

## CITI'S COMPENSATION PHILOSOPHY

The foundation of Citi's Compensation Philosophy is to align the way we pay our employees with our Mission Statement which defines our view of the best way to achieve the long-term best interests of shareholders, clients and customers.

Citi serves individuals, communities, institutions and nations by pursuing the best outcomes for our clients and customers with financial solutions that are simple, creative and responsible. Our businesses work together to provide integrated solutions that meet the needs of those we serve.

We are committed to practicing Responsible Finance in every area of our business, including the way we attract, retain, compensate and motivate our colleagues around the world and protect the reputation of our institution.

Recognizing that lasting growth is what ultimately builds shareholder value, we believe that employees should be compensated based on ability, contributions and performance over a meaningful period of time. We also believe that including meaningful amounts of equity in our most senior employees' compensation is the best way to align their interests with the long-term success of the company.

Our compensation objectives, as outlined below, have been developed and approved by the Personnel and Compensation Committee of the Board of Directors, in consultation with management, independent consultants and Citi's senior risk officers. They have been specifically crafted to discourage unnecessary or imprudent risk-taking, while permitting Citi to offer the competitive pay packages necessary to help Citi continue to employ and attract the most talented professionals in financial services.

### **Citi's Compensation Objectives**

- **Enhance Shareholder Value through the Practice of Responsible Finance**
- **Facilitate Competitiveness to Attract and Retain the Best Talent**
- **Promote Meritocracy by Recognizing Employee Contributions**
- **Manage Risk Through Sound Incentive Compensation Practices**
- **Provide Strong, Independent Oversight of Compensation Practices**
- **Provide for Transparency to Employees, Shareholders, and Other Stakeholders**

### **Enhance Shareholder Value through the Practice of Responsible Finance**

- Compensate our employees in a manner that encourages them to work together to achieve our common purpose of serving our clients and customers through conduct that is transparent, prudent and dependable.
- Align our compensation programs with Citi's long-term business objectives for achieving risk-adjusted stockholder returns without creating unnecessary risk to the franchise.
- Provide meaningful portions of senior management and other employee incentive compensation in the form of equity in order to foster partnership behavior and to align employee interests with those of shareholders and other stakeholders.

- Provide incentive compensation pools that grow over time as we grow our corporate earnings, although not always at the same time, nor in the same scale, without constraining Citi's ability to maintain a sound capital base.

#### **Facilitate Competitiveness to Attract and Retain the Best Talent**

- Provide compensation programs that are competitive within the global financial services industry in order to support the attraction and retention of the talented employees necessary to sustain and grow our business.
- Compensate employees that perform consistent and definable functions that are crucial to our global franchise competitively and consistently on an annual basis.
- Continue to award significant percentages of incentive compensation on a deferred basis (such as deferred stock or deferred cash) to senior executives and others with control or significant influence over Citi's material risks.

#### **Promote Meritocracy by Recognizing Employee Contributions**

- Provide discretionary incentive compensation, including equity awards, that is variable within guidelines prescribed by management utilizing a rigorous system of goal setting and review of all highly paid professionals.
- Identify, so as to reward, motivate and retain, those employees that display ingenuity and leadership in their work with clients, customers and colleagues or the potential for doing so in the future, while at the same time identifying those whose skill sets may not be right for Citi.
- Differentiate individual compensation to reflect employees' current or prospective contributions, based on financial and non-financial performance such as risk and compliance behavior.
- Communicate clearly to all employees that poor risk management practices and imprudent risk-taking activity can and should lead to an adverse impact on incentive compensation, including the award of no incentive compensation, and differentiate compensation decisions consistently with such communications.

#### **Manage Risk Through Sound Incentive Compensation Practices**

- Complement effective risk management controls by reducing incentives to create imprudent risks for Citi and its businesses, and by rewarding a thoughtful balance of risk and return.
- Exercise discretion in a documented manner that recognizes the characteristics of risks taken as well as profits or losses generated, given the magnitude of risk taken.
- Balance incentives to take imprudent risks through multiple incentive compensation program processes for all employees who manage or influence material risks, including (a) rigorous performance management processes, (b) bonus pools that reflect risk adjusted performance, and (c) deferrals that remain at risk for future financial performance.
- Evaluate incentive compensation program results on an iterative basis, recognizing that validation and monitoring may result in future changes.

#### **Provide Strong, Independent Oversight of Compensation Practices**

- Appoint only independent directors to the Personnel and Compensation Committee of the Board of Directors in order to provide independent review and approval of the firm's overall compensation philosophy.

- Set expectations of management regarding risk balancing in incentive compensation programs utilizing, where appropriate, an independent adviser, who provides no other services to Citi, for the Committee.
- Utilize Citi's control functions, including Risk, Compliance and Audit, in compensation governance and oversight.

**Provide for Transparency to Employees, Shareholders, and Other Stakeholders**

- 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 statements and actions of senior management and managers generally.
- Promote all stakeholders' understanding of Citi's design and implementation of incentive compensation by outlining compensation policies, procedures and practices in public disclosures.