Citibank Europe plc

Pillar 3 Disclosures

31 December 2014

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Forward Looking Statements

This document contains certain forward-looking statements. Citigroup cautions readers that no forward-looking statement is a guarantee of future performance. Citigroup's actual results may differ materially from those included in any forward-looking statements, which are indicated by words such as "believe," "expect," "anticipate," "intend," "estimate," "may increase," "may fluctuate," and similar expressions, or future or conditional verbs such as "will," "should," "would," and "could."

Any forward-looking statements are based on management's current expectations and involve external risks and uncertainties including, but not limited to: levels of activity and volatility in the capital markets, global economic and business conditions, including the level of interest rates and exchange rates, the credit environment, unemployment rates, and political and regulatory developments in the U.S. and around the world, as well as the outcome of legal, regulatory and other proceedings.

For a more detailed discussion of potential risk factors the reader is directed to Citigroup's 2014 Annual Report. Except as required by any competent regulator or applicable law, Citigroup expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in Citigroup's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Citigroup has made or may make in documents it has filed or may file with the SEC, including Citigroup's 2014 Annual Report and CHIL's 2014 financial statements.

1. Introduction

1.1. Background and context

This document contains the Pillar 3 disclosures for Citibank Europe plc (CEP).

The Capital Requirements Directive (CRD IV) package, which came into effect on 1 January 2014 and implements the provisions of the Basel Capital Accord in the EU, mandates a framework of capital adequacy regulation for banks and investment firms incorporating three distinct pillars:

• Pillar 1 prescribes the minimum capital requirements for such firms;

• Pillar 2 addresses the associated supervisory review process; and

• Pillar 3 specifies further public disclosure requirements in respect of their capital and risk profile.

The disclosures in this document have been made in accordance with the Pillar 3 requirements laid out in the EU prudential rules for banks, building societies and investment firms, as set out in Part 8 of the Capital Requirements Regulations (CRR) – Disclosures by Institutions.

The following disclosures have been made purely for explaining the basis on which CEP has prepared and disclosed information about capital requirements and the management of certain risks and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any investment or judgement on the entity.

1.2. CRD IV Implementation

CRD IV introduced new and additional Pillar 3 disclosure requirements. These include:

- enhanced disclosures on capital to include tables on movements in capital and RWAs;
- the introduction of a credit valuation adjustment ("CVA") regulatory RWA;
- enhancement to the risk management disclosures to include risk profile and a governance overview of the Board of Directors;
- the introduction of the 'equity' exposure class under both Standardised and IRB;
- change in the basis on which geographic distribution is presented, reflecting the CRD IV requirement to base it on the country of risk of the counterparty;
- enhancement of disclosures to include a reconciliation of shareholders' equity; and
- disclosures on asset encumbrance in line with 2014 EBA Guidelines.

1.3. Basis of Consolidation & Disclosure

Citibank Europe plc (CEP) is a licenced credit institution regulated by the Central Bank of Ireland (CBI). CEP is 100% owned by Citibank Holdings Ireland Limited (CHIL). CHIL is subject to consolidated supervision by the CBI.

CEP and CHIL produce individual and consolidated regulatory returns for submission to the CBI relating to capital adequacy and balance sheet information.

CEP prepares standalone financial statements and CHIL prepares consolidated financial statements under International Financial Reporting Standards (IFRS).

The financial information reported in the consolidated financial statements and consolidated regulatory returns are largely similar, other than presentation.

The disclosures in this document are reported at the consolidated level in accordance with the CRD requirements. These disclosures are updated annually in line with the accounting year end as at 31 December and will be assessed for more frequent disclosures should market and business conditions so warrant. Unless otherwise stated, all tables are as at 31 December 2014, with prior year comparatives as at 31 December 2013.

1.4. Operation, Structure and Organisation

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

Citi currently operates, for management reporting purposes, via two primary business segments: Citicorp, consisting of Citi's Global Consumer Banking (GCB) and Institutional Clients Group (ICG) businesses; and Citi Holdings, consisting of businesses and portfolios of assets that Citi has determined are not central to its core Citicorp businesses.

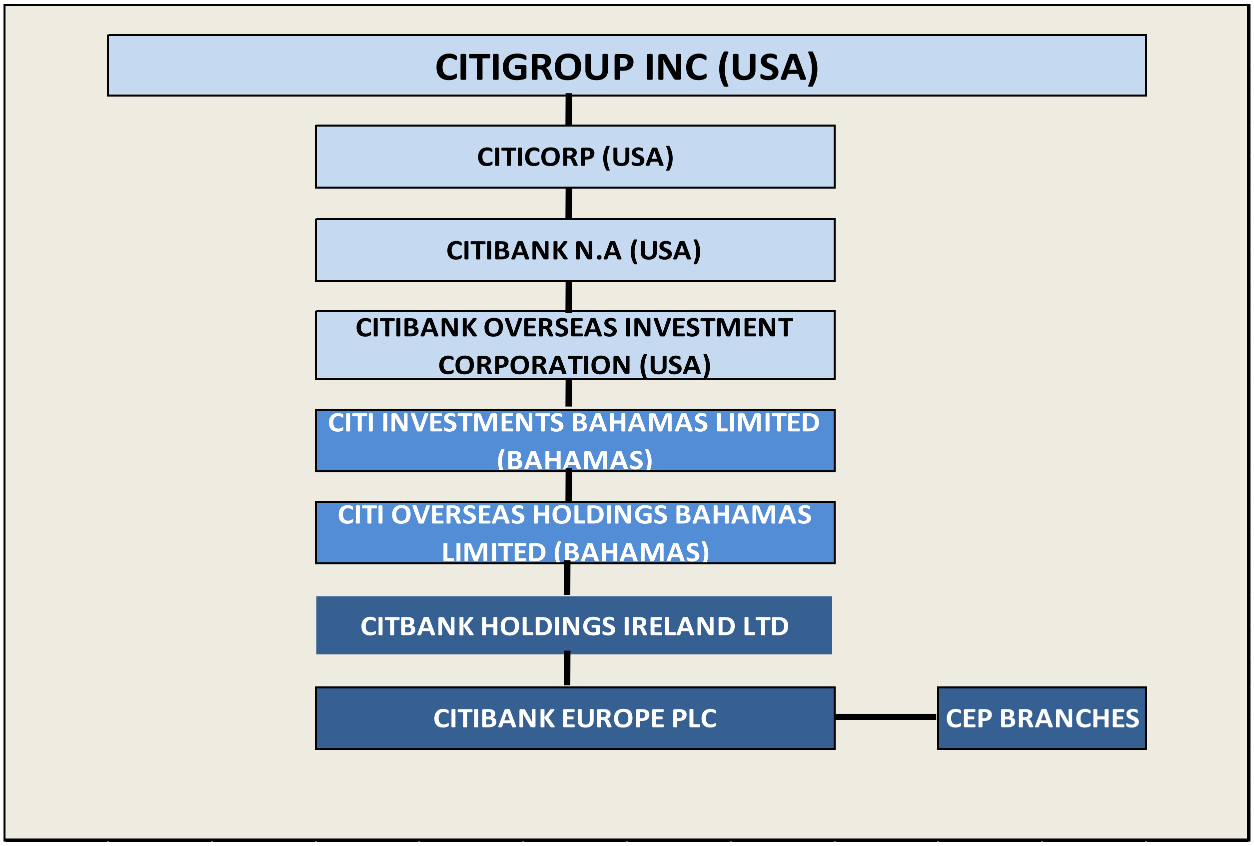
Citi's principal banking (depository institution) subsidiary is Citibank, N.A., a national banking association, with offerings encompassing consumer finance, credit cards, mortgage lending and retail banking products and services; investment banking, commercial banking, cash management, trade finance and e-commerce products and services; and private banking products and services.

Significant Citi legal entities other than Citibank N.A. include Citigroup Global Markets Limited (CGML), the primary UK broker dealer (non-banking) subsidiary, CIL and CEP, Citi's pan-European banks.

The principal activity of CEP is the provision of Transaction and Trade Services to its Financial and Corporate client base.

CEP is headquartered in Dublin, with branches in the Czech Republic, Hungary, Romania, Slovakia, Bulgaria and Poland. See Figure 1 below for the Organisation Chart.

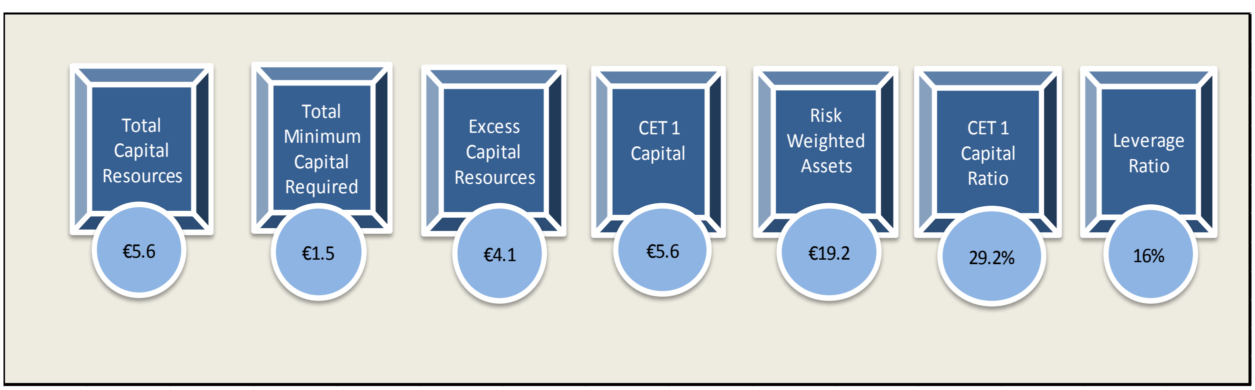
FIGURE 1: HIGH LEVEL ORGANISATION CHART



1.5. CEP's Capital Position at 31 December 2014

Figure 2 illustrates CEP's key capital metrics. CEP's Capital resources consist predominantly of Tier 1 capital and CEP continues to maintain capital ratios and resources in excess of minimum regulatory requirements.

FIGURE 2: SUMMARY OF KEY METRICS AS AT 31 DECEMBER 2014 (€BN)



2. Capital Resources and Minimum Capital Requirement

2.1. Capital Resources

The CRD requires that CEP complies with minimum capital standards and maintains a prescribed excess of total capital resources over its Pillar I capital requirement.

Capital resources are measured and reported in accordance with the CRD.

CEP's regulatory capital resources comprise of the following distinct elements:

- Common Equity Tier 1 Capital, which includes ordinary share capital, share premium, retained earnings and capital reserves;
- Tier 2 Capital , in the form of credit provisions
- Deductions from capital include:
  - Intangible assets, including goodwill
  - Prudent valuation
  - Deferred tax relying of future profitability

Table 1 shows the regulatory capital resources of CHIL as at 31 December 2014 and 31 December 2013.

Table 1: Capital resources

EUR Thousands	2014	2013
Tier 1 Capital Resources		
Core Tier 1 Capital		
Permanent Share Capital	1,493,701	1,369,835
Eligible Reserves	3,840,876	2,669,053
Share Premium	566,149	498,413
Less: Deductions		
Goodwill	(182,138)	(184,184)
Other Intangible Assets	(95,379)	(56,011)
Deductible deferred tax assets that rely on future profitability and arise from temporary differences	(6,483)	-
Value adjustments due to the requirements for prudent valuation	(3,451)	-
Tier 1 Capital	**5,613,274**	**4,297,106**
Tier 2 Capital Resources		
Standardised Approach General credit risk adjustments	56,909	70,048
Total Capital Resources	**5,670,183**	**4,367,154**

2.2. Minimum Capital Requirement

The Minimum Capital Requirement is the amount of Pillar 1 capital that Capital Requirement Regulation (CRR) requires CEP to hold at all times. CEP's total Capital Resources must be greater than its Minimum Capital Requirement, allowing for a capital excess to cover any additional obligations, for example, Pillar 2.

CEP applies Standard Position Risk Rules (PRR) for Market Risk and has adopted the Standardised Approach for calculating Credit Risk, Counterparty Risk and Operational Risk Capital Requirements. Table 2 shows CEP's Pillar 1 Minimum Capital Requirements.

CEP uses external ratings from External Credit Assessment Institutions (ECAIs), in the calculation of its credit risk capital requirements.

To assess the adequacy of its capital to support current and expected future activities, CEP produces regular capital forecasts, taking into account both normal business conditions and stress scenarios. As part of this process, CEP maintains an ICAAP (Internal Capital Adequacy Assessment Process) which documents CEP's risk appetite, regulatory capital requirement and associated policies and procedures.

The ICAAP document includes the following key elements:

- Summary of Pillar 1 capital requirement
- Summary of Pillar 2 capital requirement
- A three year capital plan
- Analysis of the impact of stress testing on Profit and Loss, Balance Sheet and regulatory capital.

A key feature of the ICAAP is to identify those risks which are not captured in the Pillar 1 capital adequacy calculation and to assess an appropriate additional capital requirement to be included as Pillar 2.

2.3. Leverage Ratio

CRD IV introduces the use of a leverage ratio as an additional capital requirement. The ratio is calculated by dividing Tier 1 capital by the total of on and off balance sheet exposures.

Implementation of the leverage ratio becomes effective from 2018, with the proceeding years used to refine the requirement.

The leverage ratio minimum requirement at this time is 3%. CEP's ratio is in excess of this at 16%.

Table 2: Minimum Pillar 1 capital requirements

EUR Thousands		2014 Capital Requirement	2014 Risk Weighted Assets	2013 Capital Requirement	2013 Risk Weighted Assets
Credit Risk and Counterparty Risk		1,273,779	15,922,231	1,081,386	13,517,325
of which	Central governments or central banks	14,303	178,789	24,954	311,925
	Regional governments or local authorities	4,145	51,817	7,271	90,888
	Public sector entities	4,270	53,372	1,741	21,763
	Multilateral Development Banks	-	-	-	-
	International Organisations	2	24	106	1,325
	Institutions	296,689	3,708,617	231,846	2,898,075
	Corporates	812,820	10,160,253	770,682	9,633,525
	Retail	31,834	397,925	35,725	446,563
	Secured by mortgages on immovable property	77	964	80	1,000
	Exposures in default	1,561	19,510	2,305	28,813
	Items associated with particular high risk	-	-	-	-
	Covered bonds	-	-	-	-
	Claims on institutions and corporates with a short-term credit assessment	102,176	1,277,195	-	-
	Collective investments undertakings (CIU)	353	4,409	643	8,038
	Equity	-	-	-	-
	Other items	5,549	69,357	6,033	75,413
	Securitisation Positions	-	-	-	-
Market Risk		43,699	546,243	65,291	816,138
of which	Interest Rate Risk	37,162	464,528	57,838	722,975
	FX Risk	6,537	81,715	7,453	93,163
Operational Risk		215,649	2,695,615	210,356	2,629,450
Credit Value Adjustment		3,827	47,838	-	-
Total Capital Requirements		1,536,954	19,211,927	1,357,033	16,962,913

2.4. Capital Resources vs Minimum Capital Requirement

CEP's Capital Resources in excess of its Minimum Capital Requirement have increased by €1.1Bn from €3 Billion in 2013 to €4.1 Billion in 2014 – see Table 3 below. This is mainly driven by the increase in Capital Resources due to a weakening Euro and Audited Net Profits for the year. The Minimum Capital Requirement increased slightly partially in response to the implementation of CRD IV but mainly in response to the normal course of business.

Capital Resources and Minimum Capital Requirement for CEP are monitored and analysed on a daily basis. CEP continuously maintains a surplus over its Minimum Capital Requirement

Table 3: Capital Surplus over Minimum Capital Requirement and Tier 1 Ratio

EUR Thousands	2014	2013
Total Capital Resources	5,670,183	4,367,154
Total Minimum Capital Requirement	1,536,954	1,357,033
Surplus over Requirement	**4,133,229**	**3,010,121**
Tier 1 Capital Resources	5,613,274	4,297,106
Risk Weighted Assets	19,211,927	16,962,913
Tier 1 Capital Ratio	**29.22%**	**25.33%**

3. Risk Management Objectives and Policies

The CEP Board supported by CEP senior management consider the risk management infrastructure as described in the subsequent chapters of this report as being adequate to capture and measure the risks taken as a result of CEP's risk profile and strategy.

3.1. <u>**CEP Risk Statement**</u>

CEP is a key hub for the provision of Cash Management, Trade Products and Investor Services to Citi's corporate, public sector and financial institution clients ("ICG clients") across EMEA. CEP also operates Citi Service Centres ("CSCs") in Ireland and Poland that provide key operational and technology support services to other Citi affiliates. CEP has a Consumer business and vanilla Markets Trading in its CE5 branches (Czech Republic, Hungary, Romania, Slovakia & Bulgaria).

In line with Citi's Global Risk Mission statement, CEP's Risk Management mission is to take Intelligent Risk with Shared Responsibility, without forsaking Individual Accountability.

