



**Citigroup Inc.
October Submission**

Section I: Public Section

October 1, 2016

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A. Introduction and Description of Citi's Resolution Strategy

A.1. Overview

Over the past several years, Citi has become a simpler, smaller, safer, and stronger institution and is now more resilient against failure than it was during the financial crisis. As of June 30, 2016, Citi had a Common Equity Tier 1 Capital ratio of 12.5%, well in excess of the regulatory threshold of well-capitalized, and approximately \$395 billion in high-quality liquid assets (HQLA). Citi had an average Liquidity Coverage Ratio (LCR) of 121% for the second quarter of 2016.

Citi has also developed a single point of entry resolution strategy that, in the unlikely event Citi fails, is focused on maintaining the continuity of Citi's operations and maximizing the value of the bankruptcy estate for the benefit of the creditors of Citigroup Inc. (Citigroup Parent). Based on Citi's available pool of loss-absorbing resources and liquidity, Citi believes that neither the U.S. government nor the FDIC's Deposit Insurance Fund would incur losses as a result of Citi's failure. Citi also believes that its resolution planning and execution capabilities as well as its financial resources would help minimize the impact of a potential resolution event on the U.S. and global financial system, depositors, and counterparties.

Citi is committed to continuing the evolution of its business model and to strengthening its resolution planning and execution capabilities. Citi has invested considerable resources to simplify its business model and legal entity structure to be more efficient and more resolution friendly. Citi has also invested significant resources to address the shortcomings identified by the Federal Reserve and FDIC in a letter sent to Citigroup Parent on April 13, 2016 (April 2016 Feedback Letter). As required by the Federal Reserve and FDIC, Citi will have fully addressed all shortcomings identified in the April 2016 Feedback Letter by July 1, 2017. In addition, Citi is committed to making more than one hundred enhancements in its 2017 resolution plan or resolution planning capabilities, based on the new guidance issued by the Federal Reserve and FDIC (2017 Guidance).

Citi's single point of entry resolution strategy has been developed based upon a hypothetical idiosyncratic failure scenario and on assumptions provided to Citi by regulators. It does not reflect Citi's view of likely future events and is not designed to do so. Instead, it provides a set of steps, based upon those assumptions, that Citi would take to safely resolve the company without reliance on taxpayer funds in the unlikely event that Citi were to fail.

This public section of Citi's 2016 submission is divided into four parts.

- Section A describes how Citi's single point of entry resolution strategy is designed to minimize the impact on the U.S. and global financial system, taxpayers, depositors, and counterparties, while maximizing the value to the bankruptcy estate for the benefit of Citigroup Parent's creditors.
- Section B describes the actions that Citi has taken or will take before July 1, 2017 to address the shortcomings identified in the April 2016 Feedback Letter.

- Section C describes other key actions that Citi has taken over the past several years to improve Citi's resolution capabilities and enhance practices that support recovery and resolution planning.
- Section D discusses governance considerations.

A.2. SPOE Strategy

Citi's preferred resolution strategy is single point of entry (SPOE Strategy). In the unlikely event that Citi were to fail, the SPOE Strategy is designed to achieve several critical objectives. These include minimizing the impact of Citi's resolution on the U.S. and global financial system, depositors, and Citi's other customers and counterparties, and avoiding reliance on taxpayer funds. In line with the proposed rule on total loss-absorbing capacity (TLAC) and the stated policy of the prudential bank regulators, one of the principles of post-resolution crisis resolution planning is that shareholders and unsecured creditors of the top-level holding company, Citigroup Parent, would absorb any losses. Additional objectives in Citi's resolution strategy include preserving the going concern values of Citi's key subsidiaries to maximize the value of the bankruptcy estate for the benefit of Citigroup Parent's creditors and enabling the continuity of Citi's critical operations throughout the resolution process.

Citi has defined a number of its key operating and service subsidiaries as Material Legal Entities (MLEs). MLEs are those entities that are significant to Citi's Core Business Lines (CBLs) or Critical Operations (COs). Operating MLEs contain Citi's risk taking businesses while service MLEs house non-risk taking shared service functions, the costs of which are paid for by operating entities. Under the SPOE Strategy, Citi's operating MLEs would be recapitalized prior to the failure of Citigroup Parent so that they would have the financial resources to continue operating during the resolution period.

To facilitate the recapitalization of its operating MLEs under the SPOE Strategy, Citi expects to establish Citicorp, an existing wholly-owned subsidiary of Citigroup Parent and current parent of Citibank, N.A. (CBNA), as the intermediate holding company (IHC) for some, if not all, of its operating MLEs. After Citicorp is established as Citi's IHC, Citigroup Parent expects to make an initial contribution of assets, including certain HQLA and inter-affiliate loans, to Citicorp, and Citicorp will become the business as usual funding vehicle for certain MLEs. If Citigroup Parent were to enter bankruptcy proceedings, Citi's operating MLEs would receive liquidity and capital support from Citicorp pursuant to a contractually binding mechanism, the Citi Support Agreement, which Citi intends to execute before July 1, 2017, subject to final approval by the board of directors of Citigroup Parent. The recapitalization of Citi's operating MLEs under the SPOE Strategy is designed to ensure that they remain solvent and fully operational to minimize the disruption to the financial system resulting from a Citi resolution event. Under the SPOE Strategy, only Citigroup Parent would enter into bankruptcy proceedings, and Citigroup Parent's shareholders and unsecured creditors, including unsecured debtholders, would bear any losses.

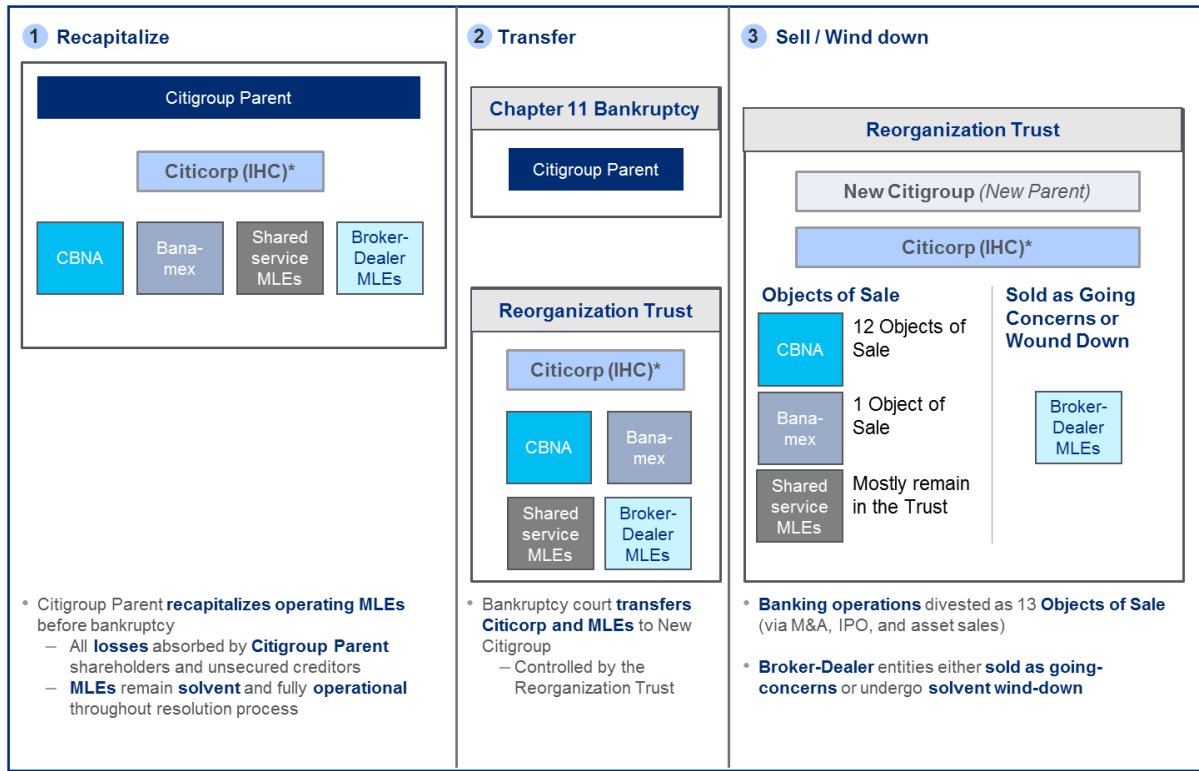
In connection with Citigroup Parent's entry into bankruptcy, the MLEs, IHC, and Citi's other subsidiaries would be transferred to a newly-created bank holding company, New Citigroup, which would be held by a Reorganization Trust for the ultimate benefit of Citigroup Parent's creditors. The MLEs would

