The Company performed its annual goodwill impairment test as of July 1, 2014 resulting in no impairment for any of the reporting units. The reporting unit structure in 2014 was the same as the reporting unit structure in 2013 except for the sale involving Citi Holdings—*Cards* reporting unit during the third quarter of 2014.

On September 22, 2014, Citigroup sold its consumer operations in Spain which included the Citi Holdings—*Cards* reporting unit. As a result, 100% of the Citi Holdings—*Cards* goodwill balance was allocated to the sale.

No goodwill was written off due to impairment in 2014 and 2013.

The following table shows the reporting units with goodwill balances as of December 31, 2014.

Reporting Unit ⁽¹⁾ <i>In millions of dollars</i>	Fair value as a % of allocated book value	Goodwill
<i>North America Global Consumer Banking</i>	321% \$	2,012
<i>EMEA Global Consumer Banking</i>	231	95
<i>Asia Global Consumer Banking</i>	362	1,961
<i>Latin America Global Consumer Banking</i>	153	432
<i>Institutional Clients Group</i>	271	6,626
Total	\$	11,126

(1) Citi Holdings—*Other*: this reporting unit is excluded from the table as there is no goodwill allocated to it.

Citibank engaged an independent valuation specialist in 2014 and 2013 to assist in Citibank's valuation for most of the reporting units employing both the market approach and the discounted cash flow (DCF) method. For the reporting units where both methods were utilized in 2014 and 2013, the resulting fair values were relatively consistent and appropriate weighting was given to outputs from both methods.

During 2014, Citigroup announced its intention to exit its consumer businesses in 11 markets in *Latin America*, *Asia* and *EMEA*, as well as its consumer finance business in Korea. Citigroup also announced its intention to exit several non-core transactions services businesses within ICG. Effective January 1, 2015, these businesses were transferred to Citi Holdings and aggregated to five new reporting units: Citi Holdings—*Consumer EMEA*, Citi Holdings—*Consumer Latin America*, Citi Holdings—*Consumer Japan*, Citi Holdings—*Consumer Finance South Korea*, and Citi Holdings—*ICG*. Goodwill balances associated with the transfers were allocated to each of the component businesses based on their relative fair values to the legacy reporting units.

As required by ASC 350, a goodwill impairment test is being performed as of January 1, 2015 under the legacy and new reporting structures which may result in an impairment for one or more of the new reporting units. Such impairment, if any, is not expected to be significant.

Intangible Assets

The components of intangible assets as of December 31, 2014 and 2013 respectively, were as follows

<i>In millions of dollars</i>	December 31, 2014			December 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Purchased credit card relationships	\$ 7,548	\$ 6,227	\$ 1,321	\$ 7,463	\$ 5,934	\$ 1,529
Core deposit intangibles	652	561	91	691	546	145
Other customer relationships	63	37	26	102	92	10
Indefinite-lived intangible assets	48	—	48	50	—	50
Other ⁽¹⁾	4,419	2,067	2,352	4,225	1,798	2,427
Intangible assets (excluding MSRs)	\$ 12,730	\$ 8,892	\$ 3,838	\$ 12,531	\$ 8,370	\$ 4,161
Mortgage servicing rights (MSRs)	1,845	—	1,845	2,718	—	2,718
Total intangible assets	\$ 14,575	\$ 8,892	\$ 5,683	\$ 15,249	\$ 8,370	\$ 6,879

(1) Includes contract-related intangible assets

Intangible assets amortization expense was \$668 million and \$708 million for 2014 and 2013 respectively. Intangible assets amortization expense is estimated to be \$611 million in 2015, \$559 million in 2016, \$867 million in 2017, \$342 million in 2018 and \$305 million in 2019.

The changes in intangible assets during 2014 were as follows:

<i>In millions of dollars</i>	Net carrying amount at December 31, 2013	Acquisitions/divestitures	Amortization	Impairments	FX and other ⁽¹⁾	Net carrying amount at December 31, 2014
Purchased credit card relationships	\$ 1,529	\$ 114	\$ (320)	\$ —	\$ (2)	\$ 1,321
Core deposit intangibles	145	(4)	(47)	—	(3)	91
Other customer relationships	10	14	(4)	—	6	26
Indefinite-lived intangible assets	50	(2)	—	—	—	48
Other	2,427	220	(297)	—	2	2,352
Intangible assets (excluding MSRs)	\$ 4,161	\$ 342	\$ (668)	\$ —	\$ 3	\$ 3,838
Mortgage servicing rights (MSRs) ⁽²⁾	2,718	—	—	—	—	1,845
Total intangible assets	\$ 6,879					\$ 5,683

(1) Includes foreign exchange translation and purchase accounting adjustments

(2) See Note 19 to the Consolidated Financial Statements for the roll-forward of MSRs

16 DEBT

Short-Term Borrowings

Short-term borrowings consist of commercial paper and other borrowings with weighted average interest rates as follows

<i>In millions of dollars at December 31,</i>	2014		2013	
	Balance	Weighted average rates	Balance	Weighted average rates
Commercial paper	\$ 16,325	0.22%	\$ 17,924	0.25%
Other borrowings ⁽¹⁾	21,045	0.74	21,793	1.06
Total	\$ 37,370		\$ 39,717	

(1) Includes borrowings from the Federal Home Loan Banks and other market participants. At both December 31, 2014 and December 31, 2013, collateralized short-term advances from the Federal Home Loan Banks were \$11.2 billion.

Borrowings under bank lines of credit may be at interest rates based on LIBOR, CD rates, the prime rate, or bids submitted by banks. Citibank pays commitment fees for its lines of credit.

Citibank has credit facilities with some of Citigroup's non-bank subsidiaries. Borrowings under these facilities must be secured in accordance with Section 23A of the Federal Reserve Act.

Long-Term Debt

			Balances at December 31,	
<i>In millions of dollars</i>	Weighted average coupon	Maturities	2014	2013
Citibank head office				
Senior notes ⁽¹⁾⁽²⁾	0.67%	2015-2037	\$ 34,825	\$ 26,030
Subordinated notes ⁽²⁾⁽³⁾	3.43	2022-2024	10,500	7,499
Domestic subsidiaries				
Senior notes	1.79	2015-2037	37,022	34,015
Subordinated notes ⁽³⁾	—	—	—	102
Citibank Overseas Investment Corp				
Senior notes	3.32	2015-2038	6,101	6,449
Subordinated notes ⁽³⁾	—	—	—	308
Other Citibank subsidiaries and branches				
Senior notes	0.40	2015-2029	910	39
Subordinated notes ⁽³⁾	—	—	—	9
Total	1.64%		\$ 89,358	\$ 74,451
Senior notes			\$ 78,858	\$ 66,533
Subordinated notes ⁽³⁾			10,500	7,918
Total			\$ 89,358	\$ 74,451

(1) Includes borrowings from the Federal Home Loan Banks and other market participants. At December 31, 2014 and December 31, 2013, collateralized advances from the Federal Home Loan Banks were \$19.8 billion and \$14.0 billion, respectively.

(2) Predominately includes floating-rate debt priced at LIBOR.

(3) Includes notes that are subordinated within certain countries, regions or subsidiaries.

The Company issues both fixed- and variable-rate debt in a range of currencies. It uses derivative contracts, primarily interest rate swaps, to effectively convert a portion of its fixed-rate debt to variable-rate debt and variable-rate debt to fixed-rate debt. The maturity structure of the derivatives generally corresponds to the maturity structure of the debt being hedged. In addition, the Company uses other derivative contracts to manage the foreign exchange impact of certain debt issuances. At December 31, 2014, the Company's overall weighted average interest rate for long-term debt was 1.64% on a contractual basis and 1.60% including the effects of derivative contracts.

Aggregate annual maturities of long-term debt obligations (based on final maturity dates) are as follows:

<i>In millions of dollars</i>	2015	2016	2017	2018	2019	Thereafter	Total
Citibank head office	\$ 6,255	\$ 11,610	\$ 6,751	\$ 2,329	\$ 2,740	\$ 15,640	\$ 45,325
Domestic subsidiaries	7,422	10,002	6,247	8,222	1,800	3,329	37,022
Citibank Overseas Investment Corp	1,812	1,894	1,260	328	324	483	6,101
Other Citibank subsidiaries and branches	888	2	1	18	—	1	910
Total	\$ 16,377	\$ 23,508	\$ 14,259	\$ 10,897	\$ 4,864	\$ 19,453	\$ 89,358

17. CAPITAL RESOURCES

Overview

Citibank primarily generates capital through earnings from its operating businesses. Citibank may augment its capital through capital contributions from its parent, Citicorp, a direct subsidiary of Citigroup and, in the case of regulatory capital also through the issuance of qualifying subordinated debt. Further, Citibank's capital levels may also be affected by changes in regulatory and accounting standards as well as the impact of future events on Citibank's business results, such as corporate and asset dispositions.

Capital is used primarily to support assets in Citibank's businesses and to absorb credit, market and operational losses. Capital may also be used for other purposes, such as to pay dividends. Citibank's ability to utilize its capital for these purposes may be limited under federal banking regulations.

Capital Management

Citibank's capital management framework is designed to ensure that Citibank and its principal subsidiaries maintain sufficient capital consistent with each entity's respective risk profile and all applicable regulatory standards and guidelines, as well as external rating agency considerations.

Senior management is responsible for the capital management process mainly through Citibank's Asset and Liability Management Committee (ALCO) with oversight from the Risk Management Committee of Citibank's Board of Directors. ALCO is composed of the senior-most management of Citibank for the purpose of engaging management in decision-making and related discussions on capital and liquidity matters. Among other activities, ALCO's responsibilities include monitoring the Company's assets, liabilities and commitment trends and forecasts, establishing and maintaining the Company's contingency funding plan, identifying the Company's liquidity risks and ensuring those risks are adequately monitored and controlled, and ensuring prudent interest rate and foreign exchange risk positions for the Company's accrual portfolios.

Current Regulatory Capital Standards

Overview

Citibank is subject to regulatory capital standards issued by the Office of the Comptroller of the Currency (OCC) which, commencing with 2014, constitute the substantial adoption of the final U.S. Basel III rules (Final Basel III Rules) such as those governing the composition of regulatory capital (including the application of regulatory capital adjustments and deductions) and, initially for the second quarter of 2014 in conjunction with the granting of permission by the OCC 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 Citibank 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 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.

Under the Final Basel III Rules, Citibank, 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, and applicable capital buffers. All of the transition provisions to which Citibank is subject will be fully implemented by January 1, 2019 (full implementation).

Citibank's Capital Resources Under Current Regulatory Standards

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 as of December 31, 2014

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

	December 31, 2014			
	Stated minimum ratios	Well capitalized minimum ratios	Advanced Approaches	Standardized Approach ⁽¹⁾
<i>In millions of dollars except ratios</i>				
Common Equity Tier 1 Capital	N/A	N/A	\$ 128,574	\$ 128,574
Tier 1 Capital	N/A	N/A	128,574	128,574
Total Capital (Tier 1 Capital + Tier 2 Capital) ⁽²⁾	N/A	N/A	139,558	149,647
Risk-Weighted Assets	N/A	N/A	945,738	905,682
Quarterly Adjusted Average Total Assets ⁽³⁾	N/A	N/A	1,366,883	1,366,883
Common Equity Tier 1 Capital ratio ⁽⁴⁾	4.0%	N/A	13.60%	14.20%
Tier 1 Capital ratio ⁽⁴⁾	5.5	6.0%	13.60	14.20
Total Capital ratio ⁽⁴⁾	8.0	10.0	14.76	16.52
Tier 1 Leverage ratio	4.0	5.0	9.41	9.41

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

(2) 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

(3) Tier 1 Leverage ratio denominator

(4) As of December 31, 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 framework

**Components of Citibank Capital Under Current Regulatory Standards
(Basel III Advanced Approaches with Transition Arrangements)**

<i>In millions of dollars</i>	December 31, 2014
Common Equity Tier 1 Capital	
Citibank common stockholder's equity	\$ 147,375
Add Qualifying noncontrolling interests	539
Regulatory Capital Adjustments and Deductions	
Less Net unrealized losses on securities AFS, net of tax ⁽¹⁾	(17)
Less Defined benefit plans liability adjustment, net of tax	(1,648)
Less Accumulated net unrealized losses on cash flow hedges, net of tax ⁽²⁾	(802)
Less Cumulative unrealized net gain related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax ⁽³⁾	35
Less Intangible assets	
Goodwill, net of related deferred tax liabilities (DTLs) ⁽⁴⁾	11,255
Identifiable intangible assets other than mortgage servicing rights (MSRs), net of related DTLs	721
Less Defined benefit pension plan net assets	59
Less Deferred tax assets (DTAs) arising from net operating loss, foreign tax credit and general business credit carry-forwards ⁽⁵⁾	1,765
Less Excess over 10%/15% limitations for other DTAs, certain common stock investments, and MSRs ⁽⁵⁾⁽⁶⁾	541
Less Deductions applied to Common Equity Tier 1 Capital due to insufficient amount of Additional Tier 1 Capital to cover deductions	7,431
Total Common Equity Tier 1 Capital	\$ 128,574
Additional Tier 1 Capital	
Qualifying noncontrolling interests	\$ 7
Regulatory Capital Adjustment and Deductions	
Less Cumulative unrealized net gain related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax ⁽³⁾	141
Less Defined benefit pension plan net assets	235
Less DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards ⁽⁵⁾	7,062
Less Deductions applied to Common Equity Tier 1 Capital due to insufficient amount of Additional Tier 1 Capital to cover deductions	(7,431)
Total Additional Tier 1 Capital	\$ —
Total Tier 1 Capital (Common Equity Tier 1 Capital + Additional Tier 1 Capital)	\$ 128,574
Tier 2 Capital	
Qualifying subordinated debt	\$ 10,500
Qualifying noncontrolling interests	12
Excess of eligible credit reserves over expected credit losses ⁽⁷⁾	472
Total Tier 2 Capital	\$ 10,984
Total Capital (Tier 1 Capital + Tier 2 Capital)	\$ 139,558

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

<i>In millions of dollars</i>	December 31, 2014
Credit Risk	\$ 713,102
Market Risk	57,636
Operational Risk	175,000
Total Risk-Weighted Assets	\$ 945,738

- (1) 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.
- (2) 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.
- (3) The cumulative impact of changes in Citibank'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.
- (4) Includes goodwill embedded in the valuation of significant common stock investments in unconsolidated financial institutions.
- (5) Of Citibank's approximately \$24.6 billion of net DTAs at December 31, 2014, approximately \$15.8 billion of such assets were includable in regulatory capital pursuant to the Final Basel III Rules, while approximately \$8.8 billion of such assets were excluded in arriving at regulatory capital. Comprising the excluded net DTAs was an aggregate of approximately \$9.4 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 \$9.4 billion were deducted from Common Equity Tier 1 Capital. In addition, approximately \$0.6 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 Citibank's current cash flow hedges and the related deferred tax effects are not required to be reflected in regulatory capital.
- (6) Aside from MSRs, reflects DTAs arising from temporary differences and significant common stock investments in unconsolidated financial institutions.
- (7) 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.

Supplementary Leverage Ratio

Under the Final Basel III Rules, Advanced Approaches banking organizations including Citibank, 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). Advanced Approaches banking organizations are required to disclose the Supplementary Leverage ratio commencing January 1, 2015, and are required to be compliant with a 3% stated minimum Supplementary Leverage ratio on January 1, 2018.

In April 2014 the U.S. banking agencies released a final rule which establishes enhanced Supplementary Leverage ratio standards for the eight largest U.S. bank holding companies (currently identified as global systemically important banking organizations (GSIBs) by the Financial Stability Board including Citigroup) and their insured depository institutions. The enhanced Supplementary Leverage ratio rule, which revises the Final Basel III rules, requires insured depository institution subsidiaries of these bank holding companies, including Citibank, to maintain a Supplementary Leverage ratio of 6% to be considered "well capitalized" under the revised prompt corrective action framework established by the Final Basel III Rules. Citibank is required to be compliant with the higher effective minimum ratio requirement on January 1, 2018.

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 end of period 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.