In pursuit of its mission, CEP Risk Management acts as a strong independent partner of the business to actively manage market, credit, and operational risk in a manner consistent with CEP's risk appetite, which is approved by the CEP Risk Committee and ultimately the CEP Board.

CEP leverages Citi's global policies and guidelines for risk assessment and risk management, that aim to ensure the appropriate controls and tools are in place to manage, measure and actively mitigate risks taken by CEP.

As at 31 December, 2014, CEP had excess capital of €4.1 billion over the total minimum capital requirement of €1.5 billion. In relation to key ratios, CEP had a CET 1 Capital ratio of 29.2% and a leverage ratio of 16%.

As at 31 December, 2014, CEP's total Credit & Counterparty risk including both banking book and trading book activity without taking into account credit mitigation amounted to €37 billion.

In relation to Market Risk, CEP has vanilla markets trading in its' CE5 Branches. As at 31 December, 2014, CEP Value at Risk (VaR) amounted €5 million.

In relation to Liquidity, CEP was in compliance with its internal and external liquidity requirements as at 31 December 2014, which were introduced as part of CRD IV. CEP maintains consistently strong liquidity and mitigates liquidity risk through the use of conservative ratios and a comprehensive monitoring and control framework.

In terms of Operational Risk, CEP's operational risk losses in the past 4 years were relatively low considering the size and complexity of the business.

CEP's Risk Tolerance is expressed as its Risk Appetite. CEP Risk Appetite represents the amount of risk capital that the Board is willing to put at risk to support business objectives and business strategy. This approach aims to manage business growth and to restrict excessive growth within CEP's risk profile. The Risk Appetite statement is approved by the Board annually or more frequently as required.

CEP Risk Appetite metrics cover Credit, Market, Operational and Liquidity Risk, and is monitored by CEP Risk Management on an on-going basis and reported to the Board at each meeting.

Additionally, the compliance with the requirements of CRD IV minimum capital requirements, surplus over minimum capital requirements as well as other key figures and ratios are monitored by CEP.

3.2. Risk Management Objectives and Policies

CEP Risk Management is an independent function within the CEP legal vehicle. The CEP Chief Risk Officer (CRO) reports directly to the EMEA Chief Risk Officer and the CEP CEO. The CRO has frequent, direct and independent access to the CEP Board of Directors and the CEP Risk Committee. Throughout CEP, Risk Management employees report directly to Senior Risk Managers, thus ensuring independence. CEP Risk Management ensures it has appropriate representation on all management committees for CEP and other governance forums as appropriate. At these forums, Risk Management's approval is required for decisions involving CEP's risk profile. CEP Risk Management's main objectives are as follows:

- Establish clear lines of authorities and responsibilities, including roles and membership on management and risk committees, and the responsibility to monitor adherence to policies.
- Put in place Risk Management staff with the appropriate talent, skills, and experience, placed in the right roles, to perform their responsibilities.

The CEP CRO relies on the Citi Global Risk Management structure to assist in the management of risks across different businesses and product groups. As part of this risk structure Citi has Regional, Business and Product risk lines in place, which are managed by Citi senior risk officers.

CEP Risk Management's objectives are aligned with Citi. Citi believes that effective risk management is of primary importance to its success. Accordingly, Citi has a comprehensive risk management process to monitor, evaluate and manage the principal risks it assumes in conducting its activities. These risks include credit, market, and operational, including legal and reputational risks. Liquidity risk is the responsibility of the Treasury function.

The interplay of business risk and regional focus, supported by product risk officers and a business management group (including a group-wide operational risk approach) ensures a consistent risk focus across the entire organisation, as well as appropriate regional and legal entity focus.

Organisation of Risk Management

For CEP, the Board is responsible for identifying, qualifying and quantifying the risk profile of the bank and to ensure that material risks are well documented and managed. The Board delegate responsibility to the CEP Risk Committee for overviewing the CEP Risk Plan and all processes and controls to support this, which is ultimately produced and managed by the CEP Risk Management function.

As part of the CEP Governance Framework, the CEP Board of Directors has delegated authority to the CEP Risk Committee for all risk related matters. The Risk Committee manages the risks in line with the Board approved Committee structure in place. It is the role and responsibility of the relevant risk related Committees to monitor and manage the risk within CEP. In order to ensure all material risks are being appropriately monitored and managed the CEP Board reviews each Committee Terms of Reference (TOR) on an annual basis to assess whether the Committee's in place remain fit for purpose in line with business environment developments.

The Risk Committee manages the risks in line with the Board approved Committee structure in place. In order to ensure all material risks are being appropriately monitored and managed within the legal vehicle the following key Committees are in place:

- CEP Risk Committee: This Committee has responsibility for the oversight and advice to the CEP Board on risk related matters including setting and monitoring CEP's Risk Appetite among other things. This Committee is a sub Committee of the Board. A Risk Committee meeting must be held at least five times per year or as otherwise required and, where appropriate, should coincide with important financial reporting dates.

- The below Committee's are sub Committees of the CEP Risk Committee:

  - ICG Credit Risk Committee: This Committee is authorised to examine the governance and credit risk practices as documented in the ICAAP and applicable regulatory guidance documentation relating to the Institutional Client Group (ICG) business.

  - Consumer Risk Committee: This Committee is authorised to examine the governance and credit risk practices as documented in the ICAAP and applicable regulatory guidance documentation for the Cards, Personnel Instalment Loan (PIL) and Citi Commercial Bank (CCB) businesses.

  - Operational Risk & Outsourcing Committee (OROC): This Committee is authorised to seek any information it requires from any officer or employee of the Company in order for the Committee to perform its duties relating to Operational & Outsourcing risk.

- CEP Product Review Committee (PRC): The CEP PRC addresses the development of new markets, products and services and significant changes to existing markets, products and services. The attendance of Risk is mandatory at all meetings. In addition, Risk shall have the power to veto any decision made by the Committee.

- Assets & Liability Committee (ALCO): The Committee provides oversight and final approval of all market and liquidity risks, transfer pricing and balance sheet optimization, evaluation of capital adequacy, and oversight of legal and regulatory constraints in CEP.

CEP Risk Management ensures full identification and transparency of risks, including aggregation, synthesis, and communications across business lines by frequently reviewing, discussing & reporting:

- CEP's Risk Appetite statement and ensuring CEP risk taking adheres to the limits set by the CEP Board.

- Stress & Concentration testing and ensuring appropriate shocks and models are being leveraged to assess the risk to the legal vehicle.

- Key exposures, concentrations and positions that are identified as the most significant risks to the legal vehicle.

- Major credit, market, liquidity and operational risk exposures and steps taken to monitor and control such exposures, including risk assessment and Risk Management policies.

- CEP Risk Plan to ensure CEP Risk Management remains on track with plan.

- CEP Risk Management, Managers' Control Assessment (MCA) ensuring it remains fit for purpose and appropriately captures operational risk within the function.

- The CEP branch network and reporting lines and ensuring all branches are operating in line with the CEP Risk Management Framework.

Additionally, the following teams continue to provide support to the Risk Management function to ensure that the risk organisation has the appropriate infrastructure, processes and management reporting:

- The Country Risk Strategy and Optimisation group, which continues to enhance the risk capital model and ensure that it is consistent across all our business activities;

- The Franchise Risk Architecture group, which ensures that Citi has integrated systems and common metrics, and thereby allows it to aggregate and stress test exposures across the institution; and

- The Operational Risk Management group, which oversees the management of operational risk across businesses and regions.

While the management of risk is the collective responsibility of all employees, CEP as part of Citi overarching Risk Management processes assigns accountability into three lines of defence:

- First line of defence: The business owns all of its risks, and is responsible for the management of those risks.

- Second line of defence: CEP's control functions (e.g., Risk, Compliance, etc.) establish standards for the management of risks and effectiveness of controls.

- Third line of defence: Citi's Internal Audit function independently provides assurance, based on a risk-based audit plan approved by Citi's Board of Directors that processes are reliable, and governance and controls are effective.

3.3. CEP Risk Plan, Risk Appetite & Strategy

CEP Risk Management's primary task for the year is captured in the CEP Risk Management Plan (the Plan) created annually. The Plan ensures there is a formally agreed and approved plan of work for Risk Management in place. The Plan documents the process around risk identification as well as listing areas of focus. The Plan has been developed based on all of the risks set out in the Risk Appetite Statement. Consistent with the Risk Appetite Statement, the Plan is based on both qualitative and quantitative criteria and calibrated to a one-year horizon.

The plan is owned by the CEP Risk Committee who approves the Plan on an annual basis or as required.

In order to manage and monitor risk taking activities, the CEP Risk Appetite Statement was produced. This document represents the amount of risk capital that the Board is willing to put at risk to support business objectives. This approach aims to manage business growth and to restrict excessive growth within CEP's risk profile. CEP Risk Management recognises that taking risk is core to banking business activity, however understand that it is imperative that this risk is managed and measured appropriately. In light of this, the Board established the CEP Risk Appetite Framework to determine the appropriate level of risk for CEP. This framework is expressed as a function of capital, as capital is critical to ensuring the on-going safety and soundness of CEP.

The Board has set a limit to support risk taking which must be adhered to. This limit can be broken down across three main risk categories: market risk, credit risk and operational risk. This limit will be reviewed by the Board at least annually or more frequently as required.

In relation to the ongoing monitoring of the CEP Risk Appetite Framework, authority was delegated to the CEP Risk Committee. Adherence to the CEP Risk Appetite approved limits is the responsibility of CEP Risk Management, who monitors this on an ongoing basis. Risk Management prepares and submits a detailed utilisation metrics report to the CEP Risk Committee for review and discussion on a quarterly basis.

3.4. Credit Risk Management

Credit risk is the risk that counterparties may be unable or unwilling to make a payment or fulfil contractual obligations. This may be characterized in terms of an actual default or by deterioration in counterparty's credit quality. The former case may result in an actual and immediate loss, whereas in the latter case, future losses may become more likely. Credit risk arises in many of CEP's business activities, including:

- Wholesale and retail lending
- Sales and Trading
- Treasury Activities
- Overdraft facilities
- Settlement
- Where CEP acts as an intermediary on behalf of its clients and other third parties.

A discussion of Citi's credit risk management policy can be found in "Managing Global Risk – Credit Risk" of Citi's 2014 Form 10-K, available on the Citigroup website.

CEP adheres to Citi global policies. The CEP Board of Directors adopted Citi's global Risk Management policies since its inception in 2001.

3.4.1 Corporate Credit Risk

For corporate client banking activities across Citi, the credit process is grounded in a series of fundamental policies, including:

- Joint business and independent risk management responsibility for managing credit risks.

- A single centre of control for each credit relationship, which coordinates credit activities with each client.

- Portfolio limits to ensure diversification and maintain risk/capital alignment.

- A minimum of two authorised credit officer signatures required on most extensions of credit, one of which must be from a credit officer in Credit Risk Management.

- Risk rating standards, applicable to every obligor and facility; and

- Consistent standards for credit origination documentation and remedial management.

3.4.2 Consumer Credit Risk

Within Global Consumer Banking, credit risk management is responsible for establishing the Global Consumer Credit and Fraud Risk Policies, approving business-specific policies and procedures, monitoring business risk management performance, providing ongoing assessment of portfolio credit risk, ensuring the appropriate level of loan loss reserves and approving new products and new risks.

3.4.3 Scope and Nature of Risk Reporting and Measurement Systems

CEP uses a global risk reporting system to manage credit exposure to its wholesale obligors and counterparties. Retail exposures are booked in local systems specific to local credit risk regulations. However, all retail exposures are monitored and managed centrally at the portfolio level. The counterparty exposure profile for derivative counterparty credit risk is calculated using Monte Carlo simulation.

3.5. <u>Market Risk Management</u>

Market risk is defined as the risk of loss in on and off-balance sheet positions arising from adverse movements in market prices. Market risk arises in mark-to-market portfolios (trading) and accrual portfolios (non-trading).

Market Risk Management covers the price risk in the firm's trading and accrual portfolios. There are policies in place governing the relevant methodologies for managing and measuring risk on both types of portfolio. The risk is then aggregated and reported on centralised risk systems.

3.5.1 Trading Portfolios

For traded product price risk, all traded risk exposures are aggregated in the FXLM system daily. Price risk in CEP's trading portfolios is monitored using a series of measures, including but not limited to Value at Risk (VaR), stress testing and factor sensitivities. VaR is monitored against limits on a daily basis at CEP legal entity level.

3.5.2 Accrual Non-Trading portfolios

For non-trading price risk, the risk is aggregated in the FXLM system.

3.5.3 Scope and Nature of Risk Reporting and Measurement Systems

CEP uses a global risk reporting system to manage Market exposure, which aggregates exposure for reporting purposes.

3.6. Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events, and includes reputation and franchise risk associated with business practices or market conduct in which Citi is involved.

Citi's operational risk is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework, consistent with Citi's Three Lines of Defence approach to Risk Management, includes:

- recognised ownership of the risk by the businesses;
- oversight by Citi's independent control functions; and
- independent assessment by Citi's Internal Audit function.

Operational Risk Management, within Citi's Franchise Risk and Strategy group, proactively assists the businesses, operations, technology and other independent control groups in enhancing the effectiveness of controls and managing operational risks across products, business lines and regions. Furthermore, operational risks are considered as new products and business activities are developed and processes are designed, modified or sourced through alternative means.

Citi maintains a system of policies to anticipate, mitigate and control operational risk. A consistent framework has also been established for monitoring, assessing and communicating both operational risk and the overall operating effectiveness of the internal control environment. As part of this framework, Citi has a Manager's Control Assessment (MCA) process to help manager's self-assess key operational risks and controls and identify and address weaknesses in the design and operating effectiveness of related mitigating internal controls.

Other tools include Operational Risk Scenario Analysis, a forward-looking tool to manage operational risk, involving the identification and assessment by business managers and risk management experts of potential events with low probability but high severity. In addition, the Business Risk and Control Committee (BRCC) provides a forum for escalation and reporting of internal control, compliance, regulatory and risk issues, including operational loss events.

3.7. Liquidity Risk Management

Liquidity risk represents the possibility that a financial institution might not be able to meet its obligations in a timely manner. Management of liquidity risk at the global level is the responsibility of the Citigroup Treasurer with oversight from senior management through Citi's Asset and Liability Committee (ALCO).

Citi operates under a centralised treasury model where the overall balance sheet is managed by Citigroup Treasury through Global Franchise Treasurers and Regional Treasurers.

Day-to-day liquidity and funding are managed by Treasurers at the country and business level and are monitored by Citigroup Treasury and Independent Risk Management.

In CEP, Treasury and the ALCO manage the liquidity of CEP, with ultimate responsibility resting with the Board of Directors, by monitoring balance sheet composition, liquidity, funding and capital structure under business as usual and modelled stress conditions.

3.7.1 Key Internal Metrics

Citi uses multiple measures to monitor its liquidity. Key metrics for managing liquidity risk include:

- Stress Testing;
- Liquidity Ratios;
- Concentration Exposures;
- Large Funds Providers;
- Internal and External Market Triggers;
- Cross-Currency Funding Limits; and
- Daily Deposit Reporting.

Liquidity stress testing is used to determine the liquidity risk appetite of each legal entity and is approved by their respective boards of directors. The resulting liquidity risk appetite forms the basis for legal entity and business liquidity limits. Utilisation against those limits is monitored daily. Assumptions used to develop stress testing are reviewed periodically and any changes are approved through the internal governance framework including the ALCO.

Numerous reports on the above mentioned metrics are produced on a regular basis to enable management to monitor the liquidity and funding position of the legal entity. This includes Management information packs used for the ALCO to monitor liquidity, including under stress conditions.

A number of market indicators are monitored and reported daily to indicate any decline in liquidity conditions across the wider market place. These market indicators are also reviewed in ALCO meetings.

3.7.2 Key External Metrics

The CBI requires minimum liquidity ratios to be maintained. A stock of liquidity assets must be held to meet short term liquidity requirements. Qualifying liquid assets and net cash flows in tenors sight to 8 days and 8 days to one month must be must be equal to or greater than 100% and 90%. This is monitored on a daily basis.

The CRD IV package requires CEP to report a Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR is designed to promote short term resilience of a bank’s liquidity risk profile by ensuring that it has sufficient high quality liquid assets to survive an acute stress scenario lasting 30 days. The NSFR has a time horizon of one year and has been developed to promote a sustainable maturity structure of assets and liabilities. The Delegated Regulation Act which supplements the LCR section of the CRR will require CEP to maintain a 60% LCR from Oct-2015, which will increase to 100% by 2018. The Net Stable Funding Ratio (NSFR) is one of the Basel Committee’s key reforms to promote bank’s long term structural liquidity which requires banks to maintain a stable funding profile in relation to the composition of their on-balance sheet assets and off-balance sheet activities. The measurement aims to limits over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off balance sheet items. NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The ratio should be equal to at least 100% on an on-going basis. The deadline for NSFR is still being discussed and the proposed timeframe is January 2018.

Disclosures relating to Asset Encumbrance in CEP can be found in Appendix 2.