eventually be wound down or divested pursuant to Citi's multiple acquirer strategy, as discussed below. The proceeds of these dispositions would become part of the bankruptcy estate and would ultimately be distributed to Citigroup Parent's creditors.

Citi's multiple acquirer strategy was developed to enable multiple different parties to acquire Citi's businesses, taking into consideration the particular requirements and challenges of a resolution scenario. Under the multiple acquirer strategy, Citi's broker-dealer entities would be wound down or sold as a going concerns, and its banking businesses would be divested through a series of M&A transactions, initial public offerings, and asset sales.

Each business segment, or Object of Sale, divested under the multiple acquirer strategy would be significantly smaller and less systemically important than Citi is today. Citi has identified a recommended strategy for the sale or disposition of each of its Objects of Sale using the mandated assumptions of the resolution regulations and guidance. These sales are not a long-term, value-maximizing strategy for Citi shareholders and do not represent the current business strategy of Citigroup Parent's board of directors or management. Rather they represent a means to dispose of business segments in a specific resolution scenario.

The exhibit below presents a high-level overview of the process for implementing the SPOE Strategy.



* Citi expects to establish Citicorp as the IHC for some, if not all, of its MLEs

Citi Support Agreement

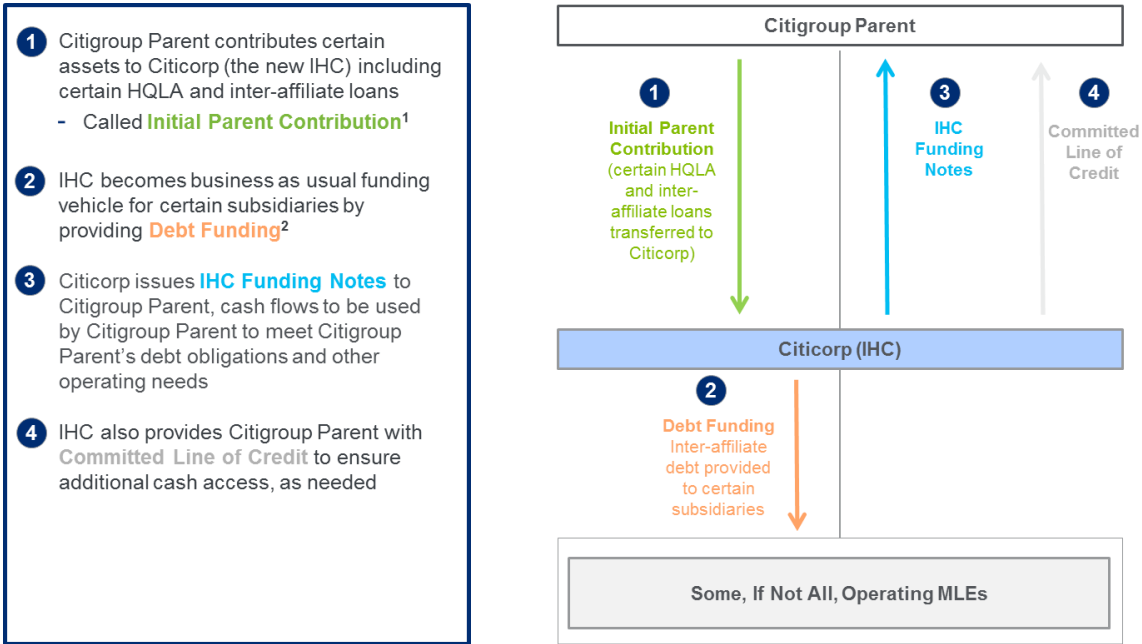
The April 2016 Feedback Letter and 2017 Guidance state that Citi should consider entering into a contractually binding mechanism to provide capital and liquidity support to its subsidiaries prior to Citigroup Parent’s bankruptcy filing. Citi intends to execute the Citi Support Agreement before July 1, 2017, subject to final approval by the board of directors of Citigroup Parent. The Citi Support Agreement will be an inter-affiliate agreement that will, among other things, set specific triggers and actions related to the recapitalization of the operating MLEs. The Citi Support Agreement is designed to strengthen the SPOE Strategy and to ensure that operating MLEs can avoid individual resolution proceedings.

To facilitate the operation of the Citi Support Agreement, Citi expects to establish Citicorp as the IHC for some, if not all, of its operating MLEs. Around the time the Citi Support Agreement is executed, Citigroup Parent expects to make an initial contribution of assets, including certain HQLA and inter-affiliate loans, to Citicorp, and Citicorp will become the business as usual funding vehicle for certain MLEs.

Citi also expects the Citi Support Agreement to provide two mechanisms, besides Citicorp’s issuing of dividends to Citigroup Parent, under which Citicorp would upstream cash to Citigroup Parent to fund its debt service and other operating needs: (i) one or more funding notes issued by Citicorp to Citigroup

Parent (IHC Funding Notes) and (ii) a committed line of credit under which Citicorp may make loans to Citigroup Parent (Committed Line of Credit).