18 CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in each component of *Accumulated other comprehensive income (loss)* for the two-year period ended December 31, 2014 are as follows

<i>In millions of dollars</i>	Net unrealized gains (losses) on investment securities	Cash flow hedges ⁽¹⁾	Benefit plan liability adjustment ⁽²⁾	Foreign currency translation adjustment, net of hedges ⁽³⁾⁽⁴⁾	Accumulated other comprehensive income (loss)
Balance at December 31, 2012	\$ 805	\$ (1,920)	\$ (1,993)	\$ (4,811)	\$ (7,919)
Other comprehensive income before reclassifications	\$ (2,141)	\$ 453	\$ 364	\$ (1,351)	\$ (2,675)
Increase (decrease) due to amounts reclassified from AOCI	(239)	411	85	205	462
Change, net of taxes	(2,380)	864	449	(1,146)	(2,213)
Balance at December 31, 2013	\$ (1,575)	\$ (1,056)	\$ (1,544)	\$ (5,957)	\$ (10,132)
Other comprehensive income before reclassifications	\$ 1,573	\$ 80	\$ (603)	\$ (3,168)	\$ (2,118)
Increase (decrease) due to amounts reclassified from AOCI	(19)	174	87	—	242
Change, net of taxes	1,554	254	(516)	(3,168)	(1,876)
Balance at December 31, 2014	\$ (21)	\$ (802)	\$ (2,060)	\$ (9,125)	\$ (12,008)

- (1) Primarily driven by Citibank's pay fixed/receive floating interest rate swap programs that are hedging floating rates on liabilities
- (2) Primarily reflects adjustments based on the quarterly actuarial valuations of the Company's significant pension and postretirement plans, annual actuarial valuations of all other plans, and amortization of amounts previously recognized in other comprehensive income. Reflects the adoption of new mortality tables effective December 31, 2014 (see Note 8 to the Consolidated Financial Statements)
- (3) Primarily reflects the movements in (by order of impact) the Russian ruble, Korean won, Brazilian real and the Japanese yen against the U.S. dollar, and changes in related tax effects and hedges in 2014. Primarily reflects the movements in (by order of impact) the Brazilian real, Japanese yen, Australian dollar and the Indian rupee against the U.S. dollar and changes in related tax effects and hedges in 2013
- (4) During 2014, \$137 million (\$84 million net of tax) was 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 two-year period ended December 31, 2014 are as follows

<i>In millions of dollars</i>	Pretax	Tax effect	After tax
Balance at December 31, 2012	\$ (13,858)	\$ 5,939	\$ (7,919)
Change in net unrealized gains (losses) on investment securities	(3,797)	1,417	(2,380)
Cash flow hedges	1,405	(541)	864
Benefit plans	694	(245)	449
Foreign currency translation adjustment	(1,606)	460	(1,146)
Change	\$ (3,304)	\$ 1,091	\$ (2,213)
Balance at December 31, 2013	\$ (17,162)	\$ 7,030	\$ (10,132)
Change in net unrealized gains (losses) on investment securities	2,484	(930)	1,554
Cash flow hedges	410	(156)	254
Benefit plans	(820)	304	(516)
Foreign currency translation adjustment	(3,419)	251	(3,168)
Change	\$ (1,345)	\$ (531)	\$ (1,876)
Balance at December 31, 2014	\$ (18,507)	\$ 6,499	\$ (12,008)

During the year ended December 31, 2014, the Company recognized a pretax loss of \$394 million (\$242 million net of tax), related to amounts reclassified out of *Accumulated other comprehensive income (loss)* into the Consolidated Statement of Income

<i>In millions of dollars</i>	Increase (decrease) in AOCI due to amounts reclassified to Consolidated Statement of Income	
	Year ended December 31, 2014	
Realized (gains) losses on sales of investments	\$	(369)
OTTI gross impairment losses		338
Subtotal	\$	(31)
Tax effect		12
Net realized (gains) losses on investment securities ⁽¹⁾	\$	(19)
Interest rate contracts		210
Foreign exchange contracts		74
Subtotal	\$	284
Tax effect		(110)
Amortization of cash flow hedges ⁽²⁾	\$	174
Amortization of unrecognized		
Prior service cost (benefit)	\$	(18)
Net actuarial loss		112
Curtailment/settlement impact		1
Cumulative effect of change in accounting policy ⁽³⁾⁽⁴⁾		46
Subtotal	\$	141
Tax effect		(54)
Amortization of benefit plans ⁽³⁾	\$	87
Foreign currency translation adjustment	\$	—
Total amounts reclassified out of AOCI—pretax		394
Total tax effect		(152)
Total amounts reclassified out of AOCI—after-tax	\$	242

(1) The pretax amount is reclassified to *Realized gains (losses) on sales of investments net* and *Gross impairment losses* on the Consolidated Statement of Income

See Note 12 to the Consolidated Financial Statements for additional details

(2) See Note 20 to the Consolidated Financial Statements for additional details

(3) See Note 8 to the Consolidated Financial Statements for additional details

(4) See Note 2 to the Consolidated Financial Statements for additional details

During the year ended December 31, 2013 the Company recognized a pretax loss of \$761 million (\$462 million net of tax) related to amounts reclassified out of *Accumulated other comprehensive income (loss)* into the Consolidated Statement of Income

<i>In millions of dollars</i>	Increase (decrease) in AOCI due to amounts reclassified to Consolidated Statement of Income	
	Year ended December 31, 2013	
Realized (gains) losses on sales of investments	\$	(525)
OTTI gross impairment losses		165
Subtotal	\$	(360)
Tax effect		121
Net realized (gains) losses on investment securities ⁽¹⁾	\$	(239)
Interest rate contracts		645
Foreign exchange contracts		25
Subtotal	\$	670
Tax effect		(259)
Amortization of cash flow hedges ⁽²⁾	\$	411
Amortization of unrecognized		
Prior service cost (benefit)	\$	3
Net actuarial loss		124
Curtailment/settlement impact		20
Cumulative effect of change in accounting policy ⁽³⁾⁽⁴⁾		(10)
Subtotal	\$	137
Tax effect		(52)
Amortization of benefit plans ⁽³⁾	\$	85
Foreign currency translation adjustment		314
Tax effect		(109)
Foreign currency translation adjustment ⁽⁵⁾	\$	205
Total amounts reclassified out of AOCI—pretax		761
Total tax effect		(299)
Total amounts reclassified out of AOCI—after-tax	\$	462

- (1) The pretax amount is reclassified to *Realized gains (losses) on sales of investments net* and *Gross impairment losses* on the Consolidated Statement of Income. See Note 12 to the Consolidated Financial Statements for additional details.
- (2) See Note 20 to the Consolidated Financial Statements for additional details.
- (3) See Note 8 to the Consolidated Financial Statements for additional details.
- (4) See Note 2 to the Consolidated Financial Statements for additional details.
- (5) Amount relates to the sale of Credicard see Note 3 to the Consolidated Financial Statements for additional details.

19 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 by Citibank are to obtain liquidity and favorable capital treatment by securitizing certain 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 or 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, but may also benefit from other credit enhancements, such as a collateral account, 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 typically obtain a more favorable credit rating 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. Citibank may be the provider of certain credit enhancements as well as the counterparty to any related derivative contracts.

Most of Citibank'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. Citibank 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 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 must then 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.

See Note 2 to the Consolidated Financial Statements for a discussion of impending changes to targeted areas of consolidation guidance.

Citibank'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 December 31, 2014 and 2013 is presented below

As of December 31, 2014								
In millions of dollars	Total involvement with SPE assets	Consolidated VIE / SPE assets	Significant unconsolidated VIE assets ⁽³⁾	Maximum exposure to loss in significant unconsolidated VIEs ⁽¹⁾				
				Funded exposures ⁽²⁾		Unfunded exposures		
				Debt investments	Equity investments	Funding commitments	Guarantees and derivatives	Total
Credit card securitizations	\$ 60,503	\$ 60,271	\$ 232	\$ —	\$ —	\$ —	\$ —	\$ —
Mortgage securitizations								
U S agency-sponsored	191,848	—	191,848	3,409	—	—	110	3,519
Non-agency-sponsored	10,396	1,239	9,157	19	—	—	1	20
Citibank-administered asset-backed commercial paper conduits (ABCP)	29,181	29,181	—	—	—	—	—	—
Collateralized debt obligations (CDOs)	637	—	637	135	—	—	52	187
Collateralized loan obligations (CLOs)	3,848	—	3,848	1,551	—	—	—	1,551
Asset-based financing	56,880	1,044	55,836	20,563	42	2,129	13	22,747
Municipal securities tender option bond trusts (TOBs)	12,202	6,593	5,609	—	—	3,670	—	3,670
Municipal investments	20,207	34	20,173	1,912	2,107	2,213	—	6,232
Client intermediation	196	137	59	—	—	—	—	—
Other	3,784	44	3,740	99	763	23	—	885
Total Citibank	\$ 389,682	\$ 98,543	\$ 291,139	\$ 27,688	\$ 2,912	\$ 8,035	\$ 176	\$38,811

As of December 31, 2013								
In millions of dollars	Total involvement with SPE assets	Consolidated VIE / SPE assets	Significant unconsolidated VIE assets ⁽³⁾	Maximum exposure to loss in significant unconsolidated VIEs ⁽¹⁾				
				Funded exposures ⁽²⁾		Unfunded exposures		
				Debt investments	Equity investments	Funding commitments	Guarantees and derivatives	Total
Credit card securitizations	\$ 54,096	\$ 53,677	\$ 419	\$ —	\$ —	\$ —	\$ —	\$ —
Mortgage securitizations								
U S agency-sponsored	237,210	—	237,210	2,631	—	—	113	2,744
Non-agency-sponsored	13,540	1,992	11,548	192	—	—	2	194
Student loan securitizations	1,520	1,520	—	—	—	—	—	—
Citibank-administered asset-backed commercial paper conduits (ABCP)	31,759	31,759	—	—	—	—	—	—
Collateralized debt obligations (CDOs)	780	—	780	185	—	—	27	212
Collateralized loan obligations (CLOs)	4,420	—	4,420	1,407	—	—	—	1,407
Asset-based financing	46,752	549	46,203	16,722	42	1,251	3	18,018
Municipal securities tender option bond trusts (TOBs)	12,605	6,928	5,677	—	—	3,881	—	3,881
Municipal investments	19,299	102	19,197	1,750	2,164	2,096	—	6,010
Client intermediation	322	195	127	107	—	—	—	107
Other	1,041	134	907	126	13	20	—	159
Total Citibank	\$ 423,344	\$ 96,856	\$ 326,488	\$ 23,120	\$ 2,219	\$ 7,248	\$ 145	\$32,732

(1) The definition of maximum exposure to loss is included in the text that follows this table

(2) Included in Citibank's 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

The previous tables do not include

- 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 11 and 12 to the Consolidated Financial Statements), and
- certain representations and warranties exposures in Citibank 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 December 31, 2014 and 2013

<i>In millions of dollars</i>	December 31, 2014		December 31, 2013	
	Liquidity facilities	Loan commitments	Liquidity facilities	Loan commitments
Asset-based financing	\$ 5	\$ 2,124	\$ 5	\$ 1,246
Municipal securities tender option bond trusts (TOBs)	3,670	—	3,881	—
Municipal investments	—	2,213	—	2,096
Other	—	23	—	20
Total Citibank funding commitments	\$ 3,675	\$ 4,360	\$ 3,886	\$ 3,362

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 December 31, 2014 and 2013.

<i>In billions of dollars</i>	December 31, 2014	December 31, 2013
Cash	\$ 0.1	\$ 0.1
Trading account assets	0.5	0.5
Investments	7.0	8.4
Total loans, net	90.6	87.1
Other	0.3	0.8
Total assets	\$ 98.5	\$ 96.9
Short-term borrowings	\$ 22.9	\$ 24.5
Long-term debt	38.1	34.6
Other liabilities	0.5	0.6
Total liabilities	\$ 61.5	\$ 59.7

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 December 31, 2014 and 2013.

<i>In billions of dollars</i>	December 31, 2014	December 31, 2013
Trading account assets	\$ 4.2	\$ 1.8
Investments	2.3	3.8
Total loans, net	22.4	17.3
Other	1.7	2.5
Total assets	\$ 30.6	\$ 25.4

Credit Card Securitizations

The Company securitizes credit card receivables through trusts established to purchase the receivables. Citibank 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, Citibank has the power to direct the activities that most

significantly impact the economic performance of the trusts, Citibank 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 Citibank's Consolidated Balance Sheet with no gain or loss recognized. The debt issued by the trusts to third parties is included on Citibank'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 December 31, 2014 and 2013.

<i>In billions of dollars</i>	December 31,	
	2014	2013
Ownership interests in principal amount of trust credit card receivables		
Sold to investors via trust-issued securities	\$ 37.0	\$ 32.3
Retained by Citibank as trust-issued securities	10.1	9.4
Retained by Citibank via non-certificated interests	14.2	12.1
Total ownership interests in principal amount of trust credit card receivables	\$ 61.3	\$ 53.8

The following table summarizes selected cash flow information related to Citibank's credit card securitizations for the years ended December 31, 2014 and 2013.

<i>In billions of dollars</i>	2014	2013
Proceeds from new securitizations	\$ 12.6	\$ 11.7
Pay down of maturing notes	(7.8)	(2.2)

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 Citibank consolidates the credit card trusts, all managed securitized card receivables are on-balance sheet.

Funding, Liquidity Facilities and Subordinated Interests

Citibank securitizes credit card receivables through two securitization trusts described above. The liabilities of the trusts are included in the Consolidated Balance Sheet, excluding those retained by Citibank.

The 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 2.8 years as of December 31, 2014 and 3.1 years as of December 31, 2013.

Master Trust Liabilities (at par value)

<i>In billions of dollars</i>	December 31,	
	2014	2013
Term notes issued to third parties	\$ 35.7	\$ 27.9
Term notes retained by Citibank affiliates	8.2	6.2
Total Master Trust liabilities	\$ 43.9	\$ 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 1.9 years as of December 31, 2014 and 0.7 years as of December 31, 2013.

Omni Trust Liabilities (at par value)

<i>In billions of dollars</i>	December 31,	
	2014	2013
Term notes issued to third parties	\$ 1.3	\$ 4.4
Term notes retained by Citibank affiliates	1.9	1.9
Total Omni Trust liabilities	\$ 3.2	\$ 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 U.S. consumer mortgage 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 Citibank businesses.

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).

The Company is not the primary beneficiary of its U.S. agency-sponsored mortgage securitizations because Citibank does not have the power to direct the activities of the VIE that most significantly impact the entity's economic performance. Therefore, Citibank does not consolidate these U.S. agency-sponsored mortgage securitizations.

The Company does not consolidate certain non-agency-sponsored mortgage securitizations because Citibank is either not the servicer with the power to direct the significant activities of the entity or Citibank is the servicer but the servicing relationship is deemed to be a fiduciary relationship and, therefore, Citibank 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.

The following table summarizes selected cash flow information related to Citibank mortgage securitizations for the years ended December 31, 2014 and 2013.

<i>In billions of dollars</i>	2014	2013
Proceeds from new securitizations	\$ 20.4	\$ 56.2
Contractual servicing fees received	0.6	0.7
Cash flows received on retained interests and other net cash flows	0.1	0.1

Gains recognized on the securitization of mortgages for the years ended December 31, 2014 and 2013 were \$209 million and \$173 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 years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Discount rate	11.7%	10.8%
Constant prepayment rate	6.1	4.5
Anticipated net credit losses	NM	NM
Weighted average life	7.1 years	8.0 years

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 December 31, 2014 and 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.

<i>In millions of dollars</i>	Dec 31, 2014	Dec 31, 2013
Discount rate	10.1%	7.6%
Constant prepayment rate	15.9%	13.9%
Anticipated net credit losses ⁽¹⁾	0.1%	0.0%
Weighted average life	5.0 years	6.1 years
Carrying value of retained interests	\$ 1,948	\$ 2,882
Discount rates		
Adverse change of 10%	\$ (66)	\$ (87)
Adverse change of 20%	(127)	(170)
Constant prepayment rate		
Adverse change of 10%	\$ (91)	\$ (130)
Adverse change of 20%	(174)	(253)
Anticipated net credit losses		
Adverse change of 10%	\$ (4)	\$ (6)
Adverse change of 20%	(7)	(12)

(1) Substantially all retained interests are U.S. agency-sponsored.

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 Citibank's Consolidated Balance Sheet. The fair value of Citibank's capitalized MSRs was \$1.8 billion and \$2.7 billion at December 31, 2014 and 2013, respectively. The MSRs correspond to principal loan balances of \$224 billion and \$286 billion as of December 31, 2014 and 2013, respectively. The following table summarizes the changes in capitalized MSRs for the years ended December 31, 2014 and 2013.

<i>In millions of dollars</i>	2014	2013
Balance, beginning of year	\$ 2,718	\$ 1,942
Originations	217	634
Changes in fair value of MSRs due to changes in inputs and assumptions	(344)	640
Other changes ⁽¹⁾	(429)	(496)
Sale of MSRs	(317)	(2)
Balance, as of December 31	\$ 1,845	\$ 2,718

(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 years ended December 31, 2014 and 2013 were as follows:

<i>In millions of dollars</i>	2014	2013
Servicing fees	\$ 638	\$ 800
Late fees	25	42
Ancillary fees	56	100
Total MSR fees	\$ 719	\$ 942

These fees are classified in the Consolidated Statement of Income as *Other revenue*.

Citibank 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.

Citibank'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 Citibank'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 December 31, 2014 and 2013, the conduits had approximately \$29.2 billion and \$31.8 billion of purchased assets outstanding, respectively, and had incremental funding commitments with clients of approximately \$15.3 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 December 31, 2014 and 2013, the weighted average remaining lives of the commercial paper issued by the conduits were approximately 57 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 December 31, 2014 and 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 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, an affiliate of 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. Separately, in the normal course of business, the Company invests in commercial paper, including commercial paper issued by the Company's conduits. At December 31, 2014 and 2013, the Company owned \$10.6 billion and \$13.9 billion, respectively, of the commercial paper issued by its administered conduits. The Company's investments were not driven by market illiquidity and the Company is not obligated under any agreement to purchase the commercial paper issued by the 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 Citibank. No assets of any conduit are available to satisfy the creditors of Citibank or any of its other subsidiaries.