3.8. **Conduct Risk Management**

Conduct risk is the risk that Citi's employees or agents may – intentionally or through negligence – harm customers, clients, or the integrity of the markets, and thereby the integrity of the firm. Conduct risk is not limited to specific businesses or functions, but rather spans all conduct and behaviour at the firm. Consistent with Citi's commitment to elevate the focus on conduct risks Citi has continued to enhance the Manager's Control Assessment (MCA) process to enrich conduct risk considerations. In 2014, Citi proactively established a global Conduct Risk Program which is designed to identify, manage, minimize and mitigate Citi's exposure to conduct risk and resulted in issuance of a Citi-wide Conduct Risk Policy. The Conduct Risk Policy describes the framework through which Citi manages, minimizes, and mitigates its significant conduct risks, and the responsibilities of each of the three lines of defence for complying with the policy.

4. Credit Risk

4.1. Credit Risk Overview

One of CEP's main sources of income from on-going activities arises from granting credit. Accordingly, this exposes it to its most significant risk, namely credit risk. The most significant credit risk in CEP arises from traditional lending activities to corporate, commercial and personal customers and to sovereigns and banks. Credit risk also arises through the use of derivatives, off-balance sheet guarantees and commitments and through CEP's trading and 'available for sale' portfolios of financial instruments. Capital requirements are based on the perceived level of risk of individual credit exposures.

The CRD provides two approaches for the calculation of minimum regulatory capital requirements for credit risk:

i) The Standardised Approach; and

ii) The Internal Ratings Based Approach ("IRB Approach").

As at 31 December 2014, CEP used the Standardised Approach only for assessing its capital requirements for credit risk.

4.2. Credit Risk Management

Credit risk is the risk that counterparties may be unable or unwilling to make a payment or fulfil contractual obligations. This may be characterized in terms of an actual default or by deterioration in counterparty's credit quality. The former case may result in an actual and immediate loss, whereas in the latter case, future losses may become more likely. Credit risk arises in many of CEP's business activities, as outlined in 3.4, and includes the following:

- Direct risk occurs when CEP provides funding or agrees to provide funding (either committed or uncommitted) under certain pre-conditions to an obligor;

- Contingent risk is defined as unfunded potential exposure and is incurred when CEP issues an instrument that may require CEP to pay out funds in the future;

- Pre settlement risk (PSR) arises in capital market activities such as securities trading, derivatives, foreign exchange, futures and securities financing transactions. It relates to the potential for loss should a counterparty be unable to perform its future obligations;

- Clearing risk arises when CEP acts on a client's instructions to transfer or to order the transfer of funds to third parties before CEP can confirm that reimbursement has taken place. In this situation, 100% of the principal is at risk. The risk can be intraday or multi-day. Although CEP expects to be reimbursed on the same day that payment is made, it may not always be possible to verify immediately that payment has been received;

- Settlement risk arises when CEP, acting as a principal, exchanges value with a counterparty and is not able to verify that payment has been received until after payment / delivery has been made. The risk is that CEP delivers value but does not receive delivery from the counterparty, same day. In this situation, 100% of the principal is at risk;

Refer to CEP's 2014 Annual Report and Financial Statements for additional information on credit risk.

4.2.1 Corporate Credit Risk

For corporate clients and investment banking activities across the organisation, the credit process is grounded in a series of fundamental policies, as outlined in 3.4.1.

Wholesale exposures are individually rated and retail exposures are portfolio based. Wholesale exposures are primarily found in ICG, as well as Corporate Treasury. Additionally, Citi Commercial Bank (CCB) is classifiably-managed (individual assessed) which forms part of Global Consumer Bank. Typical financial reporting categories that include wholesale exposures are deposits with banks, debt securities held-to-maturity or available-for-sale, loans and off-balance sheet commitments such as unused commitments to lend and letters of credit.

Wholesale exposures, which include counterparty credit risk exposures arising from OTC derivative contracts, repo-style transactions and eligible margin loans, consist of exposures such as those to corporates, banks, securities firms, financial institutions, central governments, government agencies, local governments, other public sector entities, income producing real estate, high volatility commercial real estate, high net worth individuals not eligible for retail treatment, and other obligor or counterparty types not included in retail.

For regulatory capital purposes, standardised risk weights are applied under the Current Exposure Method (CEM) approach for wholesale credit risk.

Use of Risk Parameter Estimates

For CEP's wholesale exposures, Citi internal credit ratings are used in determining approval levels, risk capital and provisions. Each wholesale obligor is assigned an obligor risk rating (ORR) that reflects the one-year probability of default (PD) of the obligor. Each wholesale facility is assigned a facility risk rating (FRR) that reflects the expected loss rate of the facility; the product of the one-year PD and the expected loss given default (LGD) associated with the facility characteristics.

The ORRs are used for longer-term credit assessments for large credit relationships, which form the basis for obligor limits and approval levels. ORRs are established through an integrated framework that combines quantitative and qualitative tools, calibrated and tested across economic cycles, with risk manager expertise on customers, markets and industries. ORRs are generally expected to change in line with material changes in the PD of the obligor. Rating categories are defined consistently across wholesale credit by ranges of PDs and are used to calibrate and objectively test rating models and the final ratings assigned to individual obligors.

Independently-validated models and, in limited cases, external agency ratings establish the starting point in the obligor rating process. The use of external agency ratings in establishing an internal rating occurs when agency ratings have been reviewed against internal rating performance and definitions, and is generally limited to ratings of BBB+/Baa1 or higher.

Internal rating models include statistically-derived models and expert-judgment rating models. The statistical models are developed by an independent analytical team in conjunction with independent risk management. The analytical team resides in Credit and Operational Risk Analytics (CORA) which is part of the corporate-level independent risk group within Citi's overall Franchise Risk and Strategy organisation. The statistical rating models cover Citi's corporate segment and certain commercial activity within the consumer business lines and are based on statistically significant financial variables. Expert-judgment rating models, developed by independent risk management, cover industry or obligor segments where there are limited defaults or data histories, or highly-specialised or heterogeneous populations.

To the extent that risk management believes the applicable model does not capture all the relevant factors affecting the credit risk of an obligor, discretionary adjustments may be applied to derive the final ORR, within limits defined by policy. For larger obligors, the final ORRs are derived through the use of a scorecard that is designed to capture the key risks for the segment.

As discussed above, CEP's wholesale exposures primarily relate to activities in ICG. ICG provides corporate, institutional, public sector and high net worth clients around the world with a range of wholesale banking products and services. CEP's ICG businesses that incur credit, market, operational and franchise risk are covered by an ICG risk management manual (ICG risk manual) which sets forth ICG's core risk principles, policy framework, limits, definitions, rules and standards for identifying, measuring, approving and reporting risk.

Obligors are assigned a risk rating through a process governed by the ICG risk manual. Total facilities to an obligor are also approved in accordance with the ICG risk manual. The ICG risk manual requires an annual comprehensive analysis of each obligor and all proposed credit exposures to that obligor.

Independent risk management periodically reviews exposures across the banking book and trading book portfolios to ensure compliance with various limit and concentration constructs. Quarterly reviews are conducted of certain high risk exposures in ICG.

4.2.2 Consumer Credit Risk

Within Global Consumer Banking, credit risk management is responsible for establishing the Global Consumer Credit and Fraud Risk Policy, approving business-specific policies and procedures, monitoring business risk management performance, providing ongoing assessment of portfolio credit risk, ensuring the appropriate level of loan loss reserves and approving new products and new risks. CEP's Consumer portfolios are delinquency managed (collectively assessed) portfolios, which are typically made up of smaller exposures with homogeneous credit risk characteristics, where the underwriting process is more score-based or rules- based, rather than judgmental. CEP's main Consumer businesses are as follows:

- Personal Instalment Loans (PIL): The consumer PIL portfolio includes all types of loans provided to individuals – secured or unsecured, term/instalment or revolving, and direct or indirect.
- Cards: The consumer cards portfolio includes all revolving and non-revolving Citi-branded, Co-branded, Private Label cards issued to consumers.

4.2.3 Counterparty Credit Risk

The risk that a counterparty will not fulfil either present or future financial obligations is fundamental to CEP's management of counterparty credit risk. The process for approving a counterparty's risk exposure limits is guided by the core credit policies, procedures and standards and the experience and judgment of credit risk professionals. These credit policies are applied across the firm's ICG businesses – see further information in Section 4.3.

4.2.4 Credit Risk Procedures

CEP has a defined legal vehicle specific Risk Management Framework in place, which is fully aligned with group structure. In line with this CEP adheres to global Credit risk principles, policies and procedures typically which require:

- a comprehensive analysis of the proposed credit exposure or transaction,
- a review of external agency ratings (where appropriate); and
- financial and corporate due diligence including support, management profile and qualitative factors.

CEP adheres to group policy as explained in previous sections. The ICG Risk Manual guides credit risk management practices for CEP and Citi globally. In accordance with the manual:

The responsible credit officer completes a review of the financial condition of the counterparty to determine the client's business needs and compare that to the risk that CEP might be asked to extend. During consideration of a credit extension, the credit officer will assess ways to mitigate the risk through legal documentation, support or collateral.

Once the analysis is completed and the product limits are determined, anti-tying and franchise risk is reviewed, then the approval process takes place. The total facility amount, including direct, contingent and pre-settlement exposure, is aggregated and the credit officer reviews the approved tables within policy that appoints the appropriate level of authority that needs to review and approve the facility. Every extension of credit must be approved by at least two credit officers.

Credit Risk Monitoring analysts conduct daily exception monitoring versus limits and any resulting issues are escalated to credit officers, and potentially to business management.

4.2.5 Credit Risk Mitigation

As part of its risk management activities, CEP uses various risk mitigants to hedge the credit risk in its portfolio, in addition to sub-participations and outright asset sales.

The utilisation of collateral is of critical importance in the mitigation of risk. Citigroup legal counsel, in consultation with approved external legal counsel, will determine whether collateral documentation is enforceable and gives the firm the right to liquidate or take possession of collateral in a timely manner in the event of the default, insolvency, bankruptcy or other defined credit event of the obligor.

In house legal counsel will also approve relevant jurisdictions and counterparty types for netting purposes. Off-balance sheet netting and netting of the collateral against the exposure is permitted if legal counsel determine that we have these rights. CEP makes use of balance sheet netting for OTC derivative transactions in respect of regulatory capital requirements.

4.2.6 Impairment

Corporate loans are reviewed to assess their recoverability. For accounting purposes corporate loans are placed on a non-accrual basis (cash-basis) when interest or principal is past due for 90 days or more; the exception is when the loan is well secured and in the process of collection. Impaired corporate loans are written down to the extent that principal is judged to be uncollectable, taking into account the value of any collateral obtained.

Impairment is described in more detail in Section 4.5.

4.2.7 Internal Risk Capital

To assess Corporate Credit Risk Capital the Model for wholesale exposures is a Monte Carlo simulation model that includes default and economic losses that can occur during a 1 year time horizon.

To assess CEP Consumer Risk Capital, the Citi model leverages existing Basel II infrastructure (including: Data, segmentation and parameter estimates) to capture loss in economic value over a 12 month horizon.

4.2.8 Credit Value Adjustments

Credit valuation adjustments (CVAs) are applied to OTC derivative instruments, in which the base valuation generally discounts expected cash flows using money market interest rate curves (e.g. LIBOR, OIS). Because not all counterparties have the same credit risk as that implied by the relevant interest rate curve, a CVA is necessary to incorporate the market view of both counterparty credit risk and the firm's own credit risk in the valuation.

The firm's CVA methodology comprises two steps:

- First, the exposure profile for each counterparty is determined using the terms of all individual derivative positions and a Monte Carlo simulation or other quantitative technique to generate a series of expected exposures at future points in time. The calculation of this exposure profile considers the effect of credit risk mitigants, including cash or other collateral and any legal right of offset that exists with a counterparty through netting agreements and associated credit support annexes (CSAs), where applicable. 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 exposures that are subject to non-performance risk. This process identifies specific, point in time future receivables that are subject to non-performance risk, rather than using the current recognised net asset or liability as a basis to measure the CVA.

- Second, market based views of default probabilities and loss given default (LGD), derived from observed credit spread quotes in the credit default swap (CDS) market, are applied to the expected future cash flows determined in step one. Own-credit CVA is determined using Citi-specific CDS spreads for the relevant tenor. Generally, counterparty CVA is determined using CDS spreads from single-name CDS or, where those are not available, indices for each credit rating and tenor. For certain identified facilities where individual analysis is required, custom counterparty specific CDS spread estimates are used.

CVA is designed to incorporate a market view of the credit risk inherent in the derivatives portfolio as required by relevant accounting standards. However, most 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. Therefore, the CVA (both counterparty and own-credit) may not be realised upon a settlement or termination in the normal course of business. In addition, all or a portion of the CVA may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of Citi or its counterparties, changes to the exposure to the counterparty or changes in the credit risk mitigants (including collateral and netting agreements) associated with the derivative instruments.

CVA is also applied to debt accounted for at fair value, reflecting Citi's cash spreads.

4.2.9 Wrong Way Risk

There is no Specific wrong way risk in the CEP legal vehicle. General WWR is discussed in Section 4.7.

4.3. Counterparty Risk

4.3.1 Counterparty Credit Risk Exposures

In the normal course of business, CEP enters into a number of derivative transactions principally in the interest rate and foreign exchange markets. They are used to provide financial services to customers and to take, hedge and modify positions as part of trading activities. Most of the counterparties in the derivative transactions are banks and other financial institutions.

Counterparty credit risk is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. For OTC derivatives, counterparty credit risk arises from pre-settlement exposures.

CEP uses the Counterparty Credit Risk mark to market method, also known as the Current Exposure Method (CEM). Two conditions are required for Citi to recognise a loss on a contract: firstly the counterparty defaults and, secondly, the contract has a positive market value to the firm. Consequently risk measurement is a function of three elements:

- Potential Future Exposure;
- Probability of Default; and
- Loss at Default.

Repo-style transactions consist of repurchase or reverse repurchase transactions, or securities borrowing or securities lending transactions, including transactions in which Citi acts as agent for a customer and indemnifies the customer against loss, and are based on securities taken or given as collateral, which are marked-to-market, generally daily. Eligible margin loans are extensions of credit collateralised by liquid and readily marketable debt or equity securities, or gold, which also satisfy other conditions under the Basel III rules and CRD IV.

4.3.2 Methodology Used to Assign Credit Limits

The process for approving a counterparty's credit risk exposure limit is guided by:

- core credit policies;
- procedures and standards;
- experience and judgment of credit risk professionals; and
- the amount of exposure at risk.

The process applies to all counterparty credit risk products - OTC derivative contracts, repo-style transactions and eligible margin loans. The process includes the determination of maximum potential exposure after recognition of netting agreements and collateral as appropriate.

While internal ratings are the starting point in establishing credit assessments, a range of factors, such as quality of management and strategy, nature of industry, and regulatory environment, among others, are also taken into consideration for obligor limits and approval levels. Exposure to credit risk on derivatives is also impacted by market volatility, which may impair the ability of clients to satisfy their obligations to Citi. Credit risk analysts conduct daily monitoring versus limits and any issues are escalated to credit officers and business management as appropriate. Usage against the credit limits may reflect netting agreements and collateral.

4.3.3 Counterparty Credit Risk Capital Calculations

For regulatory purposes, CEP uses the standardised approach to determine counterparty credit risk capital requirements, based on External Credit Assessment Institutions ("ECAIs") ratings for calculating Risk Weighted Assets (RWA). The measure of Exposure at Default (EAD) used to determine these requirements are described below.

For OTC Derivatives, CEP uses the CEM approach. CEM assigns to each transaction a regulatory stipulated exposure based on the mark to market value and a measure of potential future exposure which is a percentage of notional driven by residual maturity and the type of contract, i.e. interest rate, equities etc.

Netting and margin collateral may be recognised as credit risk mitigants provided they meet certain eligibility criteria.

For securities financing transactions (SFTs), CEP applies a supervisory volatility adjustment under the financial collateral comprehensive method for calculating EAD. The calculation equals the exposure less collateral after applying regulatory haircuts for security volatility adjustments and applicable currency mismatches. The EAD is then used to calculate RWA's using the standardised approach.

4.3.4 Derivative Master Netting Agreements

Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Citi policy requires all netting arrangements to be legally documented. ISDA (International Swaps and Derivative Association) master agreements are Citi's preferred manner for documenting OTC derivatives. The agreements provide the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Citi considers the level of legal certainty regarding enforceability of its offsetting rights under master netting agreements and credit support annexes to be an important factor in its risk management process.

The following table summarises the counterparty credit risk exposures arising from OTC derivatives held by CEP as at 31 December 2014 and 31 December 2013, indicating the benefits of legally enforceable netting agreements and collateral arrangements.

