CITIGROUP INC
Form 10-K
February 24, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

Commission file number 1-9924

Citigroup Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-1568099 (I.R.S. Employer Identification No.)
399 Park Avenue, New York, NY (Address of principal executive offices)	10022 (Zip code)

Registrant s telephone number, including area code: (212) 559-1000

Securities registered pursuant to Section 12(b) of the Act: See Exhibit 99.01

Securities registered pursuant to Section 12(g) of the Act: none

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes X No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes X No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. X Yes o No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). X Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

X Large accelerated filer	o Accelerated filer	o Non-accelerated filer (Do not check if a smaller reporting company)	o Smaller reporting company

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

The aggregate market value of Citigroup Inc. common stock held by non-affiliates of Citigroup Inc. on June 30, 2011 was approximately $121.3 billion.

Number of shares of common stock outstanding on January 31, 2012: 2,928,662,136

Documents Incorporated by Reference: Portions of the Registrant s Proxy Statement for the annual meeting of stockholders scheduled to be held on April 17, 2012, are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III.

10-K CROSS-REFERENCE INDEX

This Annual Report on Form 10-K incorporates the requirements of the accounting profession and the Securities and Exchange Commission.

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* For additional information regarding Citigroup s Directors, see Corporate Governance, Proposal 1: Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance in the definitive Proxy Statement for Citigroup s Annual Meeting of Stockholders scheduled to be held on April 17, 2012, to be filed with the SEC (the Proxy Statement), incorporated herein by reference.

** See Executive Compensation The Personnel and Compensation Committee Report, Compensation Discussion and Analysis and 2011 Summary Compensation Table and in the Proxy Statement, incorporated herein by reference.

*** See About the Annual Meeting, Stock Ownership and Proposal 3: Approval of Amendment to the Citigroup 2009 Stock Incentive Plan in the Proxy Statement, incorporated herein by reference.

**** See Corporate Governance Director Independence, Certain Transactions and Relationships, Compensation Committee Interlocks and Insider Participation, Indebtedness, Proposal 1: Election of Directors and Executive Compensation in the Proxy Statement, incorporated herein by reference.

***** See Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm in the Proxy Statement, incorporated herein by reference.

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OVERVIEW

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

Citigroup is a global diversified financial services holding company whose businesses provide consumers, corporations, governments and institutions with a broad range of financial products and services. Citi has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions.

Citigroup currently operates, for management reporting purposes, via two primary business segments: Citicorp, consisting of Citi s *Global Consumer Banking* businesses and *Institutional Clients Group*; and Citi Holdings, consisting of *Brokerage and Asset Management, Local Consumer Lending* and *Special Asset Pool*. For a further description of the business segments and the products and services they provide, see Citigroup Segments below, Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 4 to the Consolidated Financial Statements.

Throughout this report, Citigroup, Citi and the Company refer to Citigroup Inc. and its consolidated subsidiaries.

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

Within this Form 10-K, please refer to the tables of contents on pages 3 and 129 for page references to Management s Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements, respectively.

At December 31, 2011, Citi had approximately 266,000 full-time employees compared to approximately 260,000 full-time employees at December 31, 2010.

Please see Risk Factors below for a discussion of certain risks and uncertainties that could materially impact Citigroup s financial condition and results of operations.

Certain reclassifications have been made to the prior periods financial statements to conform to the current period s presentation.

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

* Effective in the first quarter of 2012, Citi will transfer the substantial majority of the retail partner cards business (approximately $45 billion of assets, including approximately $41 billion of loans) from Citi Holdings *Local Consumer Lending* to Citicorp *North America RCB*.

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

(1) *North America* includes the U.S., Canada and Puerto Rico, *Latin America* includes Mexico, and *Asia* includes Japan.

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

EXECUTIVE SUMMARY

Market and Economic Environment

During 2011, Citigroup remained focused on executing its strategy of growth through increasing the returns on and investments in its core businesses of Citicorp *Global Consumer Banking* and *Institutional Clients Group* while continuing to reduce the assets and businesses within Citi Holdings in an economically rational manner. While Citi continued to make progress in these areas during the year, its 2011 operating results were impacted by the ongoing challenging operating environment, particularly in the second half of the year, as macroeconomic concerns, including in the U.S. and the Eurozone, weighed heavily on investor and corporate confidence. Market activity was down globally, with a particular impact on capital markets-related activities in the fourth quarter of 2011. This affected Citigroup s results of operations in many businesses, including not only *Securities and Banking*, but also the Securities and Fund Services business in *Transaction Services* and investment sales in *Global Consumer Banking*. Citi believes that the European sovereign debt crisis and its potential impact on the global markets and growth will likely continue to create macro uncertainty and remain an issue until the market, investors and Citi s clients and customers believe that a comprehensive resolution to the crisis is structured, and achievable. Such uncertainty could have a continued negative impact on investor activity, and thus on Citi s activity levels and results of operations, in 2012.

Compounding this continuing macroeconomic uncertainty is the ongoing uncertainty facing Citigroup and its businesses as a result of the numerous regulatory initiatives underway, both in the U.S. and internationally. As of December 31, 2011, regulatory changes in significant areas, such as Citi s future capital requirements and prudential standards, the proposed implementation of the Volcker Rule and the proposed regulation of the derivatives markets, were incomplete and significant rulemaking and interpretation remained. See Risk Factors Regulatory Risks below. The continued uncertainty, including the potential costs, associated with the actual implementation of these changes will continue to require significant attention by Citi s management. In addition, it is also not clear what the cumulative impact of regulatory reform will be.

2011 Summary Results

Citigroup

Citigroup reported net income of $11.1 billion and diluted EPS of $3.63 per share in 2011, compared to $10.6 billion and $3.54 per share, respectively, in 2010. In 2011, results included a net positive impact of $1.8 billion from credit valuation adjustments (CVA) on derivatives (excluding monolines), net of hedges, and debt valuation adjustments (DVA) on Citigroup s fair value option debt, compared to a net negative impact of $(469) million in 2010. In addition, Citi has adjusted its 2011 results of operations that were previously announced on January 17, 2012 for an additional $209 million (after tax) charge. This charge relates to the agreement in principle with the United States and state attorneys general announced on February 9, 2012 regarding the settlement of a number of investigations into residential loan servicing and origination litigation, as well as the resolution of related mortgage litigation (see Notes 29, 30 and 32 to the Consolidated Financial Statements). Excluding CVA/DVA, Citi s net income declined $952 million, or 9%, to $9.9 billion in 2011, reflecting lower revenues and higher operating expenses as compared to 2010, partially offset by a significant decline in credit costs.

Citi s revenues of $78.4 billion were down $8.2 billion, or 10%, compared to 2010. Excluding CVA/DVA, revenues of $76.5 billion were down $10.5 billion, or 12%, as lower revenues in Citi Holdings and *Securities and Banking* more than offset growth in *Global Consumer Banking* and *Transaction Services*. Net interest revenues decreased by $5.7 billion, or 11%, to $48.4 billion in 2011 as compared to 2010, primarily due to continued declining loan balances and lower interest-earning assets in Citi Holdings. Non-interest revenues, excluding CVA/DVA, declined by $4.8 billion, or 15%, to $28.1 billion in 2011 as compared to 2010, driven by lower revenues in Citi Holdings and *Securities and Banking*.

Because of Citi s extensive global operations, foreign exchange translation also impacts Citi s results of operations as Citi translates revenues, expenses, loan balances and other metrics from foreign currencies to U.S. dollars in preparing its financial statements. During 2011, the U.S. dollar generally depreciated versus local currencies in which Citi operates. As a result, the impact of foreign exchange translation (as used throughout this Form 10-K, FX translation) accounted for an approximately 1% growth in Citi s revenues and 2% growth in expenses, while contributing less than 1% to Citi s pretax net income for the year.

Expenses

Citigroup expenses were $50.9 billion in 2011, up $3.6 billion, or 8%, compared to 2010. Over two-thirds of this increase resulted from higher legal and related costs (approximately $1.5 billion) and higher repositioning charges (approximately $200 million, including severance) as compared to 2010, as well as the impact of FX translation (approximately $800 million). Excluding these items, expenses were up $1.0 billion, or 2%, compared to the prior year.

Investment spending was $3.9 billion higher in 2011, of which roughly half was funded with efficiency savings, primarily in operations and technology, labor reengineering and business support functions (e.g., call centers and collections) of $1.9 billion. The $3.9 billion increase in investment spending in 2011 included higher investments in *Global Consumer Banking* ($1.6 billion, including incremental cards marketing campaigns and new branch openings), *Securities and Banking* (approximately $800 million, including new hires and technology investments) and *Transaction Services* (approximately $600 million, including new mandates and platform enhancements), as well as additional firm-wide initiatives and investments to comply with regulatory requirements. All other expense increases, including higher volume-related costs in Citicorp, were more than offset by a decline in Citi Holdings expenses. While Citi will continue some level of incremental investment spending in its businesses going forward, Citi currently believes these increases in investments will be self-funded through ongoing reengineering and efficiency savings. Accordingly, Citi believes that the increased level of investment spending incurred during the latter part of 2010 and 2011 was largely completed by year end 2011.

Citicorp expenses were $39.6 billion in 2011, up $3.5 billion, or 10%, compared to 2010. Over one-third of this increase resulted from higher legal and related costs and higher repositioning charges (including severance) as compared to 2010, as well as the impact of FX translation. The remainder of the increase was primarily driven by investment spending (as described above), partially offset by ongoing productivity savings and other expense reductions.

Citi Holdings expenses were $8.8 billion in 2011, down $824 million, or 9%, principally due to the continued decline in assets, partially offset by higher legal and related costs.

Credit Costs

Credit trends for Citigroup continued to improve in 2011, particularly for Citi s *North America* Citi-branded and retail partner cards businesses, as well as its *North America* mortgage portfolios in Citi Holdings, although the pace of improvement in these businesses slowed. Citi s total provisions for credit losses and for benefits and claims of $12.8 billion declined $13.2 billion, or 51%, from 2010. Net credit losses of $20.0 billion in 2011 were down $10.8 billion, or 35%, reflecting improvement in both Consumer and Corporate credit trends. Consumer net credit losses declined $10.0 billion, or 35%, to $18.4 billion, driven by continued improvement in credit in *North America* Citi-branded cards and retail partner cards and *North America* real estate lending in Citi Holdings. Corporate net credit losses decreased $810 million, or 33%, to $1.6 billion, as credit quality continued to improve in the Corporate portfolio.

The net release of allowance for loan losses and unfunded lending commitments was $8.2 billion in 2011, compared to a net release of $5.8 billion in 2010. Of the $8.2 billion net reserve release in 2011, $5.9 billion related to Consumer and was mainly driven by *North America* Citi-branded cards and retail partner cards. The $2.3 billion net Corporate reserve release reflected continued improvement in Corporate credit trends, partially offset by loan growth.

More than half of the net credit reserve release in 2011, or $4.8 billion, was attributable to Citi Holdings. The $3.5 billion net credit release in Citicorp increased from $2.2 billion in the prior year, as a higher net release in Citi-branded cards in *North America* was partially offset by lower net releases in international *Regional Consumer Banking* and the Corporate portfolio, each driven by loan growth.

Capital and Loan Loss Reserve Positions

Citigroup s capital and loan loss reserve positions remained strong at year end 2011. Citigroup s Tier 1 Capital ratio was 13.6% and the Tier 1 Common ratio was 11.8%.

Citigroup s total allowance for loan losses was $30.1 billion at year end 2011, or 4.7% of total loans, down from $40.7 billion, or 6.3% of total loans, at the end of the prior year. The decline in the total allowance for loan losses reflected asset sales, lower non-accrual loans, and overall continued improvement in the credit quality of Citi s loan portfolios. The Consumer allowance for loan losses was $27.2 billion, or 6.45%, of total Consumer loans at year end 2011, compared to $35.4 billion, or 7.80%, of total Consumer loans at year end 2010. See details of Credit Loss Experience Allowance for Loan Losses below for additional information on Citi s loan loss coverage ratios as of December 31, 2011.

Citigroup s non-accrual loans of $11.2 billion at year end 2011 declined 42% from the prior year, and the allowance for loan losses represented 268% of non-accrual loans.

Citicorp

Citicorp net income of $14.4 billion in 2011 decreased by $269 million, or 2%, from the prior year. Excluding CVA/DVA, Citicorp s net income declined $1.6 billion, or 10.6%, to $13.4 billion in 2011, reflecting lower revenues and higher operating expenses, partially offset by the significantly lower credit costs. *Asia* and *Latin America* contributed roughly half of Citicorp s net income for the year.

Citicorp revenues were $64.6 billion, down $989 million, or 2%, from 2010. Excluding CVA/DVA, revenues of $62.8 billion were down $3.1 billion, or 5%, as compared to 2010. Net interest revenues decreased by $450 million, or 1%, to $38.1 billion, as lower revenues in *North America Regional Consumer Banking* and *Securities and Banking* more than offset growth in *Latin America* and *Asia Regional Consumer Banking* and *Transaction Services*. Non-interest revenues, excluding CVA/DVA, declined by $2.7 billion, or 10%, to $24.7 billion in 2011 as compared to 2010, driven by lower revenues in *Securities and Banking*.

Global Consumer Banking revenues of $32.6 billion were up $211 million year-over-year, as continued growth in *Asia* and *Latin America Regional Consumer Banking* was partially offset by lower revenues in *North America Regional Consumer Banking*. The 2011 results in *Global Consumer Banking* included continued momentum in Citi s international regions, as well as early signs of growth in its *North America* business:

- International *Regional Consumer Banking* revenues of $19.0 billion were up 8% year-over-year (5% excluding the impact of FX translation).
- International average loans were up 15% and average deposits grew 11% (11% and 8% excluding the impact of FX translation, respectively).
- International card purchase sales grew 19% (13% excluding the impact of FX translation).
- *Asia* achieved positive operating leverage (with year-over-year revenue growth in excess of expense growth) in the third and fourth quarters of 2011, and *Latin America* achieved positive operating leverage in the fourth quarter.
- *North America Regional Consumer Banking* grew revenues, card accounts and card loans sequentially in the second, third and fourth quarters of 2011.

Securities and Banking revenues of $21.4 billion decreased 7% year-over-year. Excluding CVA/DVA (for details on *Securities and Banking* CVA/DVA amounts, see *Institutional Clients Group Securities and Banking* below), revenues were $19.7 billion, down 16% from the prior year, due primarily to the continued challenging macroeconomic environment, which resulted in lower revenues across fixed income and equity markets as well as investment banking.

Fixed income markets revenues, which constituted over 50% of *Securities and Banking* revenues in 2011, of $10.9 billion, excluding CVA/DVA, decreased 24% in 2011 as compared to 2010, driven primarily by a decline in credit-related and securitized products and, to a lesser extent, a decline in rates and currencies. Equity markets revenues of $2.4 billion, excluding CVA/DVA, were down 35% year-over-year, mainly driven by weak trading performance in equity derivatives as well as losses in equity proprietary trading resulting from the wind down of this business, which was complete as of December 31, 2011. Investment banking revenues of $3.3 billion were down 14% in 2011 as compared to 2010, driven by lower market activity levels across all products. Lending revenues of $1.8 billion were up $840 million, from $962 million in 2010, primarily due to net hedging gains of $73 million in 2011, as compared to net hedging losses of $711 million in 2010, driven by spread tightening in Citi s lending portfolio.

Transaction Services revenues were $10.6 billion in 2011, up 5% from the prior year, driven by growth in Treasury and Trade Solutions as well as Securities and Fund Services. Revenues grew in 2011 in all international regions as strong growth in business volumes was partially offset by continued spread compression. Average deposits and other customer liabilities grew 9% in 2011, while assets under custody remained relatively flat year over year.

Citicorp end of period loans increased 14% in 2011 to $465.4 billion, with 7% growth in Consumer loans and 24% growth in Corporate loans.

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Citi Holdings

Citi Holdings net loss of $(2.6) billion in 2011 improved by $1.6 billion as compared to the net loss in 2010. The improvement in 2011 reflected a significant decline in credit costs and lower operating expenses, given the continued decline in assets, partially offset by lower revenues.

While Citi Holdings impact on Citi has been declining, it will likely continue to present a headwind for Citi s overall performance due to, among other factors, the lower percentage of interest-earning assets remaining in Citi Holdings, the slower pace of asset reductions and the transfer of the substantial majority of retail partner cards out of Citi Holdings into Citicorp *North America Regional Consumer Banking* in the first quarter of 2012. During the first quarter of 2012, Citi will republish its historical segment reporting for Citicorp and Citi Holdings to reflect this transfer in prior periods. The adjusted net loss in Citi Holdings for these historical periods will be higher than previously reported, as the retail partner cards business in *Local Consumer Lending* was the primary source of profitability in Citi Holdings.

Citi Holdings revenues declined 33% to $12.9 billion from the prior year. Net interest revenues decreased by $4.5 billion, or 30%, to $10.3 billion, primarily due to the decline in assets, including lower interest-earning assets in the *Special Asset Pool*. Non-interest revenues declined by $1.9 billion, or 42%, to $2.6 billion in 2011, driven by lower gains on asset sales and other revenue marks as compared to 2010, as well as divestitures.

Citi Holdings assets declined $90 billion, or 25%, to $269 billion at the end of 2011, although Citi believes the pace of asset wind-down in Citi Holdings will decrease going forward. The decline during 2011 reflected nearly $49 billion in asset sales and business dispositions, $35 billion in net run-off and amortization and approximately $6 billion in net cost of credit and net asset marks. As of December 31, 2011, *Local Consumer Lending* continued to represent the largest segment within Citi Holdings, with $201 billion of assets. Over half of *Local Consumer Lending* assets, or approximately $109 billion, were related to *North America* real estate lending. As of December 31, 2011, there were approximately $10 billion of loan loss reserves allocated to *North America* real estate lending in Citi Holdings, representing roughly 31 months of coincident net credit loss coverage.

At the end of 2011, Citi Holdings assets comprised approximately 14% of total Citigroup GAAP assets and 25% of its risk-weighted assets. The first quarter of 2012 transfer of the substantial majority of the retail partner cards business (approximately $45 billion of assets, including approximately $41 billion of loans) will result in Citi Holdings comprising approximately 12% of total Citigroup GAAP assets and 21% of risk-weighted assets.

RESULTS OF OPERATIONS

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA PAGE 1

Citigroup Inc. and Consolidated Subsidiaries

In millions of dollars, except per-share amounts, ratios and direct staff	**2011** (1)	2010 (2)(3)	2009 (3)	2008 (3)	2007 (3)
Net interest revenue	**$48,447**	$54,186	$48,496	$ 53,366	$45,300
Non-interest revenue	**29,906**	32,415	31,789	(1,767)	32,000
Revenues, net of interest expense	**$78,353**	$86,601	$80,285	$ 51,599	$77,300
Operating expenses	**50,933**	47,375	47,822	69,240	58,737
Provisions for credit losses and for benefits and claims	**12,796**	26,042	40,262	34,714	17,917
Income (loss) from continuing operations before income taxes	**$14,624**	$13,184	$ (7,799)	$(52,355)	$ 646
Income taxes (benefits)	**3,521**	2,233	(6,733)	(20,326)	(2,546)
Income (loss) from continuing operations	**$11,103**	$10,951	$ (1,066)	$(32,029)	$ 3,192
Income (loss) from discontinued operations, net of taxes (4)	**112**	(68)	(445)	4,002	708
Net income (loss) before attribution of noncontrolling interests	**$11,215**	$10,883	$ (1,511)	$(28,027)	$ 3,900
Net income (loss) attributable to noncontrolling interests	**148**	281	95	(343)	283
Citigroup s net income (loss)	**$11,067**	$10,602	$ (1,606)	$(27,684)	$ 3,617
Less:					
Preferred dividends Basic	**$ 26**	$ 9	$ 2,988	$ 1,695	$ 36
Impact of the conversion price reset related to the $12.5 billion convertible preferred stock private issuance Basic			1,285		
Preferred stock Series H discount accretion Basic			123	37	
Impact of the public and private preferred stock exchange offer			3,242		
Dividends and undistributed earnings allocated to employee restricted and deferred shares that contain nonforfeitable rights to dividends, applicable to Basic EPS	**186**	90	2	221	261
Income (loss) allocated to unrestricted common shareholders for Basic EPS	**$10,855**	$10,503	$ (9,246)	$(29,637)	$ 3,320
Less: Convertible preferred stock dividends (5)			(540)	(877)	
Add: Interest expense, net of tax, on convertible securities and adjustment of undistributed earnings allocated to employee restricted and deferred shares that contain nonforfeitable rights to dividends, applicable to diluted EPS	**17**	2			
Income (loss) allocated to unrestricted common shareholders for diluted EPS (5)	**$10,872**	$10,505	$ (8,706)	$(28,760)	$ 3,320
Earnings per share (6)					
Basic					
Income (loss) from continuing operations	**3.69**	3.66	(7.61)	(63.89)	5.32
Net income (loss)	**3.73**	3.65	(7.99)	(56.29)	6.77
Diluted (5)					
Income (loss) from continuing operations	**$ 3.59**	$ 3.55	$ (7.61)	$ (63.89)	$ 5.30
Net income (loss)	**3.63**	3.54	(7.99)	(56.29)	6.74
Dividends declared per common share	**0.03**	0.00	0.10	11.20	21.60

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

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA PAGE 2

Citigroup Inc. and Consolidated Subsi

In millions of dollars, except per-share amounts, ratios and direct staff	**2011 (1)**	2010 (2)	2009 (3)	2008 (3)	
At December 31					
Total assets	**$1,873,878**	$1,913,902	$1,856,646	$1,938,470	$2,18
Total deposits	**865,936**	844,968	835,903	774,185	82
Long-term debt	**323,505**	381,183	364,019	359,593	42
Mandatorily redeemable securities of subsidiary trusts (included in long-term debt)	**16,057**	18,131	19,345	24,060	2
Common stockholders equity	**177,494**	163,156	152,388	70,966	11
Total Citigroup stockholders equity	**177,806**	163,468	152,700	141,630	11
Direct staff *(in thousands)*	**266**	260	265	323	
Ratios					
Return on average common stockholders equity (7)	**6.3%**	6.8%	(9.4)%	(28.8)%	
Return on average total stockholders equity (7)	**6.3**	6.8	(1.1)	(20.9)	
Tier 1 Common (8)	**11.80%**	10.75%	9.60%	2.30%	
Tier 1 Capital	**13.55**	12.91	11.67	11.92	
Total Capital	**16.99**	16.59	15.25	15.70	
Leverage (9)	**7.19**	6.60	6.87	6.08	
Common stockholders equity to assets	**9.47%**	8.52%	8.21%	3.66%	
Total Citigroup stockholders equity to assets	**9.49**	8.54	8.22	7.31	
Dividend payout ratio (10)	**0.8**	NM	NM	NM	
Book value per common share (6)	**$ 60.70**	$ 56.15	$ 53.50	$ 130.21	$ 2
Ratio of earnings to fixed charges and preferred stock dividends	**1.59x**	1.51x	NM	NM	

(1) As noted in the Executive Summary above, Citi has adjusted its 2011 results of operations that were previously announced on January 17, 2012 for an additional $209 million (after tax) charge. This charge relates to the agreement in principle with the United States and state attorneys general announced on February 9, 2012 regarding the settlement of a number of investigations into residential loan servicing and origination litigation, as well as the resolution of related mortgage litigation. The impact of these adjustments was a $275 million (pretax) increase in *Other operating expenses*, a $209 million (after-tax) reduction in *Net income* and a $0.06 (after-tax) reduction in *Diluted earnings per share*, for the full year of 2011. See Notes 29, 30 and 32 to the Consolidated Financial Statements.

(2) On January 1, 2010, Citigroup adopted SFAS 166/167. Prior periods have not been restated as the standards were adopted prospectively. See Note 1 to the Consolidated Financial Statements.

(3) On January 1, 2009, Citigroup adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (now ASC 810-10-45-15, *Consolidation: Noncontrolling Interest in a Subsidiary*), and FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (now ASC 260-10-45-59A, *Earnings Per Share: Participating Securities and the Two-Class Method*). All prior periods have been restated to conform to the current period s presentation.

(4) Discontinued operations for 2007 to 2009 reflect the sale of Nikko Cordial Securities to Sumitomo Mitsui Banking Corporation, the sale of Citigroup s German retail banking operations to Crédit Mutuel, and the sale of CitiCapital s equipment finance unit to General Electric. Discontinued operations for 2007 to 2010 also include the operations and associated gain on sale of Citigroup s Travelers Life & Annuity, substantially all of Citigroup s international insurance business, and Citigroup s Argentine pension business sold to MetLife Inc. Discontinued operations for the second half of 2010 also reflect the sale of The Student Loan Corporation and, for 2011, primarily reflect the sale of the Egg Banking PLC credit card business. See Note 3 to the Consolidated Financial Statements.

(5) The diluted EPS calculation for 2009 and 2008 utilizes basic shares and income allocated to unrestricted common stockholders (Basic) due to the negative income allocated to unrestricted common stockholders. Using diluted shares and income allocated to unrestricted common stockholders (Diluted) would result in anti-dilution.

(6) All per share amounts and Citigroup shares outstanding for all periods reflect Citigroup s 1-for-10 reverse stock split, which was effective May 6, 2011.

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

(8) As defined by the banking regulators, the Tier 1 Common ratio represents Tier 1 Capital less qualifying perpetual preferred stock, qualifying noncontrolling interests in subsidiaries and qualifying mandatorily redeemable securities of subsidiary trusts divided by risk-weighted assets.

(9) The Leverage ratio represents Tier 1 Capital divided by adjusted average total assets.

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

NM Not meaningful

SEGMENT AND BUSINESS INCOME (LOSS) AND REVENUES

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

CITIGROUP INCOME (LOSS)

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Income (loss) from continuing operations					
CITICORP					
Global Consumer Banking					
North America	**$ 2,589**	$ 650	$ 789	**NM**	(18)%
EMEA	**79**	91	(220)	**(13)%**	NM
Latin America	**1,601**	1,789	429	**(11)**	NM
Asia	**1,927**	2,131	1,391	**(10)**	53
Total	**$ 6,196**	$ 4,661	$ 2,389	**33%**	95%
Securities and Banking					
North America	**$ 1,011**	$ 2,465	$ 2,369	**(59)%**	4%
EMEA	**2,008**	1,805	3,414	**11**	(47)
Latin America	**978**	1,091	1,558	**(10)**	(30)
Asia	**898**	1,138	1,854	**(21)**	(39)
Total	**$ 4,895**	$ 6,499	$ 9,195	**(25)%**	(29)%
Transaction Services					
North America	**$ 447**	$ 529	$ 609	**(16)%**	(13)%
EMEA	**1,142**	1,225	1,299	**(7)**	(6)
Latin America	**645**	664	616	**(3)**	8
Asia	**1,173**	1,255	1,254	**(7)**	
Total	**$ 3,407**	$ 3,673	$ 3,778	**(7)%**	(3)%
Institutional Clients Group	**$ 8,302**	$ 10,172	$ 12,973	**(18)%**	(22)%
Total Citicorp	**$ 14,498**	$ 14,833	$ 15,362	**(2)%**	(3)%
CITI HOLDINGS					
Brokerage and Asset Management	**$ (286)**	$ (226)	$ 6,850	**(27)%**	NM
Local Consumer Lending	**(2,834)**	(4,988)	(10,484)	**43**	52%
Special Asset Pool	**596**	1,158	(5,425)	**(49)**	NM
Total Citi Holdings	**$ (2,524)**	$ (4,056)	$ (9,059)	**38%**	55%
Corporate/Other	**$ (871)**	$ 174	$ (7,369)	**NM**	NM
Income (loss) from continuing operations	**$ 11,103**	$ 10,951	$ (1,066)	**1%**	NM
Discontinued operations	**$ 112**	$ (68)	$ (445)		
Net income attributable to noncontrolling interests	**148**	281	95	**(47)%**	NM
Citigroup s net income (loss)	**$ 11,067**	$ 10,602	$ (1,606)	**4%**	NM

NM Not meaningful

CITIGROUP REVENUES

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
CITICORP					
Global Consumer Banking					
North America	**$13,614**	$14,790	$ 8,575	**(8)%**	72%
EMEA	**1,479**	1,503	1,550	**(2)**	(3)
Latin America	**9,483**	8,685	7,883	**9**	10
Asia	**8,009**	7,396	6,746	**8**	10
Total	**$32,585**	$32,374	$ 24,754	**1%**	31%
Securities and Banking					
North America	**$ 7,558**	$ 9,393	$ 8,836	**(20)%**	6%
EMEA	**7,221**	6,849	10,056	**5**	(32)
Latin America	**2,364**	2,547	3,435	**(7)**	(26)
Asia	**4,274**	4,326	4,813	**(1)**	(10)
Total	**$21,417**	$23,115	$ 27,140	**(7)%**	(15)%
Transaction Services					
North America	**$ 2,442**	$ 2,485	$ 2,525	**(2)%**	(2)%
EMEA	**3,486**	3,356	3,389	**4**	(1)
Latin America	**1,705**	1,516	1,391	**12**	9
Asia	**2,936**	2,714	2,513	**8**	8
Total	**$10,569**	$10,071	$ 9,818	**5%**	3%
Institutional Clients Group	**$31,986**	$33,186	$ 36,958	**(4)%**	(10)%
Total Citicorp	**$64,571**	$65,560	$ 61,712	**(2)%**	6%
CITI HOLDINGS					
Brokerage and Asset Management	**$ 282**	$ 609	$ 14,623	**(54)%**	(96)%
Local Consumer Lending	**12,067**	15,826	17,765	**(24)**	(11)
Special Asset Pool	**547**	2,852	(3,260)	**(81)**	NM
Total Citi Holdings	**$12,896**	$19,287	$ 29,128	**(33)%**	(34)%
Corporate/Other	**$ 886**	$ 1,754	$(10,555)	**(49)%**	NM
Total net revenues	**$78,353**	$86,601	$ 80,285	**(10)%**	8%

NM Not meaningful

CITICORP

Citicorp is Citigroup s global bank for consumers and businesses and represents Citi s core franchises. Citicorp is focused on providing best-in-class products and services to customers and leveraging Citigroup s unparalleled global network. Citicorp is physically present in approximately 100 countries, many for over 100 years, and offers services in over 160 countries and jurisdictions. Citi believes this global network provides a strong foundation for servicing the broad financial services needs of large multinational clients and for meeting the needs of retail, private banking, commercial, public sector and institutional clients around the world. Citigroup s global footprint provides coverage of the world s emerging economies, which Citi continues to believe represent a strong area of growth. At December 31, 2011, Citicorp had approximately $1.3 trillion of assets and $797 billion of deposits, representing approximately 70% of Citi s total assets and approximately 92% of its deposits.

At December 31, 2011, Citicorp consisted of the following businesses: *Global Consumer Banking* (which included retail banking and Citi-branded cards in four regions *North America, EMEA, Latin America* and *Asia*) and *Institutional Clients Group* (which included *Securities and Banking* and *Transaction Services*).

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$38,135**	$38,585	$34,197	**(1)%**	13%
Non-interest revenue	**26,436**	26,975	27,515	**(2)**	(2)
Total revenues, net of interest expense	**$64,571**	$65,560	$61,712	**(2)%**	6%
Provisions for credit losses and for benefits and claims					
Net credit losses	**$ 8,307**	$11,789	$ 6,155	**(30)%**	92%
Credit reserve build (release)	**(3,544)**	(2,167)	2,715	**(64)**	NM
Provision for loan losses	**$ 4,763**	$ 9,622	$ 8,870	**(50)%**	8%
Provision for benefits and claims	**152**	151	164	**1**	(8)
Provision for unfunded lending commitments	**92**	(32)	138	**NM**	NM
Total provisions for credit losses and for benefits and claims	**$ 5,007**	$ 9,741	$ 9,172	**(49)%**	6%
Total operating expenses	**$39,620**	$36,144	$32,698	**10%**	11%
Income from continuing operations before taxes	**$19,944**	$19,675	$19,842	**1%**	(1)%
Provisions for income taxes	**5,446**	4,842	4,480	**12**	8 %
Income from continuing operations	**$14,498**	$14,833	$15,362	**(2)%**	(3)%
Net income attributable to noncontrolling interests	**56**	122	68	**(54)**	79
Citicorp s net income	**$14,442**	$14,711	$15,294	**(2)%**	(4)%
Balance sheet data *(in billions of dollars)*					
Total EOP assets	**$ 1,319**	$ 1,284	$ 1,138	**3%**	13%
Average assets	**$ 1,358**	$ 1,257	$ 1,088	**8%**	16%
Total EOP deposits	**797**	760	734	**5**	4

NM Not meaningful

GLOBAL CONSUMER BANKING

Global Consumer Banking (GCB) consists of Citigroup s four geographical *Regional Consumer Banking (RCB)* businesses that provide traditional banking services to retail customers. As of December 31, 2011, *GCB* also contained Citigroup s branded cards and local commercial banking businesses and, effective in the first quarter of 2012, will also include its retail partner cards business. *GCB* is a globally diversified business with nearly 4,200 branches in 39 countries around the world. At December 31, 2011, *GCB* had $340 billion of assets and $313 billion of deposits.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$23,090**	$23,184	$16,353		42%
Non-interest revenue	**9,495**	9,190	8,401	**3%**	9
Total revenues, net of interest expense	**$32,585**	$32,374	$24,754	**1%**	31%
Total operating expenses	**$18,933**	$16,547	$15,125	**14%**	9%
Net credit losses	**$ 7,688**	$11,216	$ 5,395	**(31)%**	NM
Credit reserve build (release)	**(2,988)**	(1,541)	1,823	**(94)**	NM
Provisions for unfunded lending commitments	**3**	(3)		**NM**	
Provision for benefits and claims	**152**	151	164	**1**	(8)%
Provisions for credit losses and for benefits and claims	**$ 4,855**	$ 9,823	$ 7,382	**(51)%**	33%
Income (loss) from continuing operations before taxes	**$ 8,797**	$ 6,004	$ 2,247	**47%**	NM
Income taxes (benefits)	**2,601**	1,343	(142)	**94**	NM
Income (loss) from continuing operations	**$ 6,196**	$ 4,661	$ 2,389	**33%**	95%
Net income (loss) attributable to noncontrolling interests		(9)		**100**	
Net income (loss)	**$ 6,196**	$ 4,670	$ 2,389	**33%**	95%
Average assets *(in billions of dollars)*	**$ 335**	$ 309	$ 242	**8%**	28%
Return on assets	**1.85%**	1.51%	0.99%		
Total EOP assets	**$ 340**	$ 328	$ 255	**4**	29
Average deposits *(in billions of dollars)*	**311**	295	275	**5**	7
Net credit losses as a percentage of average loans	**3.25%**	5.11%	3.62%		
Revenue by business					
Retail banking	**$16,229**	$15,767	$14,782	**3%**	7%
Citi-branded cards	**16,356**	16,607	9,972	**(2)**	67
Total	**$32,585**	$32,374	$24,754	**1%**	31%
Income (loss) from continuing operations by business					
Retail banking	**$ 2,529**	$ 3,082	$ 2,387	**(18)%**	29%
Citi-branded cards	**3,667**	1,579	2	**NM**	NM
Total	**$ 6,196**	$ 4,661	$ 2,389	**33%**	95%

NM Not meaningful

NORTH AMERICA REGIONAL CONSUMER BANKING

North America Regional Consumer Banking (NA RCB) provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses in the U.S. Effective in the first quarter of 2012, *NA RCB* will also include the substantial majority of Citi s retail partner cards business, which will add approximately $45 billion of assets, including $41 billion of loans, to *NA RCB*. *NA RCB s* 1,016 retail bank branches and 12.7 million customer accounts, as of December 31, 2011, are largely concentrated in the greater metropolitan areas of New York, Los Angeles, San Francisco, Chicago, Miami, Washington, D.C., Boston, Philadelphia and certain larger cities in Texas. At December 31, 2011, *NA RCB* had $38.9 billion of retail banking loans and $148.8 billion of deposits. In addition, *NA RCB* had 22.0 million Citi-branded credit card accounts, with $75.9 billion in outstanding card loan balances.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$10,367**	$11,216	$ 5,206	**(8)%**	NM
Non-interest revenue	**3,247**	3,574	3,369	**(9)**	6%
Total revenues, net of interest expense	**$13,614**	$14,790	$ 8,575	**(8)%**	72%
Total operating expenses	**$ 7,329**	$ 6,163	$ 5,890	**19%**	5%
Net credit losses	**$ 4,949**	$ 8,019	$ 1,152	**(38)%**	NM
Credit reserve build (release)	**(2,740)**	(312)	527	**NM**	NM
Provisions for benefits and claims	**22**	24	50	**(8)**	(52)%
Provisions for loan losses and for benefits and claims	**$ 2,231**	$ 7,731	$ 1,729	**(71)%**	NM
Income from continuing operations before taxes	**$ 4,054**	$ 896	956	**NM**	(6)%
Income taxes	**1,465**	246	167	**NM**	47
Income from continuing operations	**$ 2,589**	$ 650	$ 789	**NM**	(18)%
Net income attributable to noncontrolling interests					
Net income	**$ 2,589**	$ 650	$ 789	**NM**	(18)%
Average assets *(in billions of dollars)*	**$ 123**	$ 119	$ 73	**3%**	63%
Average deposits *(in billions of dollars)*	**145**	145	141		3
Net credit losses as a percentage of average loans	**4.60%**	7.48%	2.43%		
Revenue by business					
Retail banking	**$ 5,111**	$ 5,325	$ 5,236	**(4)%**	2%
Citi-branded cards	**8,503**	9,465	3,339	**(10)**	NM
Total	**$13,614**	$14,790	$ 8,575	**(8)%**	72%
Income (loss) from continuing operations by business					
Retail banking	**$ 488**	$ 762	$ 751	**(36)%**	1%
Citi-branded cards	**2,101**	(112)	38	**NM**	NM
Total	**$ 2,589**	$ 650	$ 789	**NM**	(18)%
Total GAAP revenues	**$13,614**	$14,790	$ 8,575	**(8)%**	72%
Net impact of credit card securitizations activity (1)			6,672		
Total managed revenues	**$13,614**	$14,790	$15,247		(3)%
Total GAAP net credit losses	**$ 4,949**	$ 8,019	$ 1,152	**(38)%**	NM
Impact of credit card securitizations activity (1)			6,931		
Total managed net credit losses	**$ 4,949**	$ 8,019	$ 8,083		(1)%

(1) See Note 1 to the Consolidated Financial Statements for a discussion of the impact of SFAS 166/167.