The following exhibit illustrates the potential business as usual end-state structure upon implementation of the Citi Support Agreement:

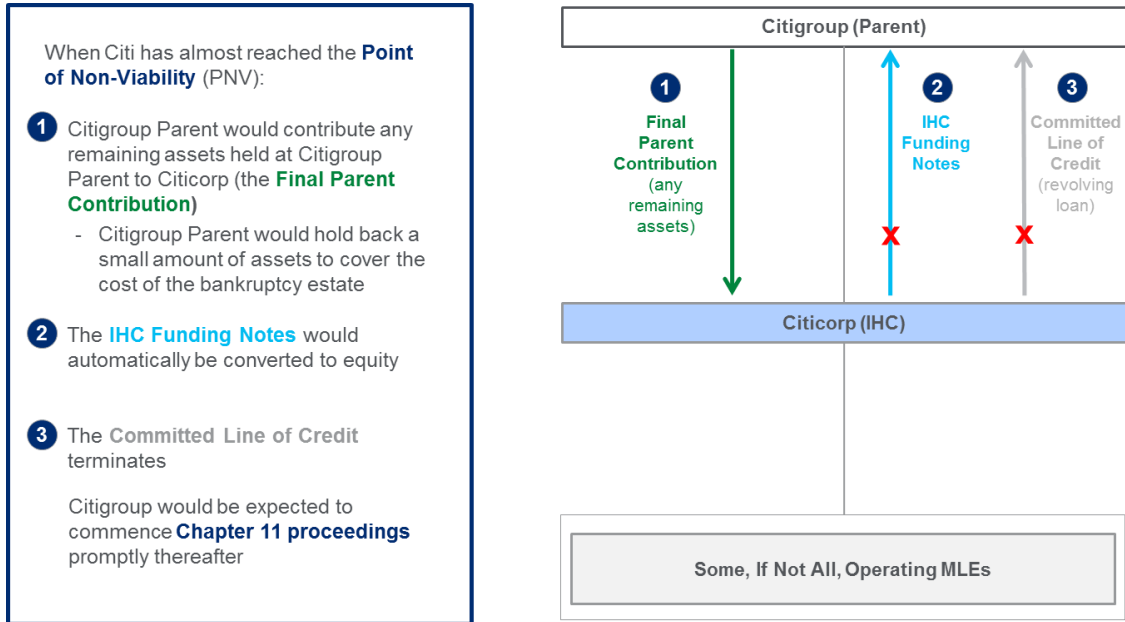


- 1 Citigroup Parent contributes certain assets to Citicorp (the new IHC) including certain HQLA and inter-affiliate loans - Called **Initial Parent Contribution**¹
- 2 IHC becomes business as usual funding vehicle for certain subsidiaries by providing **Debt Funding**²
- 3 Citicorp issues **IHC Funding Notes** to Citigroup Parent, cash flows to be used by Citigroup Parent to meet Citigroup Parent's debt obligations and other operating needs
- 4 IHC also provides Citigroup Parent with **Committed Line of Credit** to ensure additional cash access, as needed

1. Citigroup Parent will make additional contributions of certain similar assets if/when it acquires those assets.
 2. In addition to debt funding, Citicorp will provide equity funding to MLEs that are in its ownership chain.

In a resolution scenario, the Citi Support Agreement would require Citigroup Parent to transfer most of its remaining assets to Citicorp just before Citigroup Parent enters bankruptcy proceedings. At the time of this transfer, the IHC Funding Notes would automatically convert to equity. From the perspective of Citigroup Parent, this conversion would have the effect of transforming an asset on Citigroup Parent's balance sheet from a loan asset (the IHC Funding Notes) into an equity asset (an equity investment held in its subsidiary Citicorp). From the perspective of Citicorp, the conversion would have the effect of transforming a loan obligation owed to Citigroup Parent into an increase in Citicorp shareholders' equity. That equity would be owned by Citigroup Parent. Finally, at the time of the transfer, the Committed Line of Credit would terminate.

The following exhibit illustrates the change in funding flows that would occur as a result of a potential failure of Citigroup Parent once the Citi Support Agreement is executed:



Citicorp would provide all operating MLEs, including any operating MLEs that are not subsidiaries of Citicorp, with capital and liquidity support as needed throughout the resolution period. The obligations of Citigroup Parent and Citicorp under the Citi Support Agreement are anticipated to be secured pursuant to a security agreement.

Timeline of Resolution Events

In developing the SPOE Strategy, Citi has laid out a detailed timeline and identified the actions Citi would take to execute its resolution plan. The timeline for resolution is organized into four distinct periods:

Stress Period

The Stress Period would begin with a shift from business as usual conditions to a period of heightened stress. The resolution plan contemplates that during any Stress Period Citi would experience a certain level of capital degradation and liquidity outflows and that Citi would take a number of recovery actions to replenish its capital and liquidity levels. During the Stress Period, Citi would begin increased monitoring of the capital and liquidity positions of the firm as a whole and its individual MLEs.

Runway Period

The Runway Period would begin if the recovery actions taken to replenish capital and liquidity levels were ineffective and resolution were determined to be unavoidable. During the Runway Period, Citi's resolution plan contemplates further capital degradation and liquidity outflows. The resolution plan also

identifies Runway Period actions, some of which Citi has already taken, to help facilitate an orderly resolution including:

- Operationalizing the SPOE Strategy through the preparation of Chapter 11 bankruptcy documentation, as well as additional actions relating to employee retention, facilitating shared services continuity, and maintaining the availability of information systems;
- Coordinating with regulators, financial market utilities and key external stakeholders, and facilitating the orderly transfer of certain customer accounts; and
- Overseeing the capital, funding and liquidity needs of operating MLEs, including providing capital contributions as necessary.

Near the end of the Runway Period, as Citi approached the point of non-viability, Citigroup Parent would transfer its remaining assets to the IHC pursuant to the Citi Support Agreement, except for those assets needed to fund its administrative expenses during its bankruptcy proceedings.

Stabilization Period

The Stabilization Period would begin with the hypothetical point of non-viability, the point at which Citigroup Parent would file for Chapter 11 bankruptcy. Citigroup Parent, with bankruptcy court authorization, would create a Reorganization Trust and it is expected that the bankruptcy court would transfer control of the IHC and all MLEs to a newly-created bank holding company, New Citigroup. The shares of New Citigroup would be held by the Reorganization Trust for the sole benefit of Citigroup Parent's bankruptcy estate and its creditors. The trustees of the Reorganization Trust would be unaffiliated with Citi. During this period, the Reorganization Trust and New Citigroup would take actions to stabilize and strengthen its MLEs even as it continues to face liquidity outflows and constrained funding. These actions would include:

- Executing key structural steps necessary to implement the SPOE Strategy, such as assisting the Reorganization Trust in establishing New Citigroup;
- Taking actions to reestablish access to markets for Citi's MLEs;
- Taking actions designed to ensure operational continuity; and
- Managing funding and liquidity needs for Citi's MLEs.

Post-Stabilization Period

After a certain period of time, market conditions and the financial condition of New Citigroup would stabilize. During the Post-Stabilization Period, the Reorganization Trust would execute the sale, initial public offering, or wind-down of the businesses held in New Citigroup.

Post-Resolution Period

At the end of the Post-Stabilization Period, after the sale or initial public offering of the banking entities and the wind-down or sale of the broker-dealer entities, all of the remaining assets of New Citigroup (after the payment of fees and expenses owed by the Reorganization Trust) would be transferred to the Citigroup Parent bankruptcy estate for distribution to Citigroup Parent's creditors and stakeholders. Once the Chapter 11 bankruptcy of Citigroup Parent is complete, the Reorganization Trust would be dissolved.