Level 2 in the fair value hierarchy is determined by valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Table 4: Derivative financial assets

EUR thousands	2014	2013
Derivative Financial Assets		
Level 2 Fair value per financial statements	226,404	1,191,870
Net credit exposure after considering legally enforceable netting agreements	216,158	299,978

4.3.5 Policies for Securing, Valuing and Managing Collateral

Citi's policies and procedures cover management and governance of financial assets (including securing and valuing collateral) utilised for the purpose of mitigating the credit risk of OTC derivatives, repo-style transactions and eligible margin loans. Specifically, businesses are required to establish standard eligibility criteria for collateral usage and review processes for approving non-standard collateral. Industry standard legal agreements combined with internal reviews for legal enforceability are used to achieve a perfected security interest in the collateral. Additionally, Risk Management establishes guidelines on appropriate collateral haircuts related to repo-style transactions and eligible margin loans. A haircut is the percentage of reduction in current market value applicable to each type of collateral and is largely based on liquidity and price volatility of the underlying security. Potential correlations between the exposure and the underlying collateral are reflected through the netting of appropriately greater haircuts.

The current market value of collateral is monitored on a regular basis. Margin procedures are established for managing margin calls for which daily margining is considered best practice in order to maintain an appropriate level of collateral coverage reflecting market value fluctuations. Trades are reconciled on a regular basis that is consistent with regulatory and industry best practice guidelines and margin dispute processes are in place. Procedures are established surrounding collateral substitution and collateral re-use/re-hypothecation. Limits and concentration monitoring are utilised to control Citi's collateral concentrations to different types of asset classes.

Additionally, for eligible margin loans, procedures are established to ensure an appropriate level of allowance for credit losses.

4.3.6 Primary Types of Collateral

Cash collateral and security collateral in the form of G10 (Group of Ten) government debt securities are generally posted to secure the net open exposure of OTC derivative transactions, at a counterparty level, whereby the receiving party is free to co-mingle or re-hypothecate such collateral in the ordinary course of business. Non-standard collateral, such as corporate bonds, municipal bonds, U.S. agency securities and mortgage-backed securities, may also be pledged as collateral for OTC derivative transactions. Security collateral posted to open and maintain a master netting agreement with a counterparty in the form of cash and securities, may from time to time be segregated in an account at a third-party custodian pursuant to a tri-party account control agreement.

4.4. **Credit Risk Exposure**

The total and average amounts of exposures after accounting offsets and without taking into account the effects of credit risk mitigation as at 31 December 2014 are set out below in Table 5. These exposures include both banking book and trading book activity and have been calculated in accordance with the regulatory requirements applicable. The driver of the increase between 2013 and 2014 was due to intergroup exposures.

Table 5: Exposure to Credit risk

		2014		2013	
Eur Thousands		Total Exposure	Average Exposure*	Total Exposure	Average Exposure
Credit Risk and Counterparty Risk					
of which	Central governments or central banks	4,294,456	3,722,583	3,618,575	3,026,397
	Regional governments or local authorities	87,960	89,581	97,640	103,109
	Public sector entities	84,383	79,439	49,453	50,542
	Multilateral Development Banks	-	0	-	2
	International Organisations	42	45,430	61,320	60,830
	Institutions	7,026,431	6,774,761	7,828,497	8,241,331
	Corporates	21,272,872	20,995,345	21,113,684	22,060,578
	Retail	1,300,915	1,298,169	1,327,515	1,060,054
	Secured by mortgages on immovable property	2,754	2,818	2,850	3,002
	Exposures in default	18,552	18,736	26,749	30,319
	Items associated with particular high risk	-	-	-	-
	Covered bonds	-	-	-	-
	Claims on institutions and corporates with a short-term credit assessment	3,249,844	3,042,501	0	-
	Collective investments undertakings (CIU)	2,939	2,874	5,362	4,072
	Equity	-	-	-	-
	Other items	88,982	87,400	99,444	102,846
	Securitisation Positions	-	-	-	-
Total Standardised Approcah		37,430,129	36,159,636	34,231,089	34,743,082

*Average of quarter-end balances for 2014

Geographic Analysis of Exposures

Under CRD IV, geographical analysis of credit exposures is required based on the exposures in the member states in which the institution has been authorised and member states or third countries in which institutions carry out activities through a branch or subsidiary. The geographical distribution is reported by analysing where the counterparty is based and further analysed to show the breakdown by exposure. The majority of CEP's exposure sits within EMEA and Americas, reflecting its global business activities.

Table 6: Geographical Analysis of Exposures

EUR Thousands	2014			
Exposure Class	**EMEA**	**The Americas**	**Asia-Pac**	**Total Gross Exposures**
Standardised Approach				
Central governments or central banks	4,155,028	139,131	297	4,294,456
Regional governments or local authorities	85,750	2,211	-	87,960
Administrative bodies and non-commercial undertakings	58,213	26,165	4	84,383
International Organisations	38	4	-	42
Institutions	5,827,585	1,022,974	175,872	7,026,431
Corporates	14,435,162	6,309,498	528,212	21,272,872
Retail	1,300,915	0	0	1,300,915
Secured by real estate property	2,754	-	-	2,754
Past due items	18,552	0	-	18,552
Items belongning to regulatory high-risk categories	-	-	-	-
Covered bonds	-	-	-	-
Short-term claims on institutions and corporate	3,138,425	108,538	2,881	3,249,844
Collective investments undertakings (CIU)	2,939	0	-	2,939
Other items	88,968	13	1	88,982
Total	**29,114,329**	**7,608,532**	**707,268**	**37,430,129**

EUR Thousands	2013			
Exposure Class	**EMEA**	**The Americas**	**Asia-Pac**	**Total Gross Exposures**
Standardised Approach				-
Central governments or central banks	3,485,880	132,545	150	3,618,575
Regional governments or local authorities	97,348	292	-	97,640
Administrative bodies and non-commercial undertakings	18,830	30,618	5	49,453
International Organisations	61,316	4	-	61,320
Institutions	6,991,459	607,172	229,866	7,828,497
Corporates	14,310,498	6,251,033	552,153	21,113,684
Retail	1,327,514	1	-	1,327,515
Secured by real estate property	2,850	-	-	2,850
Past due items	26,749	-	-	26,749
Items belongning to regulatory high-risk categories	-	-	-	-
Covered bonds	-	-	-	-
Short-term claims on institutions and corporate	-	-	-	-
Collective investments undertakings (CIU)	5,362	-	-	5,362
Other items	99,444	-	-	99,444
Total	**26,427,250**	**7,021,665**	**782,174**	**34,231,089**

Industry Analysis of Exposures

Table 7 shows the balances by industry classification and by exposure class as at 31 December 2014 and on the following page as at 31 December 2013.

Table 7: Industry Analysis of Exposures

Eur in Thousands

Exposure Class	Business and Administrative Services	Construction	Education	Electricity, Gas, Steam and Air Conditioning Supply	Extra-Territorial Organisations and Bodies	Financial Intermediation (Excl. Monetary Financial Institutions)	Hotels and Restaurants	Human Health and Social Work	Information and Communication	Manufacturing	Other Community, Social and Personal Services
Central governments or central banks	-	-	-	-	2,477	-	-	-	-	-	-
Regional governments or local authorities	-	-	-	45,909	-	-	-	-	-	39,175	-
Public sector entities	-	50,065	-	26,165	-	-	-	-	5,564	2,583	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	42	-	-	-	-	-	-
Institutions	-	-	-	-	2,047	10,553	-	-	-	-	-
Corporates	591,282	102,353	51	727,702	-	11,464,595	1,469	22,286	1,954,370	3,478,761	23,638
of which SME	*51,267*	*4,599*	-	*6,103*	-	-	-	*2,159*	*6,686*	*221,036*	*2,214*
Retail	3,183	5,603	129	348	-	92	509	-	2,230	34,898	193
of which SME	-	-	-	-	-	-	-	-	*41*	*950*	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	0	-	-
Exposures in default	471	114	-	-	-	9,820	-	-	20	1,758	-
of which SME	*401*	*4*	-	-	-	-	-	-	-	-	-
Items associated with particular high risk	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	18,825	-	-	-	-	1,780	-	-	84,040	341,236	-
Collective investments undertakings (CIU)	-	-	-	-	-	2,939	-	-	-	-	-
Equity											
Other items	-	-	-	-	-	6	-	-	1	-	-
Securitisation Positions	-	-	-	-	-	-	-	-	-	-	-
Total	**665,428**	**162,739**	**180**	**806,227**	**4,567**	**11,489,785**	**1,978**	**24,445**	**2,052,951**	**4,120,398**	**26,045**

Exposure Class	Personal (Private Households)	Primary Industries	Public Administration and Defence	Transportation and Storage	Water Supply, Sewerage, Waste Management and Remediation Activities	Credit Instituitions	Central Banks	Wholesale/ Retail Trade & Repairs	Real Estate, Land and Development Activities	Other	Total
Central governments or central banks	-	-	1,817,682	-	-	-	2,474,296	-	-	-	4,294,456
Regional governments or local authorities	-	-	2,875	1	-	-	-	-	-	-	87,960
Public sector entities	-	-	-	5	-	-	-	-	-	-	84,383
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-	-	-	-	42
Institutions	-	-	-	-	-	7,013,831	-	-	-	-	7,026,431
Corporates	13	510,138	28	872,060	3,033	43,622	-	1,451,013	1,521	24,939	21,272,874
of which SME	*13*	*19,437*	-	*2,750*	*81*	-	-	*194,391*	*36*	-	*510,772*
Retail	1,194,809	58	-	8,669	-	-	-	34,584	202	15,408	1,300,913
of which SME	-	-	-	-	-	-	-	*2,970*	-	-	*3,962*
Secured by mortgages on immovable property	-	-	-	-	-	2,744	-	-	-	9	2,753
Exposures in default	-	108	-	54	-	1,986	-	2,237	-	1,983	18,552
of which SME	-	*19*	-	-	-	-	-	*2,161*	-	-	*2,585*
Items associated with particular high risk	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	98,356	-	-	-	2,705,607	-	-	-		3,249,844
Collective investments undertakings (CIU)	-	-	-	-	-	-	-	-	-		2,939
Equity											-
Other items	2,753	-	720	-	-	2,783	18,647	-	-	64,073	88,982
Securitisation Positions	-	-	-	-	-	-	-	-	-	-	-
Total	**1,197,588**	**628,117**	**1,821,304**	**883,539**	**3,114**	**9,770,573**	**2,492,943**	**1,687,356**	**1,758**	**106,412**	**37,430,129**

Table 7 Cont'd: Industry Analysis of Exposures 2013

Eur in Thousands

Exposure Class	Business and Administrative Services	Construction	Education	Electricity, Gas, Steam and Air Conditioning Supply	Extra-Territorial Organisations and Bodies	Financial Intermediation (Excl. Monetary Financial Institutions)	Hotels and Restaurants	Human Health and Social Work	Information and Communication	Manufacturing	Other Community, Social and Personal Services
Central governments or central banks	-	-	-	-	1,010	-	-	-	-	-	-
Regional governments or local authorities	-	-	-	57,365	-	-	-	-	-	36,766	-
Public sector entities	-	-	-	30,688	-	-	-	-	4,972	13,789	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	61,320	-	-	-	-	-	-
Institutions	-	-	-	-	2,067	19,852			-	-	-
Corporates	739,498	123,885	80	570,577		11,155,431	2,675	23,448	1,287,878	3,705,827	22,824
Retail	10,452	12,995	128	3,515	-	427	17	1	378	51,377	1,273
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	661	428	-	8,550	-	5,834	-	-	1	2,856	-
Items associated with particular high risk	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	5,362	-	-	-	-	-
Equity	-	-	-	-	-		-	-	-	-	-
Other items	-	-	-	-	-	2,710	-	-	-	-	-
Securitisation Positions	-	-	-	-	-	-	-	-	-	-	-
Total	**750,611**	**137,308**	**208**	**670,695**	**64,397**	**11,189,616**	**2,692**	**23,449**	**1,293,229**	**3,810,615**	**24,097**

Exposure Class	Personal (Private Households)	Primary Industries	Public Administration and Defence	Transportation and Storage	Water Supply, Sewerage, Waste Management and Remediation Activities	Credit Instituitions	Central Banks	Wholesale/ Retail Trade & Repairs	Real Estate, Land and Development Activities	Other	Total
Central governments or central banks	-	-	1,535,358	-	-	-	2,082,207	-	-	-	3,618,575
Regional governments or local authorities	-	-	3,500	1	-	-	-	8	-	-	97,640
Public sector entities	-	-		4	-	-	-		-	-	49,453
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-	-	-	-	61,320
Institutions	-	-	-	-	-	7,806,578	-	-	-	-	7,828,497
Corporates	21	756,000	20,439	909,622	6	14,705	-	1,779,263	1,505	-	21,113,684
Retail	1,135,580			10,040			-	83,516	213	17,603	1,327,515
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	2,850	2,850
Exposures in default	-	91	-	51			-	2,342		5,935	26,749
Items associated with particular high risk	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-	-	-	-	-	5,362
Equity	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	11	-	-	35,118	-	-	-	61,605	99,444
Securitisation Positions	-	-	-	-	-	-	-	-	-	-	-
Total	**1,135,601**	**756,091**	**1,559,308**	**919,718**	**6**	**7,856,401**	**2,082,207**	**1,865,129**	**1,718**	**87,993**	**34,231,089**

Credit exposures by maturity

The residual maturity distribution of credit exposures for CEP is broken down by sector as follows:

Table 8: Residual Maturity of Credit Exposures

Eur Thousands	2014			
Exposure Class	**< 1 year Total Exposure**	**1-5 years Total Exposure**	**> 5 years Total Exposure**	**Total Exposure**
Central governments or central banks	3,679,266	157,987	457,203	4,294,456
Regional governments or local authorities	3,480	84,481	-	87,960
Public sector entities	6,966	-	77,416	84,383
International Organisations	42	-	-	42
Institutions	6,897,316	63,242	65,872	7,026,431
Corporates	8,820,803	4,598,050	7,854,019	21,272,872
Retail	1,277,698	13,301	9,916	1,300,915
Secured by mortgages on immovable property	2,754	-	-	2,754
Exposures in default	10,354	8,136	62	18,552
Short-term claims on institutions and corporate	3,249,844	-	-	3,249,844
Collective investments undertakings (CIU)	2,939	-	-	2,939
Other items	88,982	0	0	88,982
Total	**24,040,444**	**4,925,196**	**8,464,489**	**37,430,129**

Eur Thousands	2013			
Exposure Class	**< 1 year Total Exposure**	**1-5 years Total Exposure**	**> 5 years Total Exposure**	**Total Exposure**
Central governments or central banks	2,936,503	608,619	73,453	3,618,575
Regional governments or local authorities	4,274	-	93,366	97,640
Public sector entities	3,852	45,601	-	49,453
International Organisations	1,320	60,000	-	61,320
Institutions	7,530,729	219,886	77,882	7,828,497
Corporates	9,231,724	9,661,472	2,220,488	21,113,684
Retail	1,293,368	25,455	8,692	1,327,515
Secured by mortgages on immovable property	2,850	-	-	2,850
Exposures in default	21,306	-	5,443	26,749
Short-term claims on institutions and corporate	-	-	-	-
Collective investments undertakings (CIU)	5,295	67	-	5,362
Other items	99,444	0	0	99,444
Total	**21,130,665**	**10,621,100**	**2,479,324**	**34,231,089**

4.5. **Impairment**

4.5.1 Impairment of Financial Assets

CEP assesses whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired on an ongoing basis (including at each balance sheet date). A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ("a loss event") and that loss event has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. Objective evidence that a financial asset or a portfolio is impaired includes observable data that comes to the attention of CEP/Citigroup about the following loss events:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- CEP as lender, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that CEP would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  i) adverse changes in the payment status of borrowers in the portfolio; and

  ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

CEP first assesses whether objective evidence of impairment exists:

- individually for financial assets that are individually significant and
- individually or collectively for financial assets that are not individually significant.

If CEP determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and advances and for assets held to maturity the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows considering collateral, discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and is included in the income statement.

Following impairment, interest income is recognised using the original effective interest rate which is used to discount the future cash flows for the purpose of measuring the impairment loss.

For the purposes of the collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics by using a grading process that considers obligor type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the likelihood of receiving all amounts due under a facility according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those of the group.

When a loan is uncollectable, it is written off against any related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as for assets held at amortised cost; however, impairment charges are recorded as the entire cumulative net loss that has previously been recognised directly in equity. Reversals of impairment of debt securities are recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement. Increases in the fair value of equity shares after impairment are recognised directly in equity.

Where assets are held at fair value, typically in the trading book, part of the fair value movement relates to credit exposure. It is not always practicable to determine what portion of the fair value movement relates to credit exposures, and hence no such disclosure is provided for these assets.

Exposures are considered to be past due in accordance with their contractual repayment terms.

4.5.2 Wholesale Impairment

Classifiably-managed credit portfolios are typically made up of larger exposures, where the underwriting process is more judgmental, rather than score-based or rules- based.
The appropriate level of credit reserves for a classifiably-managed portfolio is estimated based on:

- A statistical incurred loss model on all exposures in the performing portfolio and smaller exposures in the non-performing portfolio; and
- Name-specific loss forecasts for the larger exposures in the non-performing portfolio.

Rather than measuring delinquency for a wholesale customer or for a facility to that customer by the number of days past due, impaired wholesale credit exposures are classified as either substandard or doubtful:

Substandard

A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardise the timely repayment of its obligations.

Doubtful

An asset classified as doubtful has all the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

4.5.3 Consumer Impairment

Delinquency-managed credit portfolios are typically made up of smaller exposures with homogeneous credit risk characteristics, where the underwriting process is more score-based or rules- based, rather than judgmental.

The appropriate level of credit reserves for a delinquency-managed portfolio is estimated based on:

- A “base case” requirement, generally derived from a “straight-rate-to-zero” (SR-0) annualised calculation;
- Management adjustments to the base case to reflect management’s assessment of conditions or events outside the base case; and
- Portfolio loss forecasts for the troubled debt restructurings.

Table 9: Impaired Exposures and Provisions – Individual & Collective

Eur Thousands	2014					
	Individually Assessed		Individually Assessed	Collectively Assessed	Individually Assessed	Collectively Assessed
	Impaired Exposure On & Off Balance Sheet	Past Due Items	Impairment Provisions Balance	Impairment Provisions Balance	Impairment Provisions Charges for the Period	Impairment Provisions Charge / Release for the Period
Significant Geographical Area - EMEA						
Counterparty Type						
Corporate	3,913	14,582	5,057	41,885	323	(6,315)
Retail	-	3,970	-	12,875	0	(7,912)
TOTAL	**3,913**	**18,552**	**5,057**	**54,760**	**323**	**(14,227)**

Eur Thousands	2013					
	Individually Assessed		Individually Assessed	Collectively Assessed	Individually Assessed	Collectively Assessed
	Impaired Exposure On & Off Balance Sheet	Past Due Items	Impairment Provisions Balance	Impairment Provisions Balance	Impairment Provisions Charges for the Period	Impairment Provisions Charge / Release for the Period
Significant Geographical Area - EMEA						
Counterparty Type						
Corporate	8,710	23,957	8,121	61,557	8,043	14,548
Retail	-	2,795	-	3,262	1,998	(7,185)
TOTAL	**8,710**	**26,752**	**8,121**	**64,819**	**10,041**	**7,363**

Table 10: Types of impairment provisions

Eur Thousands	2014			
	Charge and credit card debtors	Commercial loans	Consumer loans	Total
Individually assessed on-balance sheet exposures	-	5,057	-	5,057
Individually assessed off-balance sheet exposures		-		-
Collectively assessed on-balance sheet exposures	10,745	29,232	1,908	41,885
Collectively assessed off-balance sheet exposures	-	12,875	-	12,875
Total	**10,745**	**47,164**	**1,908**	**59,817**

Eur Thousands	2013			
	Charge and credit card debtors	Commercial loans	Consumer loans	Total
Individually assessed on-balance sheet exposures	-	8,121	-	8,121
Individually assessed off-balance sheet exposures	-	-	-	-
Collectively assessed on-balance sheet exposures	14,108	34,836	3,262	52,206
Collectively assessed off-balance sheet exposures	-	12,613	-	12,613
Total	**14,108**	**55,570**	**3,262**	**72,940**

Table 11: Movements in impairments during 2014 and 2013

Eur Thousands	2014			
	Charge and credit card debtors	**Commercial loans**	**Consumer loans**	**Total**
Impairments at 1 Jan 2014	14,108	55,570	3,262	72,940
Increase/(Decrease) in Provisions	(3,220)	(8,398)	(1,314)	(12,932)
Write Offs	0	126	0	126
Recoveries	0	(3,232)	0	(3,232)
Foreign Exchange Adjustments	(142)	3,779	(41)	3,596
Off Balance Sheet Provisions	0	(681)	0	(681)
Impairments at 31 Dec 2014	10,745	47,164	1,908	59,817

Eur Thousands	2013			
	Charge and credit card debtors	**Commercial loans**	**Consumer loans**	**Total**
Impairments at 1 Jan 2013	19,269	66,192	8,318	93,779
Increase/(Decrease) in Provisions	(4,129)	845	(1,384)	(4,668)
Write Offs	(763)	(2,007)	(3,872)	(6,642)
Recoveries	0	(14,386)	0	(14,386)
Foreign Exchange Adjustments	(270)	(207)	199	(277)
Off Balance Sheet Provisions	0	5,133	0	5,133
Impairments at 31 Dec 2013	14,108	55,570	3,262	72,940

4.6. Credit Quality Analysis

Standardised credit risk exposures

The nominated External Credit Assessment Institutions (ECAIs) used by CEP are Standard & Poor's, Moody's and Fitch. These are used for all credit risk exposure classes.

Credit assessments applied to items in the trading book and banking book alike are assigned in accordance with the requirements laid out in the CRD, including the use of the credit quality assessment scale.

The credit quality assessment scale assigns a credit quality step to each rating provided by the ECAIs, as set out in the Table 12 below:

Table 12: Credit Quality Assessment Scale

Credit Quality Step	Standard & Poor's	Moody's	Fitch
Step 1	AAA to AA-	Aaa to Aa3	AAA to AA-
Step 2	A+ to A-	A1 to A3	A+ to A-
Step 3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
Step 4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
Step 5	B+ to B-	B1 to B3	B+ to B-
Step 6	CCC+ and below	Caa1 and below	CCC+ and below

Risk weightings are assigned to each exposure depending on its credit quality step and other factors, including exposure class and maturity. Exposures for which no rating is available are treated in a similar way to those under credit quality step 3. Table 13 below sets out a simplified summary of how credit quality is linked to risk weighting.

Table 13: Simplified Summary of Risk Weightings by Credit Quality Step

Credit Quality Step	Governments and central banks	Corporates	Institutions < 3 months maturity	Institutions > 3 months maturity
Step 1	0%	20%	20%	20%
Step 2	20%	50%	20%	50%
Step 3	50%	100%	20%	50%
Step 4	100%	100%	50%	100%
Step 5	100%	150%	50%	100%
Step 6	150%	150%	150%	150%

The following table sets out, for the bank, the exposure values as at 31 December 2014 and 31 December 2013 (before and after credit risk mitigation) associated with each credit quality step, as well as those exposures deducted from capital resources.

Table 14: CQS analysis of Exposure before and after Credit Risk Mitigation

Eur Thousands		2014		2013	
Exposure Class	Credit Quality Step	Gross Total Exposure	Net Total Exposure	Gross Total Exposure	Net Total Exposure
Central governments or central banks	1	1,512,912	1,512,912	1,533,985	1,533,985
	2	112,756	40,651	5,357	5,357
	3	548,642	548,642	329,513	329,513
	4	1,435,291	1,435,291	1,198,094	1,162,674
	5	52,394	52,394	91,028	91,028
	6	5	5	-	-
	Unrated	632,456	632,456	460,598	460,598
		4,294,456	4,222,351	3,618,575	3,583,155
Regional governments or local authorities	1	2,373	2,373	292	292
	3	45,909	45,909	57,364	57,364
	Unrated	39,678	39,678	39,984	39,984
		87,960	87,960	97,640	97,640
Public sector entities	1	1	1	1	1
	3	5,560	5,560	4,968	146
	4	50,065	50,065	-	-
	Unrated	28,756	28,756	44,484	45,862
		84,383	84,383	49,453	46,009
International Organisations	1	-	-	60,000	60,000
	Unrated	42	42	1,320	1,320
		42	42	61,320	61,320
Institutions	1	35,848	35,848	1,240,049	1,235,882
	2	4,320,070	4,218,796	2,118,970	2,060,560
	3	127,367	127,367	774,887	800,408
	4	343,912	343,912	856,257	759,005
	5	426,152	357,834	280,771	248,025
	6	264	264	1	1
	Unrated	1,772,817	1,752,513	2,557,562	2,572,661
		7,026,431	6,836,535	7,828,497	7,676,542
Corporates	1	2,100,556	708,976	2,178,344	1,192,994
	2	3,816,478	1,062,691	4,175,042	1,268,298
	3	1,293,614	1,222,475	998,293	951,218
	4	435,158	435,158	370,091	342,775
	5	104,139	104,139	128,959	102,968
	6	0	0	3	3
	Unrated	13,522,927	8,815,834	13,262,952	8,410,740
		21,272,872	12,349,273	21,113,684	12,268,996
Retail	Unrated	1,300,915	1,300,915	1,327,515	1,327,420
		1,300,915	1,300,915	1,327,515	1,327,420
Secured by mortgages on immovable property	Unrated	2,754	2,754	2,850	2,850
		2,754	2,754	2,850	2,850
Exposures in Default	Unrated	18,552	16,105	26,749	24,723
		18,552	16,105	26,749	24,723
Short-term claims on institutions and corporates	1	2,571,492	2,571,492	-	-
	2	137,153	137,153	-	-
	3	7,833	7,833	-	-
	4	533,366	524,093	-	-
		3,249,844	3,240,571	-	-
Collective investments undertakings (CIU)	Unrated	2,939	2,939	5,362	5,362
		2,939	2,939	5,362	5,362
Other items	1	200	200	-	-
	2	67	67	-	-
	3	0	0	-	-
	Unrated	88,714	88,714	99,444	99,444
		88,982	88,982	99,444	99,444
Total		**37,430,129**	**28,232,810**	**34,231,089**	**25,193,461**

4.7. Credit Risk Mitigation

Credit risk mitigation is of vital importance to CEP in the effective management of its counterparty and credit risk exposures. As indicated elsewhere in this disclosure, netting, collateral and other techniques have a material beneficial impact on the level of such risks borne by the organisation. The following paragraphs contain more information on our policies and procedures in this area.

Valuation

Collateral haircuts may be applied in the form of Instrument Margins and Foreign Exchange Margins where appropriate. With regards to Instrument Margins, the level of haircut is driven by asset type and duration to maturity whereas a Foreign Exchange Margin arises when there is a currency mismatch between the credit exposure and the collateral. CEP has sound and well managed systems and procedures for requesting and promptly receiving additional collateral for transactions whose terms require maintenance of collateral values at specified thresholds as documented in the respective legal agreements.

Reporting

CEP has procedures in place to ensure that appropriate information is available to support the collateral process and that timely and accurate margin calls feed correctly into the margin applications from upstream systems. Key to the process is a daily credit exposure report as well as reports identifying counterparties that have not met their requirement for additional collateral to satisfy specified initial margin amount and variation margin thresholds. In addition, there is firm wide risk reporting of counterparty exposures at an individual and an aggregated level.

Collateral Concentrations

Apart from the concentration of cash and high grade liquid bonds such as AAA Rated U.S. Treasury, OECD Government or U.S. Agency bonds, there were no other material concentrations of collateral as at 31 December 2014.

Table 15 sets out the exposure value that is covered by eligible financial collateral and guarantees as at 31 December 2014 and 31 December 2013.

Wrong Way Risk

An integral aspect of portfolio management is overseeing concentrations. Portfolio management is further complicated when the assumption of independence between potential Exposure and potential Default proves not to be true. The interdependence between the Exposure and any underlying or Collateral can exacerbate and magnify the speed in which a portfolio deteriorates. For this reason, a best practice of portfolio management includes an assessment of correlated or Wrong Way Risks.

For CEP, primarily the Insurance Letter of Credit (ILOC) product may incur general wrong way risk in their business. Obligors are not permitted to post their own security as collateral, therefore specific wrong way risk is not applicable. In general, ILOC's are predominately issued by insurers and reinsurers. The performance of these obligors is not generally linked to capital market factors or in country economic issues.

Should general wrong way risk arise, in a circumstance where there was material correlation between the credit quality of the counterparty and either the value of the collateral or any significant degree of dependence between the risk to the counterparty and that of the collateral, then this aspect of general wrong way risk could be reflected through the acceptable collateral, which ensures that the quality and liquidity value of the collateral received is in excess of the credit extended. Other aspects of wrong way risk are monitored by credit and other analysis, such as the use of stress tests conducted on at least a bi-annual basis for the ILOC product.

General Wrong Way Risk will be applied for pledged securities only within the ILOC portfolio with the collateral comprising of circa. 95% Securities and 5% Cash

Credit Ratings Downgrade

CEP or its branches does not post collateral to any third party or other Citi entity therefore a downgrade in CEP's credit rating would not invoke the requirement for posting of additional collateral.

Table 15: Exposure values covered by eligible financial collateral and guarantees

	2014		
EUR Thousands	**Gross Value**	**Exposure covered by eligible collateral**	**Exposure covered by guarantee**
Central governments or central banks	4,294,456	72,105	-
Regional governments or local authorities	87,960	-	-
Public sector entities	84,383	-	-
International Organisations	42	-	-
Institutions	7,026,431	189,896	-
Corporates	21,272,872	8,922,356	-
Retail	1,300,915	-	-
Secured by real estate property	2,754	-	-
Exposures in Default	18,552	-	-
Short-term claims on institutions and corporates	3,249,844	9,273	-
Collective investments undertakings (CIU)	2,939	-	-
Other items	88,982	-	-
Total	**37,430,129**	**9,193,629**	**-**

Table 15: Exposure values covered by eligible financial collateral and guarantees

	2013		
EUR Thousands	**Gross Value**	**Exposure covered by eligible collateral**	**Exposure covered by guarantee**
Central governments or central banks	3,618,575	-	44,275
Regional governments or local authorities	97,640	-	-
Public sector entities	49,453	-	4,822
International Organisations	61,320	-	-
Institutions	7,828,497	71,956	80,000
Corporates	21,113,684	7,950,277	877,782
Retail	1,327,515	-	-
Secured by real estate property	2,850	-	-
Exposures in Default	26,749	-	359
Short-term claims on institutions and corporates	-	-	-
Collective investments undertakings (CIU)	5,362	-	-
Other items	99,444	-	-
Total	**34,231,089**	**8,022,233**	**1,007,238**

5. Market Risk

5.1 Trading Book Risk Management

Price risk in trading portfolios is monitored by Citigroup using a series of measures, including:

- Factor Sensitivities
- VaR
- Stress Testing

Factor sensitivities represent the change in the value of a position for a defined change in a market risk factor, such as a change in the value of a Treasury bill for a one-basis-point change in interest rates. Citigroup's independent market risk management ensures that factor sensitivities are calculated, monitored and, in most cases, limited, for all relevant risks taken in a trading portfolio.

Value at Risk (VaR) estimates the potential decline in the value of a position or a portfolio under normal market conditions. Citigroup's VaR methodology incorporates the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors and is expressed as the risk to the firm over a one-day holding period, at a 99% confidence level. Citigroup's VaR is based on the volatilities of and correlations between a multitude of market risk factors, as well as factors that track the specific issuer risk in debt and equity securities.

Stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements. It is performed on both individual trading portfolios, as well as on aggregations of portfolios and businesses. Citigroup's independent market risk management, in conjunction with the businesses, develops stress scenarios, reviews the output of periodic stress testing exercises and uses the information to make judgements as to the ongoing appropriateness of exposure levels and limits.

Each trading portfolio has its own market risk limit framework encompassing these measures as well as other controls, including permitted product lists and a new product approval process for complex products.

The VaR model, as described above, is designed to capture potential market losses at a 99% confidence level over a one day time period. The key components of the VaR model are the variance/covariance matrix of market variables and the sensitivity of Citi's trading portfolio to those variables. The variance/covariance matrix is calibrated using three years of market data, with volatilities adjusted to capture fat tail effects at a 99% confidence level over a one day period. Market variables simulated from the matrix by a Monte Carlo methodology are applied to a set of factor sensitivities to generate a forecast distribution of one day profit or loss, from which the VaR can be computed. The factor sensitivities are designed to capture all material market risks on each trading asset, including the non-linear risks associated with derivative portfolios.

The highest, lowest, mean and year end level of the daily VaR measure during 2014 and 2013 were as follows:

Table 16: Portfolio VaR

EUR Thousands	2014				*EUR Thousands*	2013			
	Highest	**Lowest**	**Mean**	**Year end**		**Highest**	**Lowest**	**Mean**	**Year end**
Portfolio VaR	9,566	1,882	5,931	5,087	**Portfolio VaR**	6,454	1,382	3,441	3,303

CEP employs top-down systemic stresses. Systemic stresses are designed to quantify the potential impact of extreme market movements on a firm-wide basis, and are constructed using both historical periods of market stress and projections of adverse economic scenarios.

CEP maintains the necessary systems, controls and documentation to demonstrate appropriate standards in respect of valuation, reporting, reserving and valuation adjustments.

5.1.1 Trading Book Risk Capital

To assess the trading book from a risk capital perspective, the current risk capital calculation is based on a 60 business day average of the 1 day combined VaR, which estimates the potential decline in the value of a position or a portfolio, under normal market conditions. This is then scaled to a 99.9% confidence level over a 1 year horizon.

5.2 Non-Trading Book Risk Management

One of CEP's primary business functions is providing financial products that meet the needs of its customers. Loans and deposits are tailored to the customer's requirements with regard to tenor, index and rate type. Net Interest Revenue (NIR) is the difference between the yield earned on the non-trading book portfolio assets (including customer loans) and the rate paid on the liabilities (including customer deposits or company borrowings). The NIR is affected by changes in the level of interest rates. For example:

- At any given time, there may be an unequal amount of assets and liabilities which are subject to market rates due to maturity or repricing. Whenever the amount of liabilities subject to repricing exceeds the amount of assets subject to repricing, a company is considered "liability sensitive." In this case, a company's NIR will deteriorate in a rising rate environment.

- The assets and liabilities of a company may reprice at different schedules or mature at different times, subjecting both "liability sensitive" and "asset sensitive" companies to NIR sensitivity from changing interest rates. For example, a company may have a large amount of loans that are subject to repricing this period, but the majority of deposits are not scheduled for repricing until the following period. That company would suffer from NIR deterioration if interest rates were to fall.

NIR in the current period is the result of customer transactions and the related contractual rates originated in prior periods as well as new transactions in the current period; those prior period transactions will be impacted by any changes in rates on floating rate assets and liabilities in the current period.

Due to the long-term nature of many of the firm's portfolios, NIR will vary from quarter to quarter even assuming no change in the shape or level of the yield curve as the assets and liabilities re-price.

Interest rate risk governance

The risks in CEP's non-traded portfolios are estimated using a common set of standards that define, measure, limit and report the market risk. Each business is required to establish, with approval from independent market risk management, a market risk limit framework that clearly defines approved risk profiles and is within the parameters of CEP's overall risk appetite. In all cases, the businesses are ultimately responsible for the market risks they take and for remaining within their defined limits. These limits are monitored by independent market risk management and CEP's Asset and Liability Committees (ALCOs).

Interest rate risk measurement

CEP's principal measure of risk to NIR is Interest Rate Exposure (IRE). IRE measures the change in expected NIR in each currency resulting solely from unanticipated changes in forward interest rates. Factors such as changes in volumes, spreads, margins and the impact of prior-period pricing decisions are not captured by IRE. IRE assumes that businesses make no additional changes in pricing or balances in response to rate changes.

The IRE measures the potential change in expected net interest earnings over an accounting horizon of 12 months and 5 years and has been broken down into the main currencies on CEP's balance sheet.

The following table shows the IRE measures at 31 December 2014 and 31 December 2013 assuming a parallel upward shift of interest rates by 100 bps. A positive IRE indicates a potential increase in earnings while a negative IRE indicates a potential decline in earnings.

Table 17: **Sensitivity of net interest income**

EUR thousands	2014		2013	
	12 Months	**2 Years**	**12 Months**	**2 Years**
EUR	(3,502)	(3,552)	(1,324)	(1,039)
USD	(594)	(320)	(4,194)	(3,031)
GBP	(392)	(404)	534	534
OTHER	(3,328)	(1,417)	(2,094)	(3,338)

5.2.1 Non Trading Book Risk Capital

CEP calculates risk capital based on a stochastic Interest Rate simulation for a one year holding period. The model covers essentially all non-traded positions related to interest rate risks in compliance with Citigroup Market Risk Management for Accrual Portfolio Policy.

The model generates 100,000 P&L scenarios, and then Risk Capital is estimated as the 99.9% percentile of the one-year P&L distribution.

6. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events. It includes the reputation and franchise risk associated with business practices or market conduct in which Citi is involved.

Operational Risk Management

Citi's operational risk is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework, consistent with Citi's Three Lines of Defence approach to Risk Management, includes:

- Recognised ownership of the risk by the businesses;
- Oversight by Citi's independent control functions; and
- Independent assessment by Citi's Internal Audit function.

Operational Risk Management, within Citi's Franchise Risk and Strategy group, proactively assists the businesses, operations, technology and other independent control groups in enhancing the effectiveness of controls and managing operational risks across products, business lines and regions. Furthermore, operational risks are considered as new products and businesses, operations, technology and other independent control groups in enhancing the effectiveness of controls and managing operational risks across products, business lines and regions. Furthermore, operational risks are considered as new products and business activities are developed and processes are designed, modified or sourced through alternative means.

Citi maintains a system of policies to anticipate, mitigate and control operational risk. A consistent framework has also been established for monitoring, assessing and communicating both operational risk and the overall operating effectiveness of the internal control environment. As part of this framework, Citi has a Manager's Control Assessment (MCA) process to help manager's self-assess key operational risks and controls and identify and address weaknesses in the design and operating effectiveness of related, mitigating internal controls.

Measurement

Information regarding CEP's operational risk management and measurement, historical losses and the control environment is reported and summarised for Senior Management and Governance Forums.

Operational risk is measured and assessed through risk and regulatory capital requirements. CEP has adopted the Standardised Approach for calculating the operational risk capital requirement. Under this approach, CEP's business activities are divided into business lines as prescribed in the CRR and a beta factor (12%, 15% or 18%) is applied to a 3-year rolling average of gross revenues. See Table 18

Risk governance and management

CEP Operational Risk and Outsourcing committee (OROC) maintains oversight over the adequacy and effectiveness of the operational risk framework and associated policies towards the anticipation and mitigation of operational risks associated with the activities of the Company and consistent implementation thereof, as well as appropriate management of all outsourcing, across the Company. It assesses the operational risks of the Company and filters relevant information to the Risk and Audit Committees. To further enhance oversight over outsourcing, the frequency of OROC meetings approving outsourcing proposals has increased to monthly.

In 2014, the responsibilities for oversight over operational risk have been split between CEP Audit and Risk Committee. The Audit Committee assumes prime responsibility for the 'Forensic' aspects of operational risk, which broadly cover past losses and control issues. The Risk Committee has responsibility for the 'Prospective' aspects of operational risk which broadly cover the risk of new losses and the related capital requirements. In 2014 CEP has introduced Operational Risk Scenario Analysis, as a forward-looking tool to manage operational risk, involving the identification and assessment by business managers and risk management experts of potential events with low probability but high severity. The Citi Operational Risk Excellent project is looking at predictive methods of identifying operational risk and embedding the risk culture within the Company.

Insurance

CEP does not use insurance for the purpose of mitigating operational risk.

Operational Risk Capital

To calculate internal risk capital, CEP leverages a standalone legal entity estimate calibrated at a 99.9% confidence level. The model is based on fitting available internal and external data to Generalised Pareto distributions, leading to a capital estimation formula that entails the annual frequency of losses at ≥$1million, the tail (i.e. severity) parameter derived from the fitted distribution.

Table 18: **Minimum capital requirements in respect of operational risk by business line**

EUR Thousands	**2014**	**2013**
Business Lines	**Capital Requirement**	
Trading and Sales	89,291	82,669
Retail Brokerage	840	704
Commercial Banking	42,234	41,078
Retail Banking	15,370	17,513
Payment and Settlement	60,575	61,120
Agency Services	7,339	7,272
Total	**215,649**	**210,356**

7. 2014 Remuneration Statement

7.1. Citi's Compensation Philosophy

Citi aims to implement a broadly consistent global philosophy and framework in relation to its remuneration policies and practices.

Citi's compensation objectives for 2014, as outlined below, have been specifically crafted to encourage prudent risk-taking, while attracting, motivating and retaining world class talent necessary to see the Company through to success:

Shareholder Alignment

- Compensate executives through an objective framework that aims to strengthen the link between pay and performance by using a balanced scorecard approach with financial metrics and non-financial objectives that, in combination, are expected to improve risk-adjusted returns to shareholders.
- Provide meaningful portions of incentive compensation in the form of equity to help build a culture of ownership and to align employee interests with those of shareholders and other stakeholders.
- Require that executive officers maintain an ownership of 75% of the net shares acquired through incentive compensation programs and that they hold a substantial amount of vested Citi stock for at least one year after the end of their service as executive officers.
- Defer the delivery of significant portions of incentive compensation with vesting over a number of years and tie the amounts delivered to longer-term performance of the company to better link long-term shareholder value creation to the interests of management and to enhance alignment with risk outcomes.
- Provide for clawbacks in cases of improper risk-taking and material adverse outcomes in the years following the awarding of incentive compensation.
- Size incentive compensation to reflect company performance as well as industry and environmental factors, while maintaining strong capital levels.
- Recognise capital planning outcomes in senior management incentive compensation awards, to improve alignment with both shareholder interests and regulatory guidance.

Ethics and Culture

- Promote conduct based on the highest ethical standards through performance assessments, incentive compensation programs and, where appropriate, disciplinary actions, and communicate throughout the organization that acting with integrity at all times is the foundation of our business.
- Enhance a business culture that supports accountability and a zero-tolerance environment for unethical conduct, through appropriate compensation and employment decisions.

Risk Management

- Develop and enforce risk management controls that reduce incentives to create imprudent risks for Citi and its businesses, and that reward a thoughtful balance of risk and return.

- Exercise discretion within a framework designed to make appropriate trade-offs between risk and reward.

- Encourage prudent risk-taking through multiple incentive compensation program processes for all employees who manage or influence material risks, including (a) rigorous performance management processes, (b) bonus pool funding and individual bonus determination processes that reflect risk-adjusted performance, and (c) deferrals that keep a meaningful portion of incentives at risk for future performance outcomes.

- Evaluate incentive compensation program results on an iterative basis, recognizing that validation and monitoring may result in future changes.

- Communicate clearly to all employees that poor risk management practices and imprudent risk-taking activity will lead to an adverse impact on incentive compensation, including the loss of incentive compensation and the reduction or elimination of previously awarded incentive compensation.

- Differentiate compensation decisions based on demonstrated risk management behaviours.

- Appoint only independent directors to the Committee, to provide independent review and approval of the firm's overall compensation philosophy.

- Set expectations of management regarding risk balancing in incentive compensation programs engaging, where appropriate, independent advisors to assist the Committee. Such advisors should provide no other services to Citi.

- Involve Citi's control functions, including Independent Risk, Compliance and Internal Audit, in compensation governance and oversight.

Regulatory Guidance

- Design incentive compensation programs with the recognition that global regulation of bank incentive compensation is evolving and that Citi's programs must be responsive to emerging trends and best practices.

- Where appropriate, develop innovative and industry-leading approaches that reconcile regulatory considerations and other stakeholder interests in compensation structures and designs.

- Promote understanding of the design and implementation of incentive compensation programs by outlining compensation policies, procedures and practices in public disclosures.

Attract and Retain Talent

- Compensate employees based on ability, contributions and risk-adjusted performance demonstrated over time, balanced with appropriate recognition for short-term results and contributions.

- Provide compensation programs that are competitive within global financial services to attract the best talent to successfully execute the company's strategy.

- Differentiate individual compensation to reflect employees' current or prospective contributions, based on both financial and non-financial performance such as risk and compliance behaviour, and to reward those employees who demonstrate ingenuity and leadership.

- Provide discretionary incentive compensation, including equity awards, that is variable within guidelines prescribed by management and the Committee using a rigorous objective framework of goal-setting and performance evaluation for all highly paid professionals.

- Clearly and consistently communicate Citi's approach to compensation throughout the year, cascading such communications broadly to employees through key value statements such as Citi's Code of Conduct and the statements and actions of senior management and managers generally.

7.2. Remuneration Governance

Global Remuneration Committee

The Personnel and Compensation Committee (P&C Committee) of the Board of Directors of Citigroup Inc., oversees Citi's global remuneration policies and practices. It annually reviews the compensation structures for members of senior management and other highly compensated or regulated individuals. The P&C Committee, with the assistance of the Chief Risk Officer, also reviews the design and structure of compensation programs relevant to all employees in the context of risk management.

The P&C Committee's terms of reference are documented in the P&C Committee Charter, which establishes the scope and mandate of the P&C Committee's responsibilities and the general principles governing the remuneration policy of the firm globally. The Charter (updated for 2015) is available online at: http://www.citigroup.com/citi/investor/data/percompcharter.pdf?ieNocache=248

The P&C Committee members are all independent non-executive directors, selected and appointed on account of their background and experience in business and their capability to fulfil their responsibilities as P&C Committee members. For the performance year 2014, the P&C Committee members were: William S. Thompson, Jr. (Chairman), Dr Judith Rodin, Diana L. Taylor and Michael E. O'Neill. Compensation paid to P&C Committee members is set out on page 41 of the 2015 Proxy Statement and biographies of members are set out on pages 31-39. The P&C Committee met 9 times in 2014 and each Director attended at least 75% of all meetings.

The 2015 Proxy Statement is available online at: http://www.citigroup.com/citi/investor/quarterly/2015/ar15cp.pdf?ieNocache=848

The P&C Committee is supported by Human Resources and Citi's control functions, including Independent Risk and Legal.

The P&C Committee also draws on considerable experience of the other non-executive directors of the Board of Citigroup Inc. It is also empowered to draw upon internal and external expertise and advice as it determines appropriate and in its sole discretion and Citi pays the fees of any such external advisors. The Committee appointed Frederic W Cook & Co ("Cook & Co") in 2012 to provide the Committee with independent advice on Citi's compensation programs for senior management. Cook & Co reports solely to the Committee and the Committee has sole authority to retain, terminate, and approve the fees of Cook & Co. Cook & Co does no other work for Citi.

CEP Remuneration Committee

In September 2014, the CEP Remuneration Committee (RemCo) was formed per

Regulation 83 (1) of SI 158 European Union (Capital Requirements) Regulations 2014.

The RemCo has responsibility for the preparation of decisions regarding remuneration, including those which have implications for risk and risk management of CEP and which are to be taken by the Board of Directors of CEP (Board). When preparing such decisions, the RemCo shall take into account the long-term interest of CEP's shareholders, investors and other stakeholders in CEP and the public interest. The role and responsibilities of the RemCo are set out in the Terms of Reference for the RemCo as approved by the Board.

The 2014 CEP RemCo comprised the EMEA Head of Corporate Banking, Global CRO for Public Sector and Independent Non-Executive Director.

EMEA Remuneration Committee

Prior to the formation of the RemCo and in accordance with applicable Irish law requirements, CEP operated a derogation, then available under the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2010. Such that during this time, CEP operated under the remit of the EMEA Remuneration Committee for the purpose of enabling CEP to discharge its obligations under applicable laws and regulations regarding remuneration.

The Europe Middle East & Africa "EMEA" region (EMEA RemCo), formed by Citi in 2010 is a sub-committee of the EMEA Governance Committee and provides regional oversight.

The EMEA RemCo reviews and approves Citi's compensation framework in the EMEA region to ensure that this is in line with business strategy and is consistent with and promotes effective risk management and does not encourage risk taking which exceeds the tolerated level of risk within Citi EMEA.

Material Risk Takers

In accordance with the EBA Guidelines on Remuneration Policies and Practices, Citi maintains a record of its Remuneration for Material Risk Takers, which comprises the categories of staff whose professional activities are determined as having a material impact on the firm's risk profile.

For the 2014 performance year, Material Risk Takers were identified using Citi's understanding of the European Banking Association's criteria for identifying staff as set out in the Commission Delegated Regulation (EU) No 604/2014.

7.3. <u>Design and Structure of Remuneration</u>

7.3.1 Fixed Remuneration – Salary and Benefits

Citi's fixed remuneration is set to appropriately attract, retain and motivate employees, in line with market practices, and is benchmarked against market data by role.

Pension and other non-cash benefits are offered to Citi EMEA employees as part of an overall reward package which is designed to be sufficiently competitive to attract, retain and motivate employees. Citi EMEA aims to provide common pension and other benefits across all units/business groups, which are competitive against the external market.

7.3.2 Variable Compensation

Discretionary Incentive and Retention Award Plan

Citi's Discretionary Incentive and Retention Award Plan (DIRAP) is Citi's main discretionary variable compensation plan, and applies globally. It is designed to incentivise, reward and retain employees based on their current and prospective performance and contribution. Awards made under the DIRAP are typically awarded in the form of cash and/or Citi stock.

Immediate Cash awarded for the 2014 performance year to Material Risk Takers under DIRAP is included under "2014 Cash" in Table 19.

Use of Stock and Deferred Cash as Deferred Compensation

Citi operates a mandatory deferral policy, where total annual variable compensation of an individual awarded under DIRAP exceeds globally set thresholds. For Material Risk Takers, 2014 variable compensation subject to deferral was typically awarded in the form of Citi stock and deferred cash. Citi believes that awarding deferred stock and deferred cash are effective means of aligning employee interests with those of stockholders and other stakeholders.

Deferred Equity Awards

The Capital Accumulation Program (CAP) is the main programme under which Citi may make awards of deferred Citi stock to selected employees. Deferred stock awards are subject to the terms of the CAP plan.

Deferred equity awarded under CAP to Material Risk Takers for the 2014 performance year is included in "2014 Equity" and EU Short Term Awards made to Material Risk Takers are included in "2014 Vested Outstanding" in Table 19**.** Prior years unvested CAP awards are included in the "Outstanding Deferred – Unvested" amounts in Table 19**.**

Short Term Equity Awards

Material Risk Takers receive a portion of their "immediate" variable incentive compensation in the form of an immediately vesting stock award (EU Short Term Award or "EUSTA"), which is subject to a 6-month retention period on vesting. EUSTA awarded for the 2014 performance year to Material Risk Takers under DIRAP is included under "2014 Vested Outstanding" in Table 19.

Deferred Cash Awards and Performance Share Units

A portion of 2014 deferred remuneration was awarded to Material Risk Takers in the form of a deferred cash award. Deferred Cash awarded for the 2014 performance year to Material Risk Takers is outlined in Table 19 as '2014 Deferred Cash'.

Deferrals and Retention Periods

Citi EMEA operates a standard or "default" deferral policy period of four years for non-Material Risk Takers, which it considers captures the duration of most risks in a proportionate manner.

Deferred variable compensation awarded to Material Risk Takers is awarded in the form of deferred stock and deferred cash. In accordance with EBA Guidelines, Material Risk Takers were subject to deferral rates of 40% to 100% depending on their level of total variable compensation. Deferred awards for Material Risk Takers vest over at least three years, subject to a further minimum six-month retention period once vested. In regards to the remaining portion of variable compensation, 10-30% is paid as immediately vesting stock (EUSTA) subject to a minimum six-month sales restriction and the remainder is paid in immediate cash.

Clawback

At Citi's discretion, for Material Risk Takers, the unvested deferred portion of the 2014 awards may be subject to adjustment based on the following:

- There is reasonable evidence of employee misbehaviour or material error; or
- There is reasonable evidence that an employee was involved with or responsible for conduct, which resulted in significant losses in connection with their employment or failed to meet appropriate standards of fitness and probity; or
- The firm or the relevant business unit suffers a material downturn in its financial performance; or
- The firm or the relevant business unit suffers a material failure of risk management; or
- The participant received the award based on materially inaccurate audited publicly reported financial statements; or
- The participant knowingly engaged in providing materially inaccurate information relating to audited publicly reported financial statements; or
- The participant materially violated any risk limits established or revised by senior management and/or risk management; or
- The participant engaged in gross misconduct.

Performance Based Vesting Condition

Deferred equity awards made to Material Risk Takers are subject to a formulaic performance based vesting condition that may result in the cancellation of all or part of unvested amounts in the event of losses in their relevant business.

Deferred cash awards made to Material Risk Takers are subject to discretionary performance based vesting, which may result in cancellation of unvested awards where an employee has significant responsibility for a material adverse outcome, such as events which lead to serious financial or reputational harm to Citi.

7.4. Key Remuneration Policies

Guarantees, Buyouts and Retention Payments

Guaranteed incentive awards for Citi EMEA employees can generally be made only in exceptional circumstances and by reference to the first year of service.

Guaranteed awards which buy out equity or similar instruments which are forfeited as a result of resigning employment with another employer and joining Citi EMEA are generally permitted but must not be more generous in either amount or terms than that provided by the former employer.

Guaranteed awards made for the purposes of retaining employees can only generally be made in exceptional circumstances, for example, during major restructuring, during a merger process; or where a business is winding down, such that particular staff needs to be retained on business grounds.

No guaranteed retention awards were made to Material Risk Takers in 2014.

Severance

Citi generally does not provide guaranteed levels of severance upon early termination of employment. Severance pay is generally discretionary unless otherwise required by local law or workplace agreements. Payments related to the termination of employment are designed in a way that does not reward failure.

Ratio of Fixed to Variable Remuneration

Citi seeks to balance the components of reward between fixed and variable, and between short term and long-term components. Annual fixed remuneration for senior employees is regularly reviewed by the P&C Committee. Citi operates a fully flexible remuneration policy, including the possibility to pay zero variable remuneration. For relevant employees, an annual review of the balance between fixed and variable compensation takes place and, where required, adjustments are made to the fixed element of pay to ensure that an appropriate balance of fixed versus variable continues to be maintained on an ongoing basis. The aggregate of fixed remuneration paid to Material Risk Takers for 2014 is set out in Table 19.

Following the introduction of CRD IV, Citi has obtained shareholder approval to apply a fixed to variable ratio of 1:2 for Material Risk Takers in 2014

Personal Hedging

Employees subject to the EBA Guidelines on Remuneration Policies and Practices are prohibited from engaging in personal hedging strategies or taking out remuneration or liability related contracts of insurance that undermine or may undermine any risk alignment effects of their remuneration arrangements.

In addition, Citi's Corporate Personal Trading Policy and Standards prohibits “Covered Employees” (separately defined for this purpose) and related persons from hedging in any manner (other than currency hedges) unvested restricted stock or deferred stock awarded under CAP or restricted shares, or otherwise having a financial interest in having Citi securities decline in value.

Certain “Covered Employees” are subject to restrictions on specific types of trading in Citi shares. The following transactions in Citi securities are prohibited:

- Short sales
- Sales of naked calls
- Purchases of puts for speculative purposes
- Speculative option strategies (i.e. straddles, combinations and spreads) when the Covered Employee does not have an underlying position in Citigroup securities that would permit the Covered Employee to make delivery if the options were to be exercised; and
- Any transactions related to the hedging of unvested CAP or Restricted shares

7.5. Link between Pay and Performance

Citi is committed to responsible compensation practices and structures. Citi seeks to balance the need to compensate its employees fairly and competitively based on their performance, while assuring that their compensation reflects principles of risk management and performance metrics that reward long-term contributions to sustained profitability.

Exceptional employees, and exceptional efforts by those employees, have been required to implement Citi's strategy where there continues, despite the downturn in certain businesses, to be worldwide competition for proven talent in many parts of the financial services industry and a difficult global economic climate.

Citi's compensation practices are constantly evolving to ensure that our incentive compensation programmes reduce the potential for imprudent risk-taking that may undermine Citi's business objectives and the franchise. Risk continues to be a primary consideration in designing Citi's compensation programmes. Further, Citi's performance management processes for all Citi employees is designed to ensure that discretionary pay decisions incorporate considerations of risk, as well as individual, business unit and overall Citi performance.

Citi's programmes incorporate both ex-ante and ex-post features to adjust for risk and current and future performance:

- At the Citi level, management has developed a robust process for risk-adjusting the annual incentive compensation pools for which annual incentive awards are made.
- Citi enhanced its performance evaluation process to formally integrate opinions of personnel from the independent control functions in the performance evaluations of Material Risk Takers.
- As noted above, deferred awards made to Material Risk Takers include a performance-based vesting (PBV) features and clawback provisions which may result in cancellation of unvested awards.
- A significant proportion of deferred awards is made in the form of Citi common stock and is therefore inherently performance-based. Citi has trading policies that limit hedging strategies that might otherwise undermine the risk alignment effects of their remuneration arrangements.
- Vesting of the deferred awards does not accelerate upon termination of employment except in the case of death, so an employee's interest remains aligned with those of stockholders even after termination of employment.

Individual Performance

One of Citi's key compensation principles is to "promote meritocracy by recognising employee contributions".

The performance assessment of all Material Risk Takers is based on individually tailored goals, and an assessment against Citi's Core Principles Statements:

- **Common Purpose:** One team, with one goal: serving our clients and stakeholders
- **Ingenuity:** Enhancing our clients' lives through innovation that harnesses the breadth and depth of our information, global network, and world-class products
- **Leadership:** Talented people with the best training who thrive in a diverse meritocracy that demands excellence, initiative and courage

- **Responsible Finance:**
  - Assesses appropriately risk/reward relationships when making business decisions, demonstrating particular consideration for the firm's reputation and safeguarding the bank by applying sound ethical judgement regarding business practices.
  - Identifies risk inherent in particular situations or transactions and its impact on any part of the Citi organisation.
  - Acts in a manner that is consistent with our commitment to fairness, value and dependability.
  - Adheres to Code of Conduct, corporate and business specific policies and considers appropriate controls as part of day-to-day responsibilities. (e.g., anti-money laundering)
  - Contributes to a 'no surprises' compliance culture by managing control issues with transparency and candour. Resolves issues, engaging others and escalating issues when appropriate. Recognises and communicates the importance of timely escalation.
  - Assures that risks, including money laundering, bribery and sanctions risks, are adequately identified, assessed, monitored, controlled and reported.
  - Is transparent and open in communications.

These Core Principles Statements incorporate risk management and non-financial performance factors by business area into the performance appraisal process.

Citi conducts an annual independent review process pursuant to which the control functions (Compliance, Finance, Independent Risk, Internal Audit and Legal) provide an evaluation of risk behaviours of Material Risk Takers. The risk behaviour rating from the independent review process is included in the performance evaluation system to inform the performance review conducted by the individual's manager. The performance evaluation system includes formal risk goals for all Material Risk Takers as well as a formal manager-provided risk rating.

Whilst the appraisal system reflects performance in the current year, any compliance or risk related breach in the previous performance period that is discovered in the current performance period will be taken into account when determining the individual's rating. For Material Risk Takers material errors which occur in a previous performance period but are discovered in the current performance period may result in an adjustment of unvested deferred compensation (i.e. clawback) and/or current year end variable compensation.

Remuneration of Control Function Employees

In terms of remuneration for employees in control functions, whilst remuneration levels are influenced by Citi's overall performance, individual compensation is determined within the function and pay decisions are based on assessments against measurable goals and targets which are set by each function. Compensation of Control Function employees is regularly benchmarked against external market data.

Citi maintains the independence of key control functions (e.g. Compliance and Risk) to minimise any scope for potential conflicts of interests. Accordingly, there should be no conflict of interest on account of any business' potential to influence individual awards in the control function. Citi ensures performance management and compensation decisions for function personnel are directed by function management, and not the business unit.

Table 19: Fixed & Variable Compensation for Material Risk Takers in CEP

Table 1: Fixed & Variable Compensation for Material Risk Takers in Citibank Europe Plc. (CEP)

2014 Performance Year

		2014 FIXED	2014 VARIABLE COMPENSATION AWARDED IN 2015 i).					OTHER VARIABLE COMPENSATION i).			
	Employees	Base Salary (MM EUR)	2014 Cash (MM EUR)	2014 Vested Outstanding (MM EUR)	2014 Equity (MM EUR)	2014 Deferred Cash (MM EUR)	Guarantees - Recruitment iii). (MM EUR)	Outstanding Deferred - Unvested ii). (MM EUR)	Outstanding Deferred - Vested ii). (MM EUR)	Buy-Out of Forfeited Deferrals from Prior Employer v). (MM EUR)	Severance (MM EUR)
CEP	**37**	**€ 9.68**	**€ 1.34**	**€ 1.25**	**€ 1.38**	**€ 1.38**	**€ 0.00**	**€ 3.21**	**€ 1.82**	**€ 0.00**	**€ 0.39**
Other MRT	34	€ 7.86	€ 1.17	€ 1.08	€ 1.17	€ 1.17	€ 0.00	€ 2.67	€ 1.31	€ 0.00	€ 0.39
Senior Management iv).	3	€ 1.82	€ 0.17	€ 0.17	€ 0.21	€ 0.21	€ 0.00	€ 0.54	€ 0.51	€ 0.00	€ 0.00
Grand Total	**37**	**€ 9.68**	**€ 1.34**	**€ 1.25**	**€ 1.38**	**€ 1.38**	**€ 0.00**	**€ 3.21**	**€ 1.82**	**€ 0.00**	**€ 0.39**

NOTES:

i). All USD Payments are converted to EUR using Dec 2014 EBA FX Rate (EUR/USD 1.248)

ii). Outstanding Deferred consists of:

a). Options -Outstanding Deferred Vested calculated by using fair value of options, fixed at grant less outstanding amortisation. Outstanding Deferred Unvested valuation equals remaining amortisation balance as at 27th

Table 19: Fixed & Variable Compensation for Material Risk Takers in CEP

2013 Performance Year

		2013 Fixed	2013 Variable Remuneration awarded in 2014 i)				Deferred remuneration i)	
	Employees	Fixed Pay (MM EUR)	2013 Cash (MM EUR)	2013 Vested Outstanding (MM EUR)	2013 Equity (MM EUR)	2013 Deferred Cash (MM EUR)	Outstanding Deferred - Unvested ii) (EUR MM)	Outstanding Deferred - Vested ii) (EUR MM)
Identified staff employed by CEP	26	**€ 7.61**	**€ 1.62**	**€ 1.25**	**€ 1.15**	**€ 1.15**	**€ 2.97**	**€ 1.91**

Notes:

i) 1 EUR : 1.3592 USD (December 2013)
ii) Outstanding deferred consists of shares valued using closing stock price as at 28 February 2014 (USD)
iii) There were no explicit ex-post performance adjustments applied for remuneration awarded in previous years.
iv) One buy-payment was made in 2013.
iv) No guaranteed variable remuneration awarded in 2013.
v) Severance payment was made to one employee in 2013.

28 identified staff reported to CBI, and these include 2 non-CEP staff

Table 20: 2014 Remuneration Banding for Annual Compensation of Individuals Earning at Least EUR 1 Million

Remuneration Banding for Annual Compensation of Individuals Earning at Least EUR 1 Million	
Citibank Europe Plc Performance Year 2014	
Total Compensation EUR	**Number of Individuals**
1,000,000 to 1,500,000	1
1,500,000 to 2,000,000	1
2,000,000 to 2,500,000	0
2,500,000 to 3,000,000	0
3,000,000 to 3,500,000	0
3,500,000 to 4,000,000	0
4,000,000 to 4,500,000	0
4,500,000 to 5,000,000	0
5,000,000 to 6,000,000	0
6,000,000 to 7,000,000	0
7,000,000 to 8,000,000	0
8,000,000 to 9,000,000	0
9,000,000 to 10,000,000	0
> 10,000,000	0
Total	2

Appendix 1: CEP Senior Management and Board Disclosures

The following senior management disclosures are made in accordance with CRR Article 435.2

Board Composition

The CEP Board of Directors is comprised of fourteen directors as follows:

Three Independent Non-Executive directors, meaning that they are considered to meet the criteria for independence.

Eight Non-Executive directors, being directors without executive management responsibility in CEP but who have executive management responsibilities within the Group.

Three Executive directors, being directors employed by CEP with executive day to day management responsibilities.

The CEP Board is committed to identifying and appointing the best qualified people to serve on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. The selection criteria for Non-Executive directors of CEP are designed to ensure that they bring an independent view point to the deliberations of the Board that is objective and independent of the activities of management and CEP. A key responsibility of the CEP Nomination Committee is to lead the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. The Board's breath of expertise is outlined in further detail in the biographical summaries later in this appendix.

All newly appointed Directors receive induction training which includes training on directors' duties under Irish law (currently: Companies Act 2014, relevant governance provisions of Statutory Instrument 158 of 2014 and the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013).

The Board is responsible for the appointment of the Chief Executive Officer and Senior Management with appropriate integrity and adequate knowledge, experience, skill and competence. Candidates are recruited and selected in accordance with Citi Human Resources standard recruitment policy and procedures.

All Senior Management appointments are required to comply with the relevant requirements of the CBI's Fitness & Probity Standards. The Nomination Committee is mandated to consider the appointment of Senior Managers.

Distinction Between the Roles of Executive and Non-Executive Directors

A fundamental distinction is drawn between the roles of executive and non-executive directors.
The Non-Executive directors shall have a knowledge and understanding of the business, risks and material activities of CEP to enable them to contribute effectively. The Independent Non-Executive directors shall comprise individuals with relevant skills, experience

and knowledge (such as accounting, auditing and risk management knowledge) who shall provide an independent challenge to the Executive directors of the board.

CEP's Audit Committee is comprised of three Independent Non-Executive directors. CEP's Risk Committee is comprised of a majority of Independent Non-Executive directors. The Chairperson of these committees set the agenda for the committee meetings. Dedicated support shall be available to Independent Non-Executive directors on any matter requiring additional and/or separate advice to that available in the normal Board process, including:

- Full and unhindered access to the business, which involves the receipt of detailed presentations given by business or control functions;

- Administrative support in the form of an assistant for the Chairman at CEP's Registered Office; and

- Technical training in the form of Board tutorials. These regular tutorials cover a wide range of subjects including: capital and liquidity requirements, anti-money laundering rules and recovery and resolution planning.

Table 21: Directorships held by Citibank Europe plc Board of Directors as of 31 December 2014

Name	Total number of Directorships
Professor Mary Lambkin	1
Jim Farrell	3
Breffni Byrne	8
Francesco Vanni d'Archirafi	11
Zdenek Turek	2
Rajesh Mehta	3
Bo Hammerich	2
Christopher Teano	2
Patrick Scally	2
Marc Luet	5
Deepak Jain	1
Aidan Brady	2
Tony Woods	4
Cecilia Ronan	4
Total	**50**

Directors' Board Membership & Experience

Executive Directors

Aidan Brady

Aidan Brady joined Citi in Dublin in 1985. His career in Citi Dublin has involved him managing the derivatives and financial engineering business, and heading the Treasury and Corporate Bank. He was appointed Citi Country Officer for Ireland in 1992. He is a Senior Credit Officer and is the Chief Executive Officer of Citibank Europe plc (CEP). In 2007, Aidan was appointed Citi Transaction Services Head for Western Europe with responsibility for 17 countries and in 2011 he was appointed as co-Citi Transaction Services Head of EMEA. Aidan is a Chartered Accountant, is the former President of the Institute of Bankers in Ireland and a founding Chairman of the Federation of International Banks in Ireland.