NM Not meaningful

2011 vs. 2010

Net income increased $1.9 billion as compared to the prior year, driven by higher loan loss reserve releases and an improvement in net credit losses, partly offset by lower revenues and higher expenses. Citi does not expect the same level of loan loss reserve releases in *NA RCB* in 2012 as it believes credit costs in the business have generally stabilized.

Revenues decreased 8% mainly due to lower net interest margin and loan balances in the Citi-branded cards business as well as lower mortgage-related revenues, primarily relating to lower refinancing activity and lower margins as compared to the prior year.

Net interest revenue decreased 8%, driven primarily by lower cards net interest margin which was negatively impacted by the look-back provision of The Credit Card Accountability Responsibility and Disclosure Act (CARD Act). As previously disclosed, the look-back provision of the CARD Act generally requires a review to be done once every six months for card accounts where the annual percentage rate (APR) has been increased since January 1, 2009 to assess whether changes in credit risk, market conditions or other factors merit a future decline in the APR. In addition, net interest margin for cards was negatively impacted by higher promotional balances and lower total average loans. As a result, cards net interest revenue as a percentage of average loans decreased to 9.48% from 10.28% in the prior year. Citi expects margin growth to remain under pressure into 2012 given the continued investment spending in the business during 2012, which largely began in the second half of 2011.

Non-interest revenue decreased 9%, primarily due to lower gains from the sale of mortgage loans as Citi held more loans on-balance sheet. In addition, the decline in non-interest revenue reflected lower banking fee income.

Expenses increased 19%, primarily driven by the higher investment spending in the business during the second half of 2011, particularly in cards marketing and technology, and increases in litigation accruals related to the interchange litigation (see Note 29 to the Consolidated Financial Statements).

Provisions decreased $5.5 billion, or 71%, primarily due to a loan loss reserve release of $2.7 billion in 2011, compared to a loan loss reserve release of $0.3 billion in 2010, and lower net credit losses in the Citi-branded cards portfolio. Cards net credit losses were down $3.0 billion, or 39%, from 2010, and the net credit loss ratio decreased 366 basis points to 6.36% for 2011. The decline in credit costs was driven by improving credit conditions as well as continued stricter underwriting criteria, which lowered the cards risk profile. As referenced above, Citi believes the improvements in, and Citi s resulting benefit from, declining credit costs in NA RCB will likely slow into 2012.

2010 vs. 2009

Net income declined by $139 million, or 18%, as compared to the prior year, driven by higher credit costs due to Citi s adoption of SFAS 166/167, partially offset by higher *revenues.*

Revenues increased 72% from the prior year, primarily due to the consolidation of securitized credit card receivables pursuant to the adoption of SFAS 166/167 effective January 1, 2010. On a comparable basis, revenues declined 3% from the prior year, mainly due to lower volumes in Citi-branded cards as well as the net impact of the CARD Act on cards revenues. This decrease was partially offset by better mortgage-related revenues driven by higher refinancing activity.

Net interest revenue was down 6% on a comparable basis driven primarily by lower volumes in cards, with average managed loans down 7% from the prior year, and in retail banking, where average loans declined 11%. The decline in cards was driven by the stricter underwriting criteria referenced above as well as the impact of CARD Act. The increase in deposit volumes, up 3% from the prior year, was offset by lower spreads due to the then-current interest rate environment.

Non-interest revenue increased 6% on a comparable basis from the prior year mainly driven by better servicing hedge results and higher gains on sale from the sale of mortgage loans.

Expenses increased 5% from the prior year, driven by the impact of higher litigation accruals, primarily in the first quarter of 2010, and higher marketing costs.

Provisions increased $6.0 billion, primarily due to the consolidation of securitized credit card receivables pursuant to the adoption of SFAS 166/167. On a comparable basis, provisions decreased $0.9 billion, or 11%, primarily due to a net loan loss reserve release of $0.3 billion in 2010 compared to a $0.5 billion loan loss reserve build in the prior year coupled with lower net credit losses in the cards portfolio. Also on a comparable basis, the cards net credit loss ratio increased 61 basis points to 10.02%, driven by lower average loans.

EMEA REGIONAL CONSUMER BANKING

EMEA Regional Consumer Banking (EMEA RCB) provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses, primarily in Central and Eastern Europe, the Middle East and Africa (remaining retail banking and cards activities in Western Europe are included in Citi Holdings). The countries in which *EMEA RCB* has the largest presence are Poland, Turkey, Russia and the United Arab Emirates. At December 31, 2011, *EMEA RCB* had 292 retail bank branches with 3.7 million customer accounts, $4.2 billion in retail banking loans and $9.5 billion in deposits. In addition, the business had 2.6 million Citi-branded card accounts with $2.7 billion in outstanding card loan balances.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$ 893**	$ 923	$ 974	**(3)%**	(5)%
Non-interest revenue	**586**	580	576	**1**	1
Total revenues, net of interest expense	**$1,479**	$1,503	$1,550	**(2)%**	(3)%
Total operating expenses	**$1,287**	$1,179	$1,120	**9%**	5%
Net credit losses	**$ 172**	$ 316	$ 472	**(46)%**	(33)%
Provision for unfunded lending commitments	**3**	(4)		**NM**	
Credit reserve build (release)	**(118)**	(118)	310		NM
Provisions for loan losses	**$ 57**	$ 194	$ 782	**(71)%**	(75)%
Income (loss) from continuing operations before taxes	**$ 135**	$ 130	$ (352)	**4%**	NM
Income taxes (benefits)	**56**	39	(132)	**44**	NM
Income (loss) from continuing operations	**$ 79**	$ 91	$ (220)	**(13)%**	NM
Net income (loss) attributable to noncontrolling interests		(1)		**100**	
Net income (loss)	**$ 79**	$ 92	$ (220)	**(14)%**	NM
Average assets *(in billions of dollars)*	**$ 10**	$ 10	$ 11		(9)%
Return on assets	**0.79%**	0.92%	(2.01)%		
Average deposits *(in billions of dollars)*	**$ 10**	$ 9	$ 9	**11**	
Net credit losses as a percentage of average loans	**2.38%**	4.45%	5.64%		
Revenue by business					
Retail banking	**$ 811**	$ 822	$ 884	**(1)%**	(7)%
Citi-branded cards	**668**	681	666	**(2)**	2
Total	**$1,479**	$1,503	$1,550	**(2)%**	(3)%
Income (loss) from continuing operations by business					
Retail banking	**$ (56)**	$ (54)	$ (188)	**(4)%**	71%
Citi-branded cards	**135**	145	(32)	**(7)**	NM
Total	**$ 79**	$ 91	$ (220)	**(13)%**	NM

NM Not meaningful

2011 vs. 2010

Net income declined 14% as compared to the prior year as an improvement in net credit losses was partially offset by lower revenues and higher expenses from increased investment spending. During 2011, the U.S. dollar generally depreciated versus local currencies. As a result, the impact of FX translation accounted for an approximately 1% growth in revenues and expenses, respectively.

Revenues declined 2% driven by the continued liquidation of higher yielding non-strategic customer portfolios and a lower contribution from Akbank, Citi s equity investment in Turkey. The revenue decline was partly offset by the impact of FX translation and improved underlying trends in the core lending portfolio, discussed below.

Net interest revenue declined 3% due to the continued decline in the higher yielding non-strategic retail banking portfolio and spread compression in the Citi-branded cards portfolio. Interest rate caps on credit cards, particularly in Turkey and Poland, contributed to the lower spreads in the cards portfolio.

Non-interest revenue increased 1%, reflecting higher investment sales and cards fees, partly offset by the lower contribution from Akbank. Underlying drivers continued to show growth as investment sales grew 28% from the prior year and cards purchase sales grew 14%.

Expenses increased 9%, due to the impact of FX translation, investment spending and higher transactional expenses, partly offset by continued savings initiatives. Expenses could remain at elevated levels in 2012 given continued investment spending.

Provisions were 71% lower than the prior year driven by a reduction in net credit losses. Net credit losses decreased 46%, reflecting the continued credit quality improvement during the year, stricter underwriting criteria and the move to lower risk products. Loan loss reserve releases were flat. Assuming the underlying core portfolio continues to grow and season in 2012, Citi expects credit costs to rise.

2010 vs. 2009

Net income improved by $313 million, driven by the reduction in credit costs, partly offset by lower revenues and higher expenses. During 2010, the U.S. dollar generally appreciated versus local currencies. As a result, the impact of FX translation accounted for an approximately 1% decline in revenues and expenses, respectively.

Revenues declined 3% driven by FX translation and the continued liquidation of non-strategic customer portfolios. *Net interest revenue* was 5% lower due to the continued decline in the higher yielding non-strategic retail banking portfolio. In 2010, Citi focused its lending strategy around higher credit quality customers who tend to revolve less, meaning they have lower average balances than customers previously had. While this led to lower credit costs, it also negatively impacted *Net interest revenue* as customers paid off their loans more quickly. *Non-interest revenue* increased 1%, reflecting higher investment sales and a higher contribution from Citi s equity investment in Akbank.

Expenses increased 5%, due to account acquisition-focused investment spending and volumes. As the average customer credit quality improved, Citi focused on volume growth to compensate for the lower revenue. The expansion of the sales force in 2010 drove some of the expense increase as compared to 2009.

Provisions decreased 75% from the prior year driven by reduction in net credit losses and higher loan loss reserve releases. Net credit losses decreased 33%, reflecting continued credit quality improvement and the move to lower risk products.

LATIN AMERICA REGIONAL CONSUMER BANKING

Latin America Regional Consumer Banking (LATAM RCB) provides traditional banking and branded card services to retail customers and small to mid-size businesses, with the largest presence in Mexico and Brazil. *LATAM RCB* includes branch networks throughout *Latin America* as well as Banco Nacional de Mexico, or Banamex, Mexico s second-largest bank, with over 1,700 branches. At December 31, 2011, *LATAM RCB* overall had 2,221 retail branches, with 29.2 million customer accounts, $24.0 billion in retail banking loans and $44.8 billion in deposits. In addition, the business had 12.9 million Citi-branded card accounts with $13.7 billion in outstanding loan balances.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$6,465**	$5,968	$5,365	**8%**	11%
Non-interest revenue	**3,018**	2,717	2,518	**11**	8
Total revenues, net of interest expense	**$9,483**	$8,685	$7,883	**9%**	10%
Total operating expenses	**$5,734**	$5,159	$4,550	**11%**	13%
Net credit losses	**$1,684**	$1,868	$2,432	**(10)%**	(23)%
Credit reserve build (release)	**(67)**	(823)	463	**92**	NM
Provision for benefits and claims	**130**	127	114	**2**	11
Provisions for loan losses and for benefits and claims	**$1,747**	$1,172	$3,009	**49%**	(61)%
Income (loss) from continuing operations before taxes	**$2,002**	$2,354	$ 324	**(15)%**	NM
Income taxes (benefits)	**401**	565	(105)	**(29)**	NM
Income (loss) from continuing operations	**$1,601**	$1,789	$ 429	**(11)%**	NM
Net (loss) attributable to noncontrolling interests		(8)		**100**	
Net income (loss)	**$1,601**	$1,797	$ 429	**(11)%**	NM
Average assets *(in billions of dollars)*	**$ 80**	$ 73	$ 66	**10%**	11%
Return on assets	**2.00%**	2.45%	0.65%		
Average deposits *(in billions of dollars)*	**$ 46**	$ 41	$ 36	**12%**	14%
Net credit losses as a percentage of average loans	**4.64%**	6.05%	8.52%		
Revenue by business					
Retail banking	**$5,482**	$5,034	$4,401	**9%**	14%
Citi-branded cards	**4,001**	3,651	3,482	**10**	5
Total	**$9,483**	$8,685	$7,883	**9%**	10%
Income (loss) from continuing operations by business					
Retail banking	**$ 923**	$ 938	$ 657	**(2)%**	43%
Citi-branded cards	**678**	851	(228)	**(20)**	NM
Total	**$1,601**	$1,789	$ 429	**(11)%**	NM

NM Not meaningful

2011 vs. 2010

Net income declined 11% as lower loan loss reserve releases more than offset increased operating margin. During 2011, the U.S. dollar generally depreciated versus local currencies. As a result, FX translation contributed approximately 2% to the growth in each of revenues and expenses.

Revenues increased 9% primarily due to higher volumes as well as the impact of FX translation. *Net interest revenue* increased 8% driven by the continued growth in lending and deposit volumes, partially offset by continued spread compression. The declining rate environment negatively impacted *Net interest revenue* as interest revenue declined at a faster pace than interest expense. Spread compression was also driven by the continued move towards customers with a lower risk profile and stricter underwriting criteria, especially in the branded cards portfolio. *Non-interest revenue* increased 11%, predominantly driven by an increase in banking fee income from credit card purchase sales, which grew 22%.

Expenses increased 11% due to higher volumes and investment spending, including increased marketing and customer acquisition costs as well as new branches. These increased expenses were partially offset by continued savings initiatives. The increase in the level of investment spending in the business was largely completed at the end of 2011.

Provisions increased 49% reflecting lower loan loss reserve releases in 2011 as compared to 2010. Towards the end of 2011, there was a build in the loan loss reserves, primarily driven by increased volumes, particularly in the personal loan portfolio in Mexico. Net credit losses declined 10%, driven primarily by improvements in the Mexico cards portfolio. The cards net credit loss ratio declined from 11.7% in 2010 to 8.8% in 2011, driven in part by the continued move towards customers with a lower risk profile and stricter underwriting criteria. Citi currently expects the Citi-branded cards net credit loss ratio to stabilize in 2012 as new loans continue to season. Credit costs will likely increase in line with portfolio growth.

2010 vs. 2009

Net income increased $1.4 billion driven by lower credit costs as Citi released reserves in 2010 as compared to reserve builds in 2009. During 2010, the U.S. dollar generally appreciated versus local currencies. As a result, FX translation contributed approximately 5% to the decline in both revenues and expenses.

Revenues increased 10%. *Net interest revenue* increased 11% as higher loan volumes, particularly in the retail bank, offset the effect of spread compression. Spread compression was driven by the lower interest rates and move towards the above referenced lower risk customer base. *Non-interest revenue* increased 8% due to higher banking fee income from increased purchase sale activity and FX translation.

Expenses increased 13% due to FX translation as well as higher volumes and transaction-related expenses as economic conditions improved. The increase in expenses was also due to increased investment spending, including new cards acquisitions and new branches.

Provisions decreased 61% primarily reflecting loan loss reserve releases of $823 million compared to a build of $463 million in the prior year as well as a $564 million improvement in net credit losses. The increase in loan loss reserve releases and decrease in net credit losses primarily resulted from improved credit conditions and portfolio quality in the Citi-branded cards portfolio, primarily in Mexico, as well as the move to customers with a lower risk profile and stricter underwriting criteria referenced above.

ASIA REGIONAL CONSUMER BANKING

Asia Regional Consumer Banking (Asia RCB) provides traditional banking and Citi-branded card services to retail customers and small- to mid-size businesses, with the largest Citi presence in South Korea, Japan, Taiwan, Singapore, Australia, Hong Kong, India and Indonesia. Citi s Japan Consumer Finance business, which Citi has been exiting since 2008, is included in Citi Holdings (see Citi Holdings *Local Consumer Lending* below). At December 31, 2011, *Asia RCB* had 671 retail branches, 16.3 million customer accounts, $66.2 billion in retail banking loans and $109.7 billion in deposits. In addition, the business had 15.9 million Citi-branded card accounts with $21.0 billion in outstanding loan balances.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$5,365**	$5,077	$4,808	**6%**	6%
Non-interest revenue	**2,644**	2,319	1,938	**14**	20
Total revenues, net of interest expense	**$8,009**	$7,396	$6,746	**8%**	10%
Total operating expenses	**$4,583**	$4,046	$3,565	**13%**	13%
Net credit losses	**$ 883**	$1,013	$1,339	**(13)%**	(24)%
Credit reserve build (release)	**(63)**	(287)	523	**78**	NM
Provisions for loan losses and for benefits and claims	**$ 820**	$ 726	$1,862	**13%**	(61)%
Income from continuing operations before taxes	**$2,606**	$2,624	$1,319	**(1)%**	99%
Income taxes (benefits)	**679**	493	(72)	**38**	NM
Income from continuing operations	**$1,927**	$2,131	$1,391	**(10)%**	53%
Net income attributable to noncontrolling interests					
Net income	**$1,927**	$2,131	$1,391	**(10)%**	53%
Average assets *(in billions of dollars)*	**$ 122**	$ 108	$ 93	**13%**	16%
Return on assets	**1.58%**	1.97%	1.50%		
Average deposits *(in billions of dollars)*	**$ 110**	$ 100	$ 89	**10%**	12%
Net credit losses as a percentage of average loans	**1.03%**	1.37%	2.07%		
Revenue by business					
Retail banking	**$4,825**	$4,586	$4,261	**5%**	8%
Citi-branded cards	**3,184**	2,810	2,485	**13**	13
Total	**$8,009**	$7,396	$6,746	**8%**	10%
Income from continuing operations by business					
Retail banking	**$1,174**	$1,436	$1,167	**(18)%**	23%
Citi-branded cards	**753**	695	224	**8**	NM
Total	**$1,927**	$2,131	$1,391	**(10)%**	53%

NM Not meaningful

2011 vs. 2010

Net income decreased 10%, driven by higher operating expenses, lower loan loss reserve releases and a higher effective tax rate, partially offset by growth in revenue. The higher effective tax rate was due to lower tax benefits (APB 23) and a tax charge of $66 million due to a write-down in the value of deferred tax assets due to a change in the tax law, each in Japan. During 2011, the U.S. dollar generally depreciated versus local currencies. As a result, the impact of FX translation accounted for an approximately 5% growth in revenues and expenses.

Revenues increased 8%, primarily driven by higher business volumes and the impact of FX translation, partially offset by continued spread compression and $65 million of net charges relating to the repurchase of certain Lehman

structured notes (see Note 29 to the Consolidated Financial Statements). *Net interest revenue* increased 6%, as investment initiatives and sustained economic growth in the region continued to drive higher lending and deposit volumes. Spread compression continued to partly offset the benefit of higher balances and continued to be driven by stricter underwriting criteria resulting in a lowering of the risk profile for personal and other loans. Spread compression will likely continue to have a negative impact on net interest revenue in the near-term. *Non-interest revenue* increased 14%, primarily due to a 17% increase in Citi-branded cards purchase sales and higher revenues from foreign exchange products, partially offset by a 12% decrease in investment sales, particularly in the second half of 2011, and the net charges for the repurchase of certain Lehman structured notes.

Expenses increased 13% due to continued investment spending, growth in business volumes, repositioning charges and higher legal and related expenses, as well as the impact of FX translation, partially offset by ongoing productivity savings. The increase in the level of incremental investment spending in the business was largely completed at the end of 2011.

Provisions increased 13% as lower loan loss reserve releases were partially offset by lower net credit losses. The increase in credit provisions reflected the increasing volumes in the region, partially offset by continued credit quality improvement. India remained a significant driver of the improvement in credit quality, as it continued to de-risk elements of its legacy portfolio. Citi believes that provisions could continue to increase as the portfolio continues to grow and season.

2010 vs. 2009

Net income increased 53%, driven by growth in revenue and a decrease in provisions, partially offset by higher operating expenses and a higher effective tax rate. During 2010, the U.S. dollar generally depreciated versus local currencies. As a result, the impact of FX translation accounted for approximately 6% growth in revenues, and 7% growth in expenses.

Revenues increased 10%, driven by higher business volumes and the impact of FX translation, partially offset by spread compression. *Net interest revenue* increased 6%, as investment initiatives and sustained economic growth in the region drove higher lending and deposit volumes, which were partly offset by the spread compression. *Non-interest revenue* increased 20%, primarily due to higher investment sales and a 19% increase in Citi-branded cards purchase sales.

Expenses increased 13%, due to growth in business volumes, investment spending and the impact of FX translation.

Provisions decreased 61%, mainly due to the net impact of a loan loss reserve release of $287 million in 2010, compared to a $523 million loan loss reserve build in 2009 and a 24% decline in net credit losses. The decrease in provisions reflected continued credit quality improvement across the region, particularly in India, partially offset by the increasing volumes in the region.

INSTITUTIONAL CLIENTS GROUP

Institutional Clients Group (ICG) includes *Securities and Banking* and *Transaction Services*. *ICG* provides corporate, institutional, public sector and high-net-worth clients around the world with a full range of products and services, including cash management, foreign exchange, trade finance and services, securities services, sales and trading, institutional brokerage, underwriting, lending and advisory services. *ICG* s international presence is supported by trading floors in approximately 75 countries and jurisdictions and a proprietary network within *Transaction Services* in over 95 countries and jurisdictions. At December 31, 2011, *ICG* had $979 billion of assets and $484 billion of deposits.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Commissions and fees	**$ 4,447**	$ 4,266	$ 4,197	**4%**	2%
Administration and other fiduciary fees	**2,775**	2,751	2,855	**1**	(4)
Investment banking	**3,029**	3,520	4,687	**(14)**	(25)
Principal transactions	**4,873**	5,567	5,626	**(12)**	(1)
Other	**1,817**	1,681	1,749	**8**	(4)
Total non-interest revenue	**$16,941**	$17,785	$19,114	**(5)%**	(7)%
Net interest revenue (including dividends)	**15,045**	15,401	17,844	**(2)**	(14)
Total revenues, net of interest expense	**$31,986**	$33,186	$36,958	**(4)%**	(10)%
Total operating expenses	**20,687**	19,597	17,573	**6**	12
Net credit losses	**619**	573	760	**8**	(25)
Provision (release) for unfunded lending commitments	**89**	(29)	138	**NM**	NM
Credit reserve build (release)	**(556)**	(626)	892	**11**	NM
Provisions for loan losses and benefits and claims	**$ 152**	$ (82)	$ 1,790	**NM**	NM
Income from continuing operations before taxes	**$11,147**	$13,671	$17,595	**(18)%**	(22)%
Income taxes	**2,845**	3,499	4,622	**(19)**	(24)
Income from continuing operations	**$ 8,302**	$10,172	$12,973	**(18)%**	(22)%
Net income attributable to noncontrolling interests	**56**	131	68	**(57)**	93
Net income	**$ 8,246**	$10,041	$12,905	**(18)%**	(22)%
Average assets (*in billions of dollars*)	**$ 1,024**	$ 948	$ 846	**8%**	12%
Return on assets	**0.81%**	1.06%	1.53%		
Revenues by region					
North America	**$10,000**	$11,878	$11,361	**(16)%**	5%
EMEA	**10,707**	10,205	13,445	**5**	(24)
Latin America	**4,069**	4,063	4,826		(16)
Asia	**7,210**	7,040	7,326	**2**	(4)
Total revenues	**$31,986**	$33,186	$36,958	**(4)%**	(10)%
Income from continuing operations by region					
North America	**$ 1,458**	$ 2,994	$ 2,978	**(51)%**	1%
EMEA	**3,150**	3,030	4,713	**4**	(36)
Latin America	**1,623**	1,755	2,174	**(8)**	(19)
Asia	**2,071**	2,393	3,108	**(13)**	(23)
Total income from continuing operations	**$ 8,302**	$10,172	$12,973	**(18)%**	(22)%
Average loans by region (*in billions of dollars*)					
North America	**$ 69**	$ 67	$ 52	**3%**	29%
EMEA	**47**	38	45	**24**	(16)
Latin America	**29**	23	22	**26**	5
Asia	**52**	36	28	**44**	29
Total average loans	**$ 197**	$ 164	$ 147	**20%**	12%

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SECURITIES AND BANKING

Securities and Banking (S&B) offers a wide array of investment and commercial banking services and products for corporations, governments, institutional and retail investors, and high-net-worth individuals. *S&B* transacts with clients in both cash instruments and derivatives, including fixed income, foreign currency, equity, and commodity products. *S&B* includes investment banking and advisory services, lending, debt and equity sales and trading, institutional brokerage, derivative services and private banking.

S&B revenue is generated primarily from fees and spreads associated with these activities. *S&B* earns fee income for assisting clients in clearing transactions, providing brokerage and investment banking services and other such activities. Revenue generated from these activities is recorded in *Commissions and fees*. In addition, as a market maker, *S&B* facilitates transactions, including holding product inventory to meet client demand, and earns the differential between the price at which it buys and sells the products. These price differentials and the unrealized gains and losses on the inventory are recorded in *Principal transactions*. *S&B* interest income earned on inventory and loans held is recorded as a component of *Net interest revenue*.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$ 9,116**	$ 9,723	$12,170	**(6)%**	(20)%
Non-interest revenue	**12,301**	13,392	14,970	**(8)**	(11)
Revenues, net of interest expense	**$21,417**	$23,115	$27,140	**(7)%**	(15)%
Total operating expenses	**15,028**	14,693	13,090	**2**	12
Net credit losses	**602**	567	758	**6**	(25)
Provision (release) for unfunded lending commitments	**86**	(29)	138	**NM**	NM
Credit reserve build (release)	**(572)**	(562)	887	**(2)**	NM
Provisions for loan losses and benefits and claims	**$ 116**	$ (24)	$ 1,783	**NM**	NM
Income before taxes and noncontrolling interests	**$ 6,273**	$ 8,446	$12,267	**(26)%**	(31)%
Income taxes	**1,378**	1,947	3,072	**(29)**	(37)
Income from continuing operations	**4,895**	6,499	9,195	**(25)**	(29)
Net income attributable to noncontrolling interests	**37**	110	55	**(66)**	100
Net income	**$ 4,858**	$ 6,389	$ 9,140	**(24)%**	(30)%
Average assets *(in billions of dollars)*	**$ 894**	$ 841	$ 759	**6%**	11%
Return on assets	**0.54%**	0.76%	1.21%		
Revenues by region					
North America	**$ 7,558**	$ 9,393	$ 8,836	**(20)%**	6%
EMEA	**7,221**	6,849	10,056	**5**	(32)
Latin America	**2,364**	2,547	3,435	**(7)**	(26)
Asia	**4,274**	4,326	4,813	**(1)**	(10)
Total revenues	**$21,417**	$23,115	$27,140	**(7)%**	(15)%
Income from continuing operations by region					
North America	**$ 1,011**	$ 2,465	$ 2,369	**(59)%**	4%
EMEA	**2,008**	1,805	3,414	**11**	(47)
Latin America	**978**	1,091	1,558	**(10)**	(30)
Asia	**898**	1,138	1,854	**(21)**	(39)
Total income from continuing operations	**$ 4,895**	$ 6,499	$ 9,195	**(25)%**	(29)%
Securities and Banking revenue details					
Total investment banking	**$ 3,310**	$ 3,828	$ 4,767	**(14)%**	(20)%
Lending	**1,802**	962	(2,447)	**87**	NM
Equity markets	**2,756**	3,501	3,183	**(21)**	10
Fixed income markets	**12,263**	14,077	21,294	**(13)**	(34)
Private bank	**2,146**	2,004	2,068	**7**	(3)
Other *Securities and Banking*	**(860)**	(1,257)	(1,725)	**32**	27
Total *Securities and Banking* revenues	**$21,417**	$23,115	$27,140	**(7)%**	(15)%

NM Not meaningful

2011 vs. 2010

S&B s results of operations for 2011 were significantly impacted by the macroeconomic concerns during the year, including the overall pace of U.S. economic recovery, the U.S. debt ceiling debate and subsequent downgrade of U.S. sovereign credit, the ongoing sovereign debt crisis in Europe and general continued concerns about the health of the global economy and financial markets. These concerns led to heightened volatility as well as overall declines in liquidity and market activity during the second half of the year as clients reduced their activity and risk.

Net income of $4.9 billion decreased 24%. Excluding CVA/DVA (see table below), net income decreased 43% as declines in fixed income and equity markets revenues and investment banking revenues, along with higher expenses, more than offset increases in lending and private bank revenues.

Revenues of $21.4 billion decreased 7% from the prior year. CVA/DVA increased by $2.1 billion from the prior year, driven by the widening of Citi s credit spreads in 2011. Excluding CVA/DVA*S&B* revenues decreased 16%, reflecting lower results in fixed income markets, equity markets and investment banking, partially offset by increased revenues in lending and the private bank.

Fixed income markets revenues, which constituted over 50% of *S&B* revenues in 2011, decreased 24% excluding CVA/DVA. This was driven by lower results in securitized and credit products, reflecting the challenging market environment and reduced customer risk appetite and, to a lesser extent, rates and currencies.

Equity markets revenues decreased 35% excluding CVA/DVA, driven by declining revenues in equity proprietary trading (which Citi also refers to as equity principal strategies) as positions in the business were wound down, a decline in equity derivatives revenues and, to a lesser extent, a decline in cash equities. The wind down of Citi s equity proprietary trading was completed at the end of 2011.

Investment banking revenues declined 14%, as the macroeconomic concerns and market uncertainty drove lower volumes in debt and equity issuance.

Lending revenues increased 87%, mainly due to the absence of losses on credit default swap hedges in the prior year (see the table below). Excluding the impact of these hedging gains and losses, lending revenues increased 3%, primarily due to growth in the Corporate loan portfolio. Private bank revenues increased 6% excluding CVA/DVA, primarily due to higher loan and deposit balances and improved customer pricing, partially offset by declines in investment and capital markets-related products given the negative market sentiment.

Expenses increased 2%, primarily due to investment spending, which largely occurred in the first half of the year, relating to new hires and technology investments. The increase in expenses was also driven by higher repositioning charges and the negative impact of FX translation (which contributed approximately 2% to the expense growth), partially offset by productivity saves and reduced incentive compensation due to business results. The increase in the level of investment spending in S&B was largely completed at the end of 2011.

Provisions increased by $140 million, primarily due to builds in the allowance for unfunded lending commitments as a result of portfolio growth and higher net credit losses.

2010 vs. 2009

Net income of $6.4 billion decreased 30%. Excluding CVA/DVA, net income decreased 36%, as an increase in lending was more than offset by declines in fixed income and equity trading activities, investment banking fees and higher expenses.

Revenues of $23.1 billion decreased 15% from the prior year, as performance in the first half of 2009 was particularly strong due to higher fixed income markets activity and client activity levels in investment banking. In addition, 2010 CVA/DVA increased $1.6 billion from the prior year, mainly due to a larger narrowing of Citi s spreads in 2009 compared 2010. Excluding CVA/DVA, revenues decreased 19%, reflecting lower results in fixed income markets, equity markets and investment banking, partially offset by increased revenues in lending.

Fixed income markets revenues decreased 32% excluding CVA/DVA, primarily reflecting lower results in rates and currencies, credit products and securitized products due to the overall weaker market environment during 2010.

Equity markets revenues decreased 31% excluding CVA/DVA, driven by lower trading revenues linked to the derivatives business and equity proprietary trading.

Investment banking revenues declined 20%, reflecting lower levels of market activity in debt and equity underwriting.

Lending revenues increased by $3.4 billion, mainly driven by a reduction in losses on credit default swap hedges.

Expenses increased 12%, or $1.6 billion, year over year. Excluding the 2010 U.K. bonus tax impact and litigation reserve releases in the first half of 2010 and 2009, expenses increased 8%, or $1.1 billion, mainly as a result of higher compensation, transaction costs and the negative impact of FX translation (which contributed approximately 1% to the expense growth).

Provisions decreased by $1.8 billion, to negative $24 million, mainly due to credit reserve releases and lower net credit losses as the result of an improvement in the credit environment during 2010.

In millions of dollars	**2011**	2010	2009
***S&B* CVA/DVA**			
Fixed Income Markets	**$ 1,368**	$ (187)	$ 276
Equity Markets	**355**	(207)	(2,190)
Private Bank	**9**	(5)	(43)
Total *S&B* CVA/DVA	**$ 1,732**	$ (399)	$ (1,957)
Total *S&B* Lending Hedge gain (loss)	**$ 73**	$ (711)	$ (3,421)

TRANSACTION SERVICES

Transaction Services is composed of Treasury and Trade Solutions and Securities and Fund Services. Treasury and Trade Solutions provides comprehensive cash management and trade finance and services for corporations, financial institutions and public sector entities worldwide. Securities and Fund Services provides securities services to investors, such as global asset managers, custody and clearing services to intermediaries such as broker-dealers, and depository and agency/trust services to multinational corporations and governments globally. Revenue is generated from net interest revenue on deposits in these businesses, as well as from trade loans and fees for transaction processing and fees on assets under custody and administration in Securities and Fund Services.

In millions of dollars	2011	2010	2009	% Change 2011 vs. 2010	% Change 2010 vs. 2009
Net interest revenue	$ 5,929	$ 5,678	$5,674	4%	
Non-interest revenue	4,640	4,393	4,144	6	6%
Total revenues, net of interest expense	$10,569	$10,071	$9,818	5%	3%
Total operating expenses	5,659	4,904	4,483	15	9
Provisions (releases) for credit losses and for benefits and claims	36	(58)	7	NM	NM
Income before taxes and noncontrolling interests	$ 4,874	$ 5,225	$5,328	(7)%	(2)%
Income taxes	1,467	1,552	1,550	(5)	
Income from continuing operations	3,407	3,673	3,778	(7)	(3)
Net income attributable to noncontrolling interests	19	21	13	(10)	62
Net income	$ 3,388	$ 3,652	$3,765	(7)%	(3)%
Average assets *(in billions of dollars)*	130	$ 107	$ 87	21%	23%
Return on assets	2.61%	3.41%	4.34%		
Revenues by region					
North America	$ 2,442	$ 2,485	$2,525	(2)%	(2)%
EMEA	3,486	3,356	3,389	4	(1)
Latin America	1,705	1,516	1,391	12	9
Asia	2,936	2,714	2,513	8	8
Total revenues	$10,569	$10,071	$9,818	5%	3%
Income from continuing operations by region					
North America	$ 447	$ 529	$ 609	(16)%	(13)%
EMEA	1,142	1,225	1,299	(7)	(6)
Latin America	645	664	616	(3)	8
Asia	1,173	1,255	1,254	(7)	
Total income from continuing operations	$ 3,407	$ 3,673	$3,778	(7)%	(3)%
Key indicators *(in billions of dollars)*					
Average deposits and other customer liability balances	$ 363	$ 333	$ 304	9%	10%
EOP assets under custody [1] *(In trillions of dollars)*	12.5	12.6	12.1	(1)	4

(1) Includes assets under custody, assets under trust and assets under administration.
NM Not meaningful

2011 vs. 2010

Net income decreased 7%, as higher expenses, driven by investment spending, outpaced revenue growth. Year-over-year, the U.S. dollar generally depreciated versus local currencies. As a result, the impact of FX translation accounted for an approximately 1% growth in revenues and expenses, respectively.

Revenues grew 5%, driven primarily by international growth, as improvement in fees and increased deposit balances more than offset the continued spread compression, which will likely continue to be a challenge in 2012. Treasury and Trade Solutions revenues increased 5%, driven

primarily by growth in the trade and commercial cards businesses and increased deposits, partially offset by the impact of the continued low rate environment. Overall, Securities and Fund Services revenues increased 4% year-over-year, primarily due to growth in transaction and settlement volumes, driven in part by the increase in activity resulting from market volatility, and new client mandates. During the fourth quarter of 2011, however, Securities and Fund Services experienced a 10% decline in revenues as compared to the prior year period, driven by a significant decrease in settlement volumes reflecting the overall decline in capital markets activity during the latter part of 2011, spread compression and the impact of FX translation.

Expenses increased 15% reflecting investment spending and higher business volumes, partially offset by productivity savings. The increase in the level of investment spending in the business was largely completed at the end of 2011.

Provisions increased by $94 million, to $36 million, reflecting reserve builds in 2011 versus a net reserve release in the prior year.

Average assets grew 21%, driven by a 59% increase in trade assets as a result of focused investment in the business. *Average deposits and other customer liability balances* grew 9% and included a favorable shift to operating balances as the business continued to emphasize stable, lower cost deposits as a way to mitigate spread compression.

2010 vs. 2009

Net income decreased 3%, as expenses driven by investment spending outpaced revenue growth. Year-over-year, the U.S. dollar generally depreciated versus local currencies. As a result, the impact of FX translation accounted for approximately 2% growth in revenues.

Revenues grew 3%, despite the low interest rate environment. Treasury and Trade Solutions revenues grew 2% as a result of increased customer liability balances and growth in trade and fees, partially offset by the spread compression. Securities and Fund Services revenues grew by 3% as higher volumes and balances reflected the impact of sales and increased market activity.

Expenses increased 9% reflecting investment spending and higher business volumes.

Provisions decreased $65 million, to a negative $58 million, as compared to the prior year, reflecting credit reserve releases.

Average deposits and other customer liability balances grew 10%, driven primarily by growth in emerging markets.

CITI HOLDINGS

Citi Holdings contains businesses and portfolios of assets that Citigroup has determined are not central to its core Citicorp businesses. Citi Holdings consists of the following: *Brokerage and Asset Management, Local Consumer Lending* and *Special Asset Pool*.

Consistent with its strategy, Citi intends to continue to exit these businesses and portfolios as quickly as practicable in an economically rational manner. To date, the decrease in Citi Holdings assets has been primarily driven by asset sales and business dispositions, as well as portfolio run-off and pay-downs. Asset levels have also been impacted, and will continue to be impacted, by charge-offs and revenue marks as and when appropriate.