During 2013, Citibank 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. Citibank, 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 Citibank 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 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 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

At December 31, 2014 and 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.

	December 31, 2014	December 31, 2013
Discount rate	1.4% to 1.6%	1.5% to 1.6%

	December 31, 2014	
<i>In millions of dollars</i>		CLO
Carrying value of retained interests	\$	1,539
Value of underlying portfolio		
Adverse change of 10%	\$	(9)
Adverse change of 20%		(18)

	December 31, 2013	
<i>In millions of dollars</i>		CLO
Carrying value of retained interests	\$	1,333
Value of underlying portfolio		
Adverse change of 10%	\$	(7)
Adverse change of 20%		(14)

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.

The primary types of Citibank's asset-based financings total assets of the unconsolidated VIEs with significant involvement and the Company's maximum exposure to loss at December 31, 2014 and 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.

December 31, 2014			
<i>In millions of dollars</i>		Total unconsolidated VIE assets	Maximum exposure to unconsolidated VIEs
Type			
Commercial and other real estate	\$	20,568	\$ 7,595
Corporate loans		460	473
Airplanes, ships and other assets		34,808	14,679
Total	\$	55,836	\$ 22,747

December 31, 2013			
<i>In millions of dollars</i>		Total unconsolidated VIE assets	Maximum exposure to unconsolidated VIEs
Type			
Commercial and other real estate	\$	13,262	\$ 3,234
Corporate loans		2,334	1,850
Airplanes, ships and other assets		30,607	12,934
Total	\$	46,203	\$ 18,018

The following table summarizes selected cash flow information related to asset-based financings for the years ended December 31, 2014 and 2013

<i>In billions of dollars</i>	2014	2013
Proceeds from new securitizations	\$ 0.5	\$ 0.5
Cash flows received on retained interests and other net cash flows	0.3	0.9

At December 31, 2014 and 2013, the key assumption 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

	December 31, 2014	December 31, 2013
Discount rate	N/A	3.0%

<i>In millions of dollars</i>	December 31, 2013
Asset-based financing	
Carrying value of retained interests ⁽¹⁾	\$ 1,411
Value of underlying portfolio	
Adverse change of 10%	\$ (11)
Adverse change of 20%	(23)

(1) Citibank held no retained interests in asset-based financings as of December 31, 2014

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 December 31, 2014, the Company held no Floaters related to both customer and non-customer TOB trusts while the Company held \$117 million at December 31, 2013.

For certain non-customer trusts, the Company also provides credit enhancement. At December 31, 2014 and 2013, approximately \$114 million and \$113 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 December 31, 2014 and 2013, liquidity agreements provided with respect to customer TOB trusts totaled \$3.7 billion and \$3.9 billion, respectively, of which \$2.6 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 \$7.4 billion and \$5.4 billion as of December 31, 2014 and 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 operations 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.

20 DERIVATIVES ACTIVITIES

In the ordinary course of business, Citibank 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 indices or financial instruments, 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

Swaps and forwards and some option 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 contracts and other option contracts are standardized contracts that are traded on an exchange with a CCP as the counterparty from the inception of the transaction. Citibank enters into these derivative contracts relating to interest rate, foreign currency, commodity and other market/credit risks for the following reasons

- *Trading Purposes* Citibank trades derivatives as an active market maker. Citibank 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. Citibank also manages its derivative risk positions through offsetting trade activities, controls focused on price verification, and daily reporting of positions to senior managers
- *Hedging* Citibank uses derivatives in connection with its risk-management activities to hedge certain risks or reposition the risk profile of the Company. For example, Citibank 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 Citibank 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 of the probability of counterparty default. Liquidity risk is the potential exposure that arises when the size of a derivative position may not be able to be monetized in a reasonable period of time and at a reasonable cost in periods of high volatility and financial stress.

Derivative transactions are customarily documented under industry standard master agreements that 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 the net amount due to be paid to, or by the defaulting party. Events of default include: (i) failure to make a payment on a derivatives transaction that remains uncured following applicable notice and grace periods, (ii) breach of agreement that remains uncured after applicable notice and grace periods, (iii) breach of a representation, (iv) cross default, either to third-party debt or to other derivative transactions entered into between 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. Obligations under master netting agreements are often secured by collateral posted under an industry standard credit support annex to the master netting agreement. An event of default may also occur under a credit support annex if a party fails to make a collateral delivery that remains uncured following applicable notice and grace periods.

The netting and collateral rights incorporated in the master netting agreements are considered to be legally enforceable if a supportive legal opinion has been obtained from counsel of recognized standing that provides the requisite level of certainty regarding enforceability 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 be sought for certain jurisdictions where local law is silent or unclear as to the enforceability of such 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 may not provide the requisite level of certainty. 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 affected by market volatility, which may impair the ability of counterparties to satisfy their obligations to the Company. Credit limits are established and closely monitored for customers engaged in derivatives transactions. Citibank 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. Specifically, Citibank generally transacts much lower volumes of derivatives under master netting agreements where Citibank does not have the requisite level of legal certainty regarding enforceability, because such derivatives consume greater amounts of single counterparty credit limits than those executed under enforceable master netting agreements.

Cash collateral and security collateral in the form of G10 government debt securities is often posted by a party to a master netting agreement to secure the net open exposure of the other party; the receiving party is free to commingle/rehypothecate 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/or 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 Citibank's derivative activity, based on notional amounts, as of December 31, 2014 and December 31, 2013, is presented in the table below. Derivative notional amounts are reference amounts from which contractual payments are derived and, in Citibank's view, do not accurately represent a measure of Citibank's exposure to derivative transactions. Rather, as discussed above, Citibank's derivative exposure arises primarily from market fluctuations (i.e., market risk), counterparty failure (i.e., credit risk) and/or periods of high volatility or financial stress (i.e., liquidity risk), as well as any market valuation adjustments that may be required on the

transactions. Moreover, notional amounts do not reflect the netting of offsetting trades (also as discussed above). For example, if Citibank enters into an interest rate swap with \$100 million notional, and offsets this risk with an identical but opposite position with a different counterparty, \$200 million in derivative notional is reported, although these offsetting positions may result in de minimus overall market risk. Aggregate derivative notional amounts can fluctuate from period-to-period in the normal course of business based on Citibank's market share, levels of client activity and other factors.

Derivative Notionals

In millions of dollars	Hedging instruments under ASC 815 ⁽¹⁾		Other derivative instruments			
			Trading derivatives		Management hedges ⁽²⁾	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Interest rate contracts						
Swaps	\$ 58,969	\$ 47,942	\$ 31,851,987	\$ 38,592,168	\$ 13,019	\$ 83,980
Futures and forwards	—	20	4,974,963	5,020,616	42,305	61,398
Written options	—	—	2,958,927	3,274,812	3,913	3,087
Purchased options	—	—	2,922,281	3,211,141	4,910	3,185
Total interest rate contract notionals	\$ 58,969	\$ 47,962	\$ 42,708,158	\$ 50,098,737	\$ 64,147	\$ 151,650
Foreign exchange contracts						
Swaps	\$ 12,362	\$ 5,438	\$ 4,792,562	\$ 3,588,985	\$ —	\$ 552
Futures and forwards	63,698	71,712	2,196,619	1,837,260	76	891
Written options	—	101	1,363,853	989,431	—	—
Purchased options	—	106	1,359,622	963,435	—	71
Total foreign exchange contract notionals	\$ 76,060	\$ 77,357	\$ 9,712,656	\$ 7,379,111	\$ 76	\$ 1,514
Equity contracts						
Swaps	\$ —	\$ —	\$ 145,316	\$ 117,479	\$ —	\$ —
Futures and forwards	—	—	5,953	4,356	—	—
Written options	—	—	208,382	142,438	—	—
Purchased options	—	—	312,839	130,860	—	—
Total equity contract notionals	\$ —	\$ —	\$ 672,490	\$ 395,133	\$ —	\$ —
Commodity and other contracts						
Swaps	\$ —	\$ —	\$ 96,475	\$ 42,064	\$ —	\$ —
Futures and forwards	—	—	50,568	52,648	—	—
Written options	—	—	105,537	87,708	—	—
Purchased options	—	—	97,602	91,305	—	—
Total commodity and other contract notionals	\$ —	\$ —	\$ 350,182	\$ 273,725	\$ —	\$ —
Credit derivatives ⁽³⁾						
Protection sold	\$ —	\$ —	\$ 1,223,867	\$ 1,257,229	\$ —	\$ —
Protection purchased	—	95	1,246,271	1,296,533	16,018	19,744
Total credit derivatives	\$ —	\$ 95	\$ 2,470,138	\$ 2,553,762	\$ 16,018	\$ 19,744
Total derivative notionals	\$ 135,029	\$ 125,414	\$ 55,913,624	\$ 60,700,468	\$ 80,241	\$ 172,908

- (1) 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.
- (2) Management hedges represent derivative instruments used to mitigate certain economic risks, 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.
- (3) 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 credit risk associated with the reference asset without directly purchasing that asset. The Company enters 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 amounts permitted under ASC 210-20-45 and ASC 815-10-45, as of December 31, 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 a credit support annex are included in the offsetting amount if a legal opinion

supporting enforceability of netting and collateral rights has been obtained. GAAP does not permit similar offsetting for security collateral. 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 netting and collateral rights has been obtained.

Derivative Mark-to-Market (MTM) Receivables/Payables

<i>In millions of dollars at December 31, 2014</i>	Derivatives classified in Trading account assets/liabilities ⁽¹⁾⁽²⁾⁽³⁾		Derivatives classified in Other assets/liabilities ⁽²⁾⁽³⁾	
	Assets	Liabilities	Assets	Liabilities
Derivatives instruments designated as ASC 815 hedges				
Over-the-counter	\$ 5	\$ 141	\$ 15	\$ 407
Cleared	235	829	—	25
Interest rate contracts	\$ 240	\$ 970	\$ 15	\$ 432
Over-the-counter	\$ 2,621	\$ 303	\$ 533	\$ 426
Foreign exchange contracts	\$ 2,621	\$ 303	\$ 533	\$ 426
Total derivative instruments designated as ASC 815 hedges	\$ 2,861	\$ 1,273	\$ 548	\$ 858
Derivatives instruments not designated as ASC 815 hedges				
Over-the-counter	\$ 436,501	\$ 427,563	\$ 64	\$ 15
Cleared	204,524	206,579	6	21
Exchange traded	2	2	140	164
Interest rate contracts	\$ 641,027	\$ 634,144	\$ 210	\$ 200
Over-the-counter	\$ 164,747	\$ 169,064	\$ —	\$ —
Cleared	366	387	—	—
Exchange traded	7	46	—	—
Foreign exchange contracts	\$ 165,120	\$ 169,497	\$ —	\$ —
Over-the-counter	\$ 22,085	\$ 20,953	\$ —	\$ —
Exchange traded	4	10	—	—
Equity contracts	\$ 22,089	\$ 20,963	\$ —	\$ —
Over-the-counter	\$ 14,328	\$ 16,929	\$ —	\$ —
Exchange traded	3,342	2,875	—	—
Commodity and other contracts	\$ 17,670	\$ 19,804	\$ —	\$ —
Over-the-counter	\$ 44,700	\$ 44,308	\$ 264	\$ 384
Cleared	3,038	2,959	13	171
Credit derivatives⁽⁴⁾	\$ 47,738	\$ 47,267	\$ 277	\$ 555
Total derivatives instruments not designated as ASC 815 hedges	\$ 893,644	\$ 891,675	\$ 487	\$ 755
Total derivatives	\$ 896,505	\$ 892,948	\$ 1,035	\$ 1,613
Cash collateral paid/received ⁽⁵⁾⁽⁶⁾	\$ 15,567	\$ 8,754	\$ 110	\$ —
Less Netting agreements ⁽⁷⁾	(800,113)	(800,113)	—	—
Less Netting cash collateral received/paid ⁽⁸⁾	(38,952)	(38,159)	—	(15)
Net receivables/payables included on the consolidated balance sheet⁽⁹⁾	\$ 73,007	\$ 63,430	\$ 1,145	\$ 1,598
Additional amounts subject to an enforceable master netting agreement but not offset on the Consolidated Balance Sheet				
Less Cash collateral received/paid	(863)	(9)	—	—
Less Non-cash collateral received/paid	(7,583)	(4,766)	—	—
Total net receivables/payables⁽⁹⁾	\$ 64,561	\$ 58,655	\$ 1,145	\$ 1,598

(1) The trading derivatives fair values are presented in Note 11 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 are 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.

(4) The credit derivatives trading assets comprise \$19,771 million related to protection purchased and \$27,967 million related to protection sold as of December 31, 2014. The credit derivatives trading liabilities comprise \$27,987 million related to protection purchased and \$19,280 million related to protection sold as of December 31, 2014.

(5) For the trading account assets/liabilities, reflects the net amount of the \$53,726 million and \$47,706 million of gross cash collateral paid and received, respectively. Of the gross cash collateral paid, \$38,159 million was used to offset trading derivative liabilities and, of the gross cash collateral received, \$38,952 million was used to offset trading derivative assets.

(6) For cash collateral paid with respect to non-trading derivative liabilities, reflects the net amount of \$125 million the gross cash collateral paid, of which \$15 million is netted against OTC non-trading derivative positions within *Other liabilities*.

- (7) Represents the netting of derivative receivable and payable balances with the same counterparty under enforceable netting agreements. Approximately \$591 billion, \$207 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.
- (8) Represents the netting of cash collateral paid and received by counterparty under enforceable credit support agreements. Substantially all cash collateral received is netted against OTC derivative assets. Cash collateral paid of approximately \$35 billion and \$3 billion, respectively, is netted against OTC and Cleared derivative liabilities, respectively.
- (9) The net receivables/payables include approximately \$10 billion of derivative asset and \$14 billion of derivative liability fair values not subject to enforceable master netting agreements.

In millions of dollars at December 31, 2013

	Derivatives classified in Trading account assets/liabilities ⁽¹⁾⁽²⁾⁽³⁾		Derivatives classified in Other assets/liabilities ⁽²⁾⁽³⁾	
	Assets	Liabilities	Assets	Liabilities
Derivatives instruments designated as ASC 815 hedges				
Over-the-counter	\$ 33	\$ 285	\$ —	\$ 845
Cleared	543	192	5	—
Interest rate contracts	\$ 576	\$ 477	\$ 5	\$ 845
Over-the-counter	\$ 1,285	\$ 1,130	\$ 620	\$ 127
Foreign exchange contracts	\$ 1,285	\$ 1,130	\$ 620	\$ 127
Over-the-counter	\$ —	\$ —	\$ —	\$ 2
Credit derivatives	\$ —	\$ —	\$ —	\$ 2
Total derivative instruments designated as ASC 815 hedges	\$ 1,861	\$ 1,607	\$ 625	\$ 974
Derivatives instruments not designated as ASC 815 hedges				
Over-the-counter	\$ 331,535	\$ 321,048	\$ 57	\$ 15
Cleared	310,263	316,460	28	5
Exchange traded	8	9	—	—
Interest rate contracts	\$ 641,806	\$ 637,517	\$ 85	\$ 20
Over-the-counter	\$ 96,769	\$ 94,222	\$ 3	\$ —
Cleared	1	2	—	—
Exchange traded	48	55	—	—
Foreign exchange contracts	\$ 96,818	\$ 94,279	\$ 3	\$ —
Over-the-counter	\$ 17,548	\$ 19,261	\$ —	\$ —
Exchange traded	410	626	—	—
Equity contracts	\$ 17,958	\$ 19,887	\$ —	\$ —
Over-the-counter	\$ 5,223	\$ 4,443	\$ —	\$ —
Exchange traded	508	527	—	—
Commodity and other contracts	\$ 5,731	\$ 4,970	\$ —	\$ —
Over-the-counter	\$ 41,879	\$ 40,504	\$ 71	\$ 562
Cleared	1,840	2,531	—	—
Credit derivatives⁽⁴⁾	\$ 43,719	\$ 43,035	\$ 71	\$ 562
Total derivatives instruments not designated as ASC 815 hedges	\$ 806,032	\$ 799,688	\$ 159	\$ 582
Total derivatives	\$ 807,893	\$ 801,295	\$ 784	\$ 1,556
Cash collateral paid/received ⁽⁵⁾⁽⁶⁾	\$ 10,679	\$ 6,279	\$ 82	\$ 271
Less Netting agreements ⁽⁷⁾	(737,201)	(737,201)	—	—
Less Netting cash collateral received/paid ⁽⁸⁾	(29,895)	(33,868)	(2)	—
Net receivables/payables included on the Consolidated Balance Sheet	\$ 51,476	\$ 36,505	\$ 864	\$ 1,827
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	(7,107)	(3,274)	—	—
Total net receivables/payables	\$ 44,004	\$ 33,226	\$ 864	\$ 1,827

(1) The trading derivatives fair values are presented in Note 11 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.

(4) The credit derivatives trading assets comprise \$14,880 million related to protection purchased and \$28,839 million related to protection sold as of December 31, 2013. The credit derivatives trading liabilities comprise \$29,243 million related to protection purchased and \$13,792 million related to protection sold as of December 31, 2013.

- (5) For the trading account assets/liabilities reflects the net amount of the \$44,547 million and \$36,174 million of gross cash collateral paid and received respectively. Of the gross cash collateral paid \$33,868 million was used to offset trading derivative liabilities and of the gross cash collateral received \$29,895 million was used to offset trading derivative assets.
- (6) For cash collateral paid with respect to non-trading derivative liabilities reflects the net amount of \$82 million the gross cash collateral received. For cash collateral received with respect to non-trading derivative liabilities this is the net amount of \$273 million of the gross cash collateral received of which \$2 million is netted against non-trading derivative positions within other assets.
- (7) Represents the netting of derivative receivable and payable balances with the same counterparty under enforceable netting agreements. Approximately \$423 billion, \$313 billion and \$1 billion of the netting against trading account asset/liability balances is attributable to each of the OTC cleared and exchange traded derivatives, respectively.
- (8) Represents the netting of cash collateral paid and received by counterparty under enforceable credit support agreements. Substantially all cash collateral received is netted against OTC derivative assets. Cash collateral paid of approximately \$28 billion and \$6 billion, respectively is netted against OTC and Cleared derivative liabilities, respectively.
- (9) The net receivables/payables include approximately \$14 billion of derivative asset and \$13 billion of derivative liability fair values not subject to enforceable master netting agreements.

For the years ended December 31, 2014 and 2013, the amounts recognized in *Principal transactions* in the Consolidated Statement of Income 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. Citibank 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 years ended December 31, 2014 and 2013 related to derivatives not designated in a qualifying hedging relationship are shown below. The table below does not include any offsetting gains/losses on the economically hedged items to the extent such amounts are also recorded in *Other revenue*.

In millions of dollars	Gains (losses) included in Other revenue Year ended December 31,	
	2014	2013
Interest rate contracts	\$ 263	\$ (373)
Foreign exchange	2	14
Credit derivatives	(135)	(594)
Total Citibank	\$ 130	\$ (953)

Accounting for Derivative Hedging

Citibank 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 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 net investment hedges.

If certain hedging criteria specified in ASC 815 are met, including testing for hedge effectiveness, 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 Citibank's stockholder's equity to the extent the hedge is highly 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 GAAP. However, by designating an interest rate swap 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 also reflected in earnings. Thus, any ineffectiveness resulting from the hedging relationship is captured in current earnings.

Alternatively, for management hedges, that do not meet the ASC 815 hedging criteria, only the derivative is recorded at fair value on the balance sheet, with the associated changes in fair value recorded in earnings, while the debt continues to be carried at amortized cost. Therefore, current earnings are affected 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 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 changes in fair value of the debt are reported in earnings. The related interest rate swap, with changes in fair value, is also reflected in earnings, which 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.

The key requirements to achieve 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 may exclude 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

Citibank hedges exposure to changes in the fair value of outstanding fixed-rate issued debt and certificates of deposit. These hedges are designated as fair value hedges of the benchmark interest rate risk associated with the currency of the hedged liability. The fixed cash flows of the hedged items 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 assess whether the hedging relationships are highly effective at inception and on an ongoing basis.

Citibank 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 assess whether the hedging relationships are highly effective at inception and on an ongoing basis.

Hedging of foreign exchange risk

Citibank 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 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 (loss)*—which serves to offset the change in fair value of the forward contract that is also reflected in earnings. Citibank 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 years ended December 31, 2014 and 2013

<i>In millions of dollars</i>	Gains (losses) on fair value hedges ⁽¹⁾	
	Year ended December 31,	
	2014	2013
Gain (loss) on the derivatives in designated and qualifying fair value hedges		
Interest rate contracts	\$ (1,311)	\$ 1,207
Foreign exchange contracts	1,381	306
Total gain on the derivatives in designated and qualifying fair value hedges	\$ 70	\$ 1,513
Gain (loss) on the hedged item in designated and qualifying fair value hedges		
Interest rate hedges	\$ 1,244	\$ (1,225)
Foreign exchange hedges	(1,443)	(225)
Total loss on the hedged item in designated and qualifying fair value hedges	\$ (199)	\$ (1,450)
Hedge ineffectiveness recognized in earnings on designated and qualifying fair value hedges		
Interest rate hedges	\$ (63)	\$ (18)
Foreign exchange hedges	(16)	8
Total hedge ineffectiveness recognized in earnings on designated and qualifying fair value hedges	\$ (79)	\$ (10)
Net gain (loss) excluded from assessment of the effectiveness of fair value hedges		
Interest rate contracts	\$ (4)	\$ —
Foreign exchange contracts ⁽²⁾	(46)	73
Total net gain (loss) excluded from assessment of the effectiveness of fair value hedges	\$ (50)	\$ 73

(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

Citibank 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. Citibank 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 variable interest rates, associated with hedged items, do not qualify as benchmark interest rates, Citibank 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

Citibank 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 total return

Citibank 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 years ended December 31, 2014 and 2013 is not significant.

The pretax change in *Accumulated other comprehensive income (loss)* from cash flow hedges is presented below

<i>In millions of dollars</i>	Year ended December 31,	
	2014	2013
Effective portion of cash flow hedges included in AOCI		
Interest rate contracts	\$ 281	\$ 742
Foreign exchange contracts	(158)	(19)
Credit derivatives	2	12
Total effective portion of cash flow hedges included in AOCI	\$ 125	\$ 735
Effective portion of cash flow hedges reclassified from AOCI to earnings		
Interest rate contracts	\$ (210)	\$ (645)
Foreign exchange contracts	(75)	(25)
Total effective portion of cash flow hedges reclassified from AOCI to earnings ⁽¹⁾	\$ (285)	\$ (670)

(1) Included primarily in *Other revenue* and *Net interest revenue* on the Consolidated Statement of Income

For cash flow hedges the changes in the fair value of the hedging derivative remaining in *Accumulated other comprehensive income (loss)* on the Consolidated Balance Sheet will be included in the 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 December 31, 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. Citibank uses foreign currency forwards, options and foreign-currency-denominated debt instruments to manage the foreign exchange risk associated with Citibank's equity investments in several non-U.S.-dollar-functional-currency foreign subsidiaries. Citibank 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, Citibank 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 Citibank. 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 Citibank'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 \$1,490 million and \$1,502 million for the years ended December 31, 2014 and 2013, respectively.

Credit Derivatives

Citibank is a market maker and trades a range of credit derivatives. Through these contracts, Citibank either purchases or writes protection on either a single name or a portfolio of reference credits. Citibank 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.

Citibank monitors its counterparty credit risk in credit derivative contracts. As of December 31, 2014 and 2013, approximately 98% of the gross receivables are from counterparties with which Citibank maintains collateral agreements. A majority of Citibank's top 15 counterparties (by receivable balance owed to Citibank) 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 Citibank may call for additional collateral.

The range of credit derivatives entered into 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 predefined credit event on a reference entity. These credit events are defined by the terms of the derivative contract 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 that reference emerging market entities will also typically include additional credit events 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 entities or asset-backed securities If there is no credit event, 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 Under certain contracts the seller of 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

A total return swap typically 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 plus any depreciation of the reference asset exceeds the cash flows associated with the underlying asset A total return swap may terminate upon a default of the reference asset or a credit event with respect to the reference entity 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 a reference entity For example, in a credit spread option, the option writer assumes the obligation to purchase or sell credit protection on the reference entity at a specified "strike" spread level The option purchaser buys the right to sell credit default protection on the reference entity 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 or other reference The options usually terminate if a credit event occurs with respect to the underlying reference entity

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 effectively provides credit protection to the issuer by agreeing to receive a return that could be negatively affected by credit events on the underlying reference credit If the reference entity defaults, the note may be cash settled or physically settled by delivery of a debt security of the reference entity Thus the maximum amount of the note purchaser's exposure is the amount paid for the credit-linked note

The following tables summarize the key characteristics of the Company's credit derivative portfolio as protection seller as of December 31, 2014 and December 31 2013

<i>In millions of dollars at December 31 2014</i>	Maximum potential amount of future payments ⁽¹⁾	
By instrument		
Credit default swaps and options	\$	1,204,324
Total return swaps and other		19,543
Total by instrument	\$	1,223,867
By rating		
Investment grade	\$	927,827
Non-investment grade ⁽²⁾		296,040
Total by rating	\$	1,223,867
By maturity		
Within 1 year	\$	246,516
From 1 to 5 years		900,919
After 5 years		76,432
Total by maturity	\$	1,223,867

(1) At December 31, 2014, the fair value amounts payable under credit derivatives sold was \$19 280 million In addition, fair value amounts receivable under credit derivatives sold were \$27 967 million

(2) Also includes credit derivatives sold that are not rated

<i>In millions of dollars at December 31 2013</i>	Maximum potential amount of future payments ⁽¹⁾	
By instrument		
Credit default swaps and options	\$	1,255,031
Total return swaps and other		2,198
Total by instrument	\$	1,257,229
By rating		
Investment grade	\$	585,056
Non-investment grade ⁽²⁾		672,173
Total by rating	\$	1,257,229
By maturity		
Within 1 year	\$	215,232
From 1 to 5 years		962,402
After 5 years		79,595
Total by maturity	\$	1,257,229

(1) At December 31, 2013, the fair value amounts payable under credit derivatives sold was \$13,792 million In addition, fair value amounts receivable under credit derivatives sold were \$28 839 million

(2) Also includes credit derivatives sold that are not rated

Fair values included in the above tables are prior to application of any netting agreements and cash collateral For notional amounts, Citibank 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 and used to evaluate

payment/performance risk 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. Citibank's internal ratings are in line with the related external rating system.

Citibank 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. 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 notional amount for credit protection sold is not representative of the actual loss exposure based on historical experience. This amount has not been reduced by the value of the reference assets and the related cash flows. In accordance with most credit derivative contracts, should a credit event occur, the Company usually is liable for the difference between the protection sold and the value of the reference assets. Furthermore, the notional amount 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 event related to the credit risk of the Company. 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 were in a liability position at December 31, 2014 and December 31, 2013 was \$24 billion and \$23 billion respectively. The Company had posted \$23 billion and \$21 billion as collateral for this exposure in the normal course of business as of December 31, 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 December 31, 2014, the Company would be required to post an additional \$1.3 billion, as either collateral or settlement of the derivative transactions. Additionally, as of December 31, 2014, any amounts the Company would be required to segregate with third-party custodians collateral previously received from existing derivative counterparties upon the single notch downgrade are immaterial.

21 CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to Citibank's total credit exposure. Although Citibank's portfolio of financial instruments is broadly diversified along industry, product, and geographic lines, material transactions are completed with other financial institutions, particularly in the securities trading, derivatives and foreign exchange businesses.

In connection with the Company's efforts to maintain a diversified portfolio, the Company limits its exposure to any one geographic region, country or individual creditor and monitors this exposure on a continuous basis. At December 31, 2014, Citibank's most significant concentration of credit risk was with the U.S. government and its agencies, as well as foreign governments. The Company's exposure, which primarily results from trading assets and investments issued by the U.S. government and its agencies, amounted to \$176 billion and \$142 billion at December 31, 2014 and 2013, respectively. The Company's exposure to foreign governments (primarily trading assets and investments) amounted to \$109 billion and \$111 billion at December 31, 2014 and 2013, respectively.

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 Citibank'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 and option volatilities. 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

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. Citibank 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.

Liquidity adjustments are applied to items in Level 2 or Level 3 of the fair-value hierarchy 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 Citibank 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 Citibank'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.

Citibank'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. Citibank's own-credit CVA is determined using Citibank-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.

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

<i>In millions of dollars</i>	Credit and funding valuation adjustments contra-liability (contra-asset)	
	December 31, 2014	December 31, 2013
Counterparty CVA	\$ (1,733)	\$ (1,657)
Asset FVA	(479)	—
Citigroup (own-credit) CVA	255	384
Liability FVA	18	—
Total CVA—derivative instruments ⁽¹⁾	\$ (1,939)	\$ (1,273)

(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 fair value option (FVO) liabilities for the periods indicated

<i>In millions of dollars</i>	Credit/funding/debt valuation adjustments gain (loss)	
	2014	2013
Counterparty CVA	\$ 44	\$ 304
Asset FVA	(479)	—
Own-credit CVA	(125)	(129)
Liability FVA	18	—
Total CVA—derivative instruments	\$ (542)	\$ 175
DVA related to own FVO liabilities	\$ 3	\$ (22)
Total CVA and DVA ⁽¹⁾	\$ (539)	\$ 153

(1) FVA is included with CVA for presentation purposes

Valuation Process for Fair Value Measurements

Price verification procedures and related internal control procedures are governed by the Citibank *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

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 uses quoted market prices 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. These derivative instruments are classified as either Level 2 or Level 3 depending upon the observability of the significant inputs to the model.

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. Citibank 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.

As referenced above, during the third quarter of 2014, Citibank incorporated FVA into the fair value measurements due to what it believes to be an industry migration toward incorporating the market's view of funding risk premium in OTC derivatives. In connection with its implementation of FVA in 2014, Citibank incurred a pretax charge of \$461 million, which was reflected in *Principal transactions* as a change in accounting estimate. Citibank'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.

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 12 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.

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 December 31, 2014 and 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

<i>In millions of dollars at December 31, 2014</i>	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3	Gross inventory	Netting ⁽²⁾	Net balance
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	\$ —	\$ —	\$ 237	\$ 237	\$ —	\$ 237
Trading non-derivative assets						
Trading mortgage-backed securities						
U S government-sponsored agency guaranteed	\$ —	\$ 11,006	\$ 251	\$ 11,257	\$ —	\$ 11,257
Commercial	—	49	4	53	—	53
Total trading mortgage-backed securities	\$ —	\$ 11,055	\$ 255	\$ 11,310	\$ —	\$ 11,310
U S Treasury securities	\$ 6,079	\$ —	\$ —	\$ 6,079	\$ —	\$ 6,079
State and municipal	—	2,597	123	2,720	—	2,720
Foreign government	12,229	20,341	190	32,760	—	32,760
Corporate	—	7,839	176	8,015	—	8,015
Equity securities	20,378	900	1,872	23,150	—	23,150
Asset-backed securities	—	—	36	36	—	36
Other trading securities	—	7,506	4,297	11,803	—	11,803
Total trading non-derivative assets	\$ 38,686	\$ 50,238	\$ 6,949	\$ 95,873	\$ —	\$ 95,873
Trading derivatives						
Interest rate contracts	\$ —	\$ 636,972	\$ 4,295	\$ 641,267		
Foreign exchange contracts	—	166,424	1,317	167,741		
Equity contracts	2	19,725	2,362	22,089		
Commodity contracts	—	16,789	881	17,670		
Credit derivatives	—	44,855	2,883	47,738		
Total trading derivatives	\$ 2	\$ 884,765	\$ 11,738	\$ 896,505		
Cash collateral paid ⁽³⁾				\$ 15,567		
Netting agreements					\$ (800,113)	
Netting of cash collateral received					\$ (38,952)	
Total trading derivatives	\$ 2	\$ 884,765	\$ 11,738	\$ 912,072	\$ (839,065)	\$ 73,007
Investments						
Mortgage-backed securities						
U S government-sponsored agency guaranteed	\$ —	\$ 35,461	\$ 15	\$ 35,476	\$ —	\$ 35,476
Residential	—	8,301	8	8,309	—	8,309
Total investment mortgage-backed securities	\$ —	\$ 43,762	\$ 23	\$ 43,785	\$ —	\$ 43,785
U S Treasury and federal agency securities	\$ 110,126	\$ 12,808	\$ 6	\$ 122,940	\$ —	\$ 122,940
State and municipal	\$ —	\$ 10,272	\$ 1,775	\$ 12,047	\$ —	\$ 12,047
Foreign government	37,224	38,477	666	76,367	—	76,367
Corporate	—	6,934	444	7,378	—	7,378
Equity securities	1,609	39	—	1,648	—	1,648
Asset-backed securities	—	11,243	533	11,776	—	11,776
Other debt securities	—	661	—	661	—	661
Non-marketable equity securities	—	—	108	108	—	108
Total investments	\$ 148,959	\$ 124,196	\$ 3,555	\$ 276,710	\$ —	\$ 276,710
Loans ⁽⁴⁾	\$ —	\$ 1,514	\$ 2,808	\$ 4,322	\$ —	\$ 4,322
Mortgage servicing rights	—	—	1,845	1,845	—	1,845
Non-trading derivatives and other financial assets measured on a recurring basis, gross	\$ —	\$ 2,416	\$ 67	\$ 2,483		
Cash collateral paid ⁽⁵⁾				\$ 110		
Non-trading derivatives and other financial assets measured on a recurring basis	\$ —	\$ 2,416	\$ 67	\$ 2,593	\$ —	\$ 2,593

Fair Value Levels

<i>In millions of dollars at December 31, 2014</i>	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3	Gross inventory	Netting ⁽²⁾	Net balance
Total assets	\$ 187,647	\$ 1,063,129	\$ 27,199	\$ 1,293,652	\$ (839,065)	\$ 454,587
Total as a percentage of gross assets ⁽⁶⁾	14.7%	83.2%	2.1%			
Liabilities						
Interest-bearing deposits	\$ —	\$ 1,198	\$ 486	\$ 1,684	\$ —	\$ 1,684
Trading account liabilities						
Securities sold, not yet purchased	6,457	854	372	7,683	—	7,683
Trading derivatives						
Interest rate contracts	53	630,849	4,211	635,113		
Foreign exchange contracts	—	169,213	587	169,800		
Equity contracts	3	18,887	2,073	20,963		
Commodity contracts	—	18,990	814	19,804		
Credit derivatives	—	43,634	3,634	47,268		
Total trading derivatives	\$ 56	\$ 881,573	\$ 11,319	\$ 892,948		
Cash collateral received ⁽⁷⁾				8,754		
Netting agreements					\$ (800,113)	
Netting of cash collateral paid					\$ (38,159)	
Total trading derivatives	\$ 56	\$ 881,573	\$ 11,319	\$ 901,702	\$ (838,272)	\$ 63,430
Short-term borrowings	—	22	—	22	—	22
Long-term debt	—	793	165	958	—	958
Non-trading derivatives and other financial liabilities measured on a recurring basis, gross	\$ —	\$ 1,606	\$ 7	\$ 1,613		
Netting of cash collateral paid					(15)	
Nontrading derivatives and other financial liabilities measured on a recurring basis	—	1,606	7	1,613	(15)	1,598
Total liabilities	\$ 6,513	\$ 886,046	\$ 12,349	\$ 913,662	\$ (838,287)	\$ 75,375
Total as a percentage of gross liabilities ⁽⁶⁾	0.7%	97.9%	1.4%			

- (1) For the year ended December 31, 2014, the Company transferred assets of \$2.6 billion from Level 1 to Level 2, primarily related to foreign government bonds which were not traded with enough frequency to constitute an active market. During the year ended December 31, 2014, the Company transferred assets of \$3.6 billion from Level 2 to Level 1 primarily related to foreign government bonds which were traded with sufficient frequency to constitute an active market. During the year ended December 31, 2014, the Company had no significant transfers of liabilities between Level 1 and Level 2.
- (2) 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) This is the net amount of the \$53.726 million of gross cash collateral paid, of which \$38.159 million was used to offset derivative liabilities.
- (4) There is no allowance for loan losses recorded for loans reported at fair value.
- (5) Reflects the net amount of \$125 million of gross cash collateral paid, of which \$15 million was used to offset non-trading derivative liabilities.
- (6) Because the amount of the cash collateral paid/received has not been allocated to the Level 1, 2 and 3 subtotals, 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.
- (7) This is the net amount of the \$47,706 million of gross cash collateral received, of which \$38.952 million was used to offset derivative assets.

Fair Value Levels

<i>In millions of dollars at December 31, 2013</i>	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3	Gross inventory	Netting ⁽²⁾	Net balance
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	\$ —	\$ 2	\$ 267	\$ 269	\$ —	\$ 269
Trading non-derivative assets						
Trading mortgage-backed securities						
U S government-sponsored agency Guaranteed Residential	\$ —	\$ 9,785	\$ 285	\$ 10,070	\$ —	\$ 10,070
	—	—	1	1	—	1
Total trading mortgage-backed securities	\$ —	\$ 9,785	\$ 286	\$ 10,071	\$ —	\$ 10,071
U S Treasury and federal agency securities	\$ 3,786	\$ —	\$ —	\$ 3,786	\$ —	\$ 3,786
State and municipal	—	2,491	109	2,600	—	2,600
Foreign government	16,668	17,922	394	34,984	—	34,984
Corporate	—	10,256	208	10,464	—	10,464
Equity securities	25,227	165	836	26,228	—	26,228
Asset-backed securities	—	1	49	50	—	50
Other trading securities	—	7,748	3,177	10,925	—	10,925
Total trading non-derivative assets	\$ 45,681	\$ 48,368	\$ 5,059	\$ 99,108	\$ —	\$ 99,108
Trading derivatives						
Interest rate contracts	\$ 2	\$ 638,805	\$ 3,575	\$ 642,382		
Foreign exchange contracts	—	96,627	1,476	98,103		
Equity contracts	429	15,774	1,755	17,958		
Commodity contracts	129	3,975	1,627	5,731		
Credit derivatives	—	40,811	2,908	43,719		
Total trading derivatives	\$ 560	\$ 795,992	\$ 11,341	\$ 807,893		
Cash collateral paid ⁽³⁾				\$ 10,679		
Netting agreements					\$ (737,201)	
Netting of cash collateral received					\$ (29,895)	
Total trading derivatives	\$ 560	\$ 795,992	\$ 11,341	\$ 818,572	\$ (767,096)	\$ 51,476
Investments						
Mortgage-backed securities						
U S government-sponsored agency guaranteed Residential	\$ —	\$ 41,224	\$ 142	\$ 41,366	\$ —	\$ 41,366
	—	10,069	—	10,069	—	10,069
Total investment mortgage-backed securities	\$ —	\$ 51,293	\$ 142	\$ 51,435	\$ —	\$ 51,435
U S Treasury and federal agency securities	\$ 68,872	\$ 18,200	\$ 8	\$ 87,080	\$ —	\$ 87,080
State and municipal	\$ —	\$ 17,030	\$ 1,329	\$ 18,359	\$ —	\$ 18,359
Foreign government	31,111	44,722	332	76,165	—	76,165
Corporate	—	6,409	64	6,473	—	6,473
Equity securities	2,441	52	—	2,493	—	2,493
Asset-backed securities	—	12,119	1,948	14,067	—	14,067
Other debt securities	—	661	50	711	—	711
Non-marketable equity securities	—	—	100	100	—	100
Total investments	\$ 102,424	\$ 150,486	\$ 3,973	\$ 256,883	\$ —	\$ 256,883
Loans ⁽⁴⁾	\$ —	\$ 664	\$ 3,943	\$ 4,607	\$ —	\$ 4,607
Mortgage servicing rights	—	—	2,718	2,718	—	2,718
Non-trading derivatives and other financial assets measured on a recurring basis, gross	\$ —	\$ 2,843	\$ 30	\$ 2,873		
Cash collateral paid				\$ 82		
Netting of cash collateral received					\$ (2)	

Fair Value Levels

<i>In millions of dollars at December 31 2013</i>	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3	Gross inventory	Netting ⁽²⁾	Net balance
Non-trading derivatives and other financial assets measured on a recurring basis	\$ —	\$ 2,843	\$ 30	\$ 2,955	\$ (2)	\$ 2,953
Total assets	\$ 148,665	\$ 998,355	\$ 27,331	\$ 1,185,112	\$ (767,098)	\$ 418,014
Total as a percentage of gross assets ⁽⁵⁾	12.7%	85.0%	2.3%			
Liabilities						
Interest-bearing deposits	\$ —	\$ 787	\$ 890	\$ 1,677	\$ —	\$ 1,677
Trading account liabilities						
Securities sold, not yet purchased	5,143	666	447	6,256		6,256
Trading derivatives						
Interest rate contracts	3	635,677	2,314	637,994		
Foreign exchange contracts	—	94,391	1,018	95,409		
Equity contracts	628	17,396	1,863	19,887		
Commodity contracts	104	3,781	1,085	4,970		
Credit derivatives	—	40,003	3,032	43,035		
Total trading derivatives	\$ 735	\$ 791,248	\$ 9,312	\$ 801,295		
Cash collateral received ⁽⁶⁾				\$ 6,279		
Netting agreements					\$ (737,201)	
Netting of cash collateral paid					\$ (33,868)	
Total trading derivatives	\$ 735	\$ 791,248	\$ 9,312	\$ 807,574	\$ (771,069)	\$ 36,505
Short-term borrowings	—	18	7	25	—	25
Long-term debt	—	867	1,037	1,904	—	1,904
Non-trading derivatives and other financial liabilities measured on a recurring basis, gross	\$ —	\$ 1,547	\$ 10	\$ 1,557		
Cash collateral received ⁽⁷⁾				\$ 271		
Nontrading derivatives and other financial liabilities measured on a recurring basis	—	1,547	10	1,828		1,829
Total liabilities	\$ 5,878	\$ 795,133	\$ 11,703	\$ 819,264	\$ (771,069)	\$ 48,196
Total as a percentage of gross liabilities ⁽⁵⁾	0.7%	97.9%	1.4%			

- (1) For the year ended December 31 2013, the Company transferred assets of \$2.0 billion from Level 1 to Level 2 substantially all related to foreign government bonds, which were not traded with sufficient frequency to constitute an active market. During the year ended December 31 2013 the Company transferred assets of \$48.8 billion from Level 2 to Level 1 substantially all related to U.S. Treasury securities held across the Company's major investment portfolios where Citibank obtained additional information from its external pricing sources to meet the criteria for Level 1 classification. There were no significant transfers of liabilities between Level 1 and Level 2 during the year ended December 31 2013.
- (2) 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) This is the net amount of the \$44,547 million of gross cash collateral paid, of which \$33,868 million was used to offset derivative liabilities.
- (4) There is no allowance for loan losses recorded for loans reported at fair value.
- (5) Because the amount of the cash collateral paid/received has not been allocated to the Level 1, 2 and 3 subtotals 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) This is the net amount of the \$36,174 million of gross cash collateral received, of which \$29,895 million was used to offset derivative assets.
- (7) This is the net amount of the \$273 million of gross cash collateral received, of which \$2 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 years ended December 31, 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	Dec 31, 2013	Net realized/unrealized gains (losses) included in		Transfers		Purchases	Issuances	Sales	Settlements	Dec 31, 2014	Unrealized gains (losses) still held ⁽³⁾	
		Principal transactions	Other ⁽¹⁾⁽²⁾	into Level 3	out of Level 3							
Assets												
Federal funds sold and securities borrowed or purchased under agreements to resell	\$ 267	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	(30)	\$ 237	\$ —
Trading non-derivative assets												
Trading mortgage-backed securities												
U S government-sponsored agency guaranteed	\$ 285	\$ 50	\$ —	\$ 143	\$ (116)	\$ 74	\$ 26	\$ (123)	\$ (88)	\$ 251	\$ 25	
Residential	1	—	—	—	—	—	—	(1)	—	—	—	
Commercial	\$ —	\$ 2	\$ —	\$ 2	\$ —	\$ 1	\$ —	(1)	\$ —	\$ 4	\$ —	
Total trading mortgage-backed securities	\$ 286	\$ 52	\$ —	\$ 145	\$ (116)	\$ 75	\$ 26	\$ (125)	\$ (88)	\$ 255	\$ 25	
State and municipal	109	8	—	115	(103)	5	—	(11)	—	123	4	
Foreign government	394	(56)	—	101	(130)	364	—	(483)	—	190	8	
Corporate	208	(39)	—	76	(57)	381	—	(393)	—	176	(11)	
Equity securities	836	131	—	—	—	905	—	—	—	1,872	211	
Asset-backed Securities	49	284	—	—	—	8	—	(305)	—	36	—	
Other trading assets	3,177	121	—	2,648	(2,277)	5,359	—	(4,354)	(377)	4,297	30	
Total trading non-derivative assets	\$ 5,059	\$ 501	\$ —	\$ 3,085	\$ (2,683)	\$ 7,097	\$ 26	\$ (5,671)	\$ (465)	\$ 6,949	\$ 267	
Interest rate contracts	\$1 261	\$ (1,183)	\$ —	\$ 174	\$ (75)	\$ 11	\$ —	\$ —	\$ (104)	\$ 84	\$ (556)	
Foreign exchange contracts	458	210	—	47	(29)	113	—	(110)	41	730	79	
Equity contracts	(108)	662	—	(285)	514	24	—	(58)	(460)	289	75	
Commodity contracts	542	(432)	—	85	(87)	—	—	—	(41)	67	33	
Credit derivatives	(124)	(649)	—	—	(129)	89	—	(3)	65	(751)	(328)	
Total trading derivatives, net ⁽⁴⁾	\$ 2 029	\$ (1,392)	\$ —	\$ 21	\$ 194	\$ 237	\$ —	\$ (171)	\$ (499)	\$ 419	\$ (697)	
Investments												
Mortgage-backed securities												
U S government-sponsored agency guaranteed	\$ 142	\$ —	\$ 65	\$ 48	\$ (183)	\$ 17	\$ —	\$ (72)	\$ (2)	\$ 15	\$ 1	
Residential	—	—	—	17	—	(1)	—	(8)	—	8	—	
Commercial	—	—	(7)	—	—	7	—	—	—	—	—	
Total investment mortgage-backed securities	\$ 142	\$ —	\$ 58	\$ 65	\$ (183)	\$ 23	\$ —	\$ (80)	\$ (2)	\$ 23	\$ 1	
U S Treasury and federal agency securities	\$ 8	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (2)	\$ —	\$ 6	\$ —	
State and municipal	1,329	—	(79)	745	(578)	874	—	(516)	—	1,775	72	

<i>In millions of dollars</i>	Dec. 31, 2013	Net realized/unrealized gains (losses) included in		Transfers		Purchases	Issuances	Sales	Settlements	Dec. 31, 2014	Unrealized gains (losses) still held ⁽³⁾
		Principal transactions	Other ⁽¹⁾⁽²⁾	into Level 3	out of Level 3						
Foreign government	332	—	(25)	286	(105)	849	—	(490)	(181)	666	(17)
Corporate	64	—	—	19	(142)	687	—	(184)	—	444	—
Asset-backed securities	1,948	—	41	—	(42)	85	—	(193)	(1,306)	533	(18)
Other debt securities	50	—	(1)	—	—	116	—	(116)	(49)	—	—
Non-marketable equity securities	100	—	(21)	—	—	32	—	(3)	—	108	—
Total investments	\$ 3,973	\$ —	\$ (27)	\$ 1,115	\$ (1,050)	\$ 2,666	\$ —	\$ (1,584)	\$ (1,538)	\$ 3,555	\$ 38
Loans	\$ 3,943	\$ —	\$ (197)	\$ 84	\$ 6	\$ 834	\$ —	\$ (825)	\$ (1,037)	\$ 2,808	\$ 36
Mortgage servicing rights	2,718	—	(390)	—	—	—	217	(317)	(383)	1,845	(390)
Other financial assets measured on a recurring basis	30	—	156	53	(134)	2	162	(10)	(192)	67	14
Liabilities											
Interest-bearing deposits	\$ 890	\$ —	\$ (357)	\$ 5	\$ (12)	\$ —	\$ 127	\$ —	\$ (167)	\$ 486	\$ (69)
Trading account liabilities											
Securities sold not yet purchased	447	(1)	—	33	(51)	—	—	427	(485)	372	(30)
Short-term borrowings	7	6	—	—	—	—	—	—	(1)	—	—
Long-term debt	1,037	3	49	—	(45)	—	88	—	(863)	165	—
Other financial liabilities measured on a recurring basis	\$ 10	\$ —	\$ (5)	\$ 8	\$ (3)	\$ (3)	\$ 1	\$ (3)	\$ (8)	\$ 7	\$ (4)

- (1) Changes in fair value for available-for-sale investments (debt securities) are recorded in *Accumulated other comprehensive income (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
- (3) 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 for 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 December 31, 2014 and 2013
- (4) Total Level 3 derivative assets and liabilities have been netted in these tables for presentation purposes only

In millions of dollars	Net realized/unrealized gains (losses) included in			Transfers						Dec 31, 2013	Unrealized gains (losses) still held ⁽³⁾		
	Dec 31, 2012	Principal transactions	Other ⁽¹⁾⁽²⁾	into Level 3	out of Level 3	Purchases	Issuances	Sales	Settlements				
Assets													
Federal funds sold and securities borrowed or purchased under agreements to resell	\$ 257	\$ 10	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 267	\$ —	
Trading non-derivative assets													
Trading mortgage-backed securities													
U S government-sponsored agency guaranteed	\$ 237	\$ 68	\$ —	\$ 54	\$ (37)	\$ —	\$ 68	\$ (19)	\$ (86)	\$ 285	\$ 64		
Residential	17	2	—	1	—	—	—	(19)	—	1	—		
Total trading mortgage-backed securities	\$ 254	\$ 70	\$ —	\$ 55	\$ (37)	\$ —	\$ 68	\$ (38)	\$ (86)	\$ 286	\$ 64		
State and municipal	60	16	—	6	—	37	—	(10)	—	109	3		
Foreign government	168	5	—	126	(13)	194	—	(86)	—	394	6		
Corporate	1 136	(14)	—	4	(4)	449	—	(545)	(818)	208	89		
Equity securities	—	136	—	4	—	712	—	(16)	—	836	79		
Asset-backed Securities	4	15	—	1	(2)	62	—	(31)	—	49	—		
Other trading assets	2,266	216	—	954	(1,558)	3,769	—	(2,144)	(326)	3,177	2		
Total trading non-derivative assets	\$ 3,888	\$ 444	\$ —	\$ 1,150	\$ (1,614)	\$ 5,223	\$ 68	\$ (2,870)	\$ (1,230)	\$ 5,059	\$ 239		
Interest rate contracts	\$ 562	\$ 713	\$ —	\$ 123	\$ (124)	\$ 71	\$ —	\$ —	\$ (84)	\$ 1,261	\$ 1,116		
Foreign exchange contracts	1	364	—	(14)	14	27	—	(10)	76	458	217		
Equity contracts	(1,009)	337	—	86	177	5	—	(85)	381	(108)	(118)		
Commodity contracts	193	426	—	17	4	—	—	—	(98)	542	328		
Credit derivatives	(758)	84	—	123	(204)	20	—	—	611	(124)	(59)		
Total trading derivatives, net ⁽⁴⁾	\$ (1,011)	\$ 1,924	\$ —	\$ 335	\$ (133)	\$ 123	\$ —	\$ (95)	\$ 886	\$ 2,029	\$ 1,484		
Investments													
Mortgage-backed securities													
U S government-sponsored agency guaranteed	\$ 1,451	\$ —	\$ (5)	\$ 2,025	\$ (3,820)	\$ 548	\$ —	\$ —	\$ (57)	\$ 142	\$ —		
Residential	205	—	—	60	(265)	—	—	—	—	—	—		
Total investment mortgage-backed securities	\$ 1 656	\$ —	\$ (5)	\$ 2,085	\$ (4,085)	\$ 548	\$ —	\$ —	\$ (57)	\$ 142	\$ —		
U S Treasury and federal agency securities	\$ 12	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (4)	\$ —	\$ 8	\$ —		
State and municipal	548	—	(7)	—	(118)	1,222	—	(191)	(125)	1,329	(21)		
Foreign government	328	—	—	178	(217)	496	—	(391)	(62)	332	(28)		
Corporate	187	—	(21)	155	(102)	78	—	(144)	(89)	64	—		
Equity securities	—	—	—	—	—	—	—	—	—	—	—		
Asset-backed securities	2,194	—	118	1,192	(1,669)	1,458	—	(334)	(1,011)	1,948	—		
Other debt securities	258	—	—	—	(205)	50	—	(53)	—	50	—		
Non-marketable equity securities	62	—	38	—	—	—	—	—	—	100	—		
Total investments	\$ 5,245	\$ —	\$ 123	\$ 3,610	\$ (6,396)	\$ 3,852	\$ —	\$ (1,117)	\$ (1,344)	\$ 3,973	\$ (49)		
Loans	\$ 4,790	\$ —	\$ (143)	\$ 353	\$ —	\$ 178	\$ 629	\$ (189)	\$ (1,675)	\$ 3,943	\$ (121)		
Mortgage servicing rights	1 942	—	555	—	—	—	634	(2)	(411)	2,718	553		
Other financial assets measured on a recurring basis	434	—	63	1	1	—	471	(19)	(921)	30	9		

Liabilities

Interest-bearing deposits	\$ 786	\$ —	\$ (125)	\$ 32	\$ (21)	\$ —	\$ 86	\$ —	\$ (118)	\$ 890	\$ (41)
Trading account liabilities											
Securities sold, not yet purchased	266	(48)	—	13	(21)	—	—	233	(92)	447	(51)
Short-term borrowings	54	35	—	—	—	—	—	—	(12)	7	(7)
Long-term debt	1 526	(15)	153	—	(57)	—	—	(1)	(293)	1,037	107
Other financial liabilities measured on a recurring basis	\$ 23	\$ —	\$ (217)	\$ 4	\$ (2)	\$ (6)	\$ 105	\$ —	\$ (331)	\$ 10	\$ (9)

- (1) Changes in fair value for available-for-sale investments (debt securities) are recorded in *Accumulated other comprehensive income (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
- (3) 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 for 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 December 31, 2014 and 2013
- (4) Total Level 3 derivative assets and liabilities have been netted in these tables for presentation purposes only

Level 3 Fair Value Rollforward

The following were the significant Level 3 transfers for the period December 31, 2013 to December 31, 2014

- Transfers of *Other trading assets* of \$2.6 billion from Level 2 to Level 3, and of \$2.3 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 for the period December 31, 2012 to December 31, 2013

- Transfers of other trading assets from Level 3 to Level 2 of \$1.6 billion were primarily related to trading loans for which there was an increased volume of market quotations as well as positions that were reclassified as Level 3 positions within *Loans* to conform to the balance sheet presentation. The reclassification has also been reflected as transfers into Level 3 within *Loans* in the rollforward table above
- 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 \$3.8 billion from Level 3 to Level 2, due to changes in the level of price observability for the specific securities
- 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

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 December 31, 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

<i>As of December 31, 2014</i>	Fair Value⁽¹⁾ <i>(in millions of dollars)</i>		Methodology	Input	Low ⁽²⁾⁽³⁾	High ⁽²⁾⁽³⁾	Weighted Average
Assets							
Federal funds sold and securities borrowed or purchased under agreements to resell	\$	237	Model-based	Credit - IR Correlation	(70.49)%	8.81%	(47.17)%
Trading and investment securities							
Mortgage-backed securities	\$	191	Cash flow	Yield	6.48%	34.21%	11.22%
		84	Price-based	WAL	3.31 years	7.89 years	5.19 years
				Price	\$92.50	\$114.71	\$105.11
State and municipal, foreign government, corporate and other debt securities	\$	5,327	Price-based	Price	\$14.97	\$117.56	\$94.11
		1,367	Cash flow	Credit Spread	25 bps	600 bps	238 bps
Equity Securities	\$	1,872	Price-based	Price	\$98.56	\$98.56	\$98.56
Asset-backed securities	\$	515	Price-based	Price	\$98.73	\$100.00	\$99.94
Non-marketable equity securities	\$	107	Comparable Analysis	Yield	15.00%	15.00%	15.00%
Derivatives – Gross ⁽⁴⁾							
Interest rate contracts (gross)	\$	8,364	Model-based	IR lognormal volatility	18.05%	90.65%	30.21%
				Mean reversion	1.00%	20.00%	10.50%
Foreign exchange contracts (gross)	\$	1,609	Model-based	FX volatility	0.37%	58.40%	8.82%
		294	Cash flow	IR-FX Correlation	(45.13)%	60.00%	48.96%
				IR-IR Correlation	40.00%	64.91%	40.26%
				Interest Rate	2.92%	8.27%	4.99%
Equity contracts (gross) ⁽⁵⁾	\$	4,136	Model-based	Equity volatility	9.56%	82.44%	25.33%
				Equity forward	84.10%	100.80%	92.65%
				Equity - IR correlation	(31.00)%	37.99%	(16.17)%
				Equity - FX correlation	(88.20)%	48.70%	(18.22)%
Commodity contracts (gross)	\$	1,632	Model-based	Commodity volatility	5.00%	83.00%	24.00%
				Forward price	35.34%	268.77%	101.74%
				Commodity correlation	(57.00)%	91.00%	30.00%
Credit derivatives (gross)	\$	5,170	Model-based	Recovery rate	13.97%	75.00%	37.48%
		1,338	Price-based	Credit correlation	0.00%	95.00%	58.83%
				Credit spread	1 bps	1,400 bps	174 bps
				Price	\$1.00	\$144.50	\$47.24
				Upfront points	0.39	100.00	45.69
Nontrading derivatives and other financial assets and liabilities measured on a recurring basis (gross) ⁽⁴⁾	\$	74	Model-based	Redemption rate	13.00%	99.50%	68.73%
				Forward price	107.00%	107.10%	107.05%
				Credit spread	1 bps	288 bps	168 bps
				Recovery rate	20.00%	40.00%	39.32%
Loans	\$	1,081	Cash flow	Yield	1.60%	4.50%	2.23%
		740	Price-based	Price	\$4.72	\$106.55	\$98.56
		546	Model-based	Credit spread	35 bps	470 bps	207 bps
		441	Yield analysis				
Mortgage servicing rights	\$	1,750	Cash flow	Yield	5.19%	21.40%	10.25%
			Model-based	WAL	3.31 years	7.89 years	5.17 years

Liabilities							
Interest-bearing deposits	\$	486	Model-based	Equity-IR Correlation	34 00%	37 00%	35 43%
				Commodity correlation	(57 00)%	91 00%	30 00%
				Commodity volatility	5 00%	83 00%	24 00%
				Forward price	35 34%	268 77%	101 74%
Trading account liabilities							
Securities sold, not yet purchased	\$	248	Model-based	Credit IR correlation	(70 49)%	8 81%	(47 17)%
		93	Price-based	Price	\$1 00	\$105 54	\$84 14
Short-term borrowings and long-term debt	\$	114	Model-based	Equity volatility	14 70%	33 00%	18 30%
	\$	50	Price-based	Equity forward	89 50%	100 80%	95 80%
				Equity-equity correlation	(66 30)%	94 80%	37 20%
				Equity-FX correlation	(88 20)%	48 70%	(26 50)%
				Price	37 95%	76 57%	57 26%
				IR-FX correlation	(22 97)%	26 91%	14 39%
				IR-IR correlation	13 46%	42 26%	40 22%

- (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) Both trading and nontrading account derivatives—assets and liabilities—are presented on a gross absolute value basis
- (5) Includes hybrid products

As of December 31, 2013

		Fair Value ⁽¹⁾ (in millions of dollars)	Methodology	Input	Low ⁽²⁾⁽³⁾	High ⁽²⁾⁽³⁾	Weighted Average
Assets							
Federal funds sold and securities borrowed or purchased under agreements to resell	\$	267	Price-based	Credit spread Credit-IR correlation	166 bps (68 00)%	180 bps 5 00%	175 bps (50 00)%
Trading and investment securities							
Mortgage-backed securities	\$	336	Cash flow	Yield	1 28%	21 80%	12 12%
		72	Price-based	WAL	2 27 years	9 44 years	6 12 years
		20	Yield analysis	Price	\$14 99	\$125 75	\$108 61
State and municipal, foreign government, corporate and other debt securities	\$	3,612	Price-based	Price	\$0 00	\$118 75	\$94 54
		1,610	Cash flow	Credit spread Yield	11 bps 0 07%	880 bps 12 23%	231 bps 4 11%
Equity Securities	\$	836	Price-based	Price	\$93 66	\$93 66	\$93 66
Asset-backed securities	\$	1,307	Model-based	Credit spread	25 bps	378 bps	302 bps
		646	Price-based	Price	\$97 73	\$100 00	\$99 84
Non-marketable equity securities	\$	100	Comparable analysis	Yield	15 00%	15 00%	15 00%
Derivatives – Gross ⁽⁴⁾							
Interest rate contracts (gross)	\$	5,858	Model-based	IR lognormal volatility	10 60%	87 20%	21 10%
Foreign exchange contracts (gross)	\$	2,305	Model-based	Foreign exchange (FX) volatility IR-FX correlation IR-IR correlation Interest Rate	1 00% 40 00% 40 00% 0 11%	28 00% 60 00% 40 00% 13 88%	14 62% 50 00% 40 00% 5 99%
Equity contracts (gross) ⁽⁵⁾	\$	3,325	Model-based	Equity volatility	10 02%	73 48%	26 59%
		290	Price-based	Equity forward Equity-equity correlation Equity-FX correlation Equity-IR correlation Price	79 10% (81 30)% (70 00)% (38 00)% \$0 00	141 23% 99 40% 55 00% 71 00% \$118 75	99 70% 48 30% 0 60% (0 40)% \$91 64
Commodity contracts (gross)	\$	2,704	Model-based	Commodity volatility Commodity correlation Forward price	4 00% (75 00)% 23 00%	146 00% 90 00% 242 00%	14 99% 32 00% 105 00%
Credit derivatives (gross)	\$	4,743	Model-based	Recovery rate	20 00%	64 00%	37 82%
		1,196	Price-based	Credit correlation Price Credit spread Upfront points	5 00% \$0 00 3 bps 2 31	95 00% \$118 75 1,335 bps 100 00	48 19% \$28 72 223 bps 58 55
Nontrading derivatives and other financial assets and liabilities measured on a recurring basis (gross) ⁽⁴⁾	\$	38	Model-based	Redemption rate	7 50%	99 50%	80 16%

Loans	\$	2,153	Price-based	Price	\$0 00	\$103 75	\$91 19
		1,241	Model-based	Yield	1 60%	4 50%	2 10%
		549	Yield analysis	Credit spread	49 bps	213 bps	152 bps
Mortgage servicing rights	\$	2,625	Cash flow	Yield	3 64%	12 00%	7 19%
				WAL	2 27 years	9 44years	6 12years
Liabilities							
Interest-bearing deposits	\$	890	Model-based	Equity volatility	14 80%	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%
Trading account liabilities							
Securities sold, not yet purchased	\$	281	Model-based	Credit spread	166 bps	180 bps	175 bps
		164	Price-based	Credit-IR correlation	(68 00)%	5 00%	(50 00)%
Short-term borrowings and long-term debt	\$	898	Price-based	Price	\$0 63	\$103 75	\$80 85
		145	Model-based	Equity forward	79 10%	141 00%	99 87%
				Equity volatility	10 80%	57 20%	15 60%
				Equity-equity correlation	(81 30)%	99 40%	48 30%
				Equity-FX correlation	(70 00)%	55 00%	0 60%

- (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) Both trading and nontrading account derivatives—assets and liabilities—are presented on a gross absolute value basis
- (5) 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 Citibank 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 amplifies 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 December 31, 2014 and 2013, and for which a nonrecurring fair value measurement was recorded during the year then ended.

<i>In millions of dollars</i>	Fair value	Level 2	Level 3
December 31, 2014			
Loans held-for-sale	\$ 4,149	\$ 1,084	\$ 3,065
Other real estate owned	45	20	25
Loans ⁽¹⁾	2,818	2,720	98
Total assets at fair value on a nonrecurring basis	\$ 7,012	\$ 3,824	\$ 3,188

(1) 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.

<i>In millions of dollars</i>	Fair value	Level 2	Level 3
December 31, 2013			
Loans held-for-sale	\$ 2,956	\$ 1,646	\$ 1,310
Other real estate owned	53	14	39
Loans ⁽¹⁾	4,149	3,704	445
Total assets at fair value on a nonrecurring basis	\$ 7,158	\$ 5,364	\$ 1,794

(1) 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 table presents 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 December 31, 2014 and 2013

December 31, 2014						
	Fair Value ⁽¹⁾	Methodology	Input	Low	High	Weighted Average
Loans held-for-sale	\$ 2,736	Price-based	Price	\$92 00	\$100 00	\$99 54
			Credit spread	5 bps	358 bps	175 bps
Other real estate owned loans	24	Price-based	Appraised value	\$0 00	\$11,124,137	\$3,626,215
Other Financial Non-Recurring	\$48	Price-based	Appraised Value	\$34,817,375	4,817,375	4,817,375
	18	Recovery analysis	Recovery Rate	\$38 00	\$78 00	57 00%
	16	Model-based	Yield	8 50%	10 50%	9 50%
	13	Cash flow				

December 31, 2013						
	Fair Value ⁽¹⁾	Methodology	Input	Low	High	Weighted Average
Loans held-for-sale	\$ 899	Price-based	Price	\$60 00	\$100 00	\$98 79
	393	Cash flow	Credit spread	45 bps	80 bps	64 bps
Other Real Estate Owned Loans	33	Price-based	Price	\$60 46	\$100 00	\$91 92
			Appraised value	\$372,399	\$8,518,230	\$5,284,237
			Discount to price	24 00%	59 00%	55 18%
Other Financial Non-Recurring	\$260	Price-based	Price	\$52 40	\$68 39	\$65 32
	109	Model-based	Appraised Value	\$6,500,000	\$86,000,000	\$43,532,719
	56	Recovery analysis	Recovery Rate	38 00%	45 00%	42 77%

- (1) The fair value amounts presented in this table represent the primary valuation technique or techniques for each class of assets or liabilities. The fair value amounts are in millions of dollars.
(2) Prices are based on appraised values.
(3) Represents loans held for investment whose carrying amounts are based on the fair value of the underlying collateral.

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 December 31, 2014 and 2013

In millions of dollars	December 31, 2014
Loans held-for-sale	\$ 33
Other real estate owned	(7)
Loans ⁽¹⁾	(296)
Total nonrecurring fair value gains (losses)	\$ (270)

- (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	December 31, 2013
Loans held-for-sale	\$ —
Other real estate owned	(15)
Loans ⁽¹⁾	(540)
Total nonrecurring fair value gains (losses)	\$ (555)

- (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 Citibank's financial instruments which 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 Citibank'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.

<i>In billions of dollars</i>	December 31, 2014		Estimated fair value		
	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Assets					
Investments	\$ 23.7	\$ 24.1	\$ —	\$ 23.6	\$ 0.5
Federal funds sold and securities borrowed or purchased under agreements to resell	62.3	62.3	—	48.8	13.5
Loans ⁽¹⁾⁽²⁾	568.3	567.0	—	4.2	562.8
Other financial assets ⁽²⁾⁽³⁾	179.2	179.2	6.6	143.9	28.7
Liabilities					
Deposits	\$ 914.1	\$ 910.5	\$ —	\$ 762.1	\$ 148.4
Federal funds purchased and securities loaned or sold under agreements to repurchase	15.4	15.4	—	15.1	0.3
Long-term debt ⁽⁴⁾	88.4	87.7	—	63.6	24.1
Other financial liabilities ⁽⁵⁾	73.2	73.2	—	24.9	48.3

<i>In billions of dollars</i>	December 31, 2013		Estimated fair value		
	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Assets					
Investments	\$ 9.7	\$ 9.9	\$ —	\$ 9.7	\$ 0.2
Federal funds sold and securities borrowed or purchased under agreements to resell	67.9	67.9	—	55.4	12.5
Loans ⁽¹⁾⁽²⁾	578.4	577.4	—	3.8	573.6
Other financial assets ⁽²⁾⁽³⁾	211.6	211.6	7.7	175.5	28.4
Liabilities					
Deposits	\$ 979.2	\$ 978.1	\$ —	\$ 787.3	\$ 190.8
Federal funds purchased and securities loaned or sold under agreements to repurchase	19.0	19.0	—	18.8	0.2
Long-term debt ⁽⁴⁾	72.5	72.7	—	55.2	17.5
Other financial liabilities ⁽⁵⁾	69.8	69.8	—	27.0	42.8

(1) The carrying value of loans is net of the *Allowance for loan losses* of \$12.3 billion for December 31, 2014 and \$15.7 billion for December 31, 2013. In addition, the carrying values exclude \$2.1 billion and \$2.3 billion of lease finance receivables at December 31, 2014 and December 31, 2013, respectively.

(2) Includes items measured at fair value on a nonrecurring basis.

- (3) Includes cash and due from banks, deposits with banks, brokerage receivables, reinsurance recoverable and other 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
- (5) Includes brokerage payables, separate and variable accounts, short-term borrowings (carried at cost) and other 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 December 31, 2014 and December 31, 2013 were liabilities of \$4.7 billion and \$5.0 billion, respectively, which are substantially 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 Notes 2 and 19 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 years ended December 31, 2014 and 2013 associated with those items for which the fair value option was elected.

<i>In millions of dollars</i>	Changes in fair value gains (losses) for the years ended December 31,	
	2014	2013
Assets		
Trading account assets	\$ 188	\$ (191)
Loans		
Certain corporate loans ⁽¹⁾	(123)	43
Certain consumer loans ⁽¹⁾	(41)	(155)
Total loans	\$ (164)	\$ (112)
Other assets		
MSRs	\$ (344)	\$ 553
Certain mortgage loans held-for-sale ⁽²⁾	474	951
Total other assets	\$ 130	\$ 1,504
Total assets	\$ 154	\$ 1,201
Liabilities		
Interest-bearing deposits	\$ (76)	\$ 63
Trading account liabilities	13	(5)
Short-term borrowings	2	2
Long-term debt	2	166
Total liabilities	\$ (59)	\$ 226

(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.

Own Debt Valuation Adjustments

Own debt valuation adjustments are recognized on the Company's liabilities for which the fair value option has been elected using the Company'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 loss of \$4 million and \$16 million for the years ended December 31, 2014 and 2013, respectively. 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

Certain loans and other credit products

Citibank 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 Citibank's 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. Citibank 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 December 31, 2014 and 2013.

<i>In millions of dollars</i>	December 31, 2014		December 31, 2013	
	Trading assets	Loans	Trading assets	Loans
Carrying amount reported on the Consolidated Balance Sheet	\$ 10,290	\$ 4,322	\$ 9,262	\$ 3,683
Aggregate unpaid principal balance in excess of (less than) fair value	(26)	96	4	(82)
Balance of non-accrual loans or loans more than 90 days past due	13	3	97	5
Aggregate unpaid principal balance in excess of fair value for non-accrual loans or loans more than 90 days past due	28	1	41	5

In addition to the amounts reported above, \$2,335 million and \$2,308 million of unfunded loan commitments related to certain credit products selected for fair value accounting were outstanding as of December 31, 2014 and 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 years ended December 31, 2014 and 2013 due to instrument-specific credit risk totaled to a loss of \$157 million and a gain of \$1 million, respectively.

Certain investments in unallocated precious metals

Citibank 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. Citibank 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 \$1.2 billion and \$1.3 billion at December 31, 2014 and 2013, respectively. The amounts are expected to fluctuate based on trading activity in future periods.

As part of its commodity and foreign currency trading activities, Citibank sells (buys) unallocated precious metals investments and executes forward purchase (sale) derivative contracts with trading counterparties. When Citibank sells an unallocated precious metals investment, Citibank's receivable from its depository bank is repaid and Citibank 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 December 31, 2014, there were approximately \$7.2 billion and \$6.7 billion notional amounts of such forward purchase and forward sale derivative contracts outstanding, respectively.

Certain mortgage loans HFS

Citibank 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 December 31, 2014 and 2013.

<i>In millions of dollars</i>	December 31, 2014	December 31, 2013
Carrying amount reported on the Consolidated Balance Sheet	\$ 1,447	\$ 2,089
Aggregate fair value in excess of unpaid principal balance	67	48

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 years ended December 31, 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 Citibank'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 \$156 million for the years ended December 31, 2014 and 2013, respectively. The debt issued by these consolidated VIEs is classified as long-term debt on Citibank'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 December 31, 2014 and 2013, respectively.

The following table provides information about corporate and consumer loans of consolidated VIEs carried at fair value at December 31, 2014 and 2013

<i>In millions of dollars</i>	December 31, 2014		December 31, 2013	
	Corporate loans	Consumer loans	Corporate loans	Consumer loans
Carrying amount reported on the Consolidated Balance Sheet	\$ —	\$ —	\$ 14	\$ 910
Aggregate unpaid principal balance in excess of fair value	9	—	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 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 December 31, 2014 and 2013

<i>In millions of dollars</i>	December 31, 2014	December 31, 2013
Carrying amount reported on the Consolidated Balance Sheet	\$ 958	\$ 995
Aggregate unpaid principal balance in excess of (less than) fair value	(32)	29

The following table provides information about short-term borrowings carried at fair value at December 31, 2014 and 2013

<i>In millions of dollars</i>	December 31, 2014	December 31, 2013
Carrying amount reported on the Consolidated Balance Sheet	\$ 22	\$ 25
Aggregate unpaid principal balance in excess of (less than) fair value	1	(1)

24 PLEDGED ASSETS, COLLATERAL, GUARANTEES AND COMMITMENTS

Pledged Assets

In connection with the Company's financing and trading activities, the Company has pledged assets to collateralize its obligations under repurchase agreements, secured financing agreements, secured liabilities of consolidated VIEs and other borrowings. At December 31, 2014 and 2013, the approximate carrying values of the significant components of pledged assets recognized on the Company's Consolidated Balance Sheet included:

<i>In millions of dollars</i>	2014	2013
Investment securities	\$ 161,875	\$ 163,861
Loans	211,904	228,082
Trading account assets	11,718	15,826
Total	\$ 385,497	\$ 407,769

Collateral

At December 31, 2014 and 2013, the approximate fair value of collateral received by the Company that may be resold or repledged, excluding the impact of allowable netting, was \$3.611 billion and \$2.391 billion, respectively. This collateral was received in connection with resale agreements, securities borrowings and loans.

At December 31, 2014 and 2013, a substantial portion of the collateral received by the Company had been sold or repledged in connection with repurchase agreements, securities sold, not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations and bank loans.

In addition, at December 31, 2014 and 2013, the Company had pledged \$379 billion and \$398 billion, respectively, of collateral that may not be sold or repledged by the secured parties.

Lease Commitments

Rental expense (principally for offices and computer equipment) was \$945 million and \$982 million for the years ended December 31, 2014 and 2013, respectively.

Future minimum annual rentals under noncancelable leases, net of sublease income, are as follows:

<i>In millions of dollars</i>	
2015	\$ 697
2016	554
2017	410
2018	349
2019	308
Thereafter	965
Total	\$ 3,283

Guarantees

The Company 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, the Company believes such amounts bear no relationship to the anticipated losses, if any, on these guarantees.

The following tables present information about the Company's guarantees at December 31, 2014 and December 31, 2013.

<i>In billions of dollars at December 31, 2014 except carrying value in millions</i>	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	\$ 25.1	\$ 71.7	\$ 96.8	\$ 242.4
Performance guarantees	6.8	4.5	11.3	28.5
Derivative instruments considered to be guarantees	10.8	78.8	89.6	2,343.3
Loans sold with recourse	—	0.2	0.2	14.8
Securities lending indemnifications ⁽¹⁾	115.9	—	115.9	—
Credit card merchant processing ⁽¹⁾	79.5	—	79.5	—
Custody indemnifications and other	—	36.8	36.8	—
Total	\$ 238.1	\$ 192.0	\$ 430.1	\$ 2,629.0

<i>In billions of dollars at December 31, 2013 except carrying value in millions</i>	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	\$ 28.5	\$ 69.2	\$ 97.7	\$ 428.8
Performance guarantees	7.2	4.7	11.9	41.8
Derivative instruments considered to be guarantees	6.0	61.6	67.6	797.0
Loans sold with recourse	—	0.3	0.3	22.3
Securities lending indemnifications ⁽¹⁾	67.3	—	67.3	—
Credit card merchant processing ⁽¹⁾	78.0	—	78.0	—
Custody indemnifications and other	—	24.3	24.3	—
Total	\$ 187.0	\$ 160.1	\$ 347.1	\$ 1,289.9

(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

Citibank 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 Citibank. 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 Citibank's derivatives activities, see Note 20 to the Consolidated Financial Statements.

Derivative instruments considered to be guarantees include only those instruments that require Citibank 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 Citibank are excluded from the tables above as they are disclosed separately in Note 20 to the Consolidated Financial Statements. In instances where Citibank's maximum potential future payment is unlimited, the notional amount of the contract is disclosed.

Loans sold with recourse

Loans sold with recourse represent Citibank'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, Citibank 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 \$224 million and \$341 million at December 31, 2014 and December 31, 2013, respectively, and these amounts are included in *Other liabilities* on the Consolidated Balance Sheet.

During 2013, Citibank entered into previously disclosed agreements with Fannie Mae and Freddie Mac in the amount of \$968 million and \$395 million, respectively, to resolve potential future origination related representation and warranty repurchase claims on a pool of residential first mortgage loans that were, in each case, originated between 2000 and 2012.

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, the Company 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 Citibank and the merchant are settled on a net basis and Citibank has the right to offset any payments with cash flows otherwise due to the merchant. To further mitigate this risk, Citibank may delay settlement, require a merchant to make an escrow deposit, include event triggers to provide Citibank 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, Citibank is contingently liable to credit or refund cardholders.

With regard to (ii) above, the Company has a potential liability for bank card transactions where Citibank provides the transaction processing services as well as those where a third party provides the services and Citibank acts as a secondary guarantor should that processor fail to perform.

The Company'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 December 31, 2014 and December 31, 2013, this maximum potential exposure was estimated to be \$80 billion and \$78 billion respectively.

However, the Company 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. The Company 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 December 31, 2014 and December 31, 2013, the losses incurred and the carrying amounts of the Company'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

The Company, 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 the Company'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. The Company 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 December 31, 2014 and December 31, 2013, the actual and estimated losses incurred and the carrying value of the Company's obligations related to these programs were immaterial.

Other Representation and Warranty Indemnifications

In the normal course of business, the Company 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 the Company 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 the Company'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

The Company is a member of, or shareholder in, hundreds of value-transfer networks (VTNs) (payment clearing and settlement systems as well as securities 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. The Company'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. The Company believes the risk of loss is remote given historical experience with the VTNs. Accordingly, the Company'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 December 31, 2014 and December 31, 2013 for potential obligations that could arise from the Company's involvement with VTN associations.

Carrying Value—Guarantees and Indemnifications

At December 31, 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 \$2.6 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*.

Collateral

Cash collateral available to the Company to reimburse losses realized under these guarantees and indemnifications amounted to \$62 billion and \$52 billion at December 31, 2014 and December 31, 2013, respectively. Securities and other marketable assets available as collateral amounted to \$59 billion and \$24 billion at December 31, 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 the Company held as collateral amounted to \$4.0 billion and \$5.2 billion at December 31, 2014 and December 31, 2013, respectively. Other property may also be available to the Company to cover losses under certain guarantees and indemnifications, however, the value of such property has not been determined.

Performance risk

Citibank evaluates the performance risk of its guarantees based on the assigned referenced counterparty's 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. Citibank'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 December 31, 2014 and 2013, respectively. 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, Citibank believes such amounts bear no relationship to the anticipated losses, if any, on these guarantees.

	Maximum potential amount of future payments			
	Investment grade	Non-investment grade	Not rated	Total
<i>In billions of dollars at December 31 2014</i>				
Financial standby letters of credit	\$ 72.0	\$ 15.3	\$ 9.5	\$ 96.8
Performance guarantees	7.0	3.7	0.6	11.3
Derivative instruments deemed to be guarantees	—	—	89.6	89.6
Loans sold with recourse	—	—	0.2	0.2
Securities lending indemnifications	—	—	115.9	115.9
Credit card merchant processing	—	—	79.5	79.5
Custody indemnifications and other	36.7	0.1	—	36.8
Total	\$ 115.7	\$ 19.1	\$ 295.3	\$ 430.1

	Maximum potential amount of future payments			
	Investment grade	Non-investment grade	Not rated	Total
<i>In billions of dollars at December 31 2013</i>				
Financial standby letters of credit	\$ 75.0	\$ 13.5	\$ 9.2	\$ 97.7
Performance guarantees	7.0	3.5	1.4	11.9
Derivative instruments deemed to be guarantees	—	—	67.6	67.6
Loans sold with recourse	—	—	0.3	0.3
Securities lending indemnifications	—	—	67.3	67.3
Credit card merchant processing	—	—	78.0	78.0
Custody indemnifications and other	24.2	0.1	—	24.3
Total	\$ 106.2	\$ 17.1	\$ 223.8	\$ 347.1

Credit Commitments and Lines of Credit

The table below summarizes Citibank's credit commitments as of December 31, 2014 and December 31, 2013

<i>In millions of dollars</i>	December 31, 2014	December 31, 2013
Commercial and similar letters of credit	\$ 6,540	\$ 7,200
One- to four-family residential mortgages	5,674	4,946
Revolving open-end loans secured by one- to four-family residential properties	16,058	16,734
Commercial real estate, construction and land development	7,378	7,757
Credit card lines	596,578	623,557
Commercial and other consumer loan commitments	237,093	217,791
Other commitments and contingencies	3,227	1,484
Total	\$ 872,548	\$ 879,469

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 Citibank substitutes its credit for that of a customer to enable the customer to finance the purchase of goods or to incur other commitments. Citibank 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 Citibank.

One- to four-family residential mortgages

A one- to four-family residential mortgage commitment is a written confirmation from Citibank 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

Citibank 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 \$54 billion and \$52 billion with an original maturity of less than one year at December 31, 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. REGIONAL DETAILS

The following is a geographic distribution of Citibank's operations on a managed geography basis that is, based on the domicile region where the activity is managed not necessarily the region where the transaction is recorded. The accounting policies of these regions are the same as those disclosed in Note 2 to the Consolidated Financial Statements.

<i>In millions of dollars, except assets in billions</i>	Revenues, net of interest expense		Operating expenses		Provision for credit losses and for benefits and claims		Citibank Net income		Assets at year end	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
North America ⁽¹⁾	\$ 27,559	\$ 26,674	\$ 19,308	\$ 14,925	\$ 2,497	\$ 3,094	\$ 3,489	\$ 6,165	\$ 817	\$ 783
EMEA ⁽²⁾	9,278	9,546	5,768	5,491	57	398	2,119	2,477	172	198
Latin America ⁽³⁾	5,609	6,137	3,202	3,242	741	592	1,237	1,889	76	77
Asia ⁽⁴⁾	13,052	13,282	7,236	6,760	599	880	3,504	3,769	292	298
Total	\$ 55,498	\$ 55,639	\$ 35,514	\$ 30,418	\$ 3,894	\$ 4,964	\$ 10,349	\$ 14,300	\$ 1,357	\$ 1,356

(1) North America includes the United States, Canada and Puerto Rico

(2) Europe, Middle East and Africa

(3) Latin America includes Mexico (which as discussed in Note 1 to the Consolidated Financial Statements does not include Banamex and as a result is not significant)

(4) Asia includes Japan

26 COUNTRY RISK

Overview

Generally, 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 Citibank's franchise or adversely affect the ability of obligors within that country to honor their obligations to Citibank, any of which could negatively impact Citibank's results of operations or financial condition. Country risk events could include sovereign volatility or defaults, banking failures or defaults and/or redenomination events (which could be accompanied by a revaluation (either devaluation or appreciation) of the affected currency). While there is some overlap, cross-border risk is generally the risk that actions taken by a non-U.S. government may prevent the conversion of local currency into non-local currency (i.e., exchange controls) and/or the transfer of funds outside the country among other risks, thereby impacting the ability of Citibank and its customers to transact business across borders.

Certain of the events described above could result in mandatory loan loss and other reserve requirements imposed by U.S. regulators due to a particular country's economic situation. While Citibank continues to work to mitigate its exposures to potential country and cross-border 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 Citibank has taken to mitigate its exposures and risks and/or protect its businesses, results of operations and financial condition against these events will be sufficient. In addition, there could be negative impacts to Citibank's businesses, results of operations or financial condition that are currently unknown to Citibank and thus cannot be mitigated as part of its ongoing contingency planning.

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 Citibank 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 Citibank to obtain payment from customers on their contractual obligations. Management of cross-border risk is performed through a formal review process that includes annual setting of cross-border limits and ongoing monitoring of cross-border exposures as well as monitoring of economic conditions globally through Citibank's independent risk management.

Argentina

Since 2011, the Argentine government has been tightening its foreign exchange controls. As a result, Citibank's access to U.S. dollars and other foreign currencies, which apply to capital repatriation efforts, certain operating expenses and discretionary investments offshore, is limited.

As of December 31, 2014, Citibank's net investment in its Argentine operations was approximately \$780 million, compared to \$720 million at December 31, 2013. During 2014, Citibank Argentina paid dividends to Citibank of approximately \$60 million.

Citibank 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 8.55 pesos to one U.S. dollar at December 31, 2014 compared to 6.52 pesos to one U.S. dollar at December 31, 2013. It is expected that the devaluation of the Argentine peso will continue for the foreseeable future.

The impact of devaluations of the Argentine peso on Citibank's net investment in Argentina is reported as a translation loss in stockholder's equity offset to the extent hedged, by

- gains or losses recorded in stockholder's equity on net investment hedges that have been designated as, and qualify for, hedge accounting under ASC 815, *Derivatives and Hedging*, and
- gains or losses recorded in earnings for its U.S. dollar-denominated monetary assets or currency futures held in Argentina that do not qualify as net investment hedges under ASC 815.

As noted above, Citibank hedges currency risk in its net investment in Argentina to the extent possible and prudent. Suitable hedging alternatives have become less available and more expensive and may not be available in the future to offset future currency devaluation. As of December 31, 2014, Citibank's total hedges against its net investment in Argentina were approximately \$810 million (compared to \$940 million as of December 31, 2013). Of this amount, approximately \$420 million consisted of foreign currency forwards that were recorded as net investment hedges under ASC 815 (compared to approximately \$160 million as of December 31, 2013). The remaining hedges of approximately \$390 million as of December 31, 2014 (compared to \$780 million as of December 31, 2013) were net U.S. dollar-denominated assets and foreign currency futures in Citibank Argentina that do not qualify for hedge accounting under ASC 815. The increase in ASC 815 designated foreign currency forwards, which are held outside Argentina and generally more expensive for Citibank, and the decline in the non-ASC 815 qualifying hedges held in Citibank Argentina, were due to increased foreign currency limitations imposed by the Argentine government during 2014 that have limited Citibank's ability to hold U.S. dollar hedges in Argentina.

Although Citibank 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. Citibank 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 December 31, 2014, based on statistics published by INDEC, was approximately 52%. The official inflation statistics are believed to be underestimated, however, and unofficial inflation statistics suggest the cumulative three-year inflation rate was approximately 123% as of December 31, 2014. While a change in the functional currency to the U.S. dollar would not result in any immediate gains or losses to Citibank, it would result in future devaluations of the Argentine peso being recorded in earnings for Citibank's Argentine peso-denominated assets and liabilities.

As of December 31, 2014, Citibank had total third-party assets of approximately \$4.1 billion in Citibank Argentina (compared to approximately \$3.9 billion at December 31, 2013), primarily composed of corporate and consumer loans and cash on deposit with and short-term paper issued by the Central Bank of Argentina. A significant portion of these assets was funded with local deposits. Included in the total assets were U.S. dollar-denominated assets of approximately \$550 million, compared to approximately \$920 million at December 31, 2013.

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. Based on U.S. court rulings to date, Argentina has been ordered to negotiate a settlement with "holdout" bond investors and, absent a negotiated settlement, not pay interest on certain of its restructured bonds unless it simultaneously pays all amounts owed to the "holdout" investors that are the subject of the litigation. 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 and, as a result, Argentina has been deemed to be in technical default.

The ongoing economic and political situation in Argentina could negatively impact Citibank'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. In addition, in January 2015, U.S. regulators informed Citibank of its decision to downgrade Argentina's transfer risk rating, which will result in mandatory transfer risk reserve requirements to be recognized in the first quarter of 2015.

Further, as widely reported, Citibank 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 Citibank 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 has granted a stay and permitted Citibank Argentina to make the required 2014 interest payments, future interest payments on these bonds could place Citibank Argentina in violation of the court's order, absent relief from the court. Conversely, Citibank Argentina's failure to pay future interest on these bonds could result in significant negative consequences to Citibank's franchise in Argentina, including sanctions, confiscation of assets, criminal charges or even loss of licenses in Argentina, as well as expose Citibank and Citibank Argentina to litigation. The next interest payment on the bonds for which Citibank Argentina serves as custodian is due March 31, 2015.

Venezuela

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

As of December 31, 2014, the Venezuelan government operates three separate official foreign exchange rates:

- the preferential foreign exchange rate offered by the National Center for Foreign Trade (CENCOEX) fixed at 6.3 bolívars to one U.S. dollar,
- the SICAD I rate, which was 12 bolívars to one U.S. dollar, and
- beginning in the second quarter of 2014, the SICAD II rate, which was 50 bolívars to one U.S. dollar.

On February 10, 2015, the Venezuelan government published changes to its foreign exchange controls, which continue to maintain a three-tiered system. The new exchange controls maintain the CENCOEX rate at 6.3 bolívars per U.S. dollar, however, the new exchange controls merge SICAD II into SICAD I, which will be referred to as "SICAD." The SICAD auctions will begin at 12 bolívars per U.S. dollar and are expected to devalue progressively in the future. In addition, the new exchange controls establish the Marginal Foreign Exchange System (SIMADI), which is intended to be a free floating exchange. The SIMADI exchange limits the volume of foreign currency that companies can purchase each month, and banks and brokers, which include Citibank, are prohibited from accessing this market for their own needs.

Citibank uses the U.S. dollar as the functional currency for its operations in Venezuela. As of December 31, 2014, Citibank uses the SICAD I rate to remeasure its net bolivar-denominated monetary assets as the SICAD I rate is the only rate at which Citibank is legally eligible to acquire U.S. dollars from CENCOEX, despite the limited availability of U.S. dollars and although the SICAD I rate may not necessarily be reflective of economic reality. Re-measurement of Citibank's bolivar-denominated assets and liabilities due to changes in the exchange rate is recorded in earnings. Further

devaluation in the SICAD I exchange rate, a change by Citibank to a less favorable rate or other changes to the foreign exchange mechanisms would result in foreign exchange losses in the period in which such devaluation or changes occur

At December 31, 2014, Citibank's net investment in its Venezuelan operations was approximately \$180 million (compared to \$240 million at December 31, 2013), which included net monetary assets denominated in Venezuelan bolivars of approximately \$140 million (compared to approximately \$220 million at December 31, 2013). Total third-party assets of Citibank Venezuela were approximately \$900 million at December 31, 2014 (a decrease from \$1.2 billion as of December 31, 2013), primarily composed of cash on deposit with the Central Bank of Venezuela, corporate and consumer loans, and government bonds. A significant portion of these assets was funded with local deposits.

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 72% against the U.S. dollar from December 31, 2013 to December 31, 2014, and over the same period, the MICEX Index of leading Russian stocks decreased 1% in ruble terms.

Citibank uses the Russian ruble as its functional currency. Citibank's net investment in Russia was approximately \$1.1 billion at December 31, 2014, compared to \$1.8 billion at December 31, 2013. Substantially all of Citibank's net investment was hedged (subject to related tax adjustments) as of December 31, 2014, using forward foreign exchange contracts. Total third-party assets of the Russian Citibank subsidiary were approximately \$6.1 billion as of December 31, 2014, compared to \$8.9 billion at December 31, 2013. 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 was funded with local deposit liabilities.

Greece

As of December 31, 2014, Citibank had total third-party assets and liabilities of approximately \$36 million and \$915 million, respectively, in Citibank's Greek branch. Included in the total third-party assets and liabilities as of such date were non-euro denominated assets and liabilities of \$0.3 million and \$174 million, respectively.

Greece elected a new government in January 2015. As a result of the impact of austerity measures on Greece, the newly elected government has committed to renegotiating the country's debt with the European Union and the International Monetary Fund. If these negotiations are unsuccessful, it could lead to Greece's defaulting on its debt obligations and possibly even to a withdrawal of Greece from the European Monetary Union (EMU).

If Greece were to leave the EMU, certain of its obligations could be redenominated from the euro to a new country currency (e.g., drachma). While alternative scenarios could develop, redenomination could be accompanied by an immediate devaluation of the new currency as compared to the euro and the U.S. dollar.

Citibank is exposed to potential redenomination and devaluation risks arising from (i) euro-denominated assets and/or liabilities located or held within Greece that are governed by local country law (local exposures), as well as (ii) other euro-denominated assets and liabilities, such as loans and securitized products, between entities outside of Greece and a client within Greece that are governed by local country law (offshore exposures).

If Greece were to withdraw from the EMU, and assuming a symmetrical redenomination and devaluation occurred, Citibank believes its risk of loss would be limited as its liabilities subject to redenomination exceeded assets held both locally and offshore as of December 31, 2014. However, the actual assets and liabilities that could be subject to redenomination and devaluation risk, as well as whether any redenomination is asymmetrical, are subject to substantial legal and other uncertainty. In addition, other events outside of Citibank's control—such as the extent of any deposit flight and devaluation, imposition by U.S. regulators of mandatory loan reserve requirements or any functional currency change and the accounting impact thereof—could further negatively impact Citibank in such an event. Other (non-Greek) Citibank branches also have exposures to Greek obligors such as loans, derivatives, and securitized products, that could experience credit losses under potential country or cross-border risk events.

27 RELATED PARTY TRANSACTIONS

Citicorp, a direct, wholly owned subsidiary of Citigroup, owns 100% of the outstanding common stock of the Company. Pursuant to various intercompany agreements, a number of significant transactions are carried out between the Company and Citigroup and/or their affiliates, including Citigroup parent company. Management believes that the terms under which these transactions and services are provided are no less favorable to the Company than those that could be obtained from unaffiliated third parties.

Detailed below is a summary of the Company's transactions with other Citigroup affiliates which are included in the accompanying Consolidated Statement of Income and Consolidated Balance Sheet at December 31, 2014 and 2013. These amounts exclude intra-Citibank balances that eliminate in consolidation.

INCOME STATEMENT ITEMS

<i>In millions of dollars</i>	Years ended December 31	
	2014	2013
Revenues		
Net interest revenue (expense)	\$ (546)	\$ (761)
Commissions and fees	91	101
Principal transactions ⁽¹⁾	(4,537)	1,252
Other revenue (expense)	29	(4)
Total non-interest revenue	\$ (4,417)	\$ 1,349
Total revenues, net of interest expense	\$ (4,963)	\$ 588
Operating expenses		
Compensation and benefits	\$ (630)	(723)
Premises and equipment	145	117
Other operating ⁽²⁾	3,481	2,281
Total operating expenses	\$ 2,996	\$ 1,675

(1) Includes mark-to-market valuation adjustments for derivatives or hedges executed with non-consolidated Citigroup affiliates, but does not include mark-to-market valuation adjustments related to any offsetting derivatives or hedges executed with third-parties external to Citigroup.

(2) Includes expenses from Citigroup parent company for shared services and charges.

BALANCE SHEET ITEMS

<i>In millions of dollars</i>	December 31,	
	2014	2013
Assets		
Cash and due from banks	\$ 130	\$ 100
Deposits with banks	682	909
Federal funds sold and securities purchased under agreements to resell	21,908	22,364
Trading account assets	27,245	17,615
Loans, net of unearned income	850	482
Interest and fees receivable	9	8
Other assets	7,276	5,177
Total assets	\$ 58,100	\$ 46,655
Liabilities		
Non-interest-bearing deposits in U S offices	\$ 2,343	\$ 3,395
Interest-bearing deposits in U S offices	40,061	36,070
Non-interest-bearing deposits in offices outside the U S	960	1,350
Interest-bearing deposits in offices outside the U S	11,123	12,591
Total deposits	\$ 54,487	\$ 53,406
Trading account liabilities	\$ 16,616	\$ 8,863
Federal funds purchased and securities loaned under agreements to repurchase	4,333	5,446
Short-term borrowings	1,217	196
Subordinated notes and other long-term debt	25,459	19,581
Other liabilities	11,411	11,198
Total liabilities	\$ 113,523	\$ 98,690

Stock-Based Compensation

As discussed in Note 7 to the Consolidated Financial Statements, the Company participates in various Citigroup stock-based compensation programs under which Citigroup stock or stock options are granted to certain of the Company's employees. The Company has no stock-based compensation programs in which its own stock is granted. The Company pays Citigroup directly for participation in certain of its stock-based compensation programs but receives a capital contribution for those awards related to participation in the employee incentive stock option program.

Retirement Benefits

As discussed in Note 8 to the Consolidated Financial Statements, the Company participates in several non-contributory defined benefit pension plans and a defined contribution plan sponsored by Citigroup covering certain eligible employees.

Citibank Tax-Sharing Agreement

As discussed in Note 9 to the Consolidated Financial Statements, the Company is included in the Citigroup consolidated federal tax return and is a party to a tax-sharing

agreement with Citigroup. Under such agreement, the Company is entitled to a tax benefit for its losses and credits that are recognized in Citigroup's Consolidated Financial Statements. Settlements between the Company and Citigroup of current taxes occur throughout the year. The Company also files its consolidated and combined state income tax returns with Citigroup and/or others of its subsidiaries.

Other Intercompany Agreements

Citigroup and its subsidiaries engage in other transactions and servicing activities with the Company, including cash management, data processing, telecommunications, payroll processing and administration, facilities procurement, underwriting and others.

Section 23A of the Federal Reserve Act

Citibank can lend to Citigroup and Citigroup's nonbank subsidiaries in accordance with Section 23A of the Federal Reserve Act. As of December 31, 2014, the amount available for lending was approximately \$17 billion, provided the funds are appropriately collateralized.

28. CONTINGENCIES

Overview

In the ordinary course of business, Citibank its indirect parent Citigroup, and their affiliates and subsidiaries, as well as their respective current and former officers, directors and employees (for purposes of this section, sometimes collectively referred to as Citibank and Related Parties) routinely are named as defendants in, or as parties to, various legal actions and proceedings. Certain of these actions and proceedings assert claims or seek relief in connection with alleged violations of consumer protection securities, banking, antifraud, antitrust, anti-money laundering, employment and other statutory and common laws. Certain of these actual or threatened legal actions and proceedings include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief and in some instances seek recovery on a class-wide basis.

In the ordinary course of business, Citibank and Related Parties also are subject to governmental and regulatory examinations, information-gathering requests investigations and proceedings (both formal and informal) certain of which may result in adverse judgments, settlements, fines, penalties restitution disgorgements, injunctions or other relief. In addition, Citigroup is a financial holding company. Citibank is a bank, and certain affiliates and subsidiaries of Citibank are banks registered broker-dealers futures commission merchants, investment advisers or other regulated entities and, in those capacities, are subject to regulation by various U.S., state and foreign securities, banking commodity futures and other regulators. In connection with formal and informal inquiries by these regulators, Citibank and Related Parties receive numerous requests, subpoenas and orders seeking documents, testimony and other information in connection with various aspects of their regulated activities. From time to time Citibank and Related Parties also receive grand jury subpoenas and other requests for information or assistance formal or informal from federal or state law enforcement agencies, including among others various United States Attorneys Offices the Asset Forfeiture and Money Laundering Section and other divisions of the Department of Justice, the Financial Crimes Enforcement Network of the United States Department of the Treasury, and the Federal Bureau of Investigation, relating to Citibank and its customers.

Because of the global scope of Citibank's operations and its presence in countries around the world, Citibank and Related Parties are subject to litigation, and governmental and regulatory examinations, information-gathering requests, investigations and proceedings (both formal and informal), in multiple jurisdictions with legal and regulatory regimes that may differ substantially, and present substantially different risks, from those Citibank and Related Parties are subject to in the United States. In some instances Citibank and Related Parties may be involved in proceedings involving the same subject matter in multiple jurisdictions, which may result in overlapping, cumulative or inconsistent outcomes.

Citigroup and Citibank seek to resolve all litigation and regulatory matters in the manner management believes is in the best interests of Citigroup and its shareholders and

Citibank and its depositors and contest liability, allegations of wrongdoing and, where applicable the amount of damages or scope of any penalties or other relief sought as appropriate in each pending matter.

In accordance with ASC 450 Citibank establishes accruals for contingencies including litigation and regulatory matters when Citibank 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. In view of the inherent unpredictability of litigation and regulatory matters, particularly where the damages sought are substantial or indeterminate, the investigations or proceedings are in the early stages, or the matters involve novel legal theories or a large number of parties, Citibank cannot predict the timing or ultimate resolution of litigation and regulatory matters, and the actual costs of resolving litigation and regulatory matters may be substantially higher or lower than the amounts accrued for those matters.

Subject to the foregoing, it is the opinion of Citibank's management based on current knowledge and after taking into account its current legal accruals, that the eventual outcome of all matters would not be likely to have a material adverse effect on the consolidated financial condition of Citibank. 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 Citibank's consolidated results of operations or cash flows in particular periods.

For a discussion of Citigroup's material legal and regulatory proceedings which includes Citibank see Citigroup's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the U.S. Securities and Exchange Commission on February 25, 2015.