Cecilia Ronan

Cecilia Ronan has been employed by Citi since 2000 and is the Chief Administrative Officer for Citi Ireland with responsibility for the Citi Service Centre with over 1900 O&T employees and also oversees Marketing and Public Affairs. Cecilia is an executive director of Citibank Europe Plc and is a member of the entity's Board, Audit Committee and Management Committee as well as chairing the Related Party Lending Committee. Cecilia has responsibility for the oversight and governance of outsourcing for Citibank Europe Plc. Cecilia has a Bachelor of Civil Law (BCL) from University College Dublin and a Masters (MSc) in HR from Leicester University. Cecilia is also a member of the Board of the National College of Ireland.

Tony Woods

Tony joined Citi in June 1997. Prior to joining Citi, Tony worked with the Central Bank of Ireland for 18 years. During this period, he worked in various areas within the Central Bank of Ireland, including Financial Control; International Relations; Internal Audit and Banking Supervision. While with Banking Supervision, for almost 10 years, he had responsibility for the prudential supervision of Credit Institutions licensed by the Central Bank of Ireland. During this time Tony also lectured extensively on the subject of Management Accounting and Business Finance.

Tony is a Chartered Accountant and a member of the Institute of Bankers in Ireland. He also holds directorships with the following Citi entities: Citibank Europe plc, Citibank Holdings Ireland Limited, Citibank Employee Benefit Plan Trustees Ireland Limited and Citibank Pensions Trustees Ireland Limited, Tony is also on the Board of the International Financial Services Institute and is also a member of the Chartered Accountants in Banking Advisory Group.

Tony is the Head of Compliance for Citi Ireland and is also responsible for Compliance in Central Europe which includes Hungary, Czech Republic Romania, Slovakia, Bulgaria and Poland, which are also the locations of the CEP Branch Network together with other Citi Entities.

Prior to his current position, Tony was Head of Legal & Compliance within Citi

Ireland from 2001 – 2007 and the Head of Risk from 2007 - 2015.

Independent Non-Executive Directors

Breffni Byrne

Breffni Byrne is currently Chairman of TEDCASTLES Holdings and a non-executive director of Hikma Pharmaceuticals plc, a FTSE 100 company and CPL Resources plc, a listed recruitment company.

He was formerly chairman of AVIVA's General and Life Insurance businesses in Ireland and chairman of NCB Stockbrokers.

Breffni was also a non-executive director of Irish Life & Permanent plc, ARC Life and COILLTE TEORANTA. He also chaired the Audit Committee for the above companies.

Prior to becoming a non-executive director, he was Managing Partner of the Audit & Business Advisory Practice Arthur Andersen in Ireland and Director of Risk Management for the Andersen practices in the Middle East, India, Africa and the Nordic countries.

Breffni holds a Bachelor of Commerce & Master of Economic Science degrees from UCD and is a fellow of the Institute of Chartered Accountants.

Jim Farrell

Jim Farrell is an Independent Non-Executive Director of Citibank Europe plc and Chairman of the Audit Committee of the Courts Service. Jim was Chairman for the Irish Financial Services Regulatory Authority and a Board Member of the Central Bank of Ireland from 2008-2010. Jim was also a board member of the Irish Financial Services Regulatory Authority of Ireland from 2003-2008.

Prior to this Jim was Chief Executive of the National Development Finance Agency (NDFA) from 2002-2004 and a Director of the National Treasury Management Agency (NTMA) from 1991-2004. At the NTMA, Jim held two positions there as Director National Debt Management and Director of Operations.

Jim started his career with Citi in 1960. He held positions in the Accounting and Foreign Departments in New York and Jersey and the Channel Islands. During this period of time, he spent two years in the US Army. In 1969 Jim joined Citi in Ireland where he held a number of positions including Head of Corporate Banking. In 1986, he was appointed Country Corporate Officer for Citi in Ireland.

Jim studied Business Administration at City College New York and was drafted into the US army prior to graduation. He holds a Diploma in International Business Management from Columbia University and is also a Fellow of the Institute of Bankers in Ireland.

Mary Lambkin

Mary Lambkin is Professor of Marketing in the UCD School of Business where she teaches courses to undergraduate and postgraduate students and is involved in a range of research projects under the general heading of marketing strategy. Mary has written extensively on this subject in academic journals, and also writes commentaries on marketing topics of contemporary interest for professional publications.

Professor Lambkin has served as Head of the Marketing Group, as Dean of the UCD Business School and as a member of the Governing Authority of the university, and also holds a number of positions in companies and professional organisations outside the university.

Non-Executive Directors

Francesco Vanni d'Archirafi

Francesco Vanni d'Archirafi is the Chief Executive Officer of Citi Holdings, which comprises Citi's non-core assets and businesses. Prior to running Citi Holdings, he served as the Chief Executive Officer of Citi Transaction Services (CTS) since April 2009. Prior to being promoted to CEO of CTS, Francesco was the Global Head for Treasury and Trade Solutions (TTS), a major business division of Citi Transaction Services. He joined CTS in 2003 as the Region Head for Europe, Middle East and Africa.

Francesco began his career with Citi in 1983 as a Management Associate in New York before moving to the Corporate Bank in 1984, as a Relationship Manager in Lima, Peru, where he later took on the role of Treasury Marketing Manager. In 1986, he was appointed Country Treasurer for Peru, before moving to London in 1987 to launch Citibank's Southern Europe Structured Finance business. In 1993, he was appointed Corporate Finance Head for Italy, based in Milan. Three years later, he returned to London as the Global Co-Head for Mergers and Acquisitions. In 1998, Francesco was appointed the Market Manager for Iberia responsible for the Corporate Bank and customer relationships in Spain and Portugal. He was also appointed the Country Corporate Officer of Citigroup for Spain, based in Madrid. In 2001, he was named Chairman and CEO of Citibank International plc and the European Customer Group Executive for Citigroup's Corporate Bank headquartered in London; two years later he was asked to join CTS.

Francesco is the Chairman of Citibank Holdings Ireland Ltd and Chair of Citibank Europe plc. He serves on the Boards of the Citi Foundation, CitiFinancial Credit Company, Associates First Capital Corporation, PEFCO (Private Export Funding Corporation), Mapfre America S.A. and Business in the Community (BiTC), where he is the Vice Chair of BiTC's International Leadership Team. In addition, Francesco serves on the International Advisory Board of IESE and the Advisory Council for The Kogod School of Business at American University. He is the Chairman of Junior Achievement Worldwide, a member of its Board of Governors, and a Board member of Junior Achievement-Young Enterprise Europe.
Francesco is a Finance graduate of the American University in Washington DC where he received the Stanley I. Posner Award as the graduating senior with the highest overall academic average. He obtained his MBA in Finance and International Business from Columbia University in 1983.

Bo J Hammerich

Bo J Hammerich is the Portfolio Head for Global Public Sector. He is a Level 1 Senior Credit Officer and a Senior Securities Officer of the Bank. During his over 40 years with Citi he has held various management positions split equally between business/industry/marketing and risk responsibilities. In addition to his present London location, he has been based in New York, Paris, Rio de Janeiro, Stockholm, Riyadh and Tokyo. He is a Board Member of Citi Europe Plc and Citi Turkey A.S. He is also a member of Citi's Climate Council.

The Public Sector Risk Group is responsible for credit and market risk exposures to Governments, Central Banks, Ministries of Finance, Ministries of Infrastructure, Government Banks and other sovereign owned enterprises, as well as supranational entities and Export Credit Finance Agencies.

Mr. Hammerich is a native of Sweden and graduated from the University of Lund (Sweden) School of Economics with a Master of Business Administration in 1970. He attended Harvard Business School.

Deepak Jain

In February 2014 Mr. Jain was appointed as the Head of Operations and Technology for Citi's businesses in the Europe, Middle East and Africa Region representing approximately 18,000 direct staff in 55 countries. The O&T function incorporates operations units across the Corporate and Consumer businesses, technology including data centres, development and support, and enterprise infrastructure services such as real estate, procurement and employee services.

Mr. Jain joined Citigroup Japan in 2004 as Senior Manager in Technology Infrastructure and over a period of eight years, progressed into a number of roles including CIO for Citigroup Global Markets, Country Technology Head, Co-Head of Operations & Technology and Head of Operations & Technology whilst also serving on the boards of Citigroup Services Japan and Citibank Japan. In 2011, Mr. Jain moved to Australia as Head of Operations and Technology (O&T) for Citi Australia and New Zealand where his scope covered both corporate and consumer businesses.

Mr. Jain has a first class degree and doctorate in theoretical physics from the University of Newcastle-on-Tyne in the UK. Mr. Jain began his career in the financial industry working for the Union Bank of Switzerland (UBS) in Fixed Income Quantitative Architecture in London and New York. In 1998, he joined Dresdner Bank initially working in equities portfolio trading development before taking on the role of Chief Information Officer for Asia Pacific in 2000, covering application development, support and infrastructure based in Hong Kong then Japan.

Marc Luet

Marc Luet is the Head of Citicorp Consumer EMEA (Europe, Middle-East and Africa) and came back to Citi in this role in June 2010.

Marc has over 20 years of retail and cards experience. He was previously at Visa, where he served as President for CEMEA, an area covering 80 geographies, since 2008. Marc was responsible for Strategy, Marketing, Sales, Finance, Legal, Corporate Communications, and Regulatory Affairs for the region. He was also a member of the Operating Committee of Visa Inc.

Prior to Visa, Marc was CEO of Consumer Finance and Retail International for Fortis group (2005-2008) and CEO of Egg France (2002-2005). Prior to 2002 Marc spent 12 years at Citigroup where he held several Marketing, Risk and Operations positions in Europe and North America, before becoming successively the Consumer Business Manager in Hungary and in Belgium.

Marc has a BSc in Economics from the Panthéon Sorbonne University and is a graduate from Institut d'Etudes Politiques de Paris. He also holds an MBA from the Tuck School of Business Administration at Dartmouth College.

Rajesh Mehta

Rajesh Mehta is Regional Head of Treasury and Trade Solutions for Citi in Europe, Middle East & Africa (EMEA). He leads a team responsible for the provision of cash management and trade solutions to a broad range of customers including multinational corporations, top local companies, small and medium enterprises, governments and financial institutions.

Rajesh has been with Citi for 30 years and has held numerous roles across the globe throughout his career. He began working for Citi in India and then moved to Audit & Risk Review in Singapore, before moving on to become Cash Management and Trade Head for Indonesia, Global Transaction Services Head for Mexico and later Regional Cash Management and Trade Head for Latin America, based in Buenos Aires. In 2002, he was appointed Global Transaction Services Head for Sub Saharan Africa, based in Johannesburg. In January 2007, Rajesh moved to London to assume the role of Regional Payments Head for EMEA assuming responsibility for Cash Management products in October 2007 and additionally Trade products in 2008. He has been in his current role since May 2013.

Rajesh sits on Citi's Operating Committee for Europe, Middle East and Africa and on the Boards of Polaris Financial Technology Limited as well as Citibank A.S, Turkey and Citibank Europe Plc.

Rajesh holds a Bachelors (Hons) degree in Economics from St. Stephen's College, Delhi University and an MBA from the Indian Institute of Management, Ahmedabad.

Patrick Scally

Patrick Scally is the Franchise Controller for Citi in EMEA (Europe, Middle-East and Africa).

Patrick has 22 years of banking experience. He is currently a member of the Board of Directors of both CEP and Citibank A.S. Turkey. He serves on a number of Regional Governance Committees as well as on the Risk Committee for CEP and the Audit Committee for Citibank A.S. Turkey.

Prior to this role Patrick held a number of senior positions including Franchise Controller for CEEMEA (Central Eastern Europe, Middle East and Africa), Head of Equity Product Control, Manager of Operations Control and Head of FX and Local Markets Product Control.

Patrick has a Bachelor of Science degree and a postgraduate Diploma in Business Studies from the National University of Ireland, Galway. He is a Fellow of the Association of Chartered Certified Accountants.

Chris Teano

Chris Teano manages a team consisting of more than 130 country counsel located in

33 countries, (excluding the United Kingdom) supporting Citi's businesses in Europe, the Middle East and Africa. The country counsels advise the business on local legal issues relevant to the products and services that are provided to Citi's customers in EMEA. The country counsels are also responsible for corporate governance, relations with local regulators, and compliance with local and U.S. banking laws and regulations.

Prior to his current assignment, from 1998 through 2003, Chris managed a team of lawyers located in New York who supported Global Loans Capital Markets; Project and Structured Trade Finance, Asset Finance; Asset Based Finance; Capital Structuring; Securitization; the Global Relationship Bank; and Institutional Recovery Management. Chris supported IRM and Global Loans directly. In this period, Chris played a key role in the development and dissemination of the CMB Anti-tying Policy and the Structured Finance Policy.

Chris joined Citigroup in 1993 as the deputy to the Regional Counsel for Central and Eastern Europe, Middle East and Africa. From 1984 through 1993, he was an associate with Milbank, Tweed, Hadley & McCloy. Chris is a graduate of Stanford Law School (J.D.) and Brown University (A.B. in History and International Relations).

Zdenek Turek

Zdenek Turek currently oversees all of Citi's franchises in Western Europe (19 countries) and is also responsible for Citi's Corporate Banking business in Europe, Middle East and Africa. He is based in London.

Until 2013 Zdenek served as CEO of Central and Eastern Europe and Citi Country Officer for Russia, based in Moscow. Citi's business in the Cluster covered eight countries across Central and Eastern Europe. From 2005 to 2008, Zdenek was Citi Country Officer for South Africa and Division Head for Africa with responsibility for the bank's business in the 16 countries where Citi has a presence.

From 2002 to 2005, Zdenek was Citi Country Officer for Hungary and also oversaw the Central European cluster of five countries including Hungary, Czech Republic, Romania, Slovakia and Bulgaria. Zdenek joined Citi in 1991 in Prague, where he held a number of banking and corporate finance management roles before moving to Citi Romania in 1998 as Citi Country Officer.

Prior to joining Citi, Zdenek worked for the Central Bank of Czechoslovakia and A.I.C., a management consulting company.

Zdenek graduated with an MA in Finance and Banking from University of Economics, Prague in 1986. His further studies included the Advanced Management Development Program at the Wharton School of the University of Pennsylvania in 1997 and the Executive MBA program at INSEAD, from which he graduated in 2010.

Appendix 2: 2014 Asset Encumbrance Disclosures for CEP

Asset encumbrance is a claim against a property by another party, in the context of finance such claims have traditionally taken the form of security interests. In essence, asset encumbrance measures the level of available assets which could be used as collateral - collateral given encumbers assets. The main regulatory concern around asset encumbrance is the impact on credit risk for unsecured depositors; encumbrance reduces the level of assets available in the event of a default by a bank.

The EBA definition of Asset Encumbrance is:

"An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn"

The asset encumbrance disclosure has been produced in line with CEP's interpretation of the 2014 European Banking Authority ("EBA") Guidelines on disclosure of encumbered and unencumbered assets and the tables below are based on the official EBA reporting templates pertaining to Asset Encumbrance under CRD IV.

CEP had an encumbrance ratio of 9% as at 31 December 2014.

Table 22: Asset Encumbrance – Analysis of Assets

	2014			
	Encumbered Assets		Unencumbered Assets	
Eur Thousands	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets of the Reporting Institution				
Loans on Demand	356	-	3,899	-
Equity Instruments	-	-	-	-
Debt Securities	-	-	2,395	2,395
Loans and Advances other than Loans on Demand	1,382	-	12,194	-
Other Assets	244	-	793	-
Total	**1,982**	**-**	**19,281**	**2,395**

Table 23: Asset Encumbrance – Analysis of Collateral Received

	2014	
Eur Thousands	**Fair value of encumbered collateral received or own debt securities issued**	**Fair Value of Collateral Received or Own Debt Securities Issued Available for Encumbrance**
Collateral Received by the Reporting Institution		
Loans on Demand		
Equity Instruments		
Debt Securities	180	193
Loans and Advances other than Loans on Demand		
Other Collateral Received		1,620
Own Debt Securities Issued Other than Own Covered Bonds or ABSs		
Total	**180**	**1,813**

Table 24: Asset Encumbrance – Encumbered Assets/Collateral Received and Associated Liabilities

	2014	
Eur Thousands	**Matching Liabilities, Contingent Liabilities or Securities Lent**	**Assets, Collateral Received and Own Debt Securities Issued other than Covered Bonds and ABSs Encumbered**
Carrying Amount of Selected Financial Liabilities	**1,814**	**2,162**