As of December 31, 2011, Citi Holdings GAAP assets were approximately $269 billion, a decrease of approximately $90 billion, or 25%, from year end 2010, and $558 billion, or 67%, from the peak in the first quarter of 2008. The decline in assets during 2011 reflected approximately $49 billion in asset sales and business dispositions, $35 billion in net run-off and amortization, and $6 billion in net cost of credit and net asset marks. Citi Holdings represented approximately 14% of Citi s GAAP assets as of December 31, 2011, while Citi Holdings risk-weighted assets of approximately $245 billion at December 31, 2011 represented approximately 25% of Citi s risk-weighted assets as of such date. As previously disclosed, Citi s ability to continue to decrease the assets in Citi Holdings through the methods discussed above, including sales and dispositions, will not likely occur at the same pace or level as in the past. See also the Executive Summary above and Risk Factors Business Risks below.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$10,287**	$14,773	$ 16,139	**(30)%**	(8)%
Non-interest revenue	**2,609**	4,514	12,989	**(42)**	(65)
Total revenues, net of interest expense	**$12,896**	$19,287	$ 29,128	**(33)%**	(34)%
Provisions for credit losses and for benefits and claims					
Net credit losses	**$11,731**	$19,070	$ 24,585	**(38)%**	(22)%
Credit reserve build (release)	**(4,720)**	(3,500)	5,305	**(35)**	NM
Provision for loan losses	**$ 7,011**	$15,570	$ 29,890	**(55)%**	(48)%
Provision for benefits and claims	**820**	813	1,094	**1**	(26)
Provision (release) for unfunded lending commitments	**(41)**	(82)	106	**50**	NM
Total provisions for credit losses and for benefits and claims	**$ 7,790**	$16,301	$ 31,090	**(52)%**	(48)%
Total operating expenses	**$ 8,791**	$ 9,615	$ 14,085	**(9)%**	(32)%
Loss from continuing operations before taxes	**$ (3,685)**	$ (6,629)	$(16,047)	**44%**	59%
Benefits for income taxes	**(1,161)**	(2,573)	(6,988)	**55**	63
(Loss) from continuing operations	**$ (2,524)**	$ (4,056)	$ (9,059)	**38%**	55%
Net income (loss) attributable to noncontrolling interests	**119**	207	29	**(43)**	NM
Citi Holdings net loss	**$ (2,643)**	$ (4,263)	$ (9,088)	**38%**	53%
Balance sheet data *(in billions of dollars)*					
Total EOP assets	**$ 269**	$ 359	$ 487	**(25)%**	(26)%
Total EOP deposits	**$ 64**	$ 79	$ 89	**(19)%**	(11)%

NM Not meaningful

BROKERAGE AND ASSET MANAGEMENT

Brokerage and Asset Management (BAM) consists of Citi s global retail brokerage and asset management businesses. At December 31, 2011, BAM had approximately $27 billion of assets, or approximately 10% of Citi Holdings assets, primarily consisting of Citi s investment in, and assets related to, the Morgan Stanley Smith Barney joint venture (MSSB JV). As more fully described in Forms 8-K filed with the SEC on January 14, 2009 and June 3, 2009, Morgan Stanley has options to purchase Citi s remaining stake in the MSSB JV over three years beginning in 2012.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$ (180)**	$ (277)	$ 390	**35%**	NM
Non-interest revenue	**462**	886	14,233	**(48)**	(94)%
Total revenues, net of interest expense	**$ 282**	$ 609	$ 14,623	**(54)%**	(96)%
Total operating expenses	**$ 729**	$ 987	$ 3,276	**(26)%**	(70)%
Net credit losses	**$ 4**	$ 17	$ 1	**(76)%**	NM
Credit reserve build (release)	**(3)**	(18)	36	**83**	NM
Provision for unfunded lending commitments	**(1)**	(6)	(5)	**83**	(20)%
Provision (release) for benefits and claims	**48**	38	40	**26**	(5)
Provisions for credit losses and for benefits and claims	**$ 48**	$ 31	$ 72	**55%**	(57)%
Income (loss) from continuing operations before taxes	**$ (495)**	$ (409)	$ 11,275	**(21)%**	NM
Income taxes (benefits)	**(209)**	(183)	4,425	**(14)**	NM
Income (loss) from continuing operations	**$ (286)**	$ (226)	$ 6,850	**(27)%**	NM
Net income attributable to noncontrolling interests	**9**	11	12	**(18)**	(8)%
Net income (loss)	**$ (295)**	$ (237)	$ 6,838	**(24)%**	NM
EOP assets *(in billions of dollars)*	**$ 27**	$ 27	$ 30		(10)%
EOP deposits *(in billions of dollars)*	**55**	58	60	**(5)%**	(3)

NM Not meaningful

2011 vs. 2010

Net loss increased 24% as lower revenues were only partly offset by lower expenses.

Revenues decreased by 54%, driven by the 2010 sale of the Habitat and Colfondos businesses (including a $78 million pretax gain on sale related to the transactions in the first quarter of 2010) and lower revenues from the MSSB JV.

Expenses decreased 26%, also driven by divestitures, as well as lower legal and related expenses.

Provisions increased 55% due to the absence of the prior-year reserve releases.

2010 vs. 2009

Net loss was $0.2 billion in 2010, compared to *Net income* of $6.9 billion in 2009. The decrease was driven by the absence of the gain on sale related to the MSSB JV transaction in 2009.

Revenues decreased 96% versus the prior year driven by the absence of the $11.1 billion pretax gain on sale ($6.7 billion after tax) related to the MSSB JV transaction in the second quarter of 2009 and a $320 million pretax gain on the sale of the managed futures business to the MSSB JV in the third quarter of 2009. Excluding these gains, revenues decreased primarily due to the absence of Smith Barney from May 2009 onwards as well as the absence of Nikko Asset Management, partially offset by higher revenues from the MSSB JV and an improvement in marks in the retail alternative investments business.

Expenses decreased 70% from the prior year, mainly driven by the absence of Smith Barney from May 2009 onwards, lower MSSB JV separation-related costs as compared to the prior year and the absence of Nikko and Colfondos, partially offset by higher legal settlements and reserves associated with Smith Barney.

Provisions decreased 57%, mainly due to the absence of credit reserve builds in 2009.

Assets decreased 10% versus the prior year, mostly driven by the sales of the private equity business and the run-off of tailored loan portfolios.

LOCAL CONSUMER LENDING

As of December 31, 2011, *Local Consumer Lending (LCL)* included a portion of Citigroup s *North America* mortgage business, retail partner cards, CitiFinancial North America (consisting of the OneMain and CitiFinancial Servicing businesses), remaining student loans, and other local Consumer finance businesses globally (including Western European cards and retail banking and Japan Consumer Finance). At December 31, 2011, *LCL* had approximately $201 billion of assets (approximately $186 billion in *North America*) or approximately 75% of Citi Holdings assets. The *North America* assets consisted of residential mortgages (residential first mortgages and home equity loans), retail partner card loans, personal loans, commercial real estate, and other consumer loans and assets. As referenced under Citi Holdings above, the substantial majority of the retail partner cards business will be transferred to Citicorp NA RCB, effective in the first quarter of 2012.

As of December 31, 2011, approximately $108 billion of assets in *LCL* consisted of *North America* mortgages in Citi s CitiMortgage and CitiFinancial operations.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$10,872**	$13,831	$ 12,995	**(21)%**	6%
Non-interest revenue	**1,195**	1,995	4,770	**(40)**	(58)
Total revenues, net of interest expense	**$12,067**	$15,826	$ 17,765	**(24)%**	(11)%
Total operating expenses	**$ 7,769**	$ 8,057	$ 9,898	**(4)%**	(19)%
Net credit losses	**$10,659**	$17,040	$ 19,185	**(37)%**	(11)%
Credit reserve build (release)	**(2,862)**	(1,771)	5,799	**(62)**	NM
Provision for benefits and claims	**772**	775	1,054		(26)
Provision for unfunded lending commitments					
Provisions for credit losses and for benefits and claims	**$ 8,569**	$16,044	$ 26,038	**(47)%**	(38)%
(Loss) from continuing operations before taxes	**$ (4,271)**	$ (8,275)	$(18,171)	**48%**	54%
Benefits for income taxes	**(1,437)**	(3,287)	(7,687)	**56**	57
(Loss) from continuing operations	**$(2,834)**	$(4,988)	$(10,484)	**43 %**	52 %
Net income attributable to noncontrolling interests	**2**	8	33	**(75)**	(76)
Net (loss)	**$ (2,836)**	$ (4,996)	$(10,517)	**43%**	52%
Average assets *(in billions of dollars)*	**$ 228**	$ 324	$ 351	**(30)%**	(8)%
Net credit losses as a percentage of average loans	**5.34%**	6.20%	6.38%		
Total GAAP revenues	**$12,067**	$15,826	$ 17,765	**(24)%**	(11)%
Net impact of credit card securitizations activity [1]			4,135		
Total managed revenues	**$12,067**	$15,826	$ 21,900	**(24)%**	(28)%
Total GAAP net credit losses	**$10,659**	$17,040	$ 19,185	**(37)%**	(11)%
Impact of credit card securitizations activity [1]			4,590		
Total managed net credit losses	**$10,659**	$17,040	$ 23,775	**(37)%**	(28)%

(1) See Note 1 to the Consolidated Financial Statements for a discussion of the impact of SFAS 166/167.

NM Not meaningful

2011 vs. 2010

Net loss decreased 43%, driven primarily by the improving credit environment, including lower net credit losses and higher loan loss reserve releases, in both retail partner cards and mortgages. The improvement in credit was partly offset by lower revenues due to decreasing asset balances and sales.

Revenues decreased 24%, driven primarily by the lower asset balances due to asset sales, divestitures and run-offs, which also drove the 21% decline in *Net interest revenue*. *Non-interest revenue* decreased 40% due to the impact of divestitures.

Expenses decreased 4%, driven by the lower volumes and divestitures, partly offset by higher legal and regulatory expenses, including without limitation those relating to the United States and state attorneys general mortgage servicing discussions and agreement in principle announced on February 9, 2012, reserves related to potential PPI refunds (see Payment Protection Insurance below) and, to a lesser extent, implementation costs associated with the OCC/Federal Reserve Board consent orders entered into in April 2011.

Provisions decreased 47%, driven by lower credit losses and higher loan loss reserve releases. Net credit losses decreased 37%, primarily due to the credit improvements in retail partner cards ($3.0 billion) and *North America* mortgages ($1.6 billion), although the pace of the decline in net credit losses in both portfolios slowed. Loan loss reserve releases increased 62%, driven by higher releases in retail partner cards and CitiFinancial North America due to better credit quality and lower loan balances.

Assets declined 20% from the prior year, primarily driven by portfolio run-off and the impact of asset sales and divestitures, including continued sales of student loans, auto loans and delinquent mortgages (see North America Consumer Mortgage Lending below).

2010 vs. 2009

Net loss decreased 52%, driven primarily by the improving credit environment. Decreases in revenues driven by lower gains on asset sales were mostly offset by decreased expenses due to lower volumes and divestitures.

Revenues decreased 11% from the prior year, driven primarily by portfolio run off, divestitures and asset sales. *Net interest revenue* increased 6% due to the adoption of SFAS 166/167, partially offset by the impact of lower balances due to portfolio run-off and asset sales. *Non-interest revenue* declined 58%, primarily due to the absence of the $1.1 billion gain on the sale of Redecard in the first quarter of 2009 and a higher mortgage repurchase reserve charge.

Expenses decreased 19%, primarily due to the impact of divestitures, lower volumes, re-engineering actions and the absence of costs associated with the U.S. government loss-sharing agreement, which was exited in the fourth quarter of 2009.

Provisions decreased 38%, reflecting a net $1.8 billion loan loss reserve release in 2010 compared to a $5.8 billion build in 2009. Lower net credit losses across most businesses were partially offset by the impact of the adoption of SFAS 166/167. On a comparable basis, net credit losses were lower year-over-year by 28%, driven by improvement in U.S. mortgages, international portfolios and retail partner cards.

Assets declined 21% from the prior year, primarily driven by portfolio run-off, higher loan loss reserve balances, and the impact of asset sales and divestitures, partially offset by an increase of $41 billion resulting from the adoption of SFAS 166/167. Key divestitures in 2010 included The Student Loan Corporation, Primerica, auto loans, the Canadian Mastercard business and U.S. retail sales finance portfolios.

Japan Consumer Finance

Citi continues to actively monitor a number of matters involving its Japan Consumer Finance business, including customer defaults, refund claims and litigation, as well as financial and legislative, regulatory, judicial and other political developments, relating to the charging of gray zone interest. Gray zone interest represents interest at rates that are legal but for which claims may not be enforceable. In 2008, Citi decided to exit its Japan Consumer Finance business and has been liquidating its portfolio and otherwise winding down the business since such time. However, this business has incurred, and will continue to face, net credit losses and refunds, due in part to legislative, regulatory and judicial actions taken in recent years. These actions may also reduce credit availability and increase potential claims and losses relating to gray zone interest.

In September 2010, one of Japan s largest consumer finance companies (Takefuji) declared bankruptcy, reflecting the financial distress that Japan s top consumer finance lenders are facing as they continue to deal with liabilities for gray zone interest refund claims. The publicity relating to Takefuji s bankruptcy resulted in a significant increase in the number of refund claims during the latter part of 2010 and first half of 2011, although Citi observed a steady decline in such claims during the remainder of 2011. During 2011, *LCL* recorded a net increase in its reserves related to customer refunds in the Japan Consumer Finance business of approximately $120 million (pretax), in addition to an increase of approximately $325 million (pretax) in 2010.

As evidenced by the events described above, the trend in the type, number and amount of refund claims remains volatile, and the potential full amount of losses and their impact on Citi is subject to significant uncertainties and continues to be difficult to predict. In addition, regulators in Japan have stated that they are considering legislation to establish a framework for collective legal action proceedings. If such legislation is passed and implemented, it could potentially introduce a more accessible procedure for current and former customers to pursue refund claims and other types of collective actions. Citi continues to monitor and evaluate these developments and the potential impact to both currently and previously outstanding loans in this business and its reserves related thereto.

Payment Protection Insurance

The alleged mis-selling of payment protection insurance products (PPI) by financial institutions in the UK, including Citi, has been, and continues to be, the subject of intense review and focus by the UK regulators, particularly the Financial Services Authority (FSA). PPI is designed to cover a customer s loan repayments in the event of certain events, such as long-term illness or unemployment. The FSA has found certain problems, across the industry, with how these products were sold, including customers not realizing that the cost of PPI premiums was being added to their loan or PPI being unsuitable for the customer. Prior to 2008, certain of Citi s UK consumer finance businesses, primarily CitiFinancial Europe plc and Egg Banking plc, engaged in the sale of PPI. While Citi has sold a significant portion of these businesses, and the remaining businesses are in the process of wind down, Citi generally retains the potential liability relating to the sale of PPI by these businesses.

As a result of this regulatory focus and resulting publicity, during 2010 and 2011, Citi observed an increase in customer complaints relating to the sale of PPI. In addition, in 2011, the FSA required all firms engaged in the sale of PPI in the UK, including Citi, to review their historical sales processes for PPI, generally from January 2005 forward. In addition, the FSA is requiring these firms to proactively contact any customers who may have been mis-sold PPI after January 2005 and invite them to have their individual sale reviewed. Redress, whether as a result of customer complaints or Citi s proactive contact with customers, generally involves the repayment of premiums and the refund of all applicable contractual interest together with compensatory interest of 8%.

As a result of these developments during 2011, Citi increased its reserves related to potential PPI refunds by approximately $330 million ($230 million in *LCL* and $100 million in *Corporate/Other* for discontinued operations). Citi continues discussions with the FSA regarding its proposed remediation process, and the trend in the number of claims, the potential amount of refunds and the impact on Citi remains volatile and is subject to significant uncertainty and lack of predictability. This is particularly true with respect to the potential customer response to any direct customer contact exercise. Citi continues to monitor and evaluate the PPI remediation process and developments and its related reserves.

SPECIAL ASSET POOL

Special Asset Pool (SAP) had approximately $41 billion of assets as of December 31, 2011, which constituted approximately 15% of Citi Holdings assets as of such date. *SAP* consists of a portfolio of securities, loans and other assets that Citigroup intends to continue to reduce over time through asset sales and portfolio run-off. *SAP* assets have declined by approximately $287 billion, or 88%, from peak levels in 2007, reflecting cumulative write-downs, asset sales and portfolio run-off.

In millions of dollars	**2011**	2010	2009	**% Change 2011 vs. 2010**	% Change 2010 vs. 2009
Net interest revenue	**$ (405)**	$ 1,219	$ 2,754	**NM**	(56)%
Non-interest revenue	**952**	1,633	(6,014)	**(42)%**	NM
Revenues, net of interest expense	**$ 547**	$ 2,852	$ (3,260)	**(81)%**	NM
Total operating expenses	**$ 293**	$ 571	$ 911	**(49)%**	(37)%
Net credit losses	**$ 1,068**	$ 2,013	$ 5,399	**(47)%**	(63)%
Provision (releases) for unfunded lending commitments	**(40)**	(76)	111	**47**	NM
Credit reserve builds (releases)	**(1,855)**	(1,711)	(530)	**(8)**	NM
Provisions for credit losses and for benefits and claims	**$ (827)**	$ 226	$ 4,980	**NM**	(95)%
Income (loss) from continuing operations before taxes	**$ 1,081**	$ 2,055	$ (9,151)	**(47)%**	NM
Income taxes (benefits)	**485**	897	(3,726)	**(46)**	NM
Net income (loss) from continuing operations	**$ 596**	$ 1,158	$ (5,425)	**(49)%**	NM
Net income (loss) attributable to noncontrolling interests	**108**	188	(16)	**(43)**	NM
Net income (loss)	**$ 488**	$ 970	$ (5,409)	**(50)%**	NM
EOP assets *(in billions of dollars)*	**$ 41**	$ 80	$ 136	**(49)%**	(41)%

NM Not meaningful

2011 vs. 2010

Net income decreased 50%, driven by the decrease in revenues due to lower asset balances, partially offset by lower expenses and improved credit.

Revenues decreased 81%, driven by the overall decline in *Net interest revenue* during the year, as interest-earning assets declined and thus represent a smaller portion of *SAP*. *Net interest revenue* was a negative $405 million in 2011 and Citi expects to incur continued negative carrying costs in *SAP* going forward as the non-interest-earning assets of *SAP*, which require funding, now represent the larger portion of the total asset pool. *Non-interest revenue* decreased by 42% due to lower gains on asset sales and the absence of positive marks from the prior year, such as on subprime exposures.

Expenses decreased 49%, driven by lower volume and asset levels, as well as lower legal and related costs.

Provisions decreased $1.1 billion as credit conditions continued to improve during the year. The decline of $1.1 billion was driven by a $945 million decrease in net credit losses and an increase in loan loss reserve releases to $1.9 billion in 2011 from a release of $1.7 billion in 2010.

Assets declined 49%, primarily driven by sales and amortization and prepayments. Asset sales of $29 billion for 2011 generated pretax gains of approximately $0.5 billion.

2010 vs. 2009

Net income increased $6.4 billion from a net loss of $5.4 billion in 2009. The increase was driven by higher gains on asset sales and improved revenue marks, as well as improved credit.

Revenues increased $6.1 billion, primarily due to the improvement of revenue marks in 2010. Aggregate marks were negative $2.6 billion in 2009 as compared to positive marks of $3.4 billion in 2010. 2010 revenues included positive marks of $2.0 billion related to subprime-related direct exposure, a positive $0.5 billion CVA/DVA related to monoline insurers, and $0.4 billion on private equity positions. These positive marks were partially offset by negative revenues of $0.5 billion on Alt-A mortgages and $0.4 billion on commercial real estate.

Expenses decreased 37%, mainly driven by the absence of the U.S. government loss-sharing agreement exited in the fourth quarter of 2009, lower compensation, and lower transaction expenses.

Provisions decreased 95% as credit conditions improved. The decline in credit costs was driven by a decrease in net credit losses of $3.4 billion and a higher release of loan loss reserves and unfunded lending commitments of $1.4 billion.

Assets declined 41%, primarily driven by sales and amortization and prepayments. Asset sales of $39 billion for 2010 generated pretax gains of approximately $1.3 billion.

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CORPORATE/OTHER

Corporate/Other includes global staff functions (including finance, risk, human resources, legal and compliance) and other corporate expense, global operations and technology, unallocated Corporate Treasury and Corporate items and discontinued operations. At December 31, 2011, this segment had approximately $286 billion of assets, or 15% of Citigroup s total assets, consisting primarily of Citi s liquidity portfolio.

In millions of dollars	**2011**	2010	2009
Net interest revenue	**$ 25**	$ 828	$ (1,840)
Non-interest revenue	**861**	926	(8,715)
Revenues, net of interest expense	**$ 886**	$ 1,754	$ (10,555)
Total operating expenses	**$ 2,522**	$ 1,616	$ 1,039
Provisions (releases) for loan losses and for benefits and claims	**(1)**		
Income (loss) from continuing operations before taxes	**$ (1,635)**	$ 138	$ (11,594)
Provision (benefits) for income taxes	**(764)**	(36)	(4,225)
Income (loss) from continuing operations	**$ (871)**	$ 174	$ (7,369)
Income (loss) from discontinued operations, net of taxes	**112**	(68)	(445)
Net income (loss) before attribution of noncontrolling interests	**$ (759)**	$ 106	$ (7,814)
Net (loss) attributable to noncontrolling interests	**(27)**	(48)	(2)
Net income (loss)	**$ (732)**	$ 154	$ (7,812)

2011 vs. 2010

Net loss of $732 million reflected a decline of $886 million compared to *Net income* of $154 million in 2010. The decline was primarily due to the decrease in revenues coupled with the increase in expenses, as well as the absence of the net gain on the sale of Nikko Cordial Securities and the related benefit for income taxes recorded in discontinued operations in 2010. This was partially offset by the absence of the net loss on the sale of The Student Loan Corporation in 2010 and a net gain on the sale of the Egg Banking plc credit card business in 2011, each recorded in discontinued operations in the respective year.

Revenues decreased $868 million, primarily driven by lower investment yields in Treasury and lower gains on sales of AFS securities, partially offset by gains on hedging activities and the gain on the sale of a portion of Citi s holdings in the Housing Development Finance Corp. (HDFC) in the second quarter of 2011 (approximately $200 million pretax).

Expenses increased $906 million, due to higher legal and related costs and continued investment spending, primarily in technology.

2010 vs. 2009

Net loss decreased $8.0 billion, primarily due to the increase in revenues and the absence of prior-year losses related to Nikko Cordial, partially offset by the increase in expenses and the net loss on the sale of The Student Loan Corporation.

Revenues increased $12.3 billion, primarily due to the absence of the loss on debt extinguishment related to the repayment of TARP and the exit from the loss-sharing agreement with the U.S. government, each in the fourth quarter of 2009. Revenues also increased due to gains on sales of AFS securities, benefits from lower short-term interest rates and other improved Treasury results in 2010. These increases were partially offset by the absence of the pretax gain related to Citi s public and private exchange offers in 2009.

Expenses increased $577 million, primarily due to various legal and related expenses as well as other non-compensation expenses.

BALANCE SHEET REVIEW

The following sets forth a general discussion of the changes in certain of the more significant line items of Citi s Consolidated Balance Sheet during 2011. For additional information on Citigroup s deposits, short-term and long-term debt and secured financing transactions, see Capital Resources and Liquidity Funding and Liquidity below.

In billions of dollars	December 31, 2011	2010	Increase (decrease)	% Change
Assets				
Cash and deposits with banks	**$ 184**	$ 190	**$ (6)**	**(3)%**
Federal funds sold and securities borrowed or purchased under agreements to resell	**276**	247	**29**	**12**
Trading account assets	**292**	317	**(25)**	**(8)**
Investments	**293**	318	**(25)**	**(8)**
Loans, net of unearned income and allowance for loan losses	**617**	608	**9**	**1**
Other assets	**212**	234	**(22)**	**(9)**
Total assets	**$1,874**	$ 1,914	**$ (40)**	**(2)%**
Liabilities				
Deposits	**$ 866**	$ 845	**$ 21**	**2%**
Federal funds purchased and securities loaned or sold under agreements to repurchase	**198**	190	**8**	**4**
Trading account liabilities	**126**	129	**(3)**	**(2)**
Short-term borrowings and long-term debt	**378**	460	**(82)**	**(18)**
Other liabilities	**126**	124	**2**	**2**
Total liabilities	**$1,694**	$ 1,748	**$ (54)**	**(3)%**
Total equity	**$ 180**	$ 166	**$ 14**	**8%**
Total liabilities and equity	**$1,874**	$ 1,914	**$ (40)**	**(2)%**

ASSETS

Cash and Deposits with Banks

Cash and deposits with banks is comprised of both *Cash and due from banks* and *Deposits with banks. Cash and due from banks* includes (i) cash on hand at Citi s domestic and overseas offices, and (ii) non-interest-bearing balances due from banks, including non-interest-bearing demand deposit accounts with correspondent banks, central banks (such as the Federal Reserve Bank), and other banks or depository institutions for normal operating purposes. *Deposits with banks* includes interest-bearing balances, demand deposits and time deposits held in or due from banks (including correspondent banks, central banks and other banks or depository institutions) maintained for, among other things, normal operating and regulatory reserve requirement purposes.

During 2011, *Cash and deposits with banks* decreased $6 billion, or 3%, driven by a $7 billion, or 4%, decrease in *Deposits with banks* offset by a $1 billion, or 3%, increase in *Cash and due from banks*. These changes resulted from Citi s normal operations during the year.

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

Federal funds sold consist of unsecured advances of excess balances in reserve accounts held at the Federal Reserve Banks to third parties. During 2010 and 2011, Citi s federal funds sold were not significant. Reverse repos and securities borrowing transactions increased by $29 billion, or 12%, during 2011, compared to 2010. The majority of this increase was due to additional secured lending to clients.

For further information regarding these Consolidated Balance Sheet categories, see Notes 1 and 12 to the Consolidated Financial Statements.

Trading Account Assets

Trading account assets includes debt and marketable equity securities, derivatives in a net receivable position, residual interests in securitizations and physical commodities inventory. In addition, certain assets that Citigroup has elected to carry at fair value, such as certain loans and purchase guarantees, are also included in *Trading account assets*.

During 2011, *Trading account assets* decreased $25 billion, or 8%, primarily due to decreases in corporate bonds ($14 billion, or 28%), foreign government securities ($9 billion, or 10%), equity securities ($4 billion, or 11%) and U.S. Treasury and federal agency securities ($4 billion, or 18%), partially offset by a $12 billion, or 24%, increase in derivative assets. A significant portion of the decline in Citi s *Trading account assets* occurred in the second half of 2011 as the economic uncertainty that largely began in the third quarter of 2011 continued into the fourth quarter. Citi reduced its rates trading in the G10, particularly in Europe, given the market environment in the region, and credit trading and securitized markets also declined due to reduced client volume and less market liquidity.

Average *Trading account assets* were $270 billion in 2011, compared to $280 billion in 2010.

For further information on Citi s *Trading account assets*, see Notes 1 and 14 to the Consolidated Financial Statements.

Investments

Investments consists of debt and equity securities that are available-for-sale, debt securities that are held-to-maturity, non-marketable equity securities that are carried at fair value, and non-marketable equity securities carried at cost. Debt securities include bonds, notes and redeemable preferred stock, as well as certain mortgage-backed and asset-backed securities and other structured notes. Marketable and non-marketable equity securities carried at fair value include common and nonredeemable preferred stock. Non-marketable equity securities carried at cost primarily include equity shares issued by the Federal Reserve Bank and the Federal Home Loan Banks that Citigroup is required to hold.

During 2011, *Investments* decreased by $25 billion, or 8%, primarily due to a $9 billion, or 3%, decrease in available-for-sale securities (predominantly U.S. Treasury and federal agency securities), and a $18 billion decrease in held-to-maturity securities (predominately mortgage-backed and Corporate securities) that included the $12.7 billion of assets in the *Special Asset Pool* that were reclassified and transferred to *Trading account assets* in the first quarter of 2011. The majority of the remaining decrease was largely due to a combined reduction in U.S. Treasury and federal agency securities and foreign government securities, which was partially offset by an increase in U.S. government agency mortgage-backed securities, as Citi began to modestly reallocate its portfolio into higher-yielding assets.

For further information regarding *Investments*, see Notes 1 and 15 to the Consolidated Financial Statements.

Loans

Loans represent the largest asset category of Citi s balance sheet. Citi s total loans (as discussed throughout this section, net of unearned income) were $647 billion at December 31, 2011, compared to $649 billion at December 31, 2010. Excluding the impact of FX translation, loans increased 1% year over year. At year end 2011, Consumer and Corporate loans represented 65% and 35%, respectively, of Citi s total loans.

In Citicorp, loans have increased for six consecutive quarters as of December 31, 2011, and were up 23% to $465 billion at year end 2011, as compared to $379 billion at the second quarter of 2010. Citicorp Corporate loans increased 24% year over year, and Citicorp Consumer loans were up 7% year over year. Corporate loan growth was driven by *Transaction Services* (37% growth), particularly from increased trade finance lending in *Asia*, *Latin America* and Europe, as well as growth in the *Securities and Banking*

Corporate loan book (20% growth), with increased borrowing generally across all client segments and geographies. Consumer loan growth was driven by *Regional Consumer Banking*, as loans increased 7% year over year, led by *Asia* and *Latin America*. The growth in *Regional Consumer Banking* loans reflected the economic growth in these regions, as well as the result of Citi s investment spending in these areas, which drove growth in both cards and retail loans. *North America* Consumer loans increased 6%, driven by retail loans as the cards market continued to adapt to the CARD Act and other regulatory changes. In contrast, Citi Holdings loans declined 25% year over year, due to the continued run-off and asset sales in the portfolio.

During 2011, average loans of $644 billion yielded an average rate of 7.8%, compared to $686 billion and 8.0%, respectively, in the prior year.

For further information on Citi s loan portfolios, see generally Managing Global Risk Credit Risk below and Notes 1 and 16 to the Consolidated Financial Statements.

Other Assets

Other assets consists of *Brokerage receivables, Goodwill, Intangibles* and *Mortgage servicing rights* in addition to *Other assets* (including, among other items, loans held-for-sale, deferred tax assets, equity-method investments, interest and fees receivable, premises and equipment, certain end-user derivatives in a net receivable position, repossessed assets and other receivables).

During 2011, *Other assets* decreased $22 billion, or 9%, primarily due to a $3 billion decrease in *Brokerage receivables*, a $2 billion decrease in *Mortgage servicing rights*, a $1 billion decrease in *Intangible assets*, a $1 billion decrease in *Goodwill* and a $15 billion decrease in *Other assets*.

For further information on *Brokerage receivables*, see Note 13 to the Consolidated Financial Statements. For further information regarding *Goodwill* and *Intangible assets*, see Note 18 to the Consolidated Financial Statements.

LIABILITIES

Deposits

Deposits represent customer funds that are payable on demand or upon maturity. For a discussion of Citi s deposits, see Capital Resources and Liquidity Funding and Liquidity below.

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

Federal funds purchased consist of unsecured advances of excess balances in reserve accounts held at the Federal Reserve Banks from third parties. During 2010 and 2011, Citi s federal funds purchased were not significant.

For further information on Citi s secured financing transactions, including repos and securities lending transactions, see Capital Resources and Liquidity Funding and Liquidity below. See also Notes 1 and 12 to the Consolidated Financial Statements for additional information on these balance sheet categories.

Trading Account Liabilities

Trading account liabilities includes securities sold, not yet purchased (short positions), and derivatives in a net payable position, as well as certain liabilities that Citigroup has elected to carry at fair value.

During 2011, *Trading account liabilities* decreased by $3 billion, or 2%, primarily due to a $3 billion, or 6%, decrease in derivative liabilities. In 2011, average *Trading account liabilities* were $86 billion, compared to $80 billion in 2010.

For further information on Citi s *Trading account liabilities*, see Notes 1 and 14 to the Consolidated Financial Statements.

Debt

Debt is composed of both short-term and long-term borrowings. Long-term borrowings include senior notes, subordinated notes, trust preferred securities and securitizations. Short-term borrowings include commercial paper and borrowings from unaffiliated banks and other market participants. For further information on Citi s long-term and short-term debt borrowings during 2011, see Capital Resources and Liquidity Funding and Liquidity below and Notes 1 and 19 to the Consolidated Financial Statements.

Other Liabilities

Other liabilities consists of *Brokerage payables* and *Other liabilities* (including, among other items, accrued expenses and other payables, deferred tax liabilities, certain end-user derivatives in a net payable position, and reserves for legal claims, taxes, restructuring, unfunded lending commitments, and other matters).

During 2011, *Other liabilities* increased $2 billion, or 2%, primarily due to a $5 billion increase in *Brokerage payables*, offset by a $4 billion decrease in *Other liabilities*.

For further information regarding *Brokerage payables*, see Note 13 to the Consolidated Financial Statements.

SEGMENT BALANCE SHEET AT DECEMBER 31, 2011[(1)]

In millions of dollars	Global Consumer Banking	Institutional Clients Group	Subtotal Citicorp	Citi Holdings	Corporate/Other, Discontinued Operations and Consolidating Eliminations	To Citigr Consolida
Assets						
Cash and due from banks	$ 9,020	$ 17,439	$ 26,459	$ 1,105	$ 1,137	$ 28,
Deposits with banks	7,659	52,249	59,908	1,342	94,534	155,
Federal funds sold and securities borrowed or purchased under agreements to resell	3,269	269,295	272,564	3,285		275,
Brokerage receivables		16,162	16,162	11,181	434	27,
Trading account assets	13,224	265,577	278,801	12,933		291,
Investments	27,740	95,601	123,341	30,202	139,870	293,
Loans, net of unearned income						
Consumer	246,545		246,545	177,186		423,
Corporate		218,779	218,779	4,732		223,
Loans, net of unearned income	$246,545	$218,779	$ 465,324	$181,918	$	$ 647,
Allowance for loan losses	(10,040)	(2,615)	(12,655)	(17,460)		(30,
Total loans, net	$236,505	$216,164	$ 452,669	$164,458	$	$ 617,
Goodwill	10,236	10,737	20,973	4,440		25,
Intangible assets (other than MSRs)	1,915	897	2,812	3,788		6,
Mortgage servicing rights (MSRs)	1,389	88	1,477	1,092		2,
Other assets	29,393	34,282	63,675	35,392	49,844	148,
Total assets	$340,350	$978,491	$1,318,841	$269,218	$ 285,819	$1,873,
Liabilities and equity						
Total deposits	$312,847	$483,557	$ 796,404	$ 64,391	$ 5,141	$ 865,
Federal funds purchased and securities loaned or sold under agreements to repurchase	6,238	192,134	198,372	1		198,
Brokerage payables		55,885	55,885	7	804	56,
Trading account liabilities	50	124,684	124,734	1,348		126,
Short-term borrowings	213	42,121	42,334	402	11,705	54,
Long-term debt	3,077	63,779	66,856	9,884	246,765	323,
Other liabilities	15,577	25,034	40,611	11,911	16,750	69,
Net inter-segment funding (lending)	2,348	(8,703)	(6,355)	181,274	(174,919)	
Total Citigroup stockholders equity					177,806	177,
Noncontrolling interest					1,767	1,
Total equity	$	$	$	$	$ 179,573	$ 179,
Total liabilities and equity	$340,350	$978,491	$1,318,841	$269,218	$ 285,819	$1,873,

(1) The supplemental information presented in the table above reflects Citigroup s consolidated GAAP balance sheet by reporting segment as of December 31, 2011. The respective segment information depicts the assets and liabilities managed by each segment as of such date. While this presentation is not defined by GAAP, Citi believes that these non-GAAP financial measures enhance investors understanding of the balance sheet components managed by the underlying business segments, as well as the beneficial inter-relationship of the asset and liability dynamics of the balance sheet components among Citi s business segments.

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL RESOURCES

Overview

Citi generates capital through earnings from its operating businesses. Citi may augment its capital through issuances of common stock, perpetual preferred stock and equity issued through awards under employee benefit plans, among other issuances. Citi has also augmented its regulatory capital through the issuance of subordinated debt underlying trust preferred securities, although the treatment of such instruments as regulatory capital will be phased out under Basel III and The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (see Regulatory Capital Standards and Risk Factors Regulatory Risks below). Further, the impact of future events on Citi s business results, such as corporate and asset dispositions, as well as changes in regulatory and accounting standards, may also affect Citi s capital levels.

Capital is used primarily to support assets in Citi s businesses and to absorb market, credit or operational losses. Capital may be used for other purposes, such as to pay dividends or repurchase common stock. However, Citi s ability to pay regular quarterly cash dividends of more than $0.01 per share, or to redeem or repurchase equity securities or trust preferred securities, is currently restricted (which restriction may be waived) due to Citi s agreements with certain U.S. government entities, generally for so long as the U.S. government continues to hold any Citi trust preferred securities acquired in connection with the exchange offers consummated in 2009. (See Risk Factors Business Risks below.)

Citigroup s capital management framework is designed to ensure that Citigroup and its principal subsidiaries maintain sufficient capital consistent with Citi s risk profile and all applicable regulatory standards and guidelines, as well as external rating agency considerations. Senior management is responsible for the capital and liquidity management process mainly through Citigroup s Finance and Asset and Liability Committee (FinALCO), with oversight from the Risk Management and Finance Committee of Citigroup s Board of Directors. Among other things, FinALCO s responsibilities include: determining the financial structure of Citigroup and its principal subsidiaries; ensuring that Citigroup and its regulated entities are adequately capitalized in consultation with its regulators; determining appropriate asset levels and return hurdles for Citigroup and individual businesses; reviewing the funding and capital markets plan for Citigroup; and setting and monitoring corporate and bank liquidity levels and the impact of currency translation on non-U.S. capital. Asset and liability committees are also established globally and for each region, country and/or major line of business.