B. Actions Undertaken and Planned Actions to Address Shortcomings

The Federal Reserve and the FDIC identified three shortcomings in their April 2016 Feedback Letter that Citi is required to address in its 2017 resolution plan. The shortcomings identified are directed at three separate aspects of Citi's 2015 resolution plan: (i) Governance Mechanisms, (ii) Derivatives & Trading Activities, and (iii) Liquidity.

The sections below provide additional information about each of the shortcomings identified by the Federal Reserve and the FDIC, as well as the actions that Citi has undertaken or plans to undertake by July 2017 to address these shortcomings.

B.1. Governance Mechanisms

The first shortcoming identified by regulators in their April 2016 Feedback Letter related to Governance Mechanisms and contained two parts: (i) playbooks and triggers and (ii) pre-bankruptcy parent support.

- **Playbooks and Triggers.** The first part of the governance mechanism shortcoming related to the Citi's 2015 Trust Structure Playbook and indicated that this playbook needed to describe Citi's entry into resolution in more detail. To address this shortcoming, Citi's 2017 resolution plan is required to include clearly defined triggers linked to specific actions for the:
 - Escalation of information to senior management and the board(s) to potentially take the corresponding actions at each stage of Citi's resolution process, including the decision to file for bankruptcy;
 - Recapitalization of the operating MLEs before Citigroup Parent's bankruptcy and funding the MLEs during Citigroup Parent's bankruptcy; and
 - Timely execution of the bankruptcy filing and related pre-filing actions.
- **Pre-Bankruptcy Parent Support.** The second part of the governance mechanism shortcoming related to Citi's analysis of potential legal challenges that could adversely affect its approach to providing capital and liquidity to its subsidiaries before Citigroup Parent's bankruptcy filing. To address this shortcoming, Citi is required to include in its 2017 resolution plan a detailed legal analysis of the potential state law and bankruptcy law challenges to the planned provision of this capital and liquidity support, as well as the potential mitigants to these challenges that Citi considers to be most effective.

Citi has invested considerable resources to address the identified governance mechanism shortcoming, and has consulted both regulatory and rating agencies on its contemplated approach. The table below summarizes the specific actions Citi has taken or intends to take to address the governance mechanism shortcoming.

Shortcoming Part	Description	Citi's Approach
Playbooks and Triggers		
Lack of Detail in Citi's 2015 Trust Structure Playbook	Citi's 2015 Trust Structure Playbook lacked detail regarding entry into resolution to facilitate timely execution of planned provision of capital and liquidity resources to the MLEs. In particular, it lacked specific triggers for escalating information to Citigroup Parent's senior management and board, and actions that would be required upon the occurrence of a trigger event.	Citi has enhanced its Trust Structure Playbook by creating a new, comprehensive trigger framework that includes specific triggers, the breach of which would mark the onset of each of the pre-resolution periods and the corresponding actions associated with the particular trigger events. The pre-defined triggers are based on a broad suite of capital, liquidity, and business as usual metrics as well as new resolution-specific metrics as outlined in the 2017 Guidance. The triggers are calibrated to anticipate the key events that would likely take place through the pre-resolution timeline.
Pre-Bankruptcy Parent Support		
Limited Analysis of Potential Legal Challenges to Citigroup Parent Support to Subsidiaries	Citi's 2015 resolution plan included a limited analysis of potential legal challenges that could adversely affect its approach to providing capital and liquidity to its subsidiaries prior to Citigroup Parent's bankruptcy filing, and did not consider in sufficient detail mitigants to potential legal challenges.	Citi has conducted and continues to conduct an analysis of potential legal challenges to the planned provision of support to its subsidiaries. Citi has also considered the effectiveness of a contractually binding mechanism, the pre-positioning of resources at MLEs, and the establishment of an IHC on mitigating potential creditor challenges to the provision of support by Citigroup Parent as part of this analysis. Citi is working towards incorporating each of the three mitigants in Citi's 2017 resolution plan.

B.1.a. Playbooks and Triggers

In its 2015 resolution plan, Citi included a series of detailed playbooks with step-by-step instructions for the governance actions that it would take throughout all periods of resolution, along with the timing of these actions and the responsibilities of key actors. One of these playbooks was the 2015 Trust Structure Playbook, which laid out the actions that Citi would take to implement the SPOE Strategy under a Reorganization Trust. The 2015 Trust Structure Playbook addressed:

- Step-by-step actions Citi would take before Citigroup Parent filed for bankruptcy to pursue recovery, while simultaneously preparing for the possibility of resolution;
- Board decisions and the legal, financial, and operational actions Citi would take at the point of non-viability; and
- Actions that Citi would take during the Stabilization Period.

Citi also established templates of key bankruptcy filings for Citigroup Parent and created a list of anticipated legal and regulatory filings required to implement the Reorganization Trust structure. Additionally, Citi created Board of Director Playbooks for several of its MLEs which address the actions the board members of those MLEs would take to prepare for Citi's resolution. All of these documents were submitted as part of the 2015 Trust Structure Playbook.

For the 2016 submission, Citi has enhanced its Trust Structure Playbook by creating a new, comprehensive trigger framework that includes specific triggers, the breach of which would signal the onset of each of the pre-resolution periods and the corresponding actions associated with the particular trigger events.

In determining the appropriate triggers, Citi considered the progression of the resolution timeline from business as usual and the Stress Period, through the Runway Period, up to the point of non-viability, anticipating the key events that likely would take place during that timeline. The trigger framework is designed to ensure that once a trigger is breached, Citi would invoke the associated escalation procedures and undertake pre-determined contingent actions, including the recapitalization of the operating MLEs pursuant to the Citi Support Agreement.

Since Citi considered the timing of events when selecting the triggers, the new framework is designed to ensure that contingent actions would be executed in a timely manner to facilitate the orderly execution of Citi's resolution strategy. These actions would also enable MLEs to continue operating without major disruptions following Citigroup Parent's commencement of bankruptcy proceedings.

B.1.b. Pre-Bankruptcy Parent Support

In response to the April 2016 Feedback Letter, Citi engaged outside bankruptcy counsel to (i) analyze potential state law and bankruptcy law challenges that could adversely affect its approach to providing capital and liquidity to its subsidiaries under the SPOE Strategy, and (ii) identify potential mitigants to such challenges. Based on this analysis, Citi is working towards implementing the mitigants to potential creditor challenges referred to in the April 2016 Feedback Letter and 2017 Guidance. These mitigants include: preparing the Citi Support Agreement that Citi intends to execute before July 2017, establishing an IHC structure to facilitate the implementation of the Citi Support Agreement, and repositioning financial resources at certain MLEs.

As described in Section A.2, Citi intends to enter into the Citi Support Agreement before July 1, 2017, subject to final approval by the board of directors of Citigroup Parent. The Citi Support Agreement will

contractually bind Citigroup Parent and Citicorp to provide capital and liquidity support to the operating MLEs in the unlikely event of Citi's failure. Around the time the Citi Support Agreement is executed, Citigroup Parent expects to make an initial contribution of assets, including certain HQLA and inter-affiliate loans, to Citicorp. In the unlikely event of Citi's failure, Citigroup Parent would transfer most of its remaining assets to Citicorp just before it enters bankruptcy proceedings, at which point Citicorp would be obligated under the Citi Support Agreement to provide the operating MLEs with capital and liquidity support as needed throughout the resolution period.

The Citi Support Agreement has been designed to ensure that Citi's operating MLEs continue as going concerns outside of resolution or bankruptcy proceedings. The provision of support under the Citi Support Agreement strengthens the SPOE Strategy by preserving and maximizing the value of the operating MLEs and helping prevent disorderly liquidation and termination of their financial contracts.

Citi understands that it must balance holding capital and liquidity resources at Citigroup Parent and Citicorp and pre-positioning such resources directly at the MLEs. An important consideration in striking the appropriate balance is the feedback Citi receives from its various local regulators, and their willingness to accept a lower degree of self-sufficiency at each MLE in favor of more flexibility in holding resources at Citigroup Parent or Citicorp to allocate resources among MLEs as needed. Citi has developed frameworks to determine the appropriate balance of capital and liquidity resources, incorporating these and other considerations, as part of its 2016 submission.

B.2. Derivatives & Trading Activities

The second shortcoming identified by regulators in their April 2016 Feedback Letter related to Derivatives & Trading Activities. The derivatives solvent wind down portion of Citi's 2015 resolution plan assumed that all MLEs engaged in trading activities would maintain or re-establish an investment grade rating, thereby allowing them to (i) novate bilateral OTC derivatives to a willing third-party, and (ii) use bilateral OTC derivatives to hedge their portfolio risk over the resolution time horizon. In the April 2016 Feedback Letter, the Federal Reserve and FDIC stated that Citi made overly optimistic assumptions about its ability to bilaterally novate OTC derivatives and its ability to access bilateral OTC derivatives markets to hedge its portfolio risk in a time of severe stress. These points were identified as a shortcoming in the 2015 resolution plan.

To address this shortcoming, Citi has developed an active solvent wind-down pathway for its derivatives portfolio that considers the risk of only being able to use listed and centrally-cleared derivatives. The sections below describe the actions Citi has taken, including (i) enhancing and refining its novation analytics and assumptions to account for variations in Citi's ability to novate different derivatives positions based on their underlying risk characteristics; and (ii) developing an active wind-down pathway that accounts for both the costs to hedge risks that can be hedged using listed and centrally-cleared derivatives, as well as the potential losses that Citi could incur due to risks that cannot be hedged using listed and centrally-cleared derivatives. The result of these enhancements is a new active pathway to the solvent wind down that Citi believes addresses potential challenges associated with novating

bilateral OTC derivatives and assumes Citi is only able to use listed and centrally-cleared derivatives for hedging during a time of severe stress.

B.2.a. Citi's Ability to Novate Bilateral OTC Derivatives

The first part of Citi's shortcoming related to Derivatives & Trading Activities focused on Citi's ability to novate bilateral OTC derivatives. In Citi's 2015 resolution plan derivatives wind-down analysis, Citi assumed that it would be able to novate any derivatives for which novation was the preferred exit strategy, and that the costs the firm would incur to execute these novations would be based on: (i) the amount of capital the successor counterparty would be required to hold against those novated positions, and (ii) an assumed fixed rate of return on that capital.

Since its 2015 resolution plan, Citi has substantially enhanced and refined this cost estimation methodology by incorporating a more granular and risk sensitive approach. By further segmenting its portfolio to better estimate the required amount of capital and cost of capital, this enhanced approach uses more specific and differentiated assumptions to more closely reflect the nature, concentration and liquidity of its bilateral OTC derivatives positions.

To support this approach, Citi first conducted a segmentation exercise to categorize its derivatives positions into coherent sale portfolios based on trade and counterparty characteristics. Citi then estimated the amount of capital the successor counterparty would be required to hold against each portfolio segment. To estimate the rate of return, or cost of capital, Citi categorized each portfolio segment based on the liquidity of the underlying positions and expected ease with which Citi would be able to novate the positions. Citi then assigned a cost of capital to each portfolio segment, ranging from 25% for the most "plain vanilla" and liquid portfolios to 60% for the most complex and less liquid portfolios.

B.2.b. Basis and Other Un-Hedgeable Risks

The second part of Citi's shortcoming related to Derivatives & Trading Activities focused on Citi's ability to access the bilateral OTC derivatives market to hedge its portfolio risk. In its 2015 resolution plan, Citi assumed that it would be able to use bilateral OTC derivatives to hedge its risks, and that the costs it would incur to execute these hedging transactions would be based on a multiple of portfolio value-at-risk (VaR). Citi also assumed that it could fully hedge the market risk of its derivatives portfolio, and that as a result, it would not incur any mark-to-market losses after the point of non-viability.

Since its 2015 resolution plan, Citi has made substantial refinements to its analysis of hedging and portfolio risk and, consistent with the April 2016 Feedback Letter, incorporated into its active wind-down pathway the assumption that it can hedge by using only listed and centrally-cleared derivatives. Citi's enhanced approach incorporates (i) the costs of entering into new listed and centrally-cleared hedging transactions initiated under the active pathway, and (ii) the mark-to-market losses that could be incurred as a result of the basis risk stemming from being limited to hedging only with listed and centrally-cleared instruments. This enhanced approach therefore considers both the cost to hedge risks

that can be hedged using listed and centrally-cleared instruments, as well as potential losses arising from risks that cannot be hedged using listed and centrally-cleared instruments.

B.2.c. Development of an Alternative Wind-Down Pathway

Using the enhancements described above, and consistent with the April 2016 Feedback Letter, Citi developed a new active solvent wind-down pathway which (i) addresses the challenges associated with novating bilateral OTC derivatives, and (ii) assumes Citi is only able to use listed and centrally-cleared derivatives for hedging.

This new active pathway uses more conservative assumptions than those used under Citi's preferred strategy for addressing its derivatives portfolios, including the following:

- Neither CBNA nor the broker-dealer entities maintain or re-establish an investment grade rating and consequently cannot enter into new bilateral OTC derivatives contracts.
- New client activity is precluded (including on CBNA), and existing derivatives positions cannot be exited via a line of business sale. As a result, all derivative positions on all entities are wound down.
- Hedging initiated in the active pathway is limited to listed and centrally-cleared instruments, exposing Citi to additional mark-to-market losses after the point of non-viability.

Under the active pathway, total wind-down costs are estimated to be approximately 40% higher than the estimated costs under the preferred strategy. The difference is driven primarily by (i) the additional novation costs associated with winding down the positions that were assumed to be sold via a line of business sale under the preferred strategy, and (ii) the additional losses that would result from basis and risks that cannot be hedged because CBNA is assumed to be unable to access the bilateral OTC derivatives markets under the active pathway. Citi would not expect the additional costs envisioned under the active pathway to change the economic conclusions of its resolution plan.

B.3. Liquidity

The third and final shortcoming identified by the regulators related to Citi's approach to estimating the minimum operating liquidity for Citi's MLEs during the Stabilization Period. Minimum operating liquidity is defined as the minimum amount of liquidity needed for daily operations after the point of non-viability. As per the 2017 Guidance, minimum operating liquidity is calculated for each of Citi's operating MLEs and comprised of four categories:

- **Operating expenses and working capital**, which refers to the liquidity needed to meet (i) operating expense obligations, such as employee compensation costs, and (ii) working cash needs, such as those required to operate ATMs.

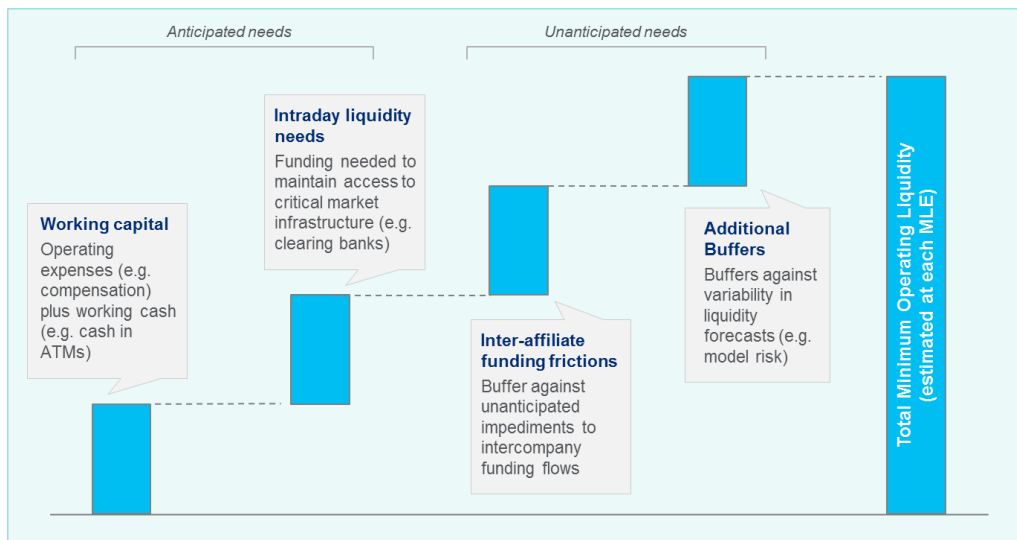
- **Intraday liquidity needs**, which refers to the liquidity needed to maintain access to financial market utilities and agent banks, taking into account any adverse actions these entities may take during Citi's resolution.
- **Inter-affiliate funding frictions**, which refers to an incremental buffer to account for potential impediments to inter-affiliate funding flows.
- **Additional buffers**, which refers to an incremental buffer to account for the uncertainty in the above estimates and can be thought of as an incremental forecasting risk buffer.

Minimum operating liquidity is one component of Citi's calculation of its overall resolution liquidity needs. The projection of Citi's resolution liquidity need, and the minimum operating liquidity component, is an essential indicator of the liquidity reserve required at the point of non-viability and is designed to ensure that each MLE can continue to operate without disruption during the Stabilization Period.

To address this shortcoming, Citi has developed an approach to calculating minimum operating liquidity, and has integrated that approach into Citi's broader framework for managing liquidity for resolution-planning purposes. In developing this approach, Citi leveraged existing business as usual liquidity methodologies used to calculate reserve requirements. Where components of minimum operating liquidity were not currently addressed by existing business as usual policies, Citi has developed new methodologies. Together, the existing liquidity methodologies and the new resolution-specific methodologies form the basis for Citi's new process for calculating the minimum operating liquidity.

Citi's minimum operating liquidity methodology incorporates both anticipated and unanticipated operating needs so that the minimum operating liquidity estimates would appropriately consider all of the potential uses of liquidity through the Stabilization Period. The methodology has also been developed to be flexible and resilient across a range of potential scenarios, providing a level of consistency and stability in the minimum operating liquidity estimates.

The exhibit below provides an overview of each component.



Each of the following sub-sections discusses a component of the minimum operating liquidity methodology in greater detail.

Operating Expenses and Working Capital

Citi’s daily business operations require liquidity to cover operating expenses and working capital needs. Citi’s minimum operating liquidity methodology includes estimates of these needs so that MLEs would enter the Stabilization Period with enough liquidity to meet those needs until each MLE is stabilized.

Operating expenses refer to non-interest costs incurred on a daily basis in operating Citi’s businesses. These costs include employee compensation and benefits, fees, general administration expenses, rent, technology costs and other miscellaneous expenses. Citi would have to continue to meet these obligations during the Stabilization Period. Operating expenses used to estimate minimum operating liquidity are estimated using recent run-rate expenses, and are adjusted to account for additional costs likely to be incurred by Citi as it executes its SPOE Strategy.

Working capital refers to liquidity used to support daily operations. This includes the cash needed to support retail operations (i.e., cash in vaults or for use at ATMs) and institutional client activities (i.e., segregated client cash). These are not considered expenses of the business, but are considered encumbered liquidity held by MLEs to ensure smooth business operations on a daily basis.

Intraday Liquidity Needs

Citi’s businesses require liquidity to support payment, clearing and settlement obligations over the course of each business day, and Citi holds intraday liquidity reserves under its existing policies to meet these requirements. During the course of a day, MLEs may require more liquidity to meet these obligations than may be reflected in end-of-day positions. The minimum operating liquidity

methodology is designed to incorporate peak intraday liquidity needs at each MLE during the Stabilization Period so that each MLE would maintain enough available liquidity to meet those needs. Intraday liquidity requirements are vital to the smooth functioning of Citi's daily business operations and are monitored on a daily basis so that funds are readily available to maintain access to critical financial market utilities and agent banks. The intraday liquidity requirements for calculating minimum operating liquidity are based on a set of defined assumptions in accordance with its existing policies.

In addition to the business as usual considerations listed above, the intraday liquidity requirement for each MLE includes resolution-specific considerations, including potential changes to client behavior or trading volumes. As necessary, Citi will also incorporate adjustments based on planned enhancements in other parts of the resolution planning process.

Inter-Affiliate Funding Frictions

Citi's methodology for estimating minimum operating liquidity also includes buffers for unanticipated liquidity needs that may arise during the Stabilization Period. Under normal business conditions, MLEs rely on the settlement of inter-affiliate liquidity flows to support anticipated liquidity needs. While Citi's 2015 resolution plan assumed that all inter-affiliate transactions would mature contractually, one key area of uncertainty that could arise during the Stabilization Period relates to potential frictions or impediments to the free flow of inter-affiliate funding.

Citi has developed a comprehensive framework to assess the potential funding exposure of each of its operating MLEs to other entities during the Stabilization Period. This framework captures the value of the inter-affiliate flows potentially subject to frictions at each MLE, which can then be applied to specified sets of inter-affiliate transactions to calculate a buffer against potential uncertainty. This buffer is included in Citi's minimum operating liquidity estimates so that MLEs would have enough liquidity to continue operating without disruption during the Stabilization Period, inclusive of any potential frictions to inter-affiliate funding.

Additional Buffers

Citi's minimum operating liquidity methodology also considers the uncertainty in liquidity forecasts after the point of non-viability, particularly those that remain subject to unpredictable deviations during the Stabilization Period. Citi's minimum operating liquidity calculation includes buffers that are designed using forecasted risk weights to cover unanticipated outflows across all MLEs. These buffers are dependent on the specific characteristic of each MLE. For example, MLEs with significant amounts of behavioral outflows after the point of non-viability, such as deposit outflows, would require larger buffers against forecast risks, while MLEs with significant amounts of contractual outflows may require smaller buffers, as the uncertainty and volatility of contractual outflows is smaller. Risk weights are applied to estimated outflows for each MLE to calculate a conservative buffer that will be held to protect the MLE against risks and uncertainties in outflow forecasts. This buffer is designed to ensure that MLEs would have sufficient liquidity to continue operating without disruption under a range of potential stress scenarios following Citigroup Parent's entry into bankruptcy proceedings.

C. Other Actions Taken to Improve Resolvability

Over the past several years, Citi has committed significant resources to enhance its capabilities and practices that support recovery and resolution planning. Citi also has taken a wide range of actions to make itself simpler, smaller, safer and stronger. Examples of key initiatives to increase the resiliency of Citi's operations and improve the resolvability and optionality of Citi under its SPOE Strategy are discussed below.

C.1. Financial Resiliency

An important element of Citi's resolution capabilities is to assure that Citi has enough capital, funding and liquidity to implement its SPOE Strategy. Citi has taken several actions to enhance its financial capabilities and make itself more resilient against a hypothetical failure scenario.

C.1.a. Strengthened Financial Resources to Improve Citi's Resiliency and Resolvability

As of June 30, 2016, Citi had:

- \$395 billion in HQLA;
- An average LCR of 121%, well in excess of the minimum regulatory requirement of 100%; and
- A Common Equity Tier 1 Capital ratio of 12.5% (based on the Advanced Approaches for determining risk-weighted assets and assuming full implementation).

Citi's financial resources provide it with the liquidity and capital to withstand significant financial stress. Much of Citi's funding is both long term and stable in nature, helping to strengthen the resiliency of the firm. Citi's primary sources of funding include: (i) deposits placed in Citi's bank subsidiaries, which are Citi's largest source of stable long-term funding; (ii) long-term debt, primarily senior and subordinated debt issued by Citigroup Parent; and (iii) stockholders' equity, at both the bank and non-bank entities.

As of June 30, 2016, Citigroup Parent had approximately \$148 billion in long-term debt outstanding, the significant majority of which consisted of senior and subordinated debt. The weighted-average maturity of unsecured long-term debt issued by Citigroup Parent and its subsidiaries, including by CBNA, with a remaining life of greater than one year was approximately 7.0 years as of June 30, 2016.

Citi believes these financial resources provide it with the capitalization, loss absorbency, funding, and liquidity to execute its SPOE Strategy. To this end, Citi has developed detailed business as usual frameworks for managing capital and liquidity, including contingency plans, policies, procedures and governance.

C.1.b. Other Enhancements to Prevent or Mitigate Stress Scenarios

TLAC

The Federal Reserve's proposed rule on TLAC would require Citigroup Parent to hold a minimum amount of TLAC, which consists of Tier 1 regulatory capital and eligible long-term debt that could be used to absorb losses in Citigroup Parent's resolution. There are also separate eligible long-term debt requirements under the proposed rule. As part of its SPOE Strategy, Citi also pre-positions certain resources within its MLEs so that each MLE is more resilient financially.

ISDA Protocol

Since May 2016, Citi has been working with industry groups to provide feedback on the Federal Reserve's proposed requirements relating to stays and overrides of certain termination rights with respect to qualified financial contracts (QFCs) of G-SIBs.¹ A primary goal of the proposed requirements is to prevent the adverse consequences that could result from close-outs of QFCs upon the commencement of bankruptcy or insolvency proceedings by a parent or other affiliate. The proposed rule for QFCs would form the basis for broad market implementation of these limitations by requiring Citi's counterparties to amend their QFCs with Citi to override cross-defaults under a SPOE Strategy. Broad implementation of the QFC final rules will contribute to a safer and stronger financial system and will bolster the successful implementation of Citi's and other SPOE strategies.

Since adhering to the ISDA 2015 Universal Protocol in November 2015,² Citi has also been actively working with industry organizations to develop the ISDA Jurisdictional Modular Protocol, which is being created to facilitate compliance with specific legislative or regulatory stay requirements in different jurisdictions. In May 2016, Citi adhered to the first jurisdictional module, the ISDA UK (PRA Rule) Jurisdictional Module of the ISDA Resolution Stay Jurisdictional Modular Protocol. It is expected that a U.S. Jurisdictional Module will be developed to facilitate compliance with the proposed U.S. QFC requirements. Once implemented, these modules will decrease the risk that Citi's QFCs would be unwound in a disorderly manner in the event of Citi's resolution, which will bolster the successful implementation of Citi's SPOE Strategy on a global basis.

¹ Similar requirements have also been proposed by the OCC and the FDIC.

² The ISDA 2015 Universal Resolution Stay Protocol (ISDA 2015 Universal Protocol) was announced on November 12, 2015. Like its predecessor, the ISDA 2014 Resolution Stay Protocol, the ISDA 2015 Universal Protocol is designed to stay early terminations of various qualified financial contracts upon the commencement of bankruptcy or insolvency proceedings by an affiliate. It helps ensure that MLEs are not subject to simultaneous, severe liquidity outflows and abrupt liquidations of collateral as a result of close-outs of QFCs, which is considered to be an impediment to the successful execution of an SPOE strategy. The ISDA 2015 Universal Protocol extended this concept to cover not only OTC derivatives governed by ISDA master agreements but also securities financing transactions. It may also be used to amend various other types of financial contracts.

C.2. A More Streamlined Organization

Citi has made significant efforts to align its legal entity structure to support operational continuity in the event that Citi were to enter resolution. As part of this effort, Citi has focused on simplifying its operations by divesting businesses as a part of a multi-year restructuring to strengthen its business model and focus on core assets. Together, these initiatives have enabled Citi to simplify its business model, legal entity structure and operating model to aid the hypothetical resolvability should such an event ever occur.

Citi has made tangible progress in transforming and reshaping the company into a simpler, smaller, safer, and stronger institution, most notably through: (i) the sale of minority investments; (ii) consumer divestitures; (iii) the sale of non-core institutional businesses; and (iv) other material non-core divestitures in Citi Holdings.

Key actions include:

- **Sales of Minority Investments.** Citi completed the sale of its entire interest in both Housing Development Finance Corporation Ltd. in India and Shanghai Pudong Development Bank in China in 2012, and completed the sale of its entire interest in Akbank T.A.S. in Turkey in 2015. Citi also completed the transfer of the Morgan Stanley Smith Barney joint venture to Morgan Stanley in 2013. More recently, Citi sold its entire 20% stake in China Guangfa Bank in the third quarter of 2016.
- **Consumer Divestitures.** Citi is concentrating its Global Consumer Bank on priority markets, including the United States, Mexico and Asia. Since the end of 2012, Citi has divested or is in the process of divesting its consumer operations in 21 consumer markets (including Japan, Czech Republic, Turkey, Central America, Peru) as well as certain smaller credit card and card processing businesses. In addition to exiting consumer markets, Citi has also reduced its branch network in its existing markets by 22% from December 31, 2012 to June 30, 2016 and continues to rationalize operations sites as a part of its focus on simplifying its consumer franchise.
- **Sale of Non-Core Institutional Businesses.** Citi has streamlined its operating model with the divestiture of several non-core transactions businesses within the Institutional Clients Group in order to focus on its core historical banking strengths. While its business model continues to simplify, the geographic footprint of Citi's institutional franchise has not changed, as its global network is integral to serving its target clients.
- **Other Material Non-Core Divestitures.** Citi sold OneMain Financial Holdings, Inc., a consumer lender, in November 2015. Citi has also significantly reduced its non-core North America mortgage portfolio. Between December 31, 2012 and June 30, 2016 Citi reduced its remaining non-core Citi Holdings assets through sale and runoff by approximately 70% or \$145 billion to \$66 billion.

C.3. Operational Enhancements

Citi recognizes that the success of its resolution strategy depends on operational simplicity and readiness. Operational readiness includes the ability to produce reliable information about each of its MLEs in a timely fashion, the ability to identify the necessary processes for implementing the SPOE Strategy and maintaining a framework that enables continuous access to key shared services. Operational simplicity further improves Citi's operational efficiency. This section provides details regarding the types of projects Citi has undertaken in this area.

C.3.a. Operational Readiness

Citi has undertaken significant efforts so that shared services will continue to be provided and Citi's businesses would remain operational throughout the resolution process. Citi has also invested extensively in proprietary MIS platforms to manage and support the production of necessary information in resolution and collateralized transactions. Many of these enhancements are ongoing and Citi will continue to make improvements before July 1, 2017.

Citi is committed to ensuring continuity of the shared services that will support its critical operations and core business lines in resolution and has structured asset ownership and contingency arrangements to support a successful and orderly resolution of Citi. Citi has mapped its shared services to the entities that receive those services to enable MLEs to maintain access to these services in resolution. Related to the improvements that Citi has made to its legal entity structure discussed above, Citi has realigned its entity structure over the past several years so that critical shared services, assets and employees are located in the CBNA ownership chain or in well-funded, non-risk-taking service MLEs so that necessary services to CBNA, its branches and subsidiaries would be uninterrupted in a Citi resolution. This will preserve the value of CBNA and maximize protection of its depositors.

In addition to ensuring that shared services are properly positioned within the organization, Citi has made significant investments to provide itself with the most modern architecture, capabilities, and quality information necessary to support enterprise-wide decision-making and reporting needs. These investments include the implementation of standards-based data architecture and strategic platforms to substantially improve Citi's material MIS and to strengthen Citi's business planning, monitoring, reporting, and analytics capabilities.

Most notably, Citi has made ongoing developments and enhancements to Rosetta, a proprietary MIS tool for resolution planning that identifies financial, operational and external relationships across and between Citi's business, operations and MLEs. Rosetta enhances Citi's resolvability by providing ready access to data that would support Citi's resolution strategy in a crisis scenario.

Citi has also invested in infrastructure that allows Citi to manage and support collateralized transactions by increasing automation and create more efficient processes. This has included the development of in-house collateral management platforms that process and track collateral, liquidity and margin for various different types of agreements.

C.3.b. Operational Simplification

Citi has also continued to simplify its overall operations, both improving operational efficiency and making Citi simpler, smaller, safer, and stronger. For example, Citi has reduced its number of full-time employees and consolidated its office real estate holdings.

C.3.b.i. Reduced Full-Time Employees

As Citi has become simpler and smaller, it has reduced its number of full-time employees. From December 31, 2012 to June 30, 2016, Citi reduced the number of its full-time employees by 39,000, or approximately 15%.

C.3.b.ii. Office Real Estate Consolidation

Citi has also simplified its overall operations and improved operational efficiency by consolidating its office real estate. Citi accomplished this significant reduction by shrinking the number of its operation centers as part of its effort to establish more efficient shared service centers. In addition, Citi is moving and consolidating its New York headquarters to its downtown Manhattan offices.

D. Governance Considerations

Citigroup Parent's Risk Management Committee

Citigroup Parent's Risk Management Committee oversees Citi's annual resolution plan submissions. The Risk Management Committee has provided strategic direction on prior submissions and on the 2016 submission, and has monitored and evaluated Citi's response to the April 2016 Feedback Letter.

At the management level, governance around the 2016 submission has consisted of the following: Citi's Recovery and Resolution Steering Group, the Office of Recovery and Resolution Planning, Senior Ownership of Workstreams, and Internal Audit.

Citi's Recovery and Resolution Steering Group

The Recovery and Resolution Steering Group consists of Citigroup Parent's Chief Financial Officer, Chief Risk Officer, General Counsel, Chief Compliance Officer, Head of Operations & Technology, Treasurer, the CEO of CBNA, and other senior management personnel. This group has met on a monthly basis to track Citi's progress and make key decisions in connection with the 2016 submission. Specifically, the group has engaged with management of MLEs to coordinate internal reorganization to enhance resolvability, including the continued implementation of Citi's divestiture strategy and planned entrance into the Citi Support Agreement.

Office of Recovery and Resolution Planning

The Office of Recovery and Resolution Planning is responsible for the coordination, design, and submission of the resolution plans. The Office of Recovery and Resolution Planning considers both the practical implementation and the strategic implications of resolution planning on Citi's businesses, organizational structure, and capital and liquidity position.

Senior Ownership of Workstreams

Citi has designated senior management to be responsible for and oversee each of the resolution planning workstreams. The Office of Recovery and Resolution Planning convenes weekly calls with senior management to discuss the progress of the 2016 submission and other issues applicable across the resolution planning workstreams. This type of broad management engagement is designed to ensure both appropriate senior management attention and oversight of resolution planning workstreams and that management decisions made during business as usual are aligned with and informed by Citi's resolution strategy.

Internal Audit

Internal Audit has developed and executed an audit program to assess the design and operating effectiveness of the controls around governance and review processes that support the 2016 submission. Internal Audit specifically reviews the project plans developed by the Office of Recovery and Resolution Planning for the 2016 submission.

As of the date of Citi's 2016 submission, Internal Audit has completed its audit of the 2016 submission project plans and presented its findings to management, as well as the Citigroup Parent Audit Committee and the Risk Management Committee.

E. Forward-Looking Statements

Certain statements in this public section are “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on a hypothetical resolution scenario of Citigroup Parent, certain assumptions required of Citi pursuant to such hypothetical resolution, and Citi’s current beliefs with respect to a resolution scenario. These statements are subject to uncertainty and changes in circumstances. These statements are not guarantees of future results or occurrences. Actual results and capital and other financial condition may differ materially from those included in these statements due to a variety of factors, including regulatory review of Citi’s 2016 submission, Citi’s ability to successfully implement its SPOE Strategy as well as actual market conditions and reactions to any potential resolution event. Actual results and capital and other financial condition may also differ materially from those included in this document due to the precautionary statements included herein and those contained in Citigroup’s filings with the U.S. Securities and Exchange Commission, including without limitation the “Risk Factors” section of Citigroup’s 2015 Annual Report on Form 10-K. Any forward-looking statements made by or on behalf of Citigroup speak only as to the date they are made, and Citigroup does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made.