Capital Ratios

Citigroup is subject to the risk-based capital guidelines issued by the Federal Reserve Board. Historically, capital adequacy has been measured, in part, based on two risk-based capital ratios, the Tier 1 Capital and Total Capital (Tier 1 Capital + Tier 2 Capital) ratios. Tier 1 Capital consists of the sum of core capital elements, such as qualifying common stockholders equity, as adjusted, qualifying noncontrolling interests, and qualifying trust preferred securities, principally reduced by goodwill, other disallowed intangible assets, and disallowed deferred tax assets. Total Capital also includes supplementary Tier 2 Capital elements, such as qualifying subordinated debt and a limited portion of the allowance for credit losses. Both measures of capital adequacy are stated as a percentage of risk-weighted assets.

In 2009, the U.S. banking regulators developed a new measure of capital termed Tier 1 Common, which is defined as Tier 1 Capital less non-common elements, including qualifying perpetual preferred stock, qualifying noncontrolling interests, and qualifying trust preferred securities. For more detail on all of these capital metrics, see Components of Capital Under Regulatory Guidelines below.

Citigroup s risk-weighted assets are principally derived from application of the risk-based capital guidelines related to the measurement of credit risk. Pursuant to these guidelines, on-balance-sheet assets and the credit equivalent amount of certain off-balance-sheet exposures (such as financial guarantees, unfunded lending commitments, letters of credit and derivatives) are assigned to one of several prescribed risk-weight categories based upon the perceived credit risk associated with the obligor or, if relevant, the guarantor, the nature of the collateral, or external credit ratings. Risk-weighted assets also incorporate a measure for market risk on covered trading account positions and all foreign exchange and commodity positions whether or not carried in the trading account. Excluded from risk-weighted assets are any assets, such as goodwill and deferred tax assets, to the extent required to be deducted from regulatory capital. See Components of Capital Under Regulatory Guidelines below.

Citigroup is also subject to a Leverage ratio requirement, a non-risk-based measure of capital adequacy, which is defined as Tier 1 Capital as a percentage of quarterly adjusted average total assets.

To be well capitalized under current federal bank regulatory agency definitions, a bank holding company must have a Tier 1 Capital ratio of at least 6%, a Total Capital ratio of at least 10%, and not be subject to a Federal Reserve Board directive to maintain higher capital levels. In addition, the Federal Reserve Board expects bank holding companies to maintain a minimum Leverage ratio of 3% or 4%, depending on factors specified in its regulations. The following table sets forth Citigroup s regulatory capital ratios as of December 31, 2011 and December 31, 2010:

Citigroup Regulatory Capital Ratios

At year end	**2011**	2010

Tier 1 Common	**11.80%**	10.75%
Tier 1 Capital	**13.55**	12.91
Total Capital (Tier 1 Capital + Tier 2 Capital)	**16.99**	16.59
Leverage	**7.19**	6.60

As indicated in the table above, Citigroup was well capitalized under the current federal bank regulatory agency definitions as of December 31, 2011 and December 31, 2010.

Components of Capital Under Regulatory Guidelines

In millions of dollars at year end	**2011**	2010
Tier 1 Common Capital		
Citigroup common stockholders equity	**$177,494**	$163,156
Less: Net unrealized losses on securities available-for-sale, net of tax [1]	**(35)**	(2,395)
Less: Accumulated net losses on cash flow hedges, net of tax	**(2,820)**	(2,650)
Less: Pension liability adjustment, net of tax [2]	**(4,282)**	(4,105)
Less: Cumulative effect included in fair value of financial liabilities attributable to the change in own creditworthiness, net of tax [3]	**1,265**	164
Less: Disallowed deferred tax assets [4]	**37,980**	34,946
Less: Intangible assets:		
Goodwill	**25,413**	26,152
Other disallowed intangible assets	**4,550**	5,211
Other	**(569)**	(698)
Total Tier 1 Common Capital	**$114,854**	$105,135
Tier 1 Capital		
Qualifying perpetual preferred stock	**$ 312**	$ 312
Qualifying mandatorily redeemable securities of subsidiary trusts	**15,929**	18,003
Qualifying noncontrolling interests	**779**	868
Other		1,875
Total Tier 1 Capital	**$131,874**	$126,193
Tier 2 Capital		
Allowance for credit losses [5]	**$ 12,423**	$ 12,627
Qualifying subordinated debt [6]	**20,429**	22,423
Net unrealized pretax gains on available-for-sale equity securities [1]	**658**	976
Total Tier 2 Capital	**$ 33,510**	$ 36,026
Total Capital (Tier 1 Capital + Tier 2 Capital)	**$165,384**	$162,219
Risk-weighted assets (RWA) [7]	**$973,369**	$977,629

(1) Tier 1 Capital excludes net unrealized gains (losses) on available-for-sale debt securities and net unrealized gains on available-for-sale equity securities with readily determinable fair values, in accordance with risk-based capital guidelines. In arriving at Tier 1 Capital, banking organizations are required to deduct net unrealized losses on available-for-sale equity securities with readily determinable fair values, net of tax. Banking organizations are permitted to include in Tier 2 Capital up to 45% of net unrealized pretax gains on available-for-sale equity securities with readily determinable fair values.

(2) The Federal Reserve Board granted interim capital relief for the impact of ASC 715-20, *Compensation Retirement Benefits Defined Benefits Plans* (formerly SFAS 158).

(3) The impact of changes in Citigroup s own creditworthiness in valuing financial liabilities for which the fair value option has been elected is excluded from Tier 1 Capital, in accordance with risk-based capital guidelines.

(4) Of Citi s approximately $52 billion of net deferred tax assets at December 31, 2011, approximately $11 billion of such assets were includable without limitation in regulatory capital pursuant to risk-based capital guidelines, while approximately $38 billion of such assets exceeded the limitation imposed by these guidelines and, as disallowed deferred tax assets, were deducted in arriving at Tier 1 Capital. Citigroup s approximately $3 billion of other net deferred tax assets primarily represented effects of the pension liability adjustment, which are permitted to be excluded prior to deriving the amount of net deferred tax assets subject to limitation under the guidelines.

(5) Includable up to 1.25% of risk-weighted assets. Any excess allowance for credit losses is deducted in arriving at risk-weighted assets.

(6) Includes qualifying subordinated debt in an amount not exceeding 50% of Tier 1 Capital.

(7) Includes risk-weighted credit equivalent amounts, net of applicable bilateral netting agreements, of $67.0 billion for interest rate, commodity and equity derivative contracts, foreign exchange contracts, and credit derivatives as of December 31, 2011, compared with $62.1 billion as of December 31, 2010. Market risk equivalent assets included in risk-weighted assets amounted to $46.8 billion at December 31, 2011 and $51.4 billion at December 31, 2010. Risk-weighted assets also include the effect of certain other off-balance-sheet exposures, such as unused lending commitments and letters of credit, and reflect deductions such as certain intangible assets and any excess allowance for credit losses.

Common Stockholders Equity

Citigroup s common stockholders equity increased during 2011 by $14.3 billion to $177.5 billion, and represented 9% of total assets as of December 31, 2011. The table below summarizes the change in Citigroup s common stockholders equity during 2011:

In billions of dollars	
Common stockholders equity, December 31, 2010	**$163.2**
Citigroup s net income	**11.1**
Employee benefit plans and other activities [1]	**0.9**
Conversion of ADIA Upper DECs equity units purchase contracts to common stock	**3.8**
Net change in accumulated other comprehensive income (loss), net of tax	**(1.5)**
Common stockholders equity, December 31, 2011	**$177.5**

(1) As of December 31, 2011, $6.7 billion of common stock repurchases remained under Citi s authorized repurchase programs. No material repurchases were made in 2011.

Tangible Common Equity and Tangible Book Value Per Share

Tangible common equity (TCE), as defined by Citigroup, represents common equity less goodwill, intangible assets (other than mortgage servicing rights (MSRs)), and related net deferred tax assets. Other companies may calculate TCE in a manner different from that of Citigroup. Citi s TCE was $145.4 billion at December 31, 2011 and $129.4 billion at December 31, 2010.

The TCE ratio (TCE divided by risk-weighted assets) was 14.9% at December 31, 2011 and 13.2% at December 31, 2010.

TCE and tangible book value per share, as well as related ratios, are capital adequacy metrics used and relied upon by investors and industry analysts; however, they are non-GAAP financial measures for SEC purposes. A reconciliation of Citigroup s total stockholders equity to TCE, and book value per share to tangible book value per share, as of December 31, 2011 and December 31, 2010, follows:

In millions of dollars or shares at year end, except ratios and per-share data	**2011**	2010
Total Citigroup stockholders equity	**$ 177,806**	$ 163,468
Less:		
Preferred stock	**312**	312
Common equity	**$ 177,494**	$ 163,156
Less:		
Goodwill	**25,413**	26,152
Intangible assets (other than MSRs)	**6,600**	7,504
Related net deferred tax assets	**44**	56
Tangible common equity (TCE)	**$ 145,437**	$ 129,444
Tangible assets		
GAAP assets	**$1,873,878**	$1,913,902
Less:		
Goodwill	**25,413**	26,152
Intangible assets (other than MSRs)	**6,600**	7,504
Related deferred tax assets	**322**	359
Tangible assets (TA)	**$ 1,841,543**	$ 1,879,887
Risk-weighted assets (RWA)	**$ 973,369**	$ 977,629
TCE/TA ratio	**7.90 %**	6.89 %
TCE/RWA ratio	**14.94%**	13.24%
Common shares outstanding (CSO)	**2,923.9**	2,905.8
Book value per share (common equity/CSO)	**$ 60.70**	$ 56.15
Tangible book value per share (TCE/CSO)	**$ 49.74**	$ 44.55

Capital Resources of Citigroup s U.S. Depository Institutions

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

The following table sets forth the capital tiers and capital ratios of Citibank, N.A., Citi s primary U.S. subsidiary depository institution, as of December 31, 2011 and December 31, 2010:

Citibank, N.A. Capital Tiers and Capital Ratios Under Regulatory Guidelines(1)

In billions of dollars at year end, except ratios	**2011**	2010
Tier 1 Common Capital	**$121.3**	$123.6
Tier 1 Capital	**121.9**	124.2
Total Capital (Tier 1 Capital + Tier 2 Capital)	**134.3**	138.4
Tier 1 Common ratio	**14.63%**	15.33%
Tier 1 Capital ratio	**14.70**	15.42
Total Capital ratio	**16.20**	17.18
Leverage ratio	**9.66**	9.32

(1) Effective July 1, 2011, Citibank (South Dakota) N.A. merged into Citibank, N.A. The amount of Tier 1 Common Capital, Tier 1 Capital and Total Capital, and the resultant capital ratios, at December 31, 2010 have been restated to reflect this merger. The 2011 Capital Ratios above also reflect the impact of dividends paid by Citibank, N.A. to Citigroup during 2011.

Impact of Changes on Capital Ratios

The following table presents the estimated sensitivity of Citigroup s and Citibank, N.A. s capital ratios to changes of $100 million in Tier 1 Common Capital, Tier 1 Capital or Total Capital (numerator), or changes of $1 billion in risk-weighted assets or adjusted average total assets (denominator), based on financial information as of December 31, 2011. This information is provided for the purpose of analyzing the impact that a change in Citigroup s or Citibank, N.A. s financial position or results of operations could have on these ratios. These sensitivities only consider a single change to either a component of capital, risk-weighted assets or adjusted average total assets. Accordingly, an event that affects more than one factor may have a larger basis point impact than is reflected in this table.

	Tier 1 Common ratio		**Tier 1 Capital ratio**		**Total Capital ratio**		
	Impact of $100 million change in Tier 1 Common Capital	**Impact of $1 billion change in risk-weighted assets**	**Impact of $100 million change in Tier 1 Capital**	**Impact of $1 billion change in risk-weighted assets**	**Impact of $100 million change in Total Capital**	**Impact of $1 billion change in risk-weighted assets**	**Impact of $100 million change in Tier 1 Capital**
Citigroup	**1.0 bps**	**1.2 bps**	**1.0 bps**	**1.4 bps**	**1.0 bps**	**1.8 bps**	**0.6 bps**
Citibank, N.A.	**1.2 bps**	**1.8 bps**	**1.2 bps**	**1.8 bps**	**1.2 bps**	**2.0 bps**	**0.8 bps**

Broker-Dealer Subsidiaries

At December 31, 2011, Citigroup Global Markets Inc., a broker-dealer registered with the SEC that is an indirect wholly owned subsidiary of Citigroup, had net capital, computed in accordance with the SEC s net capital rule, of $7.8 billion, which exceeded the minimum requirement by $7.0 billion.

In addition, certain of Citi s other broker-dealer subsidiaries are subject to regulation in the countries in which they do business, including requirements to maintain specified levels of net capital or its equivalent. Citigroup s broker-dealer subsidiaries were in compliance with their capital requirements at December 31, 2011.

Regulatory Capital Standards

The prospective regulatory capital standards for financial institutions, both in the U.S. and internationally, continue to be subject to ongoing debate, extensive rulemaking activity and substantial uncertainty. See Risk Factors Regulatory Risks below.

Basel II and II.5. In November 2005, the Basel Committee on Banking Supervision (Basel Committee) published a new set of risk-based capital standards (Basel II) that permits banking organizations to leverage internal risk models used to measure credit and operational risks to derive risk-weighted assets. In November 2007, the U.S. banking agencies adopted these standards for large, internationally active U.S. banking organizations, including Citi. As adopted, the standards require Citi to comply with the most advanced Basel II approaches for calculating risk-weighted assets for credit and operational risks. The U.S. Basel II implementation timetable originally consisted of a parallel calculation period under the current regulatory capital regime (Basel I), followed by a three-year transitional floor period, during which Basel II risk-based capital requirements could not fall below certain floors based on application of the Basel I rules. Citi began parallel Basel I and Basel II reporting to the U.S. banking agencies on April 1, 2010.

In June 2011, the U.S. banking agencies adopted final regulations to implement the capital floor provision of the so-called Collins Amendment of The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). These regulations eliminated the three-year transitional floor period in favor of a permanent floor based on the generally applicable risk-based capital rules (currently Basel I). Pursuant to these regulations, a banking organization that has formally implemented Basel II must calculate its risk-based capital requirements under both Basel I and Basel II, compare the two results, and then use the lower of the resulting capital ratios for purposes of determining compliance with its minimum Tier 1 Capital and Total Capital requirements. As of December 31, 2011 neither Citi nor any other U.S. banking organization had received approval from the U.S. banking agencies to formally implement Basel II. Accordingly, the timing of Citi s Basel II implementation remains subject to uncertainty.

Apart from the Basel II rules regarding credit and operational risks, in June 2010, the Basel Committee agreed on certain revisions to the market risk capital framework (Basel II.5) that would also result in additional capital requirements. In January 2011, the U.S. banking agencies issued a proposal to amend the market risk capital rules to implement certain revisions approved by the Basel Committee. However, the U.S. banking agencies proposal excluded the methodologies adopted by the Basel Committee for calculating capital requirements on certain debt and securitization positions covered by the market risk capital rules, as such methodologies include reliance on external credit ratings, which is prohibited by the Dodd-Frank Act (see below).

Basel III and Global Systemically Important Banks (G-SIBs)

Basel III. As an outgrowth of the financial crisis, in December 2010, the Basel Committee issued final rules to strengthen existing capital requirements (Basel III). The U.S. banking agencies are required to finalize, by December 2012, the rules to be applied by U.S. banking organizations commencing on January 1, 2013. While expected to be substantially the same as those of the Basel Committee as described below, as of December 31, 2011, the U.S. banking agencies had yet to issue the proposed U.S. version of the Basel III rules.

Under Basel III, when fully phased in on January 1, 2019, Citi would be required to maintain minimum risk-based capital ratios (exclusive of a G-SIB capital surcharge) as follows:

	Tier 1 Common	Tier 1 Capital	Total Capital
Stated minimum ratio	4.5%	6.0%	8.0%
Plus: Capital conservation buffer requirement	2.5	2.5	2.5
Effective minimum ratio (without G-SIB surcharge)	7.0%	8.5%	10.5%

While banking organizations would be permitted to draw on the 2.5% capital conservation buffer to absorb losses during periods of financial or economic stress, restrictions on earnings distributions (e.g., dividends, equity repurchases, and discretionary compensation) would result, with the degree of such restrictions greater based upon the extent to which the buffer is utilized. Moreover, subject to national discretion by the respective bank supervisory or regulatory authorities (i.e., for Citi, the U.S. banking agencies), a countercyclical capital buffer ranging from 0% to 2.5%, consisting of only Tier 1 Common Capital, could also be imposed on banking organizations when it is deemed that excess aggregate credit growth is resulting in a build-up of systemic risk in a given country. This countercyclical capital buffer, when in effect, would serve as an additional buffer supplementing the capital conservation buffer.

Under Basel III, Tier 1 Common Capital will be required to be measured after applying generally all regulatory adjustments (including applicable deductions). The impact of these regulatory adjustments on Tier 1 Common Capital would be phased in incrementally at 20% annually beginning on January 1, 2014, with full implementation by January 1, 2018. During the transition period, the portion of the regulatory adjustments (including applicable deductions) not applied against Tier 1 Common Capital would continue to be subject to existing national treatments.

Further, under Basel III, certain capital instruments will no longer qualify as non-common components of Tier 1 Capital (e.g., trust preferred securities and cumulative perpetual preferred stock) or Tier 2 Capital. These instruments will be subject to a 10% per year phase-out over 10 years beginning on January 1, 2013, except for certain limited grandfathering. This phase-out period will be substantially shorter in the U.S. as a

result of the Collins Amendment of the Dodd-Frank Act, which will generally require a phase-out of these securities over a three-year period also beginning on January 1, 2013. In addition, the Basel Committee has subsequently issued supplementary minimum requirements to those contained in Basel III,

which must be met or exceeded in order to ensure that qualifying non-common Tier 1 or Tier 2 Capital instruments fully absorb losses at the point of a banking organization s non-viability before taxpayers are exposed to loss. These requirements must be reflected within the terms of the capital instruments unless, subject to certain conditions, they are implemented through the governing jurisdiction s legal framework.

Although Citi, like other U.S. banking organizations, is currently subject to a supplementary, non-risk-based measure of leverage for capital adequacy purposes (see Capital Ratios above), Basel III establishes a more constrained Leverage ratio requirement. Initially, during a four-year parallel run test period beginning on January 1, 2013, Citi, like other U.S. banking organizations, will be required to maintain a minimum 3% Tier 1 Capital Leverage ratio. Disclosure of such ratio, and its components, will start on January 1, 2015. Depending upon the results of the parallel run test period, there could be subsequent adjustments to the definition and calibration of the Leverage ratio, which is to be finalized in 2017 and become a formal requirement by January 1, 2018.

Global Systemically Important Banks (G-SIBs). In November 2011, the Basel Committee finalized rules which set forth measures for G-SIBs, including the methodology for assessing global systemic importance, the related additional loss absorbency capital requirements (surcharges), and the phase-in period regarding such requirements.

Under the final rules, the methodology for assessing G-SIBs is to be based primarily on quantitative measurement indicators comprising five equally weighted broad categories: size, cross-jurisdictional activity, interconnectedness, substitutability/financial institution infrastructure, and complexity. G-SIBs will be subject to a progressive minimum additional Tier 1 Common Capital surcharge (over and above the Basel III minimum capital ratio requirements) ranging initially across four buckets from 1% to 2.5% of risk-weighted assets, depending upon the systemic importance of each individual banking organization. Further, a potential minimum additional 1% Tier 1 Common Capital requirement could also be imposed in the future on the largest G-SIBs that are deemed to have increased their global systemic importance (resulting in a total minimum additional Tier 1 Common Capital surcharge of 3.5%). Citi expects to be a G-SIB under the Basel Committee s rules, although the extent of its initial additional capital surcharge remains uncertain.

The minimum additional Tier 1 Common Capital surcharge for G-SIBs will be phased-in, as an extension of and in parallel with the Basel III capital conservation buffer and any countercyclical capital buffer, commencing on January 1, 2016 and becoming fully effective on January 1, 2019.

Accordingly, based on Citi s current understanding, under Basel III, on a fully phased-in basis, the effective minimum Tier 1 Common ratio requirement for those banking organizations initially deemed to be the most global systemically important, which will likely include Citi, will be at least 9.5% (consisting of the aggregate of the 4.5% stated minimum Tier 1 Common ratio requirement, the 2.5% capital conservation buffer, and the maximum 2.5% G-SIB capital surcharge). However, as referenced above, these capital surcharge measures have not yet been proposed by the U.S. banking agencies, although they have indicated they intend to adopt implementing rules in 2014.

Dodd-Frank Act

In addition to the Collins Amendment, the Dodd-Frank Act contains other significant regulatory capital-related provisions that have not yet been fully implemented by the U.S. banking agencies.

Alternative Creditworthiness Standards. In December 2011, the U.S banking agencies proposed to further amend and supplement the market risk capital rules beyond the January 2011 proposed modifications discussed above. The December 2011 proposals are intended to implement the provisions of the Dodd-Frank Act requiring that all federal agencies remove references to, and reliance on, credit ratings in their regulations, and replace these references with appropriate alternative standards for evaluating creditworthiness. Under the December 2011 proposal, the U.S. banking agencies set forth alternative methodologies to external credit ratings which are to be used to assess capital requirements on certain debt as well as securitization positions subject to the market risk capital rules. The U.S. banking agencies have also indicated they intend to propose similar revisions to the Basel I and Basel II rules to eliminate the use of external credit ratings to determine the risk weights applicable to securitization and certain corporate exposures under these regulations.

Enhanced Prudential Regulatory Capital Requirements. As mandated by the Dodd-Frank Act, in January 2012, the Federal Reserve Board issued a proposal designed to strengthen regulation and supervision of those financial institutions deemed to be systemically important and posing risk to market-wide financial stability, which would include Citi. The proposal incorporates a wide range of enhanced prudential standards, including those related to risk-based capital requirements and leverage limits.

The Federal Reserve Board has already implemented the first phase of the proposal s enhanced capital requirements through the adoption of its capital plan rule in December 2011. As a result, Citi, like other covered bank holding companies, is required to develop annual capital plans, conduct stress tests, and maintain adequate capital, including a Tier 1 Common ratio in excess of 5% (under both expected and stressed conditions) in order to engage in capital distributions such as dividends or share repurchases (see Risk Factors Business Risks below). The second phase of the enhanced capital requirements, as set forth in the January 2012 proposal, would involve a subsequent Federal Reserve Board proposal regarding the establishment of a quantitative risk-based capital surcharge for covered financial institutions or a subset thereof, to be consistent with the provisions of the Basel Committee s final G-SIB surcharge rules.

FUNDING AND LIQUIDITY

Overview

Citi s funding and liquidity objectives generally are to maintain liquidity to fund its existing asset base as well as grow its core businesses in Citicorp, while at the same time maintain sufficient excess liquidity, structured appropriately, so that it can operate under a wide variety of market conditions, including market disruptions for both short- and long-term periods. Citigroup s primary liquidity objectives are established by entity, and in aggregate, across three major categories:

(i) the non-bank, which is largely composed of the parent holding company (Citigroup) and Citi s broker-dealer subsidiaries (collectively referred to in this section as non-bank);
(ii) Citi s significant bank entities, such as Citibank, N.A.; and
(iii) other entities.

At an aggregate level, Citigroup s goal is to ensure that there is sufficient funding in amount and tenor to ensure that aggregate liquidity resources are available for these entities. The liquidity framework requires that entities be

self-sufficient or net providers of liquidity, including in conditions established under their designated stress tests, and have excess cash capital.

Citi s primary sources of funding include (i) deposits via Citi s bank subsidiaries, which continue to be Citi s most stable and lowest cost source of long-term funding, (ii) long-term debt (including long-term collateralized financings) issued at the non-bank level and certain bank subsidiaries, and (iii) stockholders equity. These sources are supplemented by short-term borrowings, primarily in the form of secured financing transactions (securities loaned or sold under agreements to repurchase, or repos), and commercial paper at the non-bank level.

As referenced above, Citigroup works to ensure that the structural tenor of these funding sources is sufficiently long in relation to the tenor of its asset base. The key goal of Citi s asset-liability management is to ensure that there is excess tenor in the liability structure so as to provide excess liquidity to fund the assets. The excess liquidity resulting from a longer-term tenor profile can effectively offset potential decreases in liquidity that may occur under stress. This excess funding is held in the form of aggregate liquidity resources, as described below.

Aggregate Liquidity Resources

	Non-bank (1)		Significant bank entities		Other entities (2)		Total	
In billions of dollars	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010
Cash at major central banks	**$29.1**	$22.7	**$ 70.7**	$ 77.4	**$ 27.6**	$ 32.5	**$127.4**	$132.6
Unencumbered liquid securities	**69.3**	71.8	**129.5**	145.3	**79.3**	77.1	**278.1**	294.2
Total	**$98.4**	$94.5	**$200.2**	$222.7	**$106.9**	$109.6	**$405.5**	$426.8

(1) Non-bank includes the parent holding company (Citigroup), Citigroup Funding Inc. (CFI) and one of Citi s broker-dealer entities, Citigroup Global Markets Holdings Inc. (CGMHI).
(2) Other entities include Banamex and other bank entities.

As set forth in the table above, Citigroup s aggregate liquidity resources totaled $405.5 billion at December 31, 2011, compared with $426.8 billion at December 31, 2010. These amounts are as of period-end and may increase or decrease intra-period in the ordinary course of business. During the quarter ended December 31, 2011, the intra-quarter amounts did not fluctuate materially from the quarter-end amounts noted above.

At December 31, 2011, Citigroup s non-bank aggregate liquidity resources totaled $98.4 billion, compared with $94.5 billion at December 31, 2010. This amount included unencumbered liquid securities and cash held in Citi s U.S. and non-U.S. broker-dealer entities.

Citigroup s significant bank entities had approximately $200.2 billion of aggregate liquidity resources as of December 31, 2011. This amount included $70.7 billion of cash on deposit with major central banks (including the U.S. Federal Reserve Bank, European Central Bank, Bank of England, Swiss National Bank, Bank of Japan, the Monetary Authority of Singapore and the Hong Kong Monetary Authority), compared with $77.4 billion at

December 31, 2010. The significant bank entities liquidity resources also included unencumbered highly liquid government and government-backed securities. These securities are available-for-sale or secured funding through private markets or by pledging to the major central banks. The liquidity value of these liquid securities was $129.5 billion at December 31, 2011, compared with $145.3 billion at December 31, 2010. As shown in the table above, overall, liquidity at Citi s significant bank entities was down at December 31, 2011, as compared to December 31, 2010, as Citi deployed some of its excess bank liquidity into loan growth within Citicorp (see Balance Sheet Review above) and paid down long-term bank debt.

Citi estimates that its other entities and subsidiaries held approximately $106.9 billion in aggregate liquidity resources as of December 31, 2011. This included $27.6 billion of cash on deposit with major central banks and $79.3 billion of unencumbered liquid securities. Including these amounts, Citi s aggregate liquidity resources as of December 31, 2011 were approximately $405.5 billion.

Further, Citi s summary of aggregate liquidity resources above does not include additional potential liquidity in the form of Citigroup s borrowing capacity at the U.S. Federal Reserve Bank discount window and from the various Federal Home Loan Banks (FHLB), which is maintained by pledged collateral to all such banks. Citi also maintains additional liquidity available in the form of diversified high grade non-government securities.

In general, Citigroup can freely fund legal entities within its bank vehicles. In addition, Citigroup s bank subsidiaries, including Citibank, N.A., can lend to the Citigroup parent and broker-dealer entities in accordance with Section 23A of the Federal Reserve Act. As of December 31, 2011, the amount available for lending to these non-bank entities under Section 23A was approximately $20.4 billion, provided the funds are collateralized appropriately.

Deposits

Citi continued to focus on maintaining a geographically diverse retail and corporate deposits base that stood at $866 billion at December 31, 2011, as compared with $845 billion at December 31, 2010. The $21 billion increase in deposits year-over-year was largely due to higher deposit volumes in *Global Consumer Banking* and *Transaction Services*. These increases were partially offset by a decrease in deposits in Citi Holdings year-over-year, while deposits in *Securities and Banking* were relatively flat. Compared to the prior quarter, deposits increased in *Global Consumer Banking, Securities and Banking* and *Transaction Services*. Citi grew deposits year-over-year in all regions as customers continued a flight to quality given the market environment, including increases in Europe and *North America* in the fourth quarter of 2011. As of December 31, 2011, approximately 60% of Citi s deposits were located outside of the United States.

Deposits can be interest-bearing or non-interest-bearing. Citi had $866 billion of deposits at December 31, 2011; of those, $177 billion were non-interest-bearing, compared to $133 billion at December 31, 2010. The remainder, or $689 billion, was interest-bearing, compared to $712 billion at December 31, 2010.

While Citi s deposits have grown year over year, Citi s overall cost of funds on deposits decreased, reflecting the low rate environment as well as Citi s ability to lower price points that widens its margins given the high levels of customer liquidity while still remaining competitive. Citi s average rate on total deposits was 0.96% at December 31, 2011, compared with 0.99% at December 31, 2010. Excluding the impact of the higher FDIC assessment effective beginning in the second quarter of 2011 and deposit insurance, the average rate on Citi s total deposits was 0.80% at December 31, 2011, compared with 0.86% at December 31, 2010. As interest rates rise, however, Citi expects to see pressure on these rates.

In addition, the composition of Citi s deposits shifted significantly year-over-year. Specifically, time deposits, where rates are fixed for the term of the deposit and have generally lower margins, became a smaller proportion of the deposit base, whereas operating accounts became a larger proportion of deposits. As defined by Citigroup, operating accounts consist of accounts such as checking and savings accounts for individuals, as well as cash management accounts for corporations, and, in Citi s experience, provide wider margins and exhibit retentive behavior. During 2011, operating account deposits grew across most of Citi s deposit-taking businesses, including retail, the private bank and *Transaction Services*. Operating accounts represented 75% of Citicorp s deposit base as of December 31, 2011, compared to 70% as of December 31, 2010 and 63% at December 31, 2009.

Long-Term Debt

Long-term debt (generally defined as original maturities of one year or more) is an important funding source, primarily for the non-bank entities, because of its multi-year maturity structure. The weighted average maturities of structural long-term debt (as defined in note 1 to the long-term debt issuances and maturities table below), issued by Citigroup, CFI, CGMHI and Citibank, N.A., excluding trust preferred securities, was approximately 7.1 years at December 31, 2011, compared to approximately 6.2 years as of December 31, 2010. At December 31, 2011 and December 31, 2010, overall long-term debt outstanding for Citigroup was as follows:

In billions of dollars	**Dec. 31, 2011**	Dec. 31, 2010
Non-bank	**$ 247.0**	$ 268.0
Bank [1]	**76.5**	113.2
Total [2][3]	**$ 323.5**	$ 381.2

(1) Collateralized advances from the FHLB were approximately $11.0 billion and $18.2 billion, respectively, at December 31, 2011 and December 31, 2010. These advances are reflected in the table above.

(2) Includes long-term debt related to consolidated variable interest entities (VIEs) of approximately $50.5 billion and $69.7 billion, respectively, at December 31, 2011 and December 31, 2010. The majority of these VIEs relate to the Citibank Credit Card Master Trust and the Citibank OMNI Master Trust.

(3) Of this amount, approximately $38.0 billion maturing in 2012 is guaranteed by the FDIC under the Temporary Liquidity Guarantee Program (TLGP).

As set forth in the table above, Citi s overall long-term debt has decreased by approximately $58 billion year-over-year. In the non-bank, the year-over-year decrease was primarily due to TLGP run-off. In the bank entities, the decrease also included TLGP run-off, FHLB reductions,

and the maturing of credit card securitization debt, particularly as Citi has grown its overall deposit base. Citi currently expects a continued decline in its overall long-term debt over 2012, particularly within its bank entities. Given its liquidity resources as of December 31, 2011, Citi may consider opportunities to repurchase its long-term debt, pursuant to open market purchases, tender offers or other means.

The table below details the long-term debt issuances and maturities of Citigroup during the past three years:

	2011		2010		2009	
In billions of dollars	**Maturities**	**Issuances**	Maturities	Issuances	Maturities	Issuances
Long-term debt [1][2]	**$50.6**	**$ 15.1**	$43.0	$ 18.9	$ 64.0	$ 110.4
Local country level, FHLB and other	**22.4**	**15.2** (3)	18.7	10.2	59.0	8.9
Secured debt and securitizations	**16.1**	**0.7**	14.2	4.7	0.9	17.0
Total	**$89.1**	**$ 31.0**	$75.9	$ 33.8	$123.9	$ 136.3

(1) Long-term debt issuances for all periods in the table above reflect Citi s structural long-term debt issuances. Structural long-term debt is a non-GAAP measure. Citi defines structural long-term debt as its long-term debt (original maturities of one year or more), excluding certain structured notes, such as equity-linked and credit-linked notes, with early redemption features effective within one year. Citigroup believes that the structural long-term debt measure provides useful information to its investors as it excludes long-term debt that could in fact be redeemed by the holders thereof within one year. Long-term debt maturities for all periods reflect the total amount of senior and subordinated long-term debt and trust preferred securities.

(2) During 2011 and 2010, Citi issued a total of $7.5 billion of senior debt pursuant to the remarketing of the trust preferred securities held by ADIA.

(3) Includes $0.5 billion of long-term FHLB issuance in the first quarter of 2011 and $5.5 billion in the second quarter of 2011.

The table below shows Citi s aggregate expected annual long-term debt maturities as of December 31, 2011:

	Expected Long-Term Debt Maturities as of December 31, 2011						
In billions of dollars	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Senior/subordinated debt	$60.6	$28.7	$25.9	$16.7	$12.2	$ 82.8	$226.9
Trust preferred securities	0.0	0.0	0.0	0.0	0.0	16.1	16.1
Securitized debt and securitizations	17.5	7.3	7.6	5.3	2.8	9.6	50.1
Local country and FHLB borrowings	5.8	10.3	4.5	1.6	4.9	3.3	30.4
Total long-term debt	$83.9	$46.3	$38.0	$23.6	$19.9	$ 111.8	$323.5

As set forth in the table above, Citi currently estimates its long-term debt maturing during 2012 to be $60.6 billion (which excludes maturities relating to local country, securitizations and FHLB), of which $38.0 billion is TLGP that Citi does not expect to refinance. Given the current status of its liquidity resources and continued asset reductions in Citi Holdings, Citi currently expects to refinance approximately $15 billion to $20 billion of long-term debt during 2012. However, Citi continually reviews its funding and liquidity needs and may adjust its expected issuances due to market conditions, including the continued uncertainty resulting from certain European market concerns, among other factors.

Secured Financing Transactions and Short-Term Borrowings

As referenced above, Citi supplements its primary sources of funding with short-term borrowings (generally defined as original maturities of less than one year). Short-term borrowings generally include (i) secured financing (securities loaned or sold under agreements to repurchase, or repos) and (ii) short-term borrowings consisting of commercial paper and borrowings from the FHLB and other market participants. The following table contains the year-end, average and maximum month-end amounts for the following respective short-term borrowings categories at the end of each of the three prior fiscal years.

	Federal funds purchased and securities sold under agreements to repurchase [2]			**Commercial paper** [3]			**Short-term borrowings** [1] **Other short-term borrowings** [4]		
In billions of dollars	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Amounts outstanding at year end	**$198.4**	$189.6	$154.3	**$21.3**	$24.7	$10.2	**$33.1**	$ 54.1	$58.7
Average outstanding during the year [5]	**219.9**	212.3	205.6	**25.3**	35.0	24.7	**45.5**	68.8	76.5
Maximum month-end outstanding	**226.1**	246.5	252.2	**25.3**	40.1	36.9	**58.2**	106.0	99.8
Weighted-average interest rate									
During the year [5][6][7]	**1.45%**	1.32%	1.67%	**0.28%**	0.38%	0.99%	**1.28%**	1.14%	1.54%

At year end [8]	**1.10**	0.99	0.85	**0.38**	0.35	0.34	**1.09**	0.40	0.66

(1) Original maturities of less than one year.
(2) Rates reflect prevailing local interest rates including inflationary effects and monetary correction in certain countries.
(3) Includes commercial paper related to VIEs consolidated effective January 1, 2010 with the adoption of SFAS 166/167.
(4) Other short-term borrowings include broker borrowings and borrowings from banks and other market participants.
(5) Excludes discontinued operations. While the annual average balance is primarily calculated from daily balances, in some cases, the average annual balance is calculated using a 13-point average composed of each of the month-end balances during the year plus the prior year-end ending balance.
(6) Interest rates include the effects of risk management activities. See Notes 20 and 24 to the Consolidated Financial Statements.
(7) Average volumes of securities loaned or sold under agreements to repurchase are reported net pursuant to FIN 41 (ASC 210-20-45). However, interest expense excludes the impact of FIN 41 (ASC 210-20-45).
(8) Based on contractual rates at respective year-end; non-interest-bearing accounts are excluded from the weighted average interest rate calculated at year-end.

Secured Financing Transactions

Secured financing is primarily conducted through Citi s broker-dealer subsidiaries to facilitate customer matched-book activity and to efficiently fund a portion of the trading inventory. As of December 31, 2011, secured financing was $198 billion and averaged approximately $220 billion during the year. Secured financing at December 31, 2011 increased year over year by approximately $9 billion from $190 billion at December 31, 2010.

Commercial Paper

At December 31, 2011 and December 31, 2010, commercial paper outstanding for Citigroup s non-bank entities and significant bank entities, respectively, was as follows:

In millions of dollars	**Dec. 31, 2011**	Dec. 31, 2010
Non-bank	**$ 6,414**	$ 9,670
Bank	**14,872**	14,987
Total	**$21,286**	$24,657

Other Short-Term Borrowings

At December 31, 2011, Citi s other short-term borrowings were $33 billion, compared with $54 billion at December 31, 2010. The average balances for the quarters were generally consistent with the quarter-end balances for each period.

See Note 19 to the Consolidated Financial Statements for further information on Citigroup s outstanding long-term debt and short-term borrowings.

Liquidity Risk Management

Liquidity risk is the risk of a financial institution s inability to meet its obligations in a timely manner. Management of liquidity risk at Citi is the responsibility of the Citigroup Treasurer with oversight from senior management through Citi s Finance and Asset and Liability Committee (FinALCO). For additional information on FinALCO and Citi s liquidity management, see Capital Resources Overview above.

Citigroup operates under a centralized 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.

Liquidity Measures and Stress Testing

Citi uses multiple measures in monitoring its liquidity, including liquidity ratios, stress testing and liquidity limits, each as described below.

Liquidity Measures

In broad terms, the structural liquidity ratio, defined as the sum of deposits, long-term debt and stockholders equity as a percentage of total assets, measures whether Citi s asset base is funded by sufficiently long-dated liabilities. Citi s structural liquidity ratio was 73% at December 31, 2011 and 73% at December 31, 2010.

Internally, Citi also utilizes cash capital to measure and monitor its ability to fund the structurally illiquid portion of the balance sheet, on a specific product-by-product basis. While cash capital is a methodology generally used by financial institutions to provide a maturity structure matching assets and liabilities, there is a lack of standardization in this area and specific product-by-product assumptions vary by firm. Cash capital measures the amount of long-term funding core deposits, long-term debt and equity available to fund illiquid assets. Illiquid assets generally include loans (net of securitization adjustments), securities haircuts and other assets (i.e., goodwill, intangibles and fixed assets). As of December 31, 2011, based on Citi s internal measures, both the non-bank and the aggregate bank subsidiaries had excess cash capital.

As part of Basel III, the Basel Committee proposed two new liquidity measurements (for an additional discussion of Basel III, see Capital Resources Regulatory Capital Standards above). Specifically, as proposed, the Liquidity Coverage Ratio (LCR) is designed to ensure banking organizations maintain an adequate level of unencumbered cash and high quality unencumbered assets that can be converted into cash to meet liquidity needs. The LCR must be at least 100%, and is proposed to be effective beginning January 1, 2015. While the U.S. regulators have not yet provided final rules or guidance with respect to the LCR, based on its current understanding of the LCR requirements, Citi believes it is in compliance with the LCR as of December 31, 2011.

In addition to the LCR, the Basel Committee proposed a Net Stable Funding Ratio (NSFR) designed to promote the medium- and long-term funding of assets and activities over a one-year time horizon. It is Citi s understanding, however, that this proposed metric is under review by the Basel Committee and may be further revised.

Moreover, in January 2012, the Federal Reserve Board proposed rules to implement the enhanced prudential standards for systemically important financial institutions, as required by the Dodd-Frank Act. The proposed rules include new requirements for liquidity management and corporate governance related thereto. Citi continues to review these proposed rules and any potential impact they may have on its liquidity management practices.

Stress Testing
Liquidity stress testing is performed for each of Citi s major entities, operating subsidiaries and/or countries. Stress testing and scenario analyses are intended to quantify the potential impact of a liquidity event on the balance sheet and liquidity position, and to identify viable funding alternatives that can be utilized. These scenarios include assumptions about significant changes in key funding sources, market triggers (such as credit ratings), potential uses of funding and political and economic conditions in certain countries. These conditions include standard and stressed market conditions as well as firm-specific events.

A wide range of liquidity stress tests are important for monitoring purposes. Some span liquidity events over a full year, some may cover an intense stress period of one month, and still other time frames may be appropriate. These potential liquidity events are useful to ascertain potential mismatches between liquidity sources and uses over a variety of horizons

(overnight, one week, two weeks, one month, three months, one year), and liquidity limits are set accordingly. To monitor the liquidity of a unit, those stress tests and potential mismatches may be calculated with varying frequencies, with several important tests performed daily.

Given the range of potential stresses, Citi maintains a series of contingency funding plans on a consolidated basis as well as for individual entities. These plans specify a wide range of readily available actions that are available in a variety of adverse market conditions, or idiosyncratic disruptions.

Credit Ratings

Citigroup s ability to access the capital markets and other sources of funds, as well as the cost of these funds and its ability to maintain certain deposits, is partially dependent on its credit ratings. See also Risk Factors Market and Economic Risks below. The table below indicates the ratings for Citigroup, Citibank, N.A. and Citigroup Global Markets Inc. (a broker-dealer subsidiary of Citi) as of December 31, 2011.

Citigroup s Debt Ratings as of December 31, 2011

	Citigroup Inc./Citigroup Funding Inc. (1)		Citibank, N.A.		Citigroup Global Markets Inc.
	Senior debt	Commercial paper	Long-term	Short-term	Senior debt
Fitch Ratings (Fitch)	A	F1	A	F1	NR
Moody s Investors Service (Moody s)	A3	P-2	A1	P-1	NR
Standard & Poor s (S&P)	A-	A-2	A	A-1	A

(1) As a result of the Citigroup guarantee, the ratings of, and changes in ratings for, CFI are the same as those of Citigroup.
NR Not rated.

Recent Rating Changes
On September 21, 2011, Moody s concluded its review of government support assumptions for Citi and certain peers and upgraded Citi s unsupported Baseline Credit Assessment rating and affirmed Citi s long-term debt ratings at both the Citibank and Citigroup levels. At the same time, however, Moody s changed the short-term rating of Citigroup (the parent holding company) to P-2 from P-1 . On November 29, 2011, following its global review of the banking industry under S&P s revised bank criteria, S&P downgraded the issuer credit rating for Citigroup Inc. to A-/A-2 from A/A-1 , and Citibank, N.A. to A/A-1 from A+/A-1 . These ratings continue to receive two notches of uplift, reflecting S&P s vi that the U.S. government is supportive to Citi. On December 15, 2011, Fitch announced revised ratings resulting from its review of government support assumptions for 17 U.S. banks. The resolution of this review resulted in a revision to the issuer credit ratings of Citigroup and Citibank, N.A. from A+ to A and the short-term issuer rating from F1+ to F1 .

The above mentioned rating changes did not have a material impact on Citi s funding profile. Furthermore, forecasts of potential funding loss under various stress scenarios, including the above mentioned rating downgrades, did not occur.

Potential Impact of Ratings Downgrades
Ratings downgrades by Fitch, Moody s or S&P could have material impacts on funding and liquidity in the form of cash obligations, reduced funding capacity and collateral triggers.

Most recently, on February 15, 2012, Moody s announced a review of 17 banks and securities firms with global capital markets operations, including Citi, for possible downgrade during the first half of 2012. Moody s stated this review was to assess adverse market trends, which it believes are weakening the credit profiles of many rated banks globally. It is not certain what the results of this review will be, or if Citigroup or

Citibank, N.A. will be impacted.

Because of the current credit ratings of Citigroup, a one-notch downgrade of its senior debt/long-term rating may or may not impact Citigroup s commercial paper/short-term rating by one notch. As of December 31, 2011, Citi estimates that a one-notch downgrade of the senior debt/long-term rating of Citigroup could result in loss of funding due to derivative triggers and additional margin requirements of $1.3 billion and a one-notch downgrade by Fitch of Citigroup s commercial paper/short-term rating could result in the assumed loss of unsecured commercial paper of $6.4 billion. Other funding sources, such as secured financing transactions and other margin requirements, for which there are no explicit triggers, could also be adversely affected.

Citi currently believes that a more severe ratings downgrade scenario, such as a two-notch downgrade of the senior debt/long-term rating of Citigroup, could result in an additional $0.9 billion in funding requirements in the form of cash obligations and collateral as of December 31, 2011. Other funding sources, such as secured financing transactions and other margin requirements, for which there are no explicit triggers, could also be adversely affected.

As set forth under Aggregate Liquidity Resources above, the aggregate liquidity resources of Citigroup s non-bank entities stood at approximately $98.4 billion as of December 31, 2011, in part as a contingency for such an event, and a broad range of mitigating actions are currently included in Citigroup s detailed contingency funding plans. These mitigating factors include, but are not limited to, accessing surplus funding capacity from existing clients, tailoring levels of secured lending, adjusting the size of select trading books, and collateralized borrowings from significant bank subsidiaries.

Further, as of December 31, 2011, a one-notch downgrade of the senior debt/long-term ratings of Citibank, N.A. could result in an approximate $2.4 billion funding requirement in the form of collateral and cash obligations. Because of the current credit ratings of Citibank, N.A., a one-notch downgrade of its senior debt/long-term rating is unlikely to have any impact on its commercial paper/short-term rating. However, a two-notch downgrade by Moody s could have an adverse impact on Citibank, N.A. s commercial paper/short-term rating. A two-notch downgrade by Moody s could result in additional funding requirements in the form of cash obligations and collateral estimated at $0.8 billion as of December 31, 2011. As of December 31, 2011, Citibank, N.A. had liquidity commitments of $27.9 billion to asset-backed commercial paper conduits, which could also be impacted by a two-notch downgrade by Moody s, including $14.9 billion of commitments to consolidated conduits, and $13.0 billion of commitments to unconsolidated conduits as referenced in Note 22 to the Consolidated Financial Statements. Additionally, Citibank, N.A. had $11.2 billion of funding programs related to the municipals markets that could be impacted by such a downgrade, of which $10.8 billion is principally reflected as commitments within Note 28 to the Consolidated Financial Statements.

Citi s significant bank entities and other entities, including Citibank, N.A., had aggregate liquidity resources of approximately $307.1 billion at December 31, 2011, in part as a contingency for such an event and also have detailed contingency funding plans that encompass a broad range of mitigating actions. These mitigating actions include, but are not limited to, selling or financing highly liquid government securities, tailoring levels of secured lending, repricing or reducing certain commitments to commercial paper conduits, exercising reimbursement agreements for the municipal programs mentioned above, adjusting the size of select trading books, reducing loan originations and renewals, raising additional deposits, or borrowing from the FHLB or other central banks. Citi believes these mitigating actions could substantially reduce the funding and liquidity risk of such a downgrade.

OFF-BALANCE-SHEET ARRANGEMENTS

Citigroup enters into various types of off-balance-sheet arrangements in the ordinary course of business. Citi s involvement in these arrangements can take many different forms, including without limitation:

- purchasing or retaining residual and other interests in special purpose entities, such as credit card receivables and mortgage-backed and other asset-backed securitization entities;
- holding senior and subordinated debt, interests in limited and general partnerships and equity interests in other unconsolidated entities; and
- providing guarantees, indemnifications, loan commitments, letters of credit and representations and warranties.

Citi enters into these arrangements for a variety of business purposes. These securitization entities offer investors access to specific cash flows and risks created through the securitization process. The securitization arrangements also assist Citi and Citi s customers in monetizing their financial assets at more favorable rates than Citi or the customers could otherwise obtain.

The table below presents a discussion of Citi s various off-balance-sheet arrangements may be found in this Form 10-K. In addition, see Significant Accounting Policies and Significant Estimates Securitizations below, as well as Notes 1, 22 and 28 to the Consolidated Financial Statements.

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

Variable interests and other obligations, including contingent obligations, arising from variable interests in nonconsolidated VIEs	See Note 22 to the Consolidated Financial Statements.
Leases, letters of credit, and lending and other commitments	See Note 28 to the Consolidated Financial Statements.
Guarantees	See Note 28 to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS

The following table includes information on Citigroup s contractual obligations, as specified and aggregated pursuant to SEC requirements.

Purchase obligations consist of those obligations to purchase goods or services that are enforceable and legally binding on Citi. For presentation purposes, purchase obligations are included in the table below through the termination date of the respective agreements, even if the contract is renewable. Many of the purchase agreements for goods or services include clauses that would allow Citigroup to cancel the agreement with specified notice; however, that impact is not included in the table below (unless Citigroup has already notified the counterparty of its intention to terminate the agreement).

Other liabilities reflected on Citigroup s Consolidated Balance Sheet include obligations for goods and services that have already been received, uncertain tax positions and other liabilities that have been incurred and will ultimately be paid in cash.

Excluded from the following table are obligations that are generally short-term in nature, including deposits and securities sold under agreements to repurchase, or repos (see Capital Resources and Liquidity Funding and Liquidity above for a discussion of these obligations). The table also excludes certain insurance and investment contracts subject to mortality and morbidity risks or without defined maturities, such that the timing of payments and withdrawals is uncertain. The liabilities related to these insurance and investment contracts are included as *Other liabilities* on the Consolidated Balance Sheet.

	Contractual obligations by year						
In millions of dollars at December 31, 2011	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Long-term debt obligations [(1)]	$ 83,907	$46,338	$37,950	$23,625	$19,897	$111,788	$323,505
Operating and capital lease obligations	1,199	1,096	1,008	906	793	2,292	7,294
Purchase obligations	694	437	389	353	274	409	2,556
Other liabilities [(2)]	40,707	366	310	291	294	5,666	47,634
Total	**$126,507**	**$48,237**	**$39,657**	**$25,175**	**$21,258**	**$120,155**	**$380,989**

(1) For additional information about long-term debt obligations, see Capital Resources and Liquidity Funding and Liquidity above and Note 19 to the Consolidated Financial Statements.

(2) Includes accounts payable and accrued expenses recorded in *Other liabilities* on Citi s Consolidated Balance Sheet. Also includes discretionary contributions for 2012 for Citi s non-U.S. pension plans and the non-U.S. postretirement plans, as well as employee benefit obligations accounted for under SFAS 87 (ASC 715), SFAS 106 (ASC 715) and SFAS 112 (ASC 712).

RISK FACTORS

REGULATORY RISKS

Citi faces significant regulatory changes around the world which could negatively impact its businesses, especially given the unfavorable environment facing financial institutions and the lack of international coordination.

As discussed in more detail throughout this section, Citi continues to be subject to a significant number of new regulatory requirements and changes from numerous sources, both in the U.S. and internationally, which could negatively impact its businesses, revenues and earnings. These reforms and proposals are occurring largely simultaneously and generally not on a coordinated basis. In addition, as a result of the financial crisis in the U.S., as well as the continuing adverse economic climate globally, Citi, as well as other financial institutions, is subject to an increased level of distrust, scrutiny and skepticism from numerous constituencies, including the public, state, federal and foreign regulators, the media and within the political arena. This environment, in which the U.S. and international regulatory initiatives are being debated and implemented, engenders not only a bias towards more regulation, but towards the most prescriptive regulation for financial institutions. As a result of this ongoing negative environment, there could be additional regulatory requirements beyond those already proposed, adopted or even currently contemplated by U.S. or international regulators. It is not clear what the cumulative impact of all of this regulatory reform will be.

The ongoing implementation of the Dodd-Frank Act, as well as international regulatory reforms, continues to create much uncertainty for Citi, including with respect to the management of its businesses, the amount and timing of the resulting increased costs and its ability to compete.

Despite enactment in July 2010, the complete scope and ultimate form of a number of provisions of The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), such as the heightened prudential standards applicable to large financial companies, the so-called Volcker Rule and the regulation of derivatives markets, are still in developmental stages and significant rulemaking and interpretation remains. Moreover, agencies and offices created by the Dodd-Frank Act, such as the Bureau of Consumer Financial Protection, are in their early stages and the extent and timing of regulatory efforts by these bodies remains to be seen.

This uncertainty is further compounded by the numerous regulatory efforts underway outside the U.S. Certain of these efforts overlap with the substantive provisions of the Dodd-Frank Act, while others, such as proposals for financial transaction and/or bank taxes in particular countries or regions, do not. In addition, even where these U.S. and international regulatory efforts overlap, these efforts generally have not been undertaken on a coordinated basis. Areas where divergence between U.S. regulators and their international counterparts exists or has begun to develop (whether with respect to scope, interpretation, timing, approach or otherwise) includes trading, clearing and reporting requirements for derivatives transactions, higher U.S. capital and margin requirements relating to uncleared derivatives transactions, and capital and liquidity requirements that may result in mandatory ring-fencing of capital or liquidity in certain jurisdictions, among others.

Regulatory uncertainty makes future planning with respect to the management of Citi s businesses more difficult. For example, the cumulative effect of the new derivative rules and sequencing of implementation requirements will have a significant impact on how Citi chooses to structure its derivatives business and its selection of legal entities in which to conduct this business. Until these rules are final and interpretive questions are answered, management s business planning and proposed pricing for this business necessarily include assumptions based on proposed rules. Incorrect assumptions could impede Citi s ability to effectively implement and comply with the final requirements in a timely manner. Management s planning is further complicated by the continual need to review and evaluate the impact to the business of an ongoing flow of rule proposals and interpretations from numerous regulatory bodies, all within compressed timeframes.

In addition, the operational and technological costs associated with implementation of, as well as the ongoing compliance costs associated with, all of these regulations will likely be substantial. Given the continued uncertainty, the ultimate amount and timing of such costs going forward are difficult to predict. In 2011, Citi invested approximately $1 billion in order to meet various regulatory requirements, and this amount did not include many of the costs likely to be incurred pursuant to the implementation of the Dodd-Frank Act or other regulatory initiatives. For example, the proposed Volcker Rule contemplates a comprehensive internal controls system as well as extensive data collection and reporting duties with respect to proprietary trading, and rules for registered swap dealers impose extensive recordkeeping requirements and business conduct rules for dealing with customers. All of these costs negatively impact Citi s earnings. Given Citi s global footprint, its implementation and compliance risks and costs are more complex and could be more substantial than its competitors. Ongoing compliance with inconsistent, conflicting or duplicative regulations across U.S. and international jurisdictions, or failure to implement or comply with these new regulations on a timely basis, could further increase costs or harm Citi s reputation generally.

Citi could also be subject to more stringent regulation because of its global footprint. In accordance with the Dodd-Frank Act, in December 2011 the Federal Reserve Board proposed a set of heightened prudential standards that will be applicable to large financial companies such as Citi. The proposal dictates requirements for aggregate counterparty exposure limits and enhanced risk management processes and oversight, among other things. Compliance with these standards could result in restrictions on Citi s activities. Moreover, other financial institutions, including so-called shadow banking financial intermediaries, providing many of the same or similar services or products that Citi makes available to its customers, may not be regulated on the same basis or to the same extent as Citi and consequently may also have certain competitive advantages.

Finally, uncertainty persists as to the extent to which Citi will be subject to more stringent regulations than its foreign competitors with

respect to several of the regulatory initiatives, particularly in its non-U.S. operations, including certain aspects of the proposed restrictions under the Volcker Rule and derivatives clearing and margin requirements. Differences in substance

or severity of regulations across jurisdictions could significantly reduce Citi s ability to compete with foreign competitors, in a variety of businesses and geographic areas, and thus further negatively impact Citi s earnings.

Citi s prospective regulatory capital requirements remain uncertain and will likely be higher than many of its competitors. There is a risk that Citi will be unable to meet these new standards in the timeframe expected by the market or regulators.

As discussed in more detail under Capital Resources and Liquidity Capital Resources Regulatory Capital Standards above, Citi s prospective regulatory capital requirements continue to be subject to extensive rulemaking and interpretation. Ongoing areas of rulemaking include, among others, (i) the final Basel III rules applicable to U.S. financial institutions, including Citi, (ii) capital surcharges for global systemically important banks (G-SIBs), including the extent of the surcharge to be initially imposed on Citi, and (iii) implementation of the Dodd-Frank Act, including imposition of enhanced prudential capital requirements on financial institutions that are deemed to pose a systemic risk to market-wide financial stability as well as provisions requiring the elimination of credit ratings from capital regulations and the Collins Amendment.

It is clear that final U.S. rules implementing Basel III, the G-SIB surcharge and the capital-related provisions of the Dodd-Frank Act will significantly increase Citi s regulatory capital requirements, including the amount of capital required to be in the form of common equity. However, the various regulatory capital levels Citi must maintain, the types of capital that will meet these requirements and the specific capital requirements associated with Citi s assets remain uncertain. For example, Citi may be required to replace certain of its existing regulatory capital in a compressed timeframe or in unfavorable markets in order to comply with final rules implementing Basel III and the Collins Amendment, which eliminated trust preferred securities from the definition of Tier 1 Capital. In addition, the alternative approaches proposed to replace the use of credit ratings in accordance with the Dodd-Frank Act and final rules implementing Basel II.5 could require Citi to hold more capital against certain of its assets than it must currently.

The lack of final regulatory capital requirements impedes long-term capital planning by Citi s management. Citi is not able to accurately forecast its capital requirements for particular exposures which complicates its ability to assess the future viability of, and appropriate pricing for, certain of its products. In addition, while management may desire to take certain actions to optimize Citi s regulatory capital profile, such as the reduction of certain investments in unconsolidated financial entities, without clarity as to the final standards, there is risk in management either taking actions based on assumed or proposed rules or waiting to take action until final rules that are implemented in compressed timeframes.

Citi s projected ability to comply with the new capital requirements as they are implemented, or earlier, is also based on certain assumptions specific to Citi s businesses, including its future earnings in Citicorp, the continued wind-down of Citi Holdings and the monetization of Citi s deferred tax assets. If management s assumptions with respect to certain aspects of Citi s

businesses prove to be incorrect, it could negatively impact Citi s ability to comply with the future regulatory capital requirements in a timely manner or in a manner consistent with market or regulator expectations.

Citi s regulatory capital requirements will also likely be higher than many of its competitors. Citi s strategic focus on emerging markets, for example, will likely result in higher risk-weighted assets and thus potentially higher capital requirements than its less global or less emerging-markets-focused competitors. In addition, within the U.S., Citi will likely face higher regulatory capital requirements than most of its U.S.-based competitors that are not subject to the G-SIB surcharge (or the same level of surcharge) or the heightened prudential capital requirements to be imposed on systemically important financial institutions. Internationally, there have already been instances of Basel III not being consistently adopted or applied across countries or regions. Any lack of a level playing field with respect to capital requirements for Citi as compared to peers or less regulated financial intermediaries, both in the U.S. and internationally, could put Citi at a competitive disadvantage.

As proposed, changes in regulation of derivatives required under the Dodd-Frank Act will require significant and costly restructuring of Citi s derivatives businesses in order to meet the new market structures and could affect the competitive position of these businesses.

Once fully implemented, the provisions of the Dodd-Frank Act relating to the regulation of derivatives will result in comprehensive reform of the derivatives markets. Reforms will include requiring a wide range of over-the-counter derivatives to be cleared through recognized clearing facilities and traded on exchanges or exchange-like facilities, the collection and segregation of collateral for most uncleared derivatives, extensive public transaction reporting and business conduct requirements, and significantly broadened restrictions on the size of positions that may be maintained in specified commodity derivatives. While some of the regulations have been finalized, the rulemaking process is still not complete, and the timing for the effectiveness of many of these requirements is not yet clear.

The proposed rules implementing the derivatives provisions of the Dodd-Frank Act will necessitate costly and resource-intensive changes to certain areas of Citi s derivatives business structures and practices. Those changes will include restructuring the legal entities through which those businesses are conducted and the successful and timely installation of extensive technological and operational systems and compliance infrastructure, among others. Effective legal entity restructuring will also be dependent on clients and regulators, and so may be subject to delays or disruptions not fully under Citi s control. Moreover, new derivatives-related systems and infrastructure will likely become the basis on which institutions such as Citi compete for clients and, to the extent that Citi s connectivity or services for clients in these businesses is deficient, Citi could be at a competitive disadvantage. More generally, the contemplated reforms will make trading in many derivatives products more costly and may significantly reduce the liquidity of certain derivatives markets and diminish customer demand for covered derivatives. These changes could negatively impact Citi s earnings from these businesses.

Reforms similar to the derivatives provisions and proposed regulations under the Dodd-Frank Act are also contemplated in the European Union and certain other jurisdictions. These reforms appear likely to take effect after the provisions of the Dodd-Frank Act and, as a result, it is uncertain whether they will be similar to those in the U.S. or will impose different or additional requirements on Citi s derivative activities. Complications due to the sequencing of the effectiveness of derivatives reform, both among different components of the Dodd-Frank Act and between the U.S. and other jurisdictions, could give rise to further disruptions and competitive dislocations.

The proposed regulations implementing the derivatives provisions of the Dodd-Frank Act, if adopted without modification, would also adversely affect the competitiveness of Citi s non-U.S. operations. For example, the proposed regulations would require some of Citi s non-U.S. operations to collect more margin from its non-U.S. derivatives customers than Citi s foreign bank competitors may be required to collect. The Dodd-Frank Act also contains a so-called push-out provision that will prevent FDIC-insured depository institutions from dealing in certain equity, commodity and credit-related derivatives. Citi conducts a substantial portion of its derivatives-dealing activities through its insured depository institution and, to the extent that certain of Citi s competitors already conduct such activities outside of FDIC-insured depository institutions, Citi would be disproportionately impacted by any restructuring of its business for push-out purposes. Moreover, the extent to which Citi s non-U.S. operations will be impacted by the push-out provision and other derivative provisions remains unclear, and it is possible that Citi could lose market share or profitability in its derivatives business or client relationships in jurisdictions where foreign bank competitors can operate without the same constraints.

The proposed restrictions imposed on proprietary trading and funds-related activities under the Volcker Rule provisions of the Dodd-Frank Act could adversely impact Citi s market-making activities and may cause Citi to dispose of certain of its investments at less than fair value.

The Volcker Rule provisions of the Dodd-Frank Act are intended to restrict the proprietary trading activities of institutions such as Citi, as well as such institutions sponsorship and investment in hedge funds and private equity funds. In October 2011, the Federal Reserve Board, OCC, FDIC and SEC proposed regulations that would implement these restrictions and the CFTC followed with its proposed regulations in January 2012.

The proposed regulations contain narrow exceptions for market-making, underwriting, risk-mitigating hedging, certain transactions on behalf of customers and activities in certain asset classes, and require that certain of these activities be designed not to encourage or reward proprietary risk taking. Because the regulations are not yet final, the degree to which Citi s activities in these areas will be permitted to continue in their current form remains uncertain. Moreover, if adopted as proposed, the rules would require an extensive compliance regime around these permitted activities, and Citi could incur significant ongoing compliance and monitoring costs, including with respect to the frequent reporting of extensive metrics and risk

analytics, to the regulatory agencies. In addition, the proposed rules and any restrictions imposed by final regulations in this area will also likely affect Citi s trading activities globally, and thus will impact it disproportionately in comparison to foreign financial institutions that will not be subject to the Volcker Rule with respect to their activities outside of the U.S.

In addition, under the funds-related provisions of the Volcker Rule, bank regulators have the flexibility to provide firms with extensions allowing them to hold their otherwise restricted investments in private equity and hedge funds for some time beyond the statutory divestment period. If the regulators elect not to grant such extensions, Citi could be forced to divest certain of its investments in illiquid funds in the secondary market on an untimely basis. Based on the illiquid nature of the investments and the prospect that other industry participants subject to similar requirements would likely be divesting similar assets at the same time, such sales could be at substantial discounts to their fair value.

The establishment of the new Consumer Financial Protection Bureau, as well as other provisions of the Dodd-Frank Act and ensuing regulations, could affect Citi s practices and operations with respect to a number of its U.S. Consumer businesses and increase its costs.

The Dodd-Frank Act established the Consumer Financial Protection Bureau (CFPB). Among other things, the CFPB was given rulemaking authority over most providers of consumer financial services in the U.S., examination and enforcement authority over the consumer operations of large banks, as well as interpretive authority with respect to numerous existing consumer financial services regulations. The CFPB began exercising these oversight authorities over the largest banks, including Citibank, N.A., during 2011.

Because this is an entirely new agency, the impact on Citi, including its retail banking, mortgages and cards businesses, is largely uncertain. However, any new regulatory requirements, or modified interpretations of existing regulations, will affect Citi s U.S. Consumer business practices and operations, potentially resulting in increased compliance costs. Furthermore, the CFPB represents an additional source of potential enforcement or litigation against Citi and, as an entirely new agency with a focus on consumer protection, the CFPB may have new or different enforcement or litigation strategies than those typically utilized by other regulatory agencies. Such actions could further increase Citi s costs.

In addition, the provisions of the Dodd-Frank Act relating to the doctrine of federal preemption may allow a broader application of state consumer financial laws to federally chartered institutions such as Citibank, N.A. Moreover, the Dodd-Frank Act eliminated federal preemption protection for operating subsidiaries of federally chartered institutions. The Dodd-Frank Act also codified existing case law which allowed state authorities to bring certain types of enforcement actions against national banks under applicable state law and granted states the ability to bring enforcement actions and to secure remedies against national banks for violation of CFPB regulations as well. This potential exposure to state lawsuits and enforcement actions, which could be extensive, could also subject Citi to increased litigation and regulatory enforcement actions, further increasing costs.

The Dodd-Frank Act also provides authority to the SEC to determine fiduciary duty standards applicable to brokers for retail customers. Any new such standards or related SEC rulemakings could also affect Citi s business practices with retail investment customers and have indirect additional effects on standards applicable to its business practices with certain institutional customers. Such standards could also likely entail additional compliance costs and result in potential incremental liability.

Regulatory requirements in the U.S. and other jurisdictions aimed at facilitating the future orderly resolution of large financial institutions could result in Citi having to change its business structures, activities and practices in ways that negatively impact its operations.
The Dodd-Frank Act requires Citi to prepare a plan for the rapid and orderly resolution of Citigroup, the bank holding company, under the Bankruptcy Code in the event of future material financial distress or failure. Citi is also required to prepare a resolution plan for its insured depository institution subsidiary, Citibank, N.A., and to demonstrate how it is adequately protected from the risks presented by non-bank affiliates. These plans must include information on resolution strategy, major counterparties and interdependencies, among other things, and will require substantial effort, time and cost. These resolution plans will be subject to review by the Federal Reserve Board and the FDIC.

Based on regulator review of these plans, Citi may have to restructure or reorganize businesses, legal entities, or operational systems and intracompany transactions in ways that negatively impact its operations, or be subject to restrictions on growth. For example, Citi could be required to create new subsidiaries instead of branches in foreign jurisdictions, or create subsidiaries to conduct particular businesses or operations (so-called subsidiarization), which would, among other things, increase Citi s legal, regulatory and managerial costs, negatively impact Citi s global capital and liquidity management and potentially impede its global strategy. Citi could also eventually be subjected to more stringent capital, leverage or liquidity requirements, or be required to divest certain assets or operations, if both regulators determine that Citi s resolution plans do not meet statutory requirements and Citi does not remedy the deficiencies within required time periods.

In addition, other jurisdictions, such as the United Kingdom, have requested or are expected to request resolution plans from financial institutions, including Citi, and the requirements and timing relating to these plans are different from the U.S. requirements and each other. Responding to these additional requests will require additional effort, time and cost, and regulatory review and requirements in these jurisdictions could be in addition to, or conflict with, changes requested by Citi s regulators in the U.S.

Citi could be harmed competitively if it is unable to hire or retain highly qualified employees as a result of regulatory requirements regarding compensation practices or otherwise.
Citi s performance and competitive standing is heavily dependent on the talents and efforts of the highly skilled individuals that it is able to attract and retain. Competition for highly qualified individuals within the financial services industry has been, and will likely continue to be, intense. Compensation is a key element of attracting and retaining highly qualified employees. Banking and other regulators in the U.S., European Union and elsewhere are in the process of developing principles, regulations and other guidance governing what are deemed to be sound compensation practices and policies. However, the steps that will be required to implement any new requirements, and the consequences of implementation, remain uncertain. In addition, compensation may continue to be a legislative focus both in Europe and in the U.S. as there has been significant legislation in Europe and the U.S. in recent years regarding compensation for certain employees of financial institutions, including provisions of the Dodd-Frank Act.

Changes required to be made to Citi s compensation policies and practices may hinder Citi s ability to compete in or manage its businesses effectively, to expand into or maintain its presence in certain businesses and regions, or to remain competitive in offering new financial products and services. This is particularly the case in emerging markets, where Citi is often competing for qualified employees with financial institutions that are not subject to the same regulatory regimes as Citi and that are also seeking to expand in these markets. Moreover, new disclosure requirements or other legislation or regulation may result from the worldwide regulatory processes described above. If this were to occur, Citi could be required to make additional disclosures relating to the compensation of its employees or to restrict or modify its compensation policies, any of which could hurt its ability to hire, retain and motivate its key employees and thus harm it competitively, particularly in respect of companies not subject to these requirements.

Provisions of the Dodd-Frank Act and other regulations relating to securitizations will impose additional costs on securitization transactions, increase Citi s potential liability in respect of securitizations and may prohibit Citi from performing certain roles in securitizations, each of which could make it impractical to execute certain types of transactions and may have an overall negative effect on the recovery of the securitization markets.
Citi plays a variety of roles in asset securitization transactions, including acting as underwriter of asset-backed securities, depositor of the underlying assets into securitization vehicles, trustee to securitization vehicles and counterparty to securitization vehicles under derivative contracts. The Dodd-Frank Act contains a number of provisions that affect securitizations. Among other provisions, these include a requirement that securitizers retain un-hedged exposure to at least 5% of the economic risk of certain assets they securitize, a prohibition on securitization participants engaging in transactions that would involve a conflict with investors in the securitization,

and extensive additional requirements for review and disclosure of the characteristics of the assets underlying the securitizations. The SEC has also proposed additional extensive regulation of both publicly and privately offered securitization transactions (so-called Reg AB II).

The cumulative effect of these extensive regulatory changes, many of which have not been finalized, as well as other potential future regulatory changes, such as GSE reform, on securitization markets, the nature and profitability of securitization transactions, and Citi s participation therein, cannot currently be assessed. It is likely, however, that these various measures will increase the costs of executing securitization transactions, and could effectively limit Citi s overall volume of, and the role Citi may play in, securitizations, expose Citi to additional potential liability for securitization transactions and make it impractical for Citi to execute certain types of securitization transactions it previously executed. In addition, certain sectors of the securitization markets, particularly residential mortgage-backed securitizations, have been inactive or experienced dramatically diminished transaction volumes since the financial crisis. The impact of various regulatory reform measures could negatively delay or restrict any future recovery of these sectors of the securitization markets, and thus the opportunities for Citi to participate in securitization transactions in such sectors.

The Financial Accounting Standards Board (FASB) is currently reviewing or proposing changes to several key financial accounting and reporting standards utilized by Citi which, if adopted as proposed, could have a material impact on how Citi records and reports its financial condition and results of operations.

The FASB is currently reviewing or proposing changes to several of the financial accounting and reporting standards that govern key aspects of Citi s financial statements. While the outcome of these reviews and proposed changes is uncertain and difficult to predict, certain of these changes could have a material impact on how Citi records and reports its financial condition and results of operations, and could hinder understanding or cause confusion across comparative financial statement periods. For example, the FASB s financial instruments project could, among other things, significantly change how Citi determines the impairment on those assets and accounts for hedges. In addition, the FASB s leasing project could eliminate most operating leases and instead capitalize them, which would result in a gross-up of Citi s balance sheet and a change in the timing of income and expense recognition patterns for leases.

Moreover, the FASB continues its convergence project with the International Accounting Standards Board (IASB) pursuant to which U.S. GAAP and International Financial Reporting Standards (IFRS) are to be converged. The FASB and IASB continue to have significant disagreements on the convergence of certain key standards affecting financial reporting, including accounting for financial instruments and hedging. In addition, the SEC has not yet determined whether, when or how U.S. companies will be required to adopt IFRS. There can be no assurance that the transition to IFRS, if and when required to be adopted by Citi, will not have a material impact on how Citi reports its financial results, or that Citi will be able to meet any required transition timeline.

MARKET AND ECONOMIC RISKS

The ongoing Eurozone debt crisis could have significant adverse effects on Citi s business, results of operations, financial condition and liquidity, particularly if it leads to any sovereign debt defaults, significant bank failures or defaults and/or the exit of one or more countries from the European Monetary Union.

The ongoing Eurozone debt crisis has caused, and is likely to continue to cause, disruption in global financial markets, particularly if it leads to any future sovereign debt defaults and/or significant bank failures or defaults in the Eurozone. In spite of a number of stabilization measures taken since spring 2010, yields on government bonds of certain Eurozone countries, including Greece, Ireland, Italy, Portugal and Spain, have remained volatile. In addition, some European banks and insurers have experienced a widening of credit spreads (and the resulting decreased availability and increased costs of funding) as a result of uncertainty regarding the exposure of such European financial institutions to these countries. This widening of credit spreads and increased cost of funding has also affected Citi due to concerns about its Eurozone exposure.

The market disruptions in the Eurozone could intensify or spread further, particularly if ongoing stabilization efforts prove insufficient. Concerns have been raised as to the financial, political and legal ineffectiveness of measures taken to date. Continued economic turmoil in the Eurozone could have a significant negative impact on Citi, both directly through its own exposures and indirectly due to a decline in general global economic conditions, which could particularly impact Citi given its global footprint and strategy. See Managing Global Risk Country and Cross-Border Risk below. There can be no assurance that the various steps Citi has taken to protect its businesses, results of operations and financial condition against the results of the Eurozone crisis will be sufficient.

The effects of the Eurozone debt crisis could be even more significant if they lead to a partial or complete break-up of the European Monetary Union (EMU). The partial or full break-up of the EMU would be unprecedented and its impact highly uncertain. The exit of one or more countries from the EMU or the dissolution of the EMU could lead to redenomination of obligations of obligors in exiting countries. Any such exit and redenomination would cause significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and lead to complex, lengthy litigation. The resulting uncertainty and market stress could also cause, among other things, severe disruption to equity markets, significant increases in bond yields generally, potential failure or default of financial institutions, including those of systemic importance, a significant decrease in global liquidity, a freeze-up of global credit markets and worldwide recession. Any combination of such events would negatively impact Citi s businesses, earnings and financial condition, particularly given Citi s global strategy. In addition, exit and redenomination could be accompanied by imposition of capital, exchange and similar controls, which could further negatively impact Citi s cross-border risk, other aspects of its businesses and its earnings.

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The continued uncertainty relating to the sustainability and pace of economic recovery and market volatility has adversely affected, and may continue to adversely affect, certain of Citi s businesses, particularly S&B and the U.S. mortgage businesses within Citi Holdings Local Consumer Lending.

The financial services industry and the capital markets have been and will likely continue to be adversely affected by the slow pace of economic recovery and continued disruptions in the global financial markets. This continued uncertainty and disruption have adversely affected, and may continue to adversely affect, certain of Citi s businesses, particularly its *S&B* business and its *Local Consumer Lending* business within *Citi Holdings*.

In particular, the corporate and sovereign bond markets, equity and derivatives markets, debt and equity underwriting and other elements of the financial markets have been and could continue to be subject to wide swings and volatility relating to issues emanating from Eurozone and U.S. economic issues. As a result of this uncertainty and volatility, clients have remained and may continue to remain on the sidelines or cut back on trading and other business activities and, accordingly, the results of operations of Citi *S&B* businesses have been and could continue to be volatile and negatively impacted.

Moreover, the continued economic uncertainty in the U.S., accompanied by continued high levels of unemployment and depressed values of residential real estate, will continue to negatively impact Citi s U.S. Consumer mortgage businesses, particularly its residential real estate and home equity loans in *Citi Holdings LCL*. Given the continued decline in Citi s ability to sell delinquent residential first mortgages, the decreased inventory of such loans for modification and re-defaults of previously modified mortgages, Citi began to experience increased delinquencies in this portfolio during the latter part of 2011. As a result, Citi could also experience increasing net credit losses in this portfolio going forward. Moreover, given the lack of markets in which to sell delinquent home equity loans, as well as the relatively fewer home equity loan modifications and modification programs, Citi s ability to offset increased delinquencies and net credit losses in its home equity loan portfolio in Citi Holdings has been, and will continue to be, more limited as compared to residential first mortgages. See Managing Global Risk Credit Risk North America Consumer Mortgage Lending and Consumer Loan Modification Programs below.

Concerns about the level of U.S. government debt and downgrade, or concerns about a potential downgrade, of the U.S. government credit rating could have a material adverse effect on Citi s businesses, results of operations, capital, funding and liquidity.

In August 2011, Standard & Poor s lowered its long-term sovereign credit rating on the U.S. government from AAA to AA+ and in the second half of 2011, Moody s Investors Services and Fitch both placed the U.S. rating on negative outlook. According to the credit rating agencies, these actions resulted from the high level of U.S. government debt and the continued inability of Congress to reach an agreement to ensure payment of

U.S. government debt and reduce the U.S. debt level. If the credit rating of the U.S. government is further downgraded, the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected. A future downgrade of U.S. debt obligations or U.S. government-related obligations by one or more credit rating agencies, or heightened concern that such a downgrade might occur, could negatively affect Citi s ability to obtain funding collateralized by such obligations as well as the pricing of such funding. Such a downgrade could also negatively impact the pricing or availability of Citi s funding as a U.S. financial institution. In addition, such a downgrade could affect financial markets and economic conditions generally and the market value of the U.S. debt obligations held by Citi. As a result, such a downgrade could lead to a downgrade of Citi debt obligations and could have a material adverse effect on Citi s business, results of operations, capital, funding and liquidity.

Citi s extensive global network, particularly its operations in the world s emerging markets, subject it to emerging market and sovereign volatility and further increases its compliance and regulatory risks and costs.

Citi believes its extensive and diverse global network which includes a physical presence in approximately 100 countries and services offered in over 160 countries and jurisdictions provides it with a unique competitive advantage in servicing the broad financial services needs of large multinational clients and customers around the world, including in many emerging markets. International revenues have recently been the largest and fastest-growing component of Citicorp, driven by emerging markets.

However, this global footprint also subjects Citi to a number of risks associated with international and emerging markets, including exchange controls, limitations on foreign investment, socio-political instability, nationalization, closure of branches or subsidiaries, confiscation of assets and sovereign volatility, among others. For example, there have been recent instances of political turmoil and violent revolutionary uprisings in some of the countries in which Citi operates, including in the Middle East, to which Citi has responded by transferring assets and relocating staff members to more stable jurisdictions. While these previous incidents have not been material to Citi, such disruptions could place Citi s staff and operations in danger and may result in financial losses, some significant, including nationalization of Citi s assets.

Further, Citi s extensive global operations increase its compliance and regulatory risks and costs. For example, Citi s operations in emerging markets subject it to higher compliance risks under U.S. regulations primarily focused on various aspects of global corporate activities, such as anti-money-laundering regulations and the Foreign Corrupt Practices Act, which can be more acute in less developed markets and thus require substantial investment in order to comply. Any failure by Citi to remain in compliance with applicable U.S. regulations, as well as the regulations in the countries and markets in which it operates as a result of its global footprint, could result in fines, penalties, injunctions or other similar restrictions, any of which could negatively impact Citi s earnings and its general reputation.

In addition, complying with inconsistent, conflicting or duplicative regulations requires extensive time and effort and further increases Citi s compliance, regulatory and other costs.

It is uncertain how the ongoing Eurozone debt crisis will affect emerging markets. A recession in the Eurozone could cause a ripple effect in emerging markets, particularly if banks in developed economies decrease or cease lending to emerging markets, as is currently occurring in some cases. This impact could be disproportionate in the case of Citi in light of the emphasis on emerging markets in its global strategy. Decreased, low or negative growth in emerging market economies could make execution of Citi s global strategy more challenging and could adversely affect Citi s revenues, profits and operations.

The maintenance of adequate liquidity depends on numerous factors outside of Citi s control, including without limitation market disruptions and increases in Citi s credit spreads.

Adequate liquidity and sources of funding are essential to Citi s businesses. Citi s liquidity and sources of funding can be significantly and negatively impacted by factors it cannot control, such as general disruptions in the financial markets or negative perceptions about the financial services industry in general, or negative investor perceptions of Citi s liquidity, financial position or credit worthiness in particular. Market perception of sovereign default risks, such as issues in the Eurozone as well as other complexities regarding the current European debt crisis, can also lead to ineffective money markets and capital markets, which could further impact Citi s availability of funding.

In addition, Citi s cost and ability to obtain deposits, secured funding and long-term unsecured funding from the capital markets are directly related to its credit spreads. Changes in credit spreads constantly occur and are market-driven, including both external market factors as well as factors specific to Citi, and can be highly volatile. Citi s credit spreads may also be influenced by movements in the costs to purchasers of credit default swaps referenced to Citi s long-term debt, which are also impacted by these external and Citi-specific factors. Moreover, Citi s ability to obtain funding may be impaired if other market participants are seeking to access the markets at the same time, or if market appetite is reduced, as is likely to occur in a liquidity or other market crisis. In addition, clearing organizations, regulators, clients and financial institutions with which Citi interacts may exercise the right to require additional collateral based on these market perceptions or market conditions, which could further impair Citi s access to funding.

The credit rating agencies continuously review the ratings of Citi and its subsidiaries, and reductions in Citi s and its subsidiaries credit ratings could have a significant and immediate impact on Citi s funding and liquidity through cash obligations, reduced funding capacity and additional margin requirements.

The rating agencies continuously evaluate Citi and its subsidiaries, and their ratings of Citi s and its more significant subsidiaries long-term/senior debt and short-term /commercial paper, as applicable, are based on a number of factors, including financial strength, as well as factors not entirely within the control of Citi and its subsidiaries, such as the agencies proprietary rating agency methodologies and conditions affecting the financial services industry generally.

Citi and its subsidiaries may not be able to maintain their current respective ratings. Ratings downgrades by Fitch, Moody s or S&P could have a significant and immediate impact on Citi s funding and liquidity through cash obligations, reduced funding capacity and additional margin requirements for derivatives or other transactions. Ratings downgrades could also have a negative impact on other funding sources, such as secured financing and other margined transactions, for which there are no explicit triggers. Some entities may also have ratings limitations as to their permissible counterparties, of which Citi may or may not be aware. A reduction in Citi s or its subsidiaries credit ratings could also widen Citi s credit spreads or otherwise increase its borrowing costs and limit its access to the capital markets. For additional information on the potential impact of a reduction in Citi s or its subsidiaries credit ratings, see Capital Resources and Liquidity Funding and Liquidity Credit Ratings above.

BUSINESS RISKS

Citi is subject to extensive litigation, investigations and inquiries pertaining to a myriad of U.S. mortgage-related activities that could take significant time to resolve and may subject Citi to extensive liability, including in the form of penalties and other equitable remedies, that could negatively impact Citi s future results of operations.

Virtually every aspect of mortgage-related activity in the U.S. is being challenged across the financial services industry in private and public litigation and by regulators, governmental agencies and state attorneys general, among others. Examples of the activities being challenged include the accuracy of offering documents for residential mortgage-backed securities, potential breaches of representations and warranties in the placement of mortgage loans into securitization trusts, mortgage servicing practices, the legitimacy of the securitization of mortgage loans and the Mortgage Electronic Registration System s role in tracking mortgages, holding title and participating in the mortgage foreclosure process, fair lending, compliance with the Servicemembers Civil Relief Act, and False Claim Act violations alleged in qui tam cases, among others.

Sorting out which of the many claims being asserted has legal merit as well as which financial institutions may be subject to liability with respect to their actual practices is a complex process that is highly uncertain and will take time to resolve. All of these inquiries, actions and investigations have resulted in, and will likely continue to result in, significant time, expense and diversion of management s attention, and could result in significant liability as well as negative reputational and other costs to Citi.

Citi is currently party to numerous actions relating to claims of misrepresentations or omissions in offering documents of residential mortgage-backed securities sponsored or serviced by Citi affiliates. This litigation has been brought by a number of institutional investors, including the Federal Housing Finance Agency. The cases are all in early stages, making it difficult to predict how they will develop, and Citi believes that such litigation will continue for several years. In addition, because the statute of limitations will soon expire for these types of disclosure-based claims, Citi could experience an increase in filed claims in the near term.

Citi is exposed to representation and warranty (i.e., mortgage repurchase) liability through its U.S. Consumer mortgage businesses and, to a lesser extent, through legacy private-label residential mortgage securitizations sponsored by its *S&B* business. With respect to its Consumer businesses, during 2011, Citi increased its repurchase reserve from approximately $969 million to $1.2 billion at December 31, 2011. To date, the majority of repurchase demands have come from the GSEs. The level of repurchase demands by GSEs has been trending upwards and Citi currently expects it to remain elevated for some time. To a lesser extent, Citi has received repurchase demands from private investors, although these claims have been volatile and could increase in the future.

With regard to legacy *S&B* private-label mortgage securitizations, while *S&B* has to date received actual claims for breaches of representations and warranties relating to only a small percentage of the mortgages included in its securitization transactions, the pace of claims remains volatile and has recently increased, Citi has also experienced an increase in the level of inquiries, assertions and requests for loan files, among other matters, relating to such securitization transactions from trustees of securitization trusts and others. These inquiries could lead to actual claims for breaches of representations and warranties, or to litigation relating to such breaches or other matters. For additional information on these matters, see Managing Global Risk Credit Risk Consumer Mortgage Representations and Warranties and *Securities and Banking*-Sponsored Private-Label Residential Mortgage Securitizations Representations and Warranties below.

For further discussion of the matters above, see Note 29 to the Consolidated Financial Statements.

Citi will not be able to wind down Citi Holdings at the same pace as it has in the past three years. As a result, the remaining assets in Citi Holdings will likely continue to have a negative impact on Citi s results of operations and its ability to utilize the capital supporting the remaining assets in Citi Holdings for more productive purposes.

Citi will not be able to dispose of or wind down the businesses or assets that are part of Citi Holdings at the same level or pace as in the past three years. As of December 31, 2011, assuming the transfer to Citicorp of the substantial majority of retail partner cards, effective in the first quarter of 2012, *LCL* constituted approximately 70% of Citi Holdings. As of such date, over half of the remaining assets in *LCL* consisted of legacy U.S. mortgages which will likely be subject to run-off over an extended period of time. Besides mortgages, the remaining assets in *LCL* include the OneMain Financial business, as well as student, commercial real estate and credit card loans in *North America*, and consumer lending businesses in Europe and *Asia*.

BAM primarily consists of the MSSB JV. Morgan Stanley has call rights on Citi s ownership interest in the venture over a three-year period beginning in 2012, which it is not required to exercise. Of the remaining assets in *SAP*, interest-earning assets have become a smaller portion of the assets, causing negative net interest revenues in the business as the remaining non-interest earning assets, which require funding, represent a larger portion of the total asset pool. In addition, as of December 31, 2011, approximately 25% of the remaining assets in *SAP* were held-to-maturity securities.

As a result, the remaining assets within Citi Holdings will likely continue to have a negative impact on Citi s overall results of operations for the foreseeable future, particularly after the transfer of retail partner cards to Citicorp. In addition, as of December 31, 2011 and as adjusted to reflect the transfer of retail partner cards, roughly 21% of Citi s risk-weighted assets were in Citi Holdings, and were supported by approximately $24 billion of Citi s regulatory capital. Accordingly, Citi s ability to release the capital supporting these businesses and thus use such capital for more productive purposes will depend on the ultimate pace and level of Citi Holdings divestitures, portfolio run-offs and asset sales.

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Citi s ability to increase its common stock dividend or initiate a share repurchase program is subject to regulatory and government approval.
Since the second quarter of 2011, Citi has paid a quarterly common stock dividend of $0.01 per share. In addition to Board of Directors approval, any decision by Citi to increase its common stock dividend, including the amount thereof, or initiate a share repurchase program is subject to regulatory approval, including the results of the Comprehensive Capital Analysis and Review (CCAR) process required by the Federal Reserve Board. Restrictions on Citi s ability to increase the amounts of its common stock dividend or engage in share repurchase programs could negatively impact market perceptions of Citi, including the price of its common stock.

In addition, pursuant to its agreements with certain U.S. government entities, dated June 9, 2009, executed in connection with Citi s exchange offers consummated in July and September 2009, Citi remains subject to dividend and share repurchase restrictions for as long as the U.S. government continues to hold any Citi trust preferred securities acquired in connection with the exchange offers. While these restrictions may be waived, they generally prohibit Citi from paying regular cash dividends in excess of $0.01 per share of common stock per quarter or from redeeming or repurchasing any Citi equity securities, which includes its common stock, or trust preferred securities. As of December 31, 2011, approximately $3.025 billion of trust preferred securities issued to the FDIC remained outstanding (of which approximately $800 million is being held for the benefit of the U.S. Treasury).

Citi may be unable to maintain or reduce its level of expenses as it expects, and investments in its businesses may not be productive.
Citi continues to pursue a disciplined expense-management strategy, including re-engineering, restructuring operations and improving the efficiency of functions, such as call centers and collections, to achieve a targeted percentage expense savings annually. However, there is no guarantee that Citi will be able to maintain or reduce its level of expenses in the future, particularly as expenses incurred in Citi s foreign entities are subject to foreign exchange volatility, and regulatory compliance and legal and related costs are difficult to predict or control, particularly given the current regulatory and litigation environment. Moreover, Citi has incurred, and will likely continue to incur, costs of investing in its businesses. These investments may not be as productive as Citi expects or at all. Furthermore, as the wind down of Citi Holdings slows, Citi s ability to continue to reduce its expenses as a result of this wind down will also decline.

The value of Citi s deferred tax assets (DTAs) could be reduced if corporate tax rates in the U.S. or certain state or foreign jurisdictions are decreased or as a result of other potential significant changes in the U.S. corporate tax system.
There have been discussions in Congress and by the Obama Administration regarding potentially decreasing the U.S. corporate tax rate. Similar discussions have taken place in certain state and foreign jurisdictions. While Citi may benefit in some respects from any decreases in these corporate tax rates, any reduction in the U.S., state or foreign corporate tax rates would result in a decrease to the value of Citi s DTAs, which could be significant. There have also been recent discussions of more sweeping changes to the U.S. tax system, including changes to the tax treatment of foreign business income. It is uncertain whether or when any such tax reform proposals will be enacted into law, and whether or how they will affect Citi s ability to make effective use of its DTAs.

The expiration of a provision of the U.S. tax law that allows Citi to defer U.S. taxes on certain active financing income could significantly increase Citi s tax expense.
Citi s tax provision has historically been reduced because active financing income earned and indefinitely reinvested outside the U.S. is taxed at the lower local tax rate rather than at the higher U.S. tax rate. Such reduction has been dependent upon a provision of the U.S. tax law that defers the imposition of U.S. taxes on certain active financing income until that income is repatriated to the U.S. as a dividend. This active financing exception expired on December 31, 2011 with respect to taxable years beginning after such date. While the exception has been scheduled to expire on numerous prior occasions, Congress has extended it each time, including retroactively to the start of the tax year. Congress could still take action to retroactively extend the active financing exception to the beginning of 2012. However, there can be no assurance that it will do so. If the exception is not extended, the U.S. tax imposed on Citi s active financing income earned outside the U.S. would increase, which could further result in Citi s tax expense increasing significantly, particularly beginning in 2013.

Citi s operational systems and networks have been, and will continue to be, vulnerable to an increasing risk of continually evolving cybersecurity or other technological risks which could result in the disclosure of confidential client or customer information, damage to Citi s reputation, additional costs to Citi, regulatory penalties and financial losses.

A significant portion of Citi s operations relies heavily on the secure processing, storage and transmission of confidential and other information as well as the monitoring of a large number of complex transactions on a minute-by-minute basis. For example, through its global consumer banking, credit card and *Transaction Services* businesses, Citi obtains and stores an extensive amount of personal and client-specific information for its retail, corporate and governmental customers and clients and must accurately record and reflect their extensive account transactions. These activities have been, and will continue to be, subject to an increasing risk of cyber attacks, the nature of which is continually evolving.

Citi s computer systems, software and networks have been and will continue to be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber attacks and other events. These threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. If one or more of these events occurs, it could result in the disclosure of confidential client information, damage to Citi s reputation with its clients and the market, additional costs to Citi (such as repairing systems or adding new personnel or protection technologies), regulatory penalties and financial losses, to both Citi and its clients and customers. Such events could also cause interruptions or malfunctions in the operations of Citi (such as the lack of availability of Citi s online banking system), as well as the operations of its clients, customers or other third parties. Given the high volume of transactions at Citi, certain errors or actions may be repeated or compounded before they are discovered and rectified, which would further increase these costs and consequences.

Citi has recently been subject to intentional cyber incidents from external sources, including (i) data breaches, which resulted in unauthorized access to customer account data and interruptions of services to customers; (ii) malicious software attacks on client systems, which in turn allowed unauthorized entrance to Citi s systems under the guise of a client and the extraction of client data; and (iii) denial of service attacks, which attempted to interrupt service to clients and customers. While Citi was able to detect these prior incidents before they became significant, they still resulted in losses as well as increases in expenditures to monitor against the threat of similar future cyber incidents. There can be no assurance that such incidents, or other cyber incidents, will not occur again, and they could occur more frequently and on a more significant scale.

In addition, third parties with which Citi does business may also be sources of cybersecurity or other technological risks. Citi outsources certain functions, such as processing of customer credit card transactions, which results in the storage and processing of customer information by third parties. While Citi engages in certain actions to reduce the exposure resulting from outsourcing, such as limiting third-party access to the least privileged level necessary to perform job functions and restricting third-party processing to systems stored within Citi s data centers, unauthorized access, loss or destruction of data or other cyber incidents could occur, resulting in similar costs and consequences to Citi as those discussed above. Furthermore, because financial institutions are becoming increasingly interconnected with central agents, exchanges and clearing houses, including through the derivatives provisions of the Dodd-Frank Act, Citi has increased exposure to operational failure or cyber attacks through third parties.

While Citi maintains insurance coverage that may, subject to policy terms and conditions including significant self-insured deductibles, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses.

Citi s financial statements are based in part on assumptions and estimates, which, if wrong, could cause unexpected losses in the future, sometimes significant.

Pursuant to U.S. GAAP, Citi is required to use certain assumptions and estimates in preparing its financial statements, including in determining credit loss reserves, reserves related to litigation and regulatory exposures, mortgage representation and warranty claims and the fair value of certain assets and liabilities, among other items. If the assumptions or estimates underlying Citi s financial statements are incorrect, Citi may experience significant losses. For additional information on the key areas for which assumptions and estimates are used in preparing Citi s financial statements, see Significant Accounting Policies and Significant Estimates below, and for further information relating to litigation and regulatory exposures, see Note 29 to the Consolidated Financial Statements.

Citi is subject to a significant number of legal and regulatory proceedings that are often highly complex, slow to develop and are thus difficult to predict or estimate.

At any given time, Citi is defending a significant number of legal and regulatory proceedings. The volume of claims and the amount of damages and penalties claimed in litigation, arbitration and regulatory proceedings against financial institutions remain high, and could further increase in the future. See, for example, Citi is subject to extensive litigation, investigations and inquiries pertaining to a myriad of mortgage-related activities that could take significant time to resolve and may subject Citi to extensive liability, including in the form of penalties and other equitable remedies, that could negatively impact Citi s future results of operations.

Proceedings brought against Citi may result in judgments, settlements, fines, penalties, disgorgement, injunctions, business improvement orders or other results adverse to it, which could materially and negatively affect Citi s businesses, financial condition or results of operations, require material

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changes in Citi s operations, or cause Citi reputational harm. Moreover, the many large claims asserted against Citi are highly complex and slow to develop, and they may involve novel or untested legal theories. The outcome of such proceedings may thus be difficult to predict or estimate until late in the proceedings, which may last several years. In addition, certain settlements are subject to court approval and may not be approved. Although Citi establishes accruals for its litigation and regulatory matters according to accounting requirements, the amount of loss ultimately incurred in relation to those matters may be substantially higher or lower than the amounts accrued.

In addition, while Citi takes numerous steps to prevent and detect employee misconduct, such as fraud, employee misconduct is not always possible to deter or prevent, and the extensive precautions Citi takes to prevent and detect this activity may not be effective in all cases, which could subject it to additional liability. Moreover, the whistle-blower provisions of the Dodd-Frank Act provide substantial financial incentives for persons to report alleged violations of law to the SEC and the CFTC. The final rules implementing these provisions for the SEC and CFTC became effective in August and October 2011, respectively. As such, there continues to be much uncertainty as to whether these new reporting provisions will incentivize and lead to an increase in the number of claims that Citi will have to investigate or against which Citi will have to defend itself, thus potentially further increasing Citi s legal liabilities.

For additional information relating to Citi s potential exposure relating to legal and regulatory matters, see Note 29 to the Consolidated Financial Statements.

Failure to maintain the value of the Citi brand could harm Citi s global competitive advantage, results of operations and strategy.

As Citi enters into its 200th year of operations in 2012, one of its most valuable assets is the Citi brand. Citi s ability to continue to leverage its extensive global footprint, and thus maintain one of its key competitive advantages, depends on the continued strength and recognition of the Citi brand, including in emerging markets as other financial institutions grow their operations in these markets and competition intensifies. As referenced above, as a result of the economic crisis in the U.S. as well as the continuing adverse economic climate globally, Citi, like other financial institutions, is subject to an increased level of distrust, scrutiny and skepticism from numerous constituencies, including the general public. The Citi brand could be further harmed if its public image or reputation were to be tarnished by negative publicity, whether or not true, about Citi or the financial services industry in general, or by a negative perception of Citi s short-term or long-term financial prospects. Maintaining, promoting and positioning the Citi brand will depend largely on Citi s ability to provide consistent, high-quality financial services and products to its clients and customers around the world. Failure to maintain its brand could hurt Citi s competitive advantage, results of operations and strategy.

Citi may incur significant losses if its risk management processes and strategies are ineffective, and concentration of risk increases the potential for such losses.

Citi monitors and controls its risk exposure across businesses, regions and critical products through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. While Citi employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application may not be effective and may not anticipate every economic and financial outcome in all market environments or the specifics and timing of such outcomes. Market conditions over the last several years have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk.

Concentration of risk increases the potential for significant losses. Because of concentration of risk, Citi may suffer losses even when economic and market conditions are generally favorable for Citi s competitors. These concentrations can limit, and have limited, the effectiveness of Citi s hedging strategies and have caused Citi to incur significant losses, and they may do so again in the future. In addition, Citi extends large commitments as part of its credit origination activities. If Citi is unable to reduce its credit risk by selling, syndicating or securitizing these positions, including during periods of market dislocation, Citi s results of operations could be negatively affected due to a decrease in the fair value of the positions, as well as the loss of revenues associated with selling such securities or loans.

Although Citi s activities expose it to the credit risk of many different entities and counterparties, Citi routinely executes a high volume of transactions with counterparties in the financial services sector, including banks, other financial institutions, insurance companies, investment banks and government and central banks. This has resulted in significant credit concentration with respect to this sector. To the extent regulatory or market developments lead to an increased centralization of trading activity through particular clearing houses, central agents or exchanges, this could increase Citi s concentration of risk in this sector.

MANAGING GLOBAL RISK

Risk Management Overview

Citigroup believes that effective risk management is of primary importance to its overall operations. Accordingly, Citigroup has a comprehensive risk management process to monitor, evaluate and manage the principal risks it assumes in conducting its activities. These include credit, market and operational risks, which are each discussed in more detail throughout this section.

Citigroup s risk management framework is designed to balance corporate oversight with well-defined independent risk management functions. Enhancements continued to be made to the risk management framework throughout 2011 based on guiding principles established by Citi s Chief Risk Officer:

- a common risk capital model to evaluate risks;
- a defined risk appetite, aligned with business strategy;
- accountability through a common framework to manage risks;
- risk decisions based on transparent, accurate and rigorous analytics;
- expertise, stature, authority and independence of risk managers; and
- empowering risk managers to make decisions and escalate issues.

Significant focus has been placed on fostering a risk culture based on a policy of Taking Intelligent Risk with Shared Responsibility, Without Forsaking Individual Accountability :

- Taking intelligent risk means that Citi must carefully measure and aggregate risks, must appreciate potential downside risks, and must understand risk/return relationships.
- Shared responsibility means that risk and business management must actively partner to own risk controls and influence business outcomes.
- Individual accountability means that all individuals are ultimately responsible for identifying, understanding and managing risks.

The Chief Risk Officer, working closely with the Citi Chief Executive Officer and established management committees, and with oversight from the Risk Management and Finance Committee of the Board of Directors as well as the full Board of Directors, is responsible for:

- establishing core standards for the management, measurement and reporting of risk;
- identifying, assessing, communicating and monitoring risks on a company-wide basis;
- engaging with senior management on a frequent basis on material matters with respect to risk-taking activities in the businesses and related risk management processes; and
- ensuring that the risk function has adequate independence, authority, expertise, staffing, technology and resources.

The risk management organization is structured so as to facilitate the management of risk across three dimensions: businesses, regions and critical products. Each of Citi s major business groups has a Business Chief Risk Officer who is the focal point for risk decisions, such as setting risk limits or approving transactions in the business. The majority of the staff in Citi s independent risk management organization report to these Business Chief Risk Officers. There are also Chief Risk Officers for Citibank, N.A. and Citi Holdings.

Regional Chief Risk Officers, appointed in each of *Asia*, *EMEA* and *Latin America*, are accountable for all the risks in their geographic areas and are the primary risk contacts for the regional business heads and local regulators. In addition, the positions of Product Chief Risk Officers are created for those risk areas of critical importance to Citigroup, currently real estate and structural market risk as well as fundamental credit. The Product Chief Risk Officers are accountable for the risks within their specialty and focus on problem areas across businesses and regions. The Product Chief Risk Officers serve as a resource to the Chief Risk Officer, as well as to the Business and Regional Chief Risk Officers, to better enable the Business and Regional Chief Risk Officers to focus on the day-to-day management of risks and responsiveness to business flow.

In addition to facilitating the management of risk across these three dimensions, the independent risk management organization also includes the business management team to ensure that the risk organization has the appropriate infrastructure, processes and management reporting. This team includes:

- the risk capital group, which continues to enhance the risk capital model and ensure that it is consistent across all business activities;
- the risk architecture group, which ensures Citi has integrated systems and common metrics, thereby allowing Citi to aggregate and stress test exposures across the institution;

- the enterprise risk management group, which focuses on improving Citi s operational processes across businesses and regions (see OperationalRisk below); and
- the office of the Chief Administrative Officer, which focuses on re-engineering and risk communications, including maintaining critical regulatory relationships.

Each of the Business, Regional and Product Chief Risk Officers, as well as the heads of the groups in the business management team, report to Citi s Chief Risk Officer, who reports directly to the Chief Executive Officer.

Risk Aggregation and Stress Testing

While Citi s major risk areas are described individually on the following pages, these risks are also reviewed and managed in conjunction with one another and across the various businesses.

The Chief Risk Officer, as noted above, monitors and controls major risk exposures and concentrations across the organization. This means aggregating risks, within and across businesses, as well as subjecting those risks to alternative stress scenarios in order to assess the potential economic impact they may have on Citigroup.

Comprehensive stress tests are in place across Citi for trading, available-for-sale and accrual portfolios. These firm-wide stress reports measure the potential impact to Citi and its component businesses of very large changes in various types of key risk factors (e.g., interest rates, credit spreads, etc.), as well as the potential impact of a number of historical and hypothetical forward-looking systemic stress scenarios.

Supplementing the stress testing described above, Citi independent risk management, working with input from the businesses and finance, provides periodic updates to senior management on significant potential areas of concern across Citigroup that can arise from risk concentrations, financial market participants, and other systemic issues. These areas of focus are intended to be forward-looking assessments of the potential economic impacts to Citi that may arise from these exposures. Risk management also provides reports to the Risk Management and Finance Committee of the Board of Directors, as well as the full Board of Directors, on these matters.

The stress-testing and focus-position exercises are a supplement to the standard limit-setting and risk-capital exercises described below, as these processes incorporate events in the marketplace and within Citi that impact the firm s outlook on the form, magnitude, correlation and timing of identified risks that may arise. In addition to enhancing awareness and understanding of potential exposures, the results of these processes then serve as the starting point for developing risk management and mitigation strategies.

Risk Capital

Risk capital is defined as the amount of capital required to absorb potential unexpected economic losses resulting from extremely severe events over a one-year time period.

- Economic losses include losses that are reflected on Citi s Consolidated Income Statement and fair value adjustments to the Consolidated Financial Statements, as well as any further declines in value not captured on the Consolidated Income Statement.
- Unexpected losses are the difference between potential extremely severe losses and Citigroup s expected (average) loss over a one-year time period.
- Extremely severe is defined as potential loss at a 99.9% and a 99.97% confidence level, based on the distribution of observed events and scenario analysis.

The drivers of economic losses are risks which, for Citi, as referenced above, are broadly categorized as credit risk, market risk and operational risk.

- Credit risk losses primarily result from a borrower s or counterparty s inability to meet its financial or contractual obligations.
- Market risk losses arise from fluctuations in the market value of trading and non-trading positions, including the changes in value resulting from fluctuations in rates.
- Operational risk losses result from inadequate or failed internal processes, systems or human factors or from external events.

These risks, discussed in more detail below, are measured and aggregated within businesses and across Citigroup to facilitate the understanding of Citi s exposure to extreme downside events as described under Risk Aggregation and Stress Testing above. The risk capital framework is reviewed and enhanced on a regular basis in light of market developments and evolving practices.

CREDIT RISK

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations. Credit risk arises in many of Citigroup s business activities, including:

- lending;
- sales and trading;
- derivatives;
- securities transactions;
- settlement; and
- when Citigroup acts as an intermediary.

For Citi s loan accounting policies, see Note 1 to the Consolidated Financial Statements. See Notes 16 and 17 for additional information on Citigroup s Consumer and Corporate loan, credit and allowance data.

Loans Outstanding

In millions of dollars at year end	**2011**	2010	2009	2008	2007
Consumer loans					
In U.S. offices					
Mortgage and real estate [1]	**$139,177**	$151,469	$183,842	$219,482	$240,644
Installment, revolving credit, and other	**15,616**	28,291	58,099	64,319	69,379
Cards [2][3]	**117,908**	122,384	28,951	44,418	46,559
Commercial and industrial	**4,766**	5,021	5,640	7,041	7,716
Lease financing	**1**	2	11	31	3,151
	$277,468	$307,167	$276,543	$335,291	$367,449
In offices outside the U.S.					
Mortgage and real estate [1]	**$ 52,052**	$ 52,175	$ 47,297	$ 44,382	$ 49,326
Installment, revolving credit, and other	**34,613**	38,024	42,805	41,272	70,205
Cards	**38,926**	40,948	41,493	42,586	46,176
Commercial and industrial	**20,366**	16,684	14,780	16,814	18,422
Lease financing	**711**	665	331	304	1,124
	$146,668	$148,496	$146,706	$145,358	$185,253
Total Consumer loans	**$424,136**	$455,663	$423,249	$480,649	$552,702
Unearned income	**(405)**	69	808	738	787
Consumer loans, net of unearned income	**$423,731**	$455,732	$424,057	$481,387	$553,489
Corporate loans					
In U.S. offices					
Commercial and industrial	**$ 21,667**	$ 14,334	$ 15,614	$ 26,447	$ 20,696
Loans to financial institutions [2]	**33,265**	29,813	6,947	10,200	8,778
Mortgage and real estate [1]	**20,698**	19,693	22,560	28,043	18,403
Installment, revolving credit, and other	**15,011**	12,640	17,737	22,050	26,539
Lease financing	**1,270**	1,413	1,297	1,476	1,630
	$ 91,911	$ 77,893	$ 64,155	$ 88,216	$ 76,046
In offices outside the U.S.					
Commercial and industrial	**$ 79,373**	$ 71,618	$ 66,747	$ 79,421	$ 94,188
Installment, revolving credit, and other	**14,114**	11,829	9,683	17,441	21,037
Mortgage and real estate [1]	**6,885**	5,899	9,779	11,375	9,981
Loans to financial institutions	**29,794**	22,620	15,113	18,413	20,467
Lease financing	**568**	531	1,295	1,850	2,292
Governments and official institutions	**1,576**	3,644	2,949	773	1,029
	$132,310	$116,141	$105,566	$129,273	$148,994
Total Corporate loans	**$224,221**	$194,034	$169,721	$217,489	$225,040
Unearned income	**(710)**	(972)	(2,274)	(4,660)	(536)
Corporate loans, net of unearned income	**$223,511**	$193,062	$167,447	$212,829	$224,504
Total loans net of unearned income	**$647,242**	$648,794	$591,504	$694,216	$777,993
Allowance for loan losses on drawn exposures	**(30,115)**	(40,655)	(36,033)	(29,616)	(16,117)
Total loans net of unearned income and allowance for credit losses	**$617,127**	$608,139	$555,471	$664,600	$761,876
Allowance for loan losses as a percentage of total loans net of unearned income [3]	**4.69%**	6.31%	6.09%	4.27%	2.07%
Allowance for Consumer loan losses as a percentage of total Consumer loans net of unearned income [3]	**6.45%**	7.80%	6.70%	4.61%	2.26%
Allowance for Corporate loan losses as a percentage of total Corporate loans net of unearned income [3]	**1.31%**	2.76%	4.56%	3.48%	1.61%

(1) Loans secured primarily by real estate.
(2) 2011 and 2010 include the impact of consolidating entities in connection with Citi s adoption of SFAS 167. See Note 1 to the Consolidated Financial Statements.
(3) Excludes loans in 2011 and 2010 that are carried at fair value.

Details of Credit Loss Experience

In millions of dollars at year end	**2011**	2010	2009	2008	2007
Allowance for loan losses at beginning of year	**$40,655**	$36,033	$29,616	$16,117	$ 8,940
Provision for loan losses					
Consumer	**$12,512**	$25,119	$32,407	$27,942	$15,660
Corporate	**(739)**	75	6,353	5,732	1,172
	$11,773	$25,194	$38,760	$33,674	$16,832
Gross credit losses					
Consumer					
In U.S. offices	**$15,767**	$24,183	$17,637	$11,624	$ 5,765
In offices outside the U.S.	**5,397**	6,890	8,819	7,172	5,165
Corporate					
Mortgage and real estate					
In U.S. offices	**182**	953	592	56	1
In offices outside the U.S.	**171**	286	151	37	3
Governments and official institutions outside the U.S.				3	
Loans to financial institutions					
In U.S. offices	**215**	275	274		
In offices outside the U.S.	**391**	111	448	463	69
Commercial and industrial					
In U.S. offices	**392**	1,222	3,299	627	635
In offices outside the U.S.	**649**	571	1,564	778	226
	$23,164	$34,491	$32,784	$20,760	$11,864
Credit recoveries					
Consumer					
In U.S. offices	**$ 1,467**	$ 1,323	$ 576	$ 585	$ 695
In offices outside the U.S.	**1,273**	1,315	1,089	1,050	966
Corporate					
Mortgage and real estate					
In U.S. offices	**27**	130	3		3
In offices outside the U.S.	**2**	26	1	1	
Governments and official institutions outside the U.S.					4
Loans to financial institutions					
In U.S. offices					
In offices outside the U.S.	**89**	132	11	2	1
Commercial and industrial					
In U.S. offices	**175**	591	276	6	49
In offices outside the U.S.	**93**	115	87	105	220
	$ 3,126	$ 3,632	$ 2,043	$ 1,749	$ 1,938
Net credit losses					
In U.S. offices	**$14,887**	$24,589	$20,947	$11,716	$ 5,654
In offices outside the U.S.	**5,151**	6,270	9,794	7,295	4,272
Total	**$20,038**	$30,859	$30,741	$19,011	$ 9,926
Other net [1]	**$ (2,275)**	$10,287	$ (1,602)	$ (1,164)	$ 271
Allowance for loan losses at end of year [2]	**$30,115**	$40,655	$36,033	$29,616	$16,117
Allowance for unfunded lending commitments [3]	**$ 1,136**	$ 1,066	$ 1,157	$ 887	$ 1,250
Total allowance for loans, leases and unfunded lending commitments	**$ 31,251**	$ 41,721	$ 37,190	$ 30,503	$ 17,367
Net Consumer credit losses	**$ 18,424**	$ 28,435	$ 24,791	$ 17,161	$ 9,269
As a percentage of average Consumer loans	**4.20 %**	5.74 %	5.43 %	3.34 %	1.87 %
Net Corporate credit losses (recoveries)	**$ 1,614**	$ 2,424	$ 5,950	$ 1,850	$ 657
As a percentage of average Corporate loans	**0.79 %**	1.27 %	3.13 %	0.84 %	0.30 %
Allowance for loan losses at end of period [4]					
Citicorp	**$ 12,656**	$ 17,075	$ 10,731	$ 8,202	$ 5,262
Citi Holdings	**17,459**	23,580	25,302	21,414	10,855
Total Citigroup	**$ 30,115**	$ 40,655	$ 36,033	$ 29,616	$ 16,117
Allowance by type					
Consumer	**$ 27,236**	$ 35,406	$ 28,347	$ 22,204	$ 12,493
Corporate	**2,879**	5,249	7,686	7,412	3,624
Total Citigroup	**$ 30,115**	$ 40,655	$ 36,033	$ 29,616	$ 16,117

See footnotes on the next page.

(1) 2011 includes reductions of approximately $1.6 billion related to the sale or transfer to held-for-sale of various U.S. loan portfolios, approximately $240 million related to the sale of the Egg Banking PLC credit card business, approximately $72 million related to the transfer of the Citi Belgium business to held-for-sale and approximately $290 million related to FX translation. 2010 primarily includes an addition of $13.4 billion related to the impact of consolidating entities in connection with Citi s adoption of SFAS 166/167 (see Note 1 to the Consolidated Financial Statements) and reductions of approximately $2.7 billion related to the sale or transfer to held-for-sale of various U.S. loan portfolios and approximately $290 million related to the transfer of a U.K. first mortgage portfolio to held-for-sale. 2009 primarily includes reductions to the loan loss reserve of approximately $543 million related to securitizations, approximately $402 million related to the sale or transfer to held-for-sale of U.S. real estate lending loans, and $562 million related to the transfer of the U.K. cards portfolio to held-for-sale. 2008 primarily includes reductions to the loan loss reserve of approximately $800 million related to FX translation, $102 million related to securitizations, $244 million for the sale of the German retail banking operation, and $156 million for the sale of CitiCapital, partially offset by additions of $106 million related to the Cuscatlán and Bank of Overseas Chinese acquisitions. 2007 primarily includes reductions to the loan loss reserve of $475 million related to securitizations and transfer of loans to held-for-sale and of $83 million related to the transfer of the U.K. CitiFinancial portfolio to held-for-sale, offset by additions of $610 million related to the acquisitions of Egg, Nikko Cordial, Grupo Cuscatlán and Grupo Financiero Uno.

(2) Included in the allowance for loan losses are reserves for loans that have been modified subject to troubled debt restructurings (TDRs) of $8,772 million, $7,609 million, $4,819 million, and $2,180 million, as of December 31, 2011, December 31, 2010, December 31, 2009, and December 31, 2008, respectively.

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

(4) Allowance for loan losses represents management s best estimate of probable losses inherent in the portfolio, as well as probable losses related to large individually evaluated impaired loans and TDRs. See Significant Accounting Policies and Significant Estimates. Attribution of the allowance is made for analytical purposes only, and the entire allowance is available to absorb probable credit losses inherent in the overall portfolio.

Allowance for Loan Losses (continued)

The following table details information on Citi s allowance for loan losses, loans and coverage ratios as of December 31, 2011:

			December 31, 2011
In billions of dollars	**Allowance for loan losses**	**Loans, net of unearned income**	**Allowance as a percentage of loans (1)**
North America Cards (2)	$ 10.1	$ 118.7	8.5%
North America Residential Mortgages	10.0	138.9	7.3
North America Other	1.6	23.5	6.8
International Cards	2.8	40.1	7.0
International Other (3)	2.7	102.5	2.6
Total Consumer	$ 27.2	$ 423.7	6.5%
Total Corporate	$ 2.9	$ 223.5	1.3%
Total Citigroup	$ 30.1	$ 647.2	4.7%

(1) Allowance as a percentage of loans excludes loans that are carried at fair value.
(2) Includes both Citi-branded and retail partner cards.
(3) Includes mortgages and other retail loans.

Non-Accrual Loans and Assets and Renegotiated Loans

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

Non-Accrual Loans and Assets:

- Corporate and Consumer (commercial market) non-accrual status is based on the determination that payment of interest or principal is doubtful.
- Consumer non-accrual status is based on aging, i.e., the borrower has fallen behind in payments.
- *North America* Citi-branded and retail partner cards are not included because, under industry standards, they accrue interest until charge-off.

Renegotiated Loans:

- Both Corporate and Consumer loans whose terms have been modified in a TDR.
- Includes both accrual and non-accrual TDRs.

Non-Accrual Loans and Assets

The table below summarizes Citigroup s non-accrual loans as of the periods indicated. Non-accrual loans are loans in which the borrower has fallen behind in interest payments or, for Corporate and Consumer (commercial market) loans, where Citi has determined that the payment of interest or principal is doubtful and which are therefore considered impaired. In situations where Citi reasonably expects that only a portion of the principal and/or interest owed will ultimately be collected, all payments received are reflected as a reduction of principal and not as interest income. There is no industry-wide definition of non-accrual assets, however, and as such, analysis across the industry is not always comparable.

Corporate non-accrual loans may still be current on interest payments but are considered non-accrual as Citi has determined that the future payment of interest and/or principal is doubtful. Consistent with industry conventions, Citi generally accrues interest on credit card loans until such loans are charged-off, which typically occurs at 180 days contractual delinquency. As such, the non-accrual loan disclosures in this section do not include *North America* credit card loans.

Non-Accrual Loans

In millions of dollars	**2011**	2010	2009	2008	2007
Citicorp	**$ 4,018**	$ 4,909	$ 5,353	$ 3,282	$2,027
Citi Holdings	**7,208**	14,498	26,387	19,015	6,941
Total non-accrual loans (NAL)	**$11,226**	$19,407	$31,740	$22,297	$8,968
Corporate non-accrual loans [(1)]					
North America	**$ 1,246**	$ 2,112	$ 5,621	$ 2,660	$ 291
EMEA	**1,293**	5,337	6,308	6,330	1,152
Latin America	**362**	701	569	229	119
Asia	**335**	470	981	513	103
Total corporate non-accrual loans	**$ 3,236**	$ 8,620	$13,479	$ 9,732	$1,665
Citicorp	**$ 2,217**	$ 3,091	$ 3,238	$ 1,453	$ 247
Citi Holdings	**1,019**	5,529	10,241	8,279	1,418
Total corporate non-accrual loans	**$ 3,236**	$ 8,620	$13,479	$ 9,732	$1,665
Consumer non-accrual loans [(1)]					
North America	**$ 6,046**	$ 8,540	$15,111	$ 9,617	$4,841
EMEA	**387**	652	1,159	948	696
Latin America	**1,107**	1,019	1,340	1,290	1,133
Asia	**450**	576	651	710	633
Total consumer non-accrual loans	**$ 7,990**	$10,787	$18,261	$12,565	$7,303
Citicorp	**$ 1,801**	$ 1,818	$ 2,115	$ 1,829	$1,780
Citi Holdings	**6,189**	8,969	16,146	10,736	5,523
Total consumer non-accrual loans	**$ 7,990**	$10,787	$18,261	$12,565	$7,303

(1) Excludes purchased distressed loans as they are generally accreting interest. The carrying value of these loans was $511 million at December 31, 2011, $469 million at December 31, 2010, $920 million at December 31, 2009, $1.510 billion at December 31, 2008, and

$2.373 billion at December 31, 2007.

Statement continues on the next page

Non-Accrual Loans and Assets (continued)

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

In millions of dollars	**2011**	2010	2009	2008	2007
OREO					
Citicorp	**$ 71**	$ 826	$ 874	$ 371	$ 541
Citi Holdings	**480**	863	615	1,022	679
Corporate/Other	**15**	14	11	40	8
Total OREO	**$ 566**	$ 1,703	$ 1,500	$ 1,433	$ 1,228
North America	**$ 441**	$ 1,440	$ 1,294	$ 1,349	$ 1,168
EMEA	**73**	161	121	66	40
Latin America	**51**	47	45	16	17
Asia	**1**	55	40	2	3
Total OREO	**$ 566**	$ 1,703	$ 1,500	$ 1,433	$ 1,228
Other repossessed assets	**$ 1**	$ 28	$ 73	$ 78	$ 99

Non-accrual assets Total Citigroup	**2011**	2010	2009	2008	2007
Corporate non-accrual loans	**$ 3,236**	$ 8,620	$ 13,479	$ 9,732	$ 1,665
Consumer non-accrual loans	**7,990**	10,787	18,261	12,565	7,303
Non-accrual loans (NAL)	**$ 11,226**	$ 19,407	$ 31,740	$ 22,297	$ 8,968
OREO	**566**	1,703	$ 1,500	$ 1,433	$ 1,228
Other repossessed assets	**1**	28	73	78	99
Non-accrual assets (NAA)	**$ 11,793**	$ 21,138	$ 33,313	$ 23,808	$ 10,295
NAL as a percentage of total loans	**1.73%**	2.99%	5.37%	3.21%	1.15%
NAA as a percentage of total assets	**0.63**	1.10	1.79	1.23	0.47
Allowance for loan losses as a percentage of NAL (1)(2)	**268**	209	114	133	180

(1) The $6.403 billion of non-accrual loans transferred from the held-for-sale portfolio to the held-for-investment portfolio during the fourth quarter of 2008 were marked to market at the transfer date and, therefore, no allowance was necessary at the time of the transfer. $2.426 billion of the par value of the loans reclassified was written off prior to transfer.

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

Non-accrual assets Total Citicorp	**2011**	2010	2009	2008	2007
Non-accrual loans (NAL)	**$ 4,018**	$ 4,909	$ 5,353	$ 3,282	$ 2,027
OREO	**71**	826	874	371	541
Other repossessed assets	**N/A**	N/A	N/A	N/A	N/A
Non-accrual assets (NAA)	**$ 4,089**	$ 5,735	$ 6,227	$ 3,653	$ 2,568
NAA as a percentage of total assets	**0.31%**	0.45%	0.55%	0.34%	0.21%
Allowance for loan losses as a percentage of NAL (1)	**315**	348	200	250	242

Non-accrual assets Total Citi Holdings	**2011**	2010	2009	2008	2007
Non-accrual loans (NAL)	**$ 7,208**	$ 14,498	$ 26,387	$ 19,015	$ 6,941
OREO	**480**	863	615	1,022	679
Other repossessed assets	**N/A**	N/A	N/A	N/A	N/A
Non-accrual assets (NAA)	**$ 7,688**	$ 15,361	$ 27,002	$ 20,037	$ 7,620
NAA as a percentage of total assets	**2.86%**	4.28%	5.54%	3.08%	0.86%
Allowance for loan losses as a percentage of NAL (1)	**242**	163	96	113	161

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

N/A Not available at the Citicorp or Citi Holdings level.

Renegotiated Loans

The following table presents Citi s loans modified in TDRs.

In millions of dollars	Dec. 31, 2011	Dec. 31, 2010
Corporate renegotiated loans [1]		
In U.S. offices		
Commercial and industrial [2]	**$ 206**	$ 240
Mortgage and real estate [3]	**241**	61
Loans to financial institutions	**552**	671
Other	**79**	28
	$ 1,078	$ 1,000
In offices outside the U.S.		
Commercial and industrial [2]	**$ 223**	$ 207
Mortgage and real estate [3]	**17**	90
Loans to financial institutions	**12**	11
Other	**6**	7
	$ 258	$ 315
Total Corporate renegotiated loans	**$ 1,336**	$ 1,315
Consumer renegotiated loans [4][5][6][7]		
In U.S. offices		
Mortgage and real estate	**$ 21,429**	$ 17,717
Cards	**5,766**	4,747
Installment and other	**1,357**	1,986
	$ 28,552	$ 24,450
In offices outside the U.S.		
Mortgage and real estate	**$ 936**	$ 927
Cards	**929**	1,159
Installment and other	**1,342**	1,875
	$ 3,207	$ 3,961
Total Consumer renegotiated loans	**$ 31,759**	$ 28,411

(1) Includes $455 million and $553 million of non-accrual loans included in the non-accrual assets table above, at December 31, 2011 and December 31, 2010, respectively. The remaining loans are accruing interest.
(2) In addition to modifications reflected as TDRs at December 31, 2011, Citi also modified $39 million and $421 million of commercial loans risk rated Substandard Non-Performing or worse (asset category defined by banking regulators) in U.S. offices and offices outside the U.S., respectively. These modifications were not considered TDRs because the modifications did not involve a concession (a required element of a TDR for accounting purposes).
(3) In addition to modifications reflected as TDRs at December 31, 2011, Citi also modified $185 million and $33 million of commercial real estate loans risk rated Substandard Non-Performing or worse (asset category defined by banking regulators) in U.S. offices and in offices outside the U.S., respectively. These modifications were not considered TDRs because the modifications did not involve a concession (a required element of a TDR for accounting purposes).
(4) Includes $2,371 million and $2,751 million of non-accrual loans included in the non-accrual assets table above at December 31, 2011 and December 31, 2010, respectively. The remaining loans are accruing interest.
(5) Includes $19 million and $22 million of commercial real estate loans at December 31, 2011 and December 31, 2010, respectively.
(6) Includes $257 million and $177 million of commercial loans at December 31, 2011 and December 31, 2010, respectively.
(7) Smaller-balance homogeneous loans were derived from Citi s risk management systems.

In certain circumstances, Citigroup modifies certain of its Corporate loans involving a non-troubled borrower. These modifications are subject to Citi s normal underwriting standards for new loans and are made in the normal course of business to match customers needs with available Citi products or programs (these modifications are not included in the table above). In other cases, loan modifications involve a troubled borrower to whom Citi may grant a concession (modification). Modifications involving troubled borrowers may include extension of maturity date, reduction in the stated interest rate, rescheduling of future cash flows, reduction in the face amount of the debt or reduction or waiver of accrued interest or fees. See Consumer Loan Modification Programs below.

Forgone Interest Revenue on Loans [1]

In millions of dollars	In U.S. offices	In non-U.S. offices	2011 total
Interest revenue that would have been accrued at original contractual rates [2]	$ 3,597	$ 1,276	$ 4,873

Amount recognized as interest revenue (2)	**1,539**	**415**	**1,954**
Forgone interest revenue	**$2,058**	**$ 861**	**$2,919**

(1) Relates to Corporate non-accruals, renegotiated loans and Consumer loans on which accrual of interest has been suspended.
(2) Interest revenue in offices outside the U.S. may reflect prevailing local interest rates, including the effects of inflation and monetary correction in certain countries.

Loan Maturities and Fixed/Variable Pricing Corporate Loans

In millions of dollars at year end 2011	Due within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Corporate loan portfolio maturities				
In U.S. offices				
Commercial and industrial loans	$ 10,053	$ 7,600	$ 4,014	$ 21,667
Financial institutions	15,434	11,668	6,163	33,265
Mortgage and real estate	9,603	7,260	3,835	20,698
Lease financing	589	446	235	1,270
Installment, revolving credit, other	6,965	5,265	2,781	15,011
In offices outside the U.S.	91,060	31,725	9,525	132,310
Total corporate loans	$133,704	$63,964	$26,553	$224,221
Fixed/variable pricing of corporate loans with maturities due after one year [1]				
Loans at fixed interest rates		$ 7,005	$ 5,741	
Loans at floating or adjustable interest rates		56,959	20,812	
Total		$63,964	$26,553	

(1) Based on contractual terms. Repricing characteristics may effectively be modified from time to time using derivative contracts. See Note 23 to the Consolidated Financial Statements.

U.S. Consumer Mortgage and Real Estate Loans

In millions of dollars at year end 2011	Due within 1 year	Over 1 year but within 5 years	Over 5 years	Total
U.S. Consumer mortgage loan portfolio type				
First mortgages	$ 219	$ 1,143	$ 95,757	$ 97,119
Second mortgages	858	14,457	26,743	42,058
Total	$1,077	$15,600	$122,500	$139,177
Fixed/variable pricing of U.S. Consumer mortgage loans with maturities due after one year				
Loans at fixed interest rates		$ 888	$ 83,159	
Loans at floating or adjustable interest rates		14,712	39,341	
Total		$15,600	$122,500	

North America Consumer Mortgage Lending

Overview

Citi s *North America* Consumer mortgage portfolio consists of both residential first mortgages and home equity loans. As of December 31, 2011, Citi s *North America* Consumer residential first mortgage portfolio totaled $95.4 billion, while the home equity loan portfolio was $43.5 billion. Of the first mortgages, $67.5 billion are recorded in *LCL* within Citi Holdings, with the remaining $27.9 billion recorded in Citicorp. With respect to the home equity loan portfolio, $40.0 billion are recorded in *LCL*, and $3.5 billion are reported in Citicorp.

Citi s residential first mortgage portfolio included $9.2 billion of loans with FHA insurance or VA guarantees as of December 31, 2011. This portfolio consists of loans originated to low-to-moderate-income borrowers with lower FICO (Fair Isaac Corporation) scores and generally has higher loan-to-value ratios (LTVs). Losses on FHA loans are borne by the sponsoring agency, provided that the insurance terms have not been rescinded as a result of an origination defect. With respect to VA loans, the VA establishes a loan-level loss cap, beyond which Citi is liable for loss. While FHA and VA loans have high delinquency rates, given the insurance and guarantees, respectively, Citi has experienced negligible credit losses on these loans to date.

Also as of December 31, 2011, the residential first mortgage portfolio included $1.6 billion of loans with LTVs above 80%, which have insurance through mortgage insurance companies, and $1.2 billion of loans subject to long-term standby commitments (LTSC) with U.S. government-sponsored entities (GSEs), for which Citi has limited exposure to credit losses. Citi s home equity loan portfolio also included $0.4 billion of loans subject to LTSCs with GSEs, for which Citi also has limited exposure to credit losses. These guarantees and commitments may be rescinded in the event of origination defects.

Citi s allowance for loan loss calculations takes into consideration the impact of the guarantees and commitments referenced above.

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

As of December 31, 2011, Citi s *North America* residential first mortgage portfolio contained approximately $15 billion of adjustable rate mortgages that are required to make a payment only of accrued interest for the payment period, or an interest-only payment. Borrowers that are currently required to make an interest-only payment cannot select a lower payment that would negatively amortize the loan. Residential first mortgages with this payment feature are primarily to high-credit-quality borrowers that have on average significantly higher origination and refreshed FICO scores than other loans in the residential first mortgage portfolio.

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

The following charts detail the quarterly trends in delinquencies and net credit losses for Citi s residential first mortgage portfolio in *North America*. As referenced in the Overview section above, the majority of Citi s residential first mortgage exposure arises from its portfolio within Citi Holdings *LCL*.

Residential First Mortgages Citigroup

In billions of dollars

Residential First Mortgages   Citi Holdings
In billions of dollars

Residential First Mortgage Delinquencies   Citi Holdings
In billions of dollars

Notes:
Totals may not sum due to rounding.
For each of the tables above, days past due exclude U.S. mortgage loans that are guaranteed by U.S. government agencies, because the potential loss predominantly resides with the U.S. agencies and loans recorded at fair value.

As previously disclosed, management actions, including asset sales and modification programs, have been the primary drivers of the improved asset performance within Citi s residential first mortgage portfolio in Citi Holdings during the periods presented above. With respect to asset sales, in total, Citi has sold approximately $7.6 billion of delinquent first mortgages since the beginning of 2010, including $2.7 billion in 2011. As evidenced by the numbers above, the pace of Citi s sales of residential first mortgages has slowed, primarily due to the lack of remaining eligible inventory and demand.

Regarding modifications of residential first mortgages, since the third quarter of 2009, Citi has permanently modified approximately $6.1 billion of residential first mortgage loans under its HAMP and CSM programs, two of Citi s more significant residential first mortgage modification programs. (For additional information on Citi s significant residential first mortgage loan modification programs, see Consumer Loan Modification Programs below.) However, the pace of modification activity has also slowed due to the

decrease in the inventory of residential first mortgage loans available for modification, primarily as a result of the significant levels of modifications in prior periods.

As a result of these two converging trends and as set forth in the tables above, Citi s residential first mortgage delinquency trends are beginning to show the impact of re-defaults of previously modified mortgages, including an increase in the 90+ days past due delinquencies during the fourth quarter of 2011, although the re-default rates for the HAMP and CSM programs continued to track favorably versus expectations as of December 31, 2011. While net credit losses in this portfolio decreased during the periods set forth above, if delinquencies continue to increase, Citi could begin experiencing increasing net credit losses in this portfolio going forward. Citi has taken these trends and uncertainties, including the potential for re-defaults, into consideration in determining its loan loss reserves. See *North America Consumer Mortgages Loan Loss Reserve Coverage* below.

Residential First Mortgages State Delinquency Trends

The following tables set forth, for total Citigroup, the six states and/or regions with the highest concentration of Citi s residential first mortgages as of December 31, 2011 and December 31, 2010.

In billions of dollars	**December 31, 2011**					December 31, 2010				
State [1]	**ENR** [2]	**ENR Distribution**	**90+DPD %**	**% LTV > 100%**	**Refreshed FICO**	ENR [2]	ENR Distribution	90+DPD %	% LTV > 100%	Refreshed FICO
CA	**$22.6**	**28%**	**2.7%**	**38%**	**727**	$23.0	27%	4.1%	40%	718
NY/NJ/CT	**11.2**	**14**	**4.9**	**10**	**712**	9.7	12	6.6	13	693
IN/OH/MI	**4.6**	**6**	**6.3**	**44**	**650**	5.0	6	8.3	46	636
FL	**4.3**	**5**	**10.2**	**57**	**668**	4.7	6	12.2	59	656
IL	**3.5**	**4**	**7.2**	**45**	**686**	3.5	4	8.3	44	669
AZ/NV	**2.3**	**3**	**5.7**	**73**	**698**	2.6	3	8.2	73	688
Other	**33.2**	**41**	**5.8**	**21**	**663**	35.2	42	7.0	21	650
Total	**$81.7**	**100%**	**5.1%**	**30%**	**689**	$83.7	100%	6.6%	32%	675

(1) Certain of the states are included as part of a region based on Citi s view of similar home prices (HPI) within the region.
(2) Ending net receivables. Excludes loans in Canada and Puerto Rico, loans guaranteed by U.S. government agencies, loans recorded at fair value and loans subject to LTSCs.

As evidenced by the tables above, Citi s residential first mortgages portfolio is primarily concentrated in California and the New York/New Jersey/Connecticut region (with New York as the largest of the three states). Year over year, the 90+ days past due delinquency rate improved across each of the states and regions shown in the tables. As referenced under Citi Holdings Residential First Mortgages above, however, the vast majority of the improvement in these delinquency rates was driven by Citi s continued asset sales of delinquent mortgages. As asset sales have slowed, Citi has observed deterioration in 90+ days past due delinquencies for each of the states and/or regions above, including during the fourth quarter of 2011. Combined with the increase in the average number of days to foreclosure (see discussion under Foreclosures below) in all of these states and regions, Citi could experience continued deterioration in the 90+ days past due delinquency rate in these areas.

Foreclosures

As of December 31, 2011, approximately 2.5% of Citi s residential first mortgage portfolio was actively in the foreclosure process, which Citi refers to as its foreclosure inventory. This was down from 3.1% at December 31, 2010. The decline in foreclosure inventory year over year was largely due to two separate trends. First, during 2011, there were fewer residential first mortgages moving into Citi s foreclosure inventory primarily as a result of Citi s continued asset sales of delinquent first mortgages (as discussed above), as well as increased state requirements for

foreclosure filings. For example, certain states have increased the number of pre-foreclosure filings and notices required, including various requirements for affidavit filings and demand letters (including the contents of such letters), as well as required additional time to review a borrower s loss mitigation activities prior to permitting a foreclosure filing. In addition, while Citi may generally begin

the foreclosure process when loans are 90+ days past due, not all such loans become part of Citi s foreclosure inventory as Citi may not refer such loans to foreclosure as it continues to work with the borrower pursuant to its loss mitigation programs, or for other reasons. This also decreased the number of residential first mortgages moving into Citi s foreclosure inventory.

Second, while loans exited foreclosure inventory during 2011, this was not necessarily due to completion of foreclosure and sale. Loans may exit foreclosure inventory if Citi renews efforts to work with the borrower pursuant to its loss mitigation programs, if the borrower enters bankruptcy proceedings, if Citi decides not to pursue the foreclosure, or for other reasons. In each of the circumstances described in the discussion above, however, the loans continue to age through Citi s delinquency buckets and remain part of its non-accrual assets.

In addition to the decline in the actual number of completed foreclosures, the overall foreclosure process has lengthened. This is particularly pronounced in judicial states (i.e., those states that require foreclosures to be processed via court approval) including New York, New Jersey, Florida and Illinois but has also occurred in non-judicial states where Citi has a higher concentration of residential first mortgages (see Residential First Mortgages State Delinquency Trends above). The lengthening of the foreclosure process is due to numerous factors, including without limitation the increased state requirements referenced above, Citi s continued work with borrowers through its various modification programs and the overall depressed state of home sales in certain of Citi s high concentration markets. As one example of the lengthening of the foreclosure process, Citi s aged foreclosure inventory (active foreclosures in process for two years or more), as a proportion of Citi s total foreclosure inventory, more than doubled year over year. While the proportion of aged foreclosure inventory continued to represent a small portion of the total (approximately 10%, as of December 31, 2011), Citi believes this trend reflects the increased time involved in the foreclosure process, and believes this trend could continue due, in part, to the issues discussed above.

When combined with the continued pressure on home prices, particularly in certain regions where Citi has a higher concentration of residential first mortgages, this lengthening of the foreclosure process also subjects Citi to increased severity risk, or the magnitude of the loss on the amount ultimately realized for the property subject to foreclosure, as well as increased ongoing costs related to the foreclosure process, such as property maintenance.

North America Consumer Mortgage Quarterly Credit Trends Delinquencies and Net Credit Losses Home Equity Loans

Citi s home equity loan portfolio consists of both fixed rate home equity loans and loans extended under home equity lines of credit. Fixed rate home equity loans are fully amortizing. Home equity lines of credit allow for amounts to be drawn for a period of time and then, at the end of the draw period, the then-outstanding amount is converted to an amortizing loan. After conversion, the loan typically has a 20-year amortization repayment period.

Historically, Citi s home equity lines of credit typically had a 10-year draw period. Beginning in June 2010, Citi s new originations of home equity lines of credit typically have a five-year draw period as Citi changed these terms to mitigate risk due to the economic environment and declining home prices. As of December 31, 2011, Citi s home equity loan portfolio included approximately $25 billion of home equity lines of credit that are still within their revolving period and have not commenced amortization (the interest-only payment feature during the revolving period is standard for this product across the industry). The vast majority of Citi s home equity loans extended under lines of credit as of December 31, 2011 will contractually begin to amortize after 2014.

As of December 31, 2011, the percentage of U.S. home equity loans in a junior lien position where Citi also owned or serviced the first lien was approximately 31%. However, for all home equity loans (regardless of whether Citi owns or services the first lien), Citi manages its home equity loan account strategy through obtaining and reviewing refreshed credit bureau scores (which reflect the borrower s performance on all of its debts, including a first lien, if any), refreshed LTV ratios and other borrower credit-related information. Historically, the default and delinquency statistics for junior liens where Citi also owns or services the first lien have been better than for those where Citi does not own or service the first lien, which Citi believes is generally attributable to origination channels and better credit characteristics of the portfolio, including FICO and LTV, for those junior liens where Citi also owns or services the first lien.

The following charts detail the quarterly trends in delinquencies and net credit losses for Citi s home equity loan portfolio in *North America*. Similar to Citi s residential first mortgage portfolio, the majority of Citi s home equity loan exposure arises from its portfolio within Citi Holdings *LCL*.

Home Equity Loans Citigroup
In billions of dollars

Home Equity Loans Citi Holdings
In billions of dollars

Home Equity Loan Delinquencies Citi Holdings
In billions of dollars

Notes:
Totals may not sum due to rounding.

As evidenced by the tables above, the pace of improvement in home equity loan delinquencies has slowed or remained flat. Given the lack of market in which to sell delinquent home equity loans, as well as the relatively smaller number of home equity loan modifications and modification programs, Citi s ability to offset increased delinquencies and net credit losses in its home equity loan portfolio in Citi Holdings has been more limited as compared to residential first mortgages, as discussed above. Accordingly, Citi could begin to experience increased delinquencies and thus increased net credit losses

in this portfolio going forward. Citi has taken these trends and uncertainties into consideration in determining its loan loss reserves. See *North America Consumer Mortgages Loan Loss Reserve Coverage* below.

Home Equity Loans State Delinquency Trends

The following tables set forth, for total Citigroup, the six states and/or regions with the highest concentration of Citi s home equity loans as of December 31, 2011 and December 31, 2010.

In billions of dollars			**December 31, 2011**					December 31, 2010		
State [(1)]	**ENR** [(2)]	**ENR Distribution**	**90+DPD %**	**% LTV > 100%**	**Refreshed FICO**	ENR [(2)]	ENR Distribution	90+DPD %	% LTV > 100%	Refreshed FICO
CA	**$11.2**	**27%**	**2.3%**	**50%**	**721**	$12.7	27%	2.8%	48%	724
NY/NJ/CT	**9.2**	**22**	**2.1**	**19**	**715**	10.1	21	2.1	20	719
FL	**2.8**	**7**	**3.3**	**69**	**698**	3.2	7	3.9	68	698
IL	**1.6**	**4**	**2.3**	**62**	**705**	1.9	4	2.4	57	706
IN/OH/MI	**1.5**	**4**	**2.6**	**66**	**678**	1.8	4	3.3	64	671
AZ/NV	**1.0**	**3**	**4.1**	**83**	**706**	1.3	3	5.5	82	703
Other	**13.7**	**33**	**2.3**	**46**	**695**	16.3	34	2.4	44	693
Total	**$41.0**	**100%**	**2.4%**	**45%**	**707**	$47.3	100%	2.6%	44%	707

(1) Certain of the states are included as part of a region based on Citi s view of similar home prices (HPI) within the region.
(2) Ending net receivables. Excludes loans in Canada and Puerto Rico and loans subject to LTSCs.

Similar to residential first mortgages (see Residential First Mortgages State Delinquency Trends above), at December 31, 2011, Citi s home equity loan portfolio was primarily concentrated in California and the New York/New Jersey/Connecticut region. Year over year, 90+ days past due delinquencies improved or remained stable across each of the states and regions shown in the tables. See also Consumer Mortgage FICO and LTV below.

North America Consumer Mortgages Loan Loss Reserve Coverage

At December 31, 2011, approximately $9.8 billion of Citi s total loan loss reserves of $30.1 billion was allocated to *North America* real estate lending in Citi Holdings, representing approximately 31 months of coincident net credit loss coverage as of such date. With respect to Citi s aggregate *North America* Consumer mortgage portfolio, including Citi Holdings as well as the residential first mortgages and home equity loans in Citicorp, Citi s loan loss reserves of $10.0 billion at December 31, 2011 represented 30 months of coincident net credit loss coverage.

Consumer Mortgage FICO and LTV

As a consequence of the financial crisis, economic environment and the decrease in housing prices, LTV and FICO scores for Citi s residential first mortgage and home equity loan portfolios have generally deteriorated since origination, particularly in the case of originations between 2006 and 2007, although, as set forth in the tables below, the negative migration has generally stabilized. Generally, on a refreshed basis, approximately 30% of residential first mortgages had a LTV ratio above 100%, compared to approximately 0% at origination. Similarly, approximately 36% of residential first mortgages had FICO scores less than 660 on a refreshed basis, compared to 27% at origination. With respect to home equity loans, approximately 45% of home equity loans had refreshed LTVs above 100%, compared to approximately 0% at origination. Approximately 24% of home equity loans had FICO scores less than 660 on a refreshed basis, compared to 9% at origination.

FICO and LTV Trend Information ***North America*** **Consumer Mortgages**

Residential First Mortgages

In billions of dollars

Residential Mortgage 90+ DPD %	4Q10	1Q11	2Q11	3Q11	4Q11
FICO ≥ 660, LTV ≤ 100%	0.3%	0.4%	0.3%	0.3%	0.4%
FICO ≥ 660, LTV > 100%	1.3%	1.1%	1.1%	1.2%	1.2%
FICO < 660, LTV ≤ 100%	12.8%	11.0%	9.8%	10.0%	10.7%
FICO < 660, LTV > 100%	20.4%	16.6%	15.3%	14.9%	16.5%

Home Equity Loans

In billions of dollars

Home Equity 90+ DPD %	4Q10	1Q11	2Q11	3Q11	4Q11
FICO ≥ 660, LTV ≤ 100%	0.1%	0.1%	0.1%	0.1%	0.3%
FICO ≥ 660, LTV > 100%	0.3%	0.3%	0.1%	0.1%	0.2%
FICO < 660, LTV ≤ 100%	7.7%	7.7%	7.0%	7.4%	7.6%
FICO < 660, LTV > 100%	12.1%	11.7%	10.1%	10.3%	10.3%

Notes:

Data appearing in the tables above have been sourced from Citi s risk systems and, as such, may not reconcile with disclosures elsewhere generally due to differences in methodology or variations in the manner in which information is captured. Citi has noted such variations in instances where it believes they could be material to reconcile to the information presented elsewhere.

Tables exclude loans in Canada and Puerto Rico, loans guaranteed by U.S. government agencies (residential first mortgages table only), loans recorded at fair value (residential first mortgages table only) and loans subject to LTSCs.

Balances exclude deferred fees/costs.

Tables exclude balances for which FICO or LTV data is unavailable. For residential first mortgages, balances for which such data is unavailable includes $0.4 billion for 4Q10, $0.6 billion for 1Q11, and $0.4 billion in each of 2Q11, 3Q11 and 4Q11. For home equity loans, balances for which such data is unavailable includes $0.3 billion in 4Q10, $0.1 billion in 1Q11, $0.3 billion in 2Q11, $0.2 billion in 3Q11, and $0.2 billion in 4Q11.

As evidenced by the table above, the overall proportion of 90+ days past due residential first mortgages with refreshed FICO scores of less than 660 decreased year over year. Citi believes that the deterioration in these 90+ days past due delinquency ratios from third to fourth quarter 2011 reflects the decline in Citi s asset sales of delinquent first mortgages, the lengthening of the foreclosure process and the continued economic uncertainty, as discussed in the sections above.

Although home equity loans are typically in junior lien positions and residential first mortgages are typically in a first lien position, residential first mortgages historically have experienced higher delinquency rates as compared to home equity loans. Citi believes this difference is primarily due to the fact that residential first mortgages are written down to collateral value less cost to sell at 180 days past due and remain in the delinquency population until full disposition through sale, repayment or foreclosure, whereas home equity loans are generally fully charged off at 180 days past due and thus removed from the delinquency calculation. In addition, due to the longer timelines to foreclose on a residential first mortgage (see Foreclosures above), these loans tend to remain in the delinquency statistics for a longer period and, consequently, the 90 days or more delinquencies of these mortgages remain higher.

Despite this historically higher level of delinquencies for residential first mortgages, however, home equity loan delinquencies have generally decreased at a slower rate than residential first mortgage delinquencies. Citi believes this difference is due primarily to the lack of a market to sell delinquent home equity loans and the relatively smaller number of home equity loan modifications which, to date, have been the primary drivers of Citi s first mortgage delinquency improvement (see North America Consumer Mortgage Quarterly Credit Trends Delinquencies and Net Credit Losses Residential First Mortgages above).

Mortgage Servicing Rights

To minimize credit and liquidity risk, Citi sells most of the mortgage loans it originates, but retains the servicing rights. These sale transactions create an intangible asset referred to as mortgage servicing rights (MSRs), which are recorded at fair value on Citi s Consolidated Balance Sheet. The fair value of MSRs is primarily affected by changes in prepayments of mortgages that result from shifts in mortgage interest rates. Specifically, the fair value of MSRs declines with increased prepayments, and lower interest rates are generally one factor that tends to lead to increased prepayments. In managing this risk, Citi economically hedges a significant portion of the value of its MSRs through the use of interest rate derivative contracts, forward purchase commitments of mortgage-backed securities and purchased securities classified as *Trading account assets*.

Citi s MSRs totaled $2.569 billion, $2.852 billion and $4.554 billion at December 31, 2011, September 30, 2011 and December 31, 2010, respectively. The decrease in the value of Citi s MSRs from year end 2010 to year end 2011 primarily represented the impact from lower interest rates in addition to amortization.

For additional information on Citi s MSRs, see Note 22 to the Consolidated Financial Statements.

North America Cards

Overview

As of December 31, 2011, Citi s *North America* cards portfolio consists of its Citi-branded portfolio in Citicorp *Global Consumer Banking* and its retail partner cards portfolio in Citi Holdings *Local Consumer Lending*. The substantial majority of the retail partner cards portfolio will be transferred to Citicorp *NA RCB*, effective in the first quarter of 2012 (see Executive Summary and Citi Holdings above). As of December 31, 2011, the Citi-branded portfolio totaled $76 billion, while the retail partner cards portfolio was $43 billion.

See Consumer Loan Modification Programs below for a discussion of Citi s significant cards modification programs.

North America Cards Quarterly Credit Trends Delinquencies and Net Credit Losses

The following charts detail the quarterly trends in delinquencies and net credit losses for Citigroup s *North America* Citi-branded and retail partner cards portfolios. As evidenced by the charts, delinquencies and net credit losses continued to improve during 2011. Citi currently expects some continued improvement in these metrics, although at a slower pace as the portfolios stabilize.

Citi-Branded Cards Citigroup

Retail Partner Cards Citigroup

North America Cards Loan Loss Reserve Coverage

At December 31, 2011, approximately $10.1 billion of Citi s total loan loss reserves of $30.1 billion was allocated to Citi s *North America* cards portfolios, representing over 17 months of coincident net credit loss coverage as of such date.

CONSUMER LOAN DETAILS

Consumer Loan Delinquency Amounts and Ratios

	Total loans (7)	90+ days past due (1)			30 89 days past due (1)		
	December 31,	December 31,			December 31,		
In millions of dollars, except EOP loan amounts in billions	2011	**2011**	2010	2009	**2011**	2010	2009
Citicorp (2)(3)(4)							
Total	**$246.6**	**$2,410**	$ 3,101	$ 4,103	**$2,880**	$ 3,553	$ 4,338
Ratio		**0.98%**	1.35%	1.83%	**1.17%**	1.55%	1.93%
Retail banking							
Total	**$133.3**	**$ 736**	$ 760	$ 805	**$1,039**	$ 1,146	$ 1,107
Ratio		**0.56%**	0.66%	0.75%	**0.79%**	0.99%	1.03%
North America	**38.9**	**235**	228	106	**213**	212	81
Ratio		**0.63%**	0.76%	0.33%	**0.57%**	0.71%	0.25%
EMEA	**4.2**	**58**	84	129	**93**	136	223
Ratio		**1.38%**	2.00%	2.48%	**2.21%**	3.24%	4.29%
Latin America	**24.0**	**221**	223	311	**289**	265	344
Ratio		**0.92%**	1.09%	1.71%	**1.20%**	1.30%	1.89%
Asia	**66.2**	**222**	225	259	**444**	533	459
Ratio		**0.34%**	0.37%	0.50%	**0.67%**	0.88%	0.89%
Citi-branded cards							
Total	**$113.3**	**$1,674**	$ 2,341	$ 3,298	**$1,841**	$ 2,407	$ 3,231
Ratio		**1.48%**	2.05%	2.81%	**1.62%**	2.11%	2.75%
North America	**75.9**	**1,004**	1,597	2,371	**1,062**	1,539	2,182
Ratio		**1.32%**	2.06%	2.82%	**1.40%**	1.99%	2.59%
EMEA	**2.7**	**44**	58	85	**59**	72	140
Ratio		**1.63%**	2.07%	2.83%	**2.19%**	2.57%	4.67%
Latin America	**13.7**	**412**	446	565	**399**	456	556
Ratio		**3.01%**	3.33%	4.56%	**2.91%**	3.40%	4.48%
Asia	**21.0**	**214**	240	277	**321**	340	353
Ratio		**1.02%**	1.18%	1.55%	**1.53%**	1.67%	1.97%
Citi Holdings *Local Consumer Lending* (2)(3)(5)(6)							
Total	**$176.0**	**$6,971**	$10,216	$18,457	**$6,340**	$ 9,396	$14,105
Ratio		**4.18%**	4.76%	6.11%	**3.80%**	4.38%	4.67%
International	**10.8**	**422**	657	1,362	**498**	848	1,482
Ratio		**3.91%**	3.00%	4.22%	**4.61%**	3.87%	4.59%
North America retail partner cards	**42.8**	**1,054**	1,601	2,681	**1,282**	1,685	2,674
Ratio		**2.46%**	3.45%	4.42%	**3.00%**	3.63%	4.41%
North America (excluding cards)	**122.4**	**5,495**	7,958	14,414	**4,560**	6,863	9,949
Ratio		**4.85%**	5.43%	6.89%	**4.03%**	4.68%	4.76%
Total Citigroup (excluding *Special Asset Pool*)	**$422.6**	**$9,381**	$13,317	$22,560	**$9,220**	$ 12,949	$18,443
Ratio		**2.28%**	3.00%	4.29%	**2.24%**	2.92%	3.50%

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

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

(3) Periods prior to January 1, 2010 are presented on a managed basis. Citigroup adopted SFAS 166/167 effective January 1, 2010. As a result, beginning in the first quarter of 2010, there is no longer a difference between reported and managed delinquencies. Prior years managed delinquencies are included herein for comparative purposes to the 2010 delinquencies. Managed basis reporting historically impacted the *North America Regional Consumer Banking* Citi-branded cards and the *LCL* retail partner cards businesses. The historical disclosures reflect the impact from credit card securitizations only. See discussion of adoption of SFAS 166/167 in Note 1 to the Consolidated Financial Statements.

(4) The 90+ days and 30 89 days past due and related ratios for *North America Regional Consumer Banking* exclude U.S. mortgage loans that are guaranteed by U.S. government agencies since the potential loss predominantly resides within the U.S. agencies. The amounts excluded for loans 90+ days past due and (EOP loans) are $611 million ($1.3 billion) and $235 million ($0.8 billion) at December 31, 2011 and December 31, 2010, respectively. The amounts excluded for loans 30 89 days past due (end-of-period loans have the same adjustment as above) are $121 million and $30 million, as of December 31, 2011 and December 31, 2010, respectively.

(5)

The 90+ days and 30 89 days past due and related ratios for *North America LCL* (excluding cards) exclude U.S. mortgage loans that are guaranteed by U.S. government agencies since the potential loss predominantly resides within the U.S. agencies. The amounts excluded for loans 90+ days past due and (EOP loans) for each period are $4.4 billion ($7.9 billion), $5.2 billion ($8.4 billion), and $5.4 billion ($9.0 billion) at December 31, 2011, December 31, 2010, and December 31, 2009, respectively. The amounts excluded for loans 30 89 days past due (end-of-period loans have the same adjustment as above) for each period are $1.5 billion, $1.6 billion, and $1.0 billion, as of December 31, 2011, December 31, 2010, and December 31, 2009, respectively.

(6) The December 31, 2011 and December 31, 2010 loans 90+ days past due and 30 89 days past due and related ratios for *North America* (excluding cards) exclude $1.3 billion and $1.7 billion, respectively, of loans that are carried at fair value.

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

Consumer Loan Net Credit Losses and Ratios

In millions of dollars, except average loan amounts in billions	**Average loans [1] 2011**	**Net credit losses [2] 2011**	2010	2009
Citicorp				
Total	**$236.5**	**$ 7,688**	$11,216	$ 5,395
Add: impact of credit card securitizations [3]				6,931
Managed NCL		**7,688**	11,216	12,326
Ratio		**3.25%**	5.11%	5.63%
Retail banking				
Total	**$126.3**	**$ 1,174**	$ 1,267	$ 1,555
Ratio		**0.93%**	1.16%	1.48%
North America	**34.5**	**300**	339	311
Ratio		**0.87%**	1.11%	0.90%
EMEA	**4.4**	**87**	167	287
Ratio		**1.99%**	3.88%	5.17%
Latin America	**22.6**	**475**	439	512
Ratio		**2.10%**	2.35%	3.08%
Asia	**64.8**	**312**	322	445
Ratio		**0.48%**	0.58%	0.92%
Citi-branded cards				
Total	**$110.2**	**$ 6,514**	$ 9,949	$ 3,840
Add: impact of credit card securitizations [3]				6,931
Managed NCL		**6,514**	9,949	10,771
Ratio		**5.92%**	9.04%	9.46%
North America	**73.1**	**4,649**	7,680	841
Add: impact of credit card securitizations [3]				6,931
Managed NCL		**4,649**	7,680	7,772
Ratio		**6.36%**	10.02%	9.41%
EMEA	**2.9**	**85**	149	185
Ratio		**2.98%**	5.32%	6.55%
Latin America	**13.7**	**1,209**	1,429	1,920
Ratio		**8.82%**	11.67%	16.10%
Asia	**20.5**	**571**	691	894
Ratio		**2.78%**	3.77%	5.42%
Citi Holdings *Local Consumer Lending*				
Total	**$199.7**	**$10,659**	$17,040	$19,185
Add: impact of credit card securitizations [3]				4,590
Managed NCL		**10,659**	17,040	23,775
Ratio		**5.34%**	6.20%	7.03%
International	**16.8**	**1,057**	1,927	3,521
Ratio		**6.30%**	7.36%	9.18%
North America retail partner cards	**42.1**	**3,609**	6,564	3,485
Add: impact of credit card securitizations [3]				4,590
Managed NCL		**3,609**	6,564	8,075
Ratio		**8.58%**	12.82%	12.77%
North America (excluding cards)	**140.8**	**5,993**	8,549	12,179
Ratio		**4.25%**	4.33%	5.15%
Total Citigroup (excluding *Special Asset Pool*)	**$436.2**	**$18,347**	$28,256	$24,580
Add: impact of credit card securitizations [3]				11,521
Managed NCL		**18,347**	28,256	36,101
Ratio		**4.21%**	5.72%	6.48%

(1) Average loans include interest and fees on credit cards.
(2) The ratios of net credit losses are calculated based on average loans, net of unearned income.
(3) See Note 1 to the Consolidated Financial Statements for a discussion of the impact of SFAS 166/167.

Consumer Loan Modification Programs

Citi has instituted a variety of loan modification programs to assist its borrowers with financial difficulties. Under these programs, the largest of which are predominately long-term modification programs targeted at residential first mortgage borrowers, the original loan terms are modified. Substantially all of these programs incorporate some form of interest rate reduction; other concessions may include reductions or waivers of accrued interest or fees, loan tenor extensions and/or the deferral or forgiveness of principal.

Loans modified under long-term modification programs (as well as short-term modifications originated since January 1, 2011) that provide concessions to borrowers in financial difficulty are reported as troubled debt restructurings (TDRs). Accordingly, loans modified under the programs described below, including modifications under short-term programs since January 1, 2011, are TDRs. These TDRs are concentrated in the U.S. See Note 16 to the Consolidated Financial Statements for a discussion of TDRs and Note 1 to the Consolidated Financial Statements for a discussion of the allowance for loan losses for these loans.

A summary of Citi s more significant U.S. modification programs follows:

Residential First Mortgages

HAMP. The HAMP is a long-term modification program designed to reduce monthly residential first mortgage payments to a 31% housing debt ratio (monthly mortgage payment, including property taxes, insurance and homeowner dues, divided by monthly gross income) by lowering the interest rate, extending the term of the loan and deferring or forgiving (either on an absolute or contingent basis) principal of certain eligible borrowers who have defaulted on their mortgages or who are at risk of imminent default due to economic hardship. The interest rate reduction for residential first mortgages under HAMP is in effect for five years and the rate then increases up to 1% per year until the interest rate cap (the lower of the original rate or the Freddie Mac Weekly Primary Mortgage Market Survey rate for a 30-year fixed rate conforming loan as of the date of the modification) is reached. In order to be entitled to a HAMP loan modification, borrowers must provide the required documentation and complete a trial period (generally three months) by making the agreed payments.

Historically, Citi accounted for modifications under HAMP as TDRs when the borrower successfully completed the trial period and the loan was permanently modified. Effective in the fourth quarter of 2011, trial modifications are reported as TDRs at the beginning of the trial period. Accordingly, all loans in HAMP trials as of the end of 2011 are reported as TDRs.

Citi Supplemental. The Citi Supplemental (CSM) program is a long-term modification program designed to assist residential first mortgage borrowers ineligible for HAMP or who become ineligible through the HAMP trial period process. If the borrower already has less than a 31% housing debt

ratio, the modification offered is an interest rate reduction (up to 2.5% with a floor rate of 4%), which is in effect for two years, and the rate then increases up to 1% per year until the interest rate is at the pre-modified contractual rate. If the borrower s housing debt ratio is greater than 31%, steps similar to those under HAMP, including potential interest rate reductions, will be taken to achieve a 31% housing debt ratio. The modified interest rate is in effect for two years, and then increases up to 1% per year until the interest rate is at the pre-modified contractual rate. Three trial payments are required prior to modification, which can be made during the trial period. As in the case of HAMP as discussed above, all loans in CSM trials as of the end of 2011 are reported as TDRs.

FHA/VA. Loans guaranteed by the FHA or VA are modified through the modification process required by those respective agencies and are long-term modification programs. Borrowers must be delinquent, and concessions include interest rate reductions, principal forgiveness, extending maturity dates, and forgiving accrued interest and late fees. The interest rate reduction is in effect for the remaining loan term. Losses on FHA loans are borne by the sponsoring agency, provided that the insurance terms have not been rescinded as a result of an origination defect. The VA establishes a loan-level loss cap, beyond which Citi is liable for loss. Historically, Citi s losses on FHA and VA loans have been negligible.

Responsible Lending. Citi s Responsible Lending program is a long-term modification program designed to assist current residential first mortgage borrowers unable to refinance their loan due to negative equity in their home and/or other borrower characteristics. These loans are not eligible for modification under HAMP or CSM. This program is designed to provide payment relief based on a floor interest rate by product type. All adjustable rate and interest only loans are converted to fixed rate, amortizing loans for the remaining mortgage term.

CFNA Permanent Mortgage Adjustment of Terms. This long-term modification program is targeted to CitiFinancial s (part of Citi Holdings LCL) consumer finance residential mortgage borrowers with a permanent hardship. Payment reduction is provided through the re-amortization of the remaining loan balance, typically at a lower interest rate. Modified loan tenors may not exceed a period of 480 months. Generally, the rescheduled payment cannot be less than 50% of the original payment amount unless the adjustment of terms is a result of participation in the CitiFinancial Home Affordability Modification Program (CHAMP) (terminated August 2010), or as a result of settlement, court order, judgment or bankruptcy. Borrowers must make a qualifying payment at the reduced payment amount in order to qualify for the modification. In addition, borrowers must provide income and employment verification, and monthly obligations are validated through an updated credit report.

CFNA Temporary Mortgage Adjustment of Terms. This short-term modification program is similar to the long-term program discussed above, but is targeted to CitiFinancial s consumer finance borrowers with a temporary hardship. Under this program, which can include both an interest rate reduction and a term extension, the interest rate is reduced for either a five- or an eleven-month period. At the end of the temporary modification period, the interest rate reverts to the pre-modification rate. Similar to the long-term program, borrowers must make a payment at the reduced payment amount prior to the adjustment of terms being processed to qualify, and they must meet the verification and validation requirements discussed above. If the customer is still undergoing hardship at the conclusion of the temporary payment reduction, an extension of the temporary terms can be considered in either of the time period increments above, to a maximum of 24 months. In cases where the account is over 60 days past due at the expiration of the temporary modification period, the terms of the modification are made permanent and the payment is kept at the reduced amount for the remaining life of the loan.

Credit Cards

Credit card long-term modification programs. Citi s long-term modification programs for its Citi-branded and retail partner cards borrowers are designed to liquidate a borrower s balance within 60 months. These programs are available to borrowers who indicate a long-term hardship. Payment requirements are decreased by reducing interest rates charged to either 9.9% or 0%, depending on the borrower s situation, and are designed to fully amortize the balance. Under these programs, fees are discontinued and charging privileges are permanently rescinded.

Universal Payment Program (UPP). The UPP is a short-term cards modification program offered to Citi-branded and retail partner cards borrowers and provides short-term interest rate reductions to assist borrowers experiencing temporary hardships. Under this program, a participant s APR is reduced by at least 500 basis points for a period of up to 12 months. The minimum payment is established based upon the borrower s specific circumstances and is designed to amortize at least 1% of the principal balance each month. The participant s APR returns to its original rate at the end of the program or earlier upon failure to make the required payments.

Modification Programs Summary

The following table sets forth, as of December 31, 2011, information relating to Citi s significant U.S. loan modification programs.

In millions of dollars	Program balance	Average interest rate reduction	Average % payment relief	Average tenor of modified loans	Deferred principal	Principal forgiveness
U.S. Consumer mortgage lending						
HAMP	$4,282	4%	41%	30 years	$558	$7
CSM	2,061	3	21	26 years	94	1
FHA/VA	4,117	2	18	28 years		
CFNA Adjustment of Terms (AOT)	3,796	3	23	29 years		
Responsible Lending	1,694	2	18	28 years		
CFNA Temporary Mortgage AOT	1,570	2	N/A	N/A		
North America cards						
Long-term modification programs	5,035	15		5 years		
UPP	515	20	N/A	N/A		

Consumer Mortgage Representations and Warranties

The majority of Citi s exposure to representation and warranty claims relates to its U.S. Consumer mortgage business within CitiMortgage.

CitiMortgage Servicing Portfolio

As of December 31, 2011, Citi services loans previously sold to the U.S. government sponsored entities (GSEs) and private investors as follows:

In millions	December 31, 2011 [1]	
Vintage sold[2]:	**Number of loans**	**Unpaid principal balance**
2005 and prior	**1.4**	**$141,122**
2006	**0.3**	**43,040**
2007	**0.2**	**40,080**
2008	**0.3**	**39,279**
2009	**0.2**	**45,811**
2010	**0.2**	**40,474**
2011	**0.2**	**46,501**
Total	**2.8**	**$396,307**

(1) Excludes the fourth quarter 2010 sale of servicing rights on 0.1 million loans with remaining unpaid principal balances of approximately $24,843 million as of December 31, 2011. Citi continues to be exposed to representation and warranty claims on these loans.

(2) Includes 0.7 million loans with remaining unpaid principal balance of approximately $80,690 million as of December 31, 2011 that are serviced by CitiMortgage pursuant to prior acquisitions of mortgage servicing rights. These loans are covered by indemnification agreements from third parties in favor of CitiMortgage; however, substantially all of these agreements will expire prior to March 1, 2012. The expiration of these indemnification agreements is considered in determining the repurchase reserve.

As previously disclosed, during the period 2005 through 2008, Citi sold approximately $25 billion of loans through private-label residential mortgage securitizations. As of December 31, 2011, approximately $11 billion of the $25 billion remained outstanding as a result of repayments of approximately $13 billion and cumulative losses (incurred by the issuing trusts) of approximately $1 billion. The remaining $11 billion outstanding is included in the $396 billion of serviced loans above. As of December 31, 2011, the amount that remained outstanding had a 90 days or more delinquency rate in the aggregate of approximately 12.9%. For information on litigation related to these and other Citi securitization activities, see *Securities and Banking*-Sponsored Private-Label Residential Mortgage Securitizations Representations and Warranties below and Note 29 to the Consolidated Financial Statements.

Representations and Warranties

When selling a loan, Citi makes various representations and warranties relating to, among other things, the following:

- Citi s ownership of the loan;
- the validity of the lien securing the loan;
- the absence of delinquent taxes or liens against the property securing the loan;
- the effectiveness of title insurance on the property securing the loan;
- the process used in selecting the loans for inclusion in a transaction;
- the loan s compliance with any applicable loan criteria established by the buyer; and
- the loan s compliance with applicable local, state and federal laws.

The specific representations and warranties made by Citi depend on the nature of the transaction and the requirements of the buyer. Market conditions and credit-rating agency requirements may also affect representations and warranties and the other provisions to which Citi may agree in loan sales.

Repurchases or Make-Whole Payments

In the event of a breach of these representations and warranties, Citi may be required to either repurchase the mortgage loans with the identified defects (generally at unpaid principal balance plus accrued interest) or indemnify (make-whole) the investors for their losses. Citi s representations and warranties are generally not subject to stated limits in amount or time of coverage.

Similar to 2010, during 2011, issues related to (i) misrepresentation of facts by either the borrower or a third party (e.g., income, employment, debts, FICO, etc.), (ii) appraisal issues (e.g., an error or misrepresentation of value), and (iii) program requirements (e.g., a loan that does not meet investor guidelines, such as contractual interest rate) have been the primary drivers of Citi s repurchases and make-whole payments. However, the type of defect that results in a repurchase or make-whole payment has continued and will continue to vary over time. More importantly, there has not been a meaningful difference in Citi s incurred or estimated loss for any particular type of defect.

In the case of a repurchase, Citi will bear any subsequent credit loss on the mortgage loan and the loan is typically considered a credit-impaired loan and accounted for under SOP 03-3, Accounting for Certain Loans and Debt Securities, Acquired in a Transfer (now incorporated into ASC 310-30, *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality*). These repurchases have not

had a material impact on Citi s non-performing loan statistics because credit-impaired purchased SOP 03-3 loans are not included in non-accrual loans, since they generally continue to accrue interest until write-off.

The unpaid principal balance of loans repurchased due to representation and warranty claims for the years ended December 31, 2011 and 2010, respectively, was as follows:

In millions of dollars	**December 31, 2011 Unpaid principal balance**	December 31, 2010 Unpaid principal balance
GSEs	**$505**	$280
Private investors	**8**	26
Total	**$513**	$306

As evidenced in the tables above, Citi s repurchases have primarily been from the GSEs. In addition to the amounts set forth in the tables above, Citi recorded make-whole payments of $530 million and $310 million for the years ended December 31, 2011 and 2010, respectively.

Repurchase Reserve

Citi has recorded a reserve for its exposure to losses from the obligation to repurchase or make-whole payments in respect of previously sold loans (referred to as the repurchase reserve) that is included in *Other liabilities* in the Consolidated Balance Sheet. In estimating the repurchase reserve, Citi considers reimbursements estimated to be received from third-party correspondent lenders and indemnification agreements relating to previous acquisitions of mortgage servicing rights. The estimated reimbursements are based on Citi s analysis of its most recent collection trends and the financial solvency of the correspondents.

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

The repurchase reserve is calculated by individual sales vintage (i.e., the year the loans were sold). During 2011, the majority of Citi s repurchases continued to be from the 2006 through 2008 sales vintages, which also represented the vintages with the largest loss severity. An insignificant percentage of repurchases have been from vintages prior to 2006, and Citi continues to believe that this percentage will continue to decrease, as those vintages are later in the credit cycle. Although still early in the credit cycle, Citi continued to experience lower repurchases and loss per repurchase or make-whole from post-2008 sales vintages.

The repurchase reserve is based on various assumptions. These assumptions contain a level of uncertainty and risk that, if different from actual results, could have a material impact on the reserve amounts (see Sensitivity of Repurchase Reserve below). The most significant assumptions used to calculate the reserve levels are as follows:

- *Loan documentation requests:* Assumptions regarding future expected loan documentation requests exist as a means to predict future repurchase claim trends. These assumptions are based on recent historical trends in loan documentation requests, recent trends in historical delinquencies, forecasted delinquencies and general industry knowledge about the current repurchase environment. During 2011, the actual number of loan documentation requests declined as compared to 2010. However, because such requests remain elevated from historical levels, and because of the continued increased focus on mortgage-related matters, the assumption for estimated future loan documentation requests increased during 2011. Citi currently believes the level of actual loan documentation requests will remain elevated from historical levels and will continue to be volatile.

- *Repurchase claims as a percentage of loan documentation requests:* Given that loan documentation requests are a potential indicator of future repurchase claims, an assumption is made regarding the conversion rate from loan documentation requests to repurchase claims, which assumption is based on historical performance. During 2011, the conversion rate, or the number of repurchase claims as a percentage of loan documentation requests, increased as compared to 2010, and thus the assumption regarding future repurchase claims also increased. Citi currently believes the claims as a percentage of loan documentation requests will remain at elevated levels.

- *Claims appeal success rate:* This assumption represents Citi s expected success at rescinding a claim by satisfying the demand for more information, disputing the claim validity, or similar matters. This assumption is based on recent historical successful appeals rates, which can fluctuate based on changes in the validity or composition of claims. During 2011, Citi s appeal success rate remained stable as compared to 2010, meaning approximately half of the repurchase claims were successfully appealed and resulted in no loss to Citi.

- *Estimated loss per repurchase or make-whole:* The assumption of the estimated loss per repurchase or make-whole payment is based on actual and estimated losses of recent historical repurchases/make-whole payments calculated for each sales vintage year in order to capture volatile housing price highs and lows. The estimated loss per repurchase or make-whole payment assumption is also impacted by estimates of loan size at the time of repurchase or make-whole payment. During 2011, the severity of losses increased slightly as compared to 2010, but was more than offset by the reduction in loan size, resulting in a decline in the actual loss per repurchase or make-whole payment. Citi would expect to continue to see reductions in loan size, including for the 2006 to 2008 sales vintages, as the loans continue to amortize through the loan cycle.

In sum, the increase in estimated future loan documentation requests and repurchase claims as a percentage of loan documentation requests were the primary drivers of the $948 million increase in estimate for the repurchase reserve during 2011. These factors were also the primary drivers of the $305 million increase in estimate during the fourth quarter of 2011.

The table below sets forth the activity in the repurchase reserve for the years ended December 31, 2011 and 2010:

In millions of dollars	**Dec. 31, 2011**	Dec. 31, 2010
Balance, beginning of period	**$ 969**	$ 482
Additions for new sales	**20**	16
Change in estimate	**948**	917
Utilizations	**(749)**	(446)
Balance, end of period	**$ 1,188**	$ 969

The activity in the repurchase reserve for the three months ended December 31, 2011 was as follows:

In millions of dollars	**Dec. 31, 2011**
Balance, beginning of period	**$ 1,076**
Additions for new sales	**7**
Change in estimate	**305**
Utilizations	**(200)**
Balance, end of period	**$ 1,188**

Sensitivity of Repurchase Reserve

As discussed above, the repurchase reserve estimation process is subject to numerous estimates and judgments. The assumptions used to calculate the repurchase reserve contain a level of uncertainty and risk that, if different from actual results, could have a material impact on the reserve amounts. For example, Citi estimates that if there were a simultaneous 10% adverse change in each of the significant assumptions noted above, the repurchase reserve would increase by approximately $620 million as of December 31, 2011. This potential change is hypothetical and intended to indicate the sensitivity of the repurchase reserve to changes in the key assumptions. Actual changes in the key assumptions may not occur at the same time or to the same degree (i.e., an adverse change in one assumption may be offset by an improvement in another). Citi does not believe it has sufficient information to estimate a range of reasonably possible loss (as defined under ASC 450) relating to its Consumer representations and warranties.

Representation and Warranty Claims By Claimant

For the GSEs, Citi s response (i.e., agree or disagree to repurchase or make-whole) to any repurchase claim is required within 90 days of receipt of the claim. If Citi does not respond within 90 days, the claim is subject to discussions between Citi and the particular GSE. For private investors, the time period for responding to any repurchase claim is governed by the individual sale agreement; however, if the specified timeframe is exceeded, the investor may choose to initiate legal action. As of December 31, 2011, no such legal action has been initiated by private investors.

The representation and warranty claims by claimant, as well as the number of unresolved claims by claimant, for the years ended December 31, 2011 and 2010, respectively, were as follows:

	Claims during				Unresolved claims as of:			
		2011		2010	**December 31, 2011**		December 31, 2010	
In millions of dollars	**Number of claims**	**Original principal balance**	Number of claims	Original principal balance	**Number of claims**	**Original principal balance**	Number of claims	Original principal balance
GSEs	**13,584**	**$ 2,930**	11,520	$ 2,433	**5,344**	**$ 1,148**	5,257	$ 1,123
Private investors	**1,649**	**331**	1,221	313	**651**	**122**	581	128
Mortgage insurers (1)	**729**	**164**	274	60	**62**	**15**	78	17
Total (2)	**15,962**	**$ 3,425**	13,015	$ 2,806	**6,057**	**$ 1,285**	5,916	$ 1,268

(1) Represents the insurer s rejection of a claim for loss reimbursement that has yet to be resolved. To the extent that mortgage insurance will not cover the claim on a loan, Citi may have to make the GSE or private investor whole. As of December 31, 2011, approximately $31 billion of the total servicing portfolio of $396 billion has insurance through mortgage insurance companies. Failure to collect from mortgage insurers is considered in determining the repurchase reserve. Citi does not believe inability to collect reimbursement from mortgage insurers would have a material impact on its repurchase reserve.

(2) Includes 1,738 and 2,914 claims, and $291 million and $612 million of original principal balance for claims during the years ended December 31, 2011 and 2010, respectively, and 633 and 1,333, and $123 million and $267 million of original principal balance for unresolved claims as of December 31, 2011 and 2010, respectively, that are serviced by CitiMortgage pursuant to prior acquisitions of mortgage servicing rights. These loans are covered by indemnification agreements from third parties in favor of CitiMortgage; however, substantially all of these agreements will expire prior to March 1, 2012. The expiration of these indemnification agreements is considered in determining the repurchase reserve.

***Securities and Banking*-Sponsored Legacy Private-Label Residential Mortgage Securitizations Representations and Warranties**

Overview

Citi is also exposed to representation and warranty claims through residential mortgage securitizations that had been sponsored by Citi s *S&B* business. However, *S&B*-sponsored legacy securitizations have represented a much smaller portion of Citi s business than Citi s Consumer residential mortgage business discussed above.

As previously disclosed, during the period 2005 through 2008, *S&B* had sponsored approximately $66.5 billion in legacy private-label mortgage-backed securitization transactions that were backed by loan collateral composed of approximately $15.5 billion prime, $12.4 billion Alt-A and $38.6 billion subprime residential mortgage loans. As of December 31, 2011, approximately $23.4 billion of this amount remains outstanding as a result of repayments of approximately $34.5 billion and cumulative losses (incurred by the issuing trusts) of approximately $8.7 billion (of which approximately $6.6 billion related to subprime loans). Of the amount remaining outstanding, approximately $6.1 billion is backed by prime residential mortgage collateral at origination, approximately $4.9 billion by Alt-A and approximately $12.3 billion by subprime. As of December 31, 2011, the $23.4 billion remaining outstanding had a 90 days or more delinquency rate of approximately 27.2%.

The mortgages included in these securitizations were purchased from parties outside of Citi; fewer than 2% of the mortgages underlying the transactions outstanding as of December 31, 2011 were originated by Citi. In addition, fewer than 10% of the mortgages are serviced by Citi. (The mortgages serviced by Citi are included in the $396 billion of residential mortgage loans referenced under Consumer Mortgage—Representations and Warranties above.)

Representation and Warranties

In connection with these securitization transactions, representations and warranties (representations) relating to the mortgages included in each trust issuing the securities were made either by Citi, by third-party sellers (Selling Entities, which were also often the originators of the loans), or both. These representations were generally made or assigned to the issuing trust and related to, among other things, the following:

- the absence of fraud on the part of the borrower, the seller or any appraiser, broker or other party involved in the origination of the mortgage (which was sometimes wholly or partially limited to the knowledge of the representation provider);
- whether the mortgage property was occupied by the borrower as his or her principal residence;
- the mortgage s compliance with applicable federal, state and local laws;
- whether the mortgage was originated in conformity with the originator s underwriting guidelines; and
- detailed data concerning the mortgages that were included on the mortgage loan schedule.

The specific representations relating to the mortgages in each securitization varied, however, depending on various factors such as the Selling Entity, rating agency requirements and whether the mortgages were considered prime, Alt-A or subprime in credit quality.

In the event of a breach of its representations, Citi may be required either to repurchase the mortgage with the identified defects (generally at unpaid principal balance plus accrued interest) or indemnify the investors for their losses through make-whole payments. For securitizations in which Citi made representations, Citi generally also received from the Selling Entities similar representations, with the exception of certain limited representations required by, among others, the rating agencies. In cases where Citi made representations and also received the same representations from the Selling Entity for a particular loan, if Citi receives a claim based on breach of those representations in respect of the loan, it may have a contractual right to pursue a similar (back-to-back) claim against the Selling Entity (see discussion below). If only the Selling Entity made representations with respect to a particular loan, then only the Selling Entity should be responsible for a claim based on breach of the representations.

For the majority of the securitizations where Citi made representations and received similar representations from Selling Entities, Citi currently believes that with respect to the securitizations backed by prime and Alt-A collateral, if it received a repurchase claim for those loans, it would have back-to-back claims against the Selling Entities that the Selling Entities would likely be in a position to honor. However, for the significant majority of the subprime collateral where Citi has back-to-back claims against Selling Entities, Citi believes that those Selling Entities would be unlikely to honor back-to-back claims because they are in bankruptcy, liquidation, or financial distress. In those situations, in the event that claims for breaches of representations were made against Citi, the Selling Entities financial condition might preclude Citi from obtaining back-to-back recoveries from them.

To date, Citi has received actual claims for breaches of representations relating to only a small percentage of the mortgages included in these securitization transactions, although the pace of claims remains volatile and has recently increased. Citi has also experienced an increase in the level of inquiries, assertions and requests for loan files, among other matters, relating to the above securitization transactions from trustees of securitization trusts and others. Trustee activities have been prompted in part by lawsuits and other actions by investors. Given the continued

increased focus on mortgage-related matters, as well as the increasing level of litigation and regulatory activity relating to mortgage loans and mortgage-backed securities, the level of inquiries and assertions regarding these securitizations may further increase. These inquiries and assertions could lead to actual claims for breaches of representations, or to litigation relating to such breaches or other matters. For information on litigation, claims and regulatory proceedings regarding these and other S&B mortgage-related activities, see Note 29 to the Consolidated Financial Statements.

CORPORATE LOAN DETAILS

For corporate clients and investment banking activities across Citigroup, the credit process is grounded in a series of fundamental policies, in addition to those described under Managing Global Risk Risk Management Overview, above. These include:

- joint business and independent risk management responsibility for managing credit risks;
- a single center of control for each credit relationship that coordinates credit activities with that client;
- portfolio limits to ensure diversification and maintain risk/capital alignment;
- a minimum of two authorized credit officer signatures required on 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.

Corporate Credit Portfolio

The following table represents the Corporate credit portfolio (excluding private banking), before consideration of collateral, by maturity at December 31, 2011. The Corporate portfolio is broken out by direct outstandings, which include drawn loans, overdrafts, interbank placements, bankers acceptances and leases, and unfunded commitments, which include unused commitments to lend, letters of credit and financial guarantees.

	At December 31, 2011				At December 31, 2010			
In billions of dollars	**Due within 1 year**	**Greater than 1 year but within 5 years**	**Greater than 5 years**	**Total exposure**	Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years	Total exposure
Direct outstandings	**$177**	**$ 62**	**$ 13**	**$ 252**	$ 191	$ 43	$ 8	$ 242
Unfunded lending commitments	**144**	**151**	**21**	**316**	174	94	19	287
Total	**$321**	**$ 213**	**$ 34**	**$ 568**	$365	$ 137	$ 27	$ 529

Portfolio Mix

Citi s Corporate credit portfolio is diverse across geography and counterparty. The following table shows the percentage of direct outstandings and unfunded commitments by region:

	December 31, 2011	December 31, 2010
North America	**47%**	47%
EMEA	**27**	28
Latin America	**8**	7
Asia	**18**	18
Total	**100%**	100%

The maintenance of accurate and consistent risk ratings across the Corporate credit portfolio facilitates the comparison of credit exposure across all lines of business, geographic regions and products.

Obligor risk ratings reflect an estimated probability of default for an obligor and are derived primarily through the use of validated statistical models, scorecard models and external agency ratings (under defined circumstances), in combination with consideration of factors specific to the obligor or market, such as management experience, competitive position, and regulatory environment. Facility risk ratings are assigned that reflect

the probability of default of the obligor and factors that affect the loss-given default of the facility, such as support or collateral. Internal obligor ratings that generally correspond to BBB and above are considered investment grade, while those below are considered non-investment grade.

Citigroup also has incorporated climate risk assessment criteria for certain obligors, as necessary. Factors evaluated include consideration of climate risk to an obligor s business and physical assets.

The following table presents the Corporate credit portfolio by facility risk rating at December 31, 2011 and December 31, 2010, as a percentage of the total portfolio:

	Direct outstandings and unfunded commitments	
	December 31, 2011	December 31, 2010
AAA/AA/A	**55%**	56%
BBB	**29**	26
BB/B	**13**	13
CCC or below	**2**	5
Unrated	**1**	
Total	**100%**	100%

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

	Direct outstandings and unfunded commitments	
	December 31, 2011	December 31, 2010
Public sector	**19%**	19%
Petroleum, energy, chemical and metal	**17**	15
Transportation and industrial	**16**	16
Banks/broker-dealers	**13**	14
Consumer retail and health	**13**	12
Technology, media and telecom	**8**	8
Insurance and special purpose vehicles	**5**	5
Hedge funds	**4**	3
Real estate	**3**	4
Other industries (1)	**2**	4
Total	**100%**	100%

(1) Includes all other industries, none of which exceeds 2% of total outstandings.

Credit Risk Mitigation

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

At December 31, 2011 and December 31, 2010, $41.5 billion and $49.0 billion, respectively, of credit risk exposures were economically hedged. Citigroup s expected loss model used in the calculation of its loan loss reserve does not include the favorable impact of credit derivatives and other mitigants that are marked to market. In addition, the reported amounts of direct outstandings and unfunded commitments above do not reflect the impact of these hedging transactions. At December 31, 2011 and December 31, 2010, the credit protection was economically hedging underlying credit exposure with the following risk rating distribution, respectively:

Rating of Hedged Exposure

	December 31, 2011	December 31, 2010
AAA/AA/A	**41%**	53%
BBB	**45**	32
BB/B	**13**	11
CCC or below	**1**	4
Total	**100%**	100%

At December 31, 2011 and December 31, 2010, the credit protection was economically hedging underlying credit exposures with the following industry distribution:

Industry of Hedged Exposure

	December 31, 2011	December 31, 2010
Petroleum, energy, chemical and metal	**22%**	24%
Transportation and industrial	**22**	19
Consumer retail and health	**15**	19
Public sector	**12**	13
Technology, media and telecom	**12**	10

Banks/broker-dealers	**10**	7
Insurance and special purpose vehicles	**5**	4
Other industries [(1)]	**2**	4
Total	**100%**	100%

(1) Includes all other industries, none of which is greater than 2% of the total hedged amount.

EXPOSURE TO COMMERCIAL REAL ESTATE

ICG and the *SAP*, through their business activities and as capital markets participants, incur exposures that are directly or indirectly tied to the commercial real estate (CRE) market, and each of *LCL* and *GCB* hold loans that are collateralized by CRE. These exposures are represented primarily by the following three categories:

(1) *Assets held at fair value* included approximately $5.5 billion at December 31, 2011, of which approximately $4.0 billion are securities, loans and other items linked to CRE that are carried at fair value as *Trading account assets*, approximately $1.1 billion are securities backed by CRE carried at fair value as available-for-sale (AFS) investments, and approximately $0.4 billion are other exposures classified as Other assets. Changes in fair value for these trading account assets are reported in current earnings, while for AFS investments change in fair value are reported in *Accumulated other comprehensive income* with credit-related other-than-temporary impairments reported in current earnings.

The majority of these exposures are classified as Level 3 in the fair value hierarchy. Over the last several years, weakened activity in the trading markets for some of these instruments resulted in reduced liquidity, thereby decreasing the observable inputs for such valuations, and could continue to have an adverse impact on how these instruments are valued in the future. See Note 25 to the Consolidated Financial Statements.

(2) *Assets held at amortized cost* include approximately $1.2 billion of securities classified as held-to-maturity (HTM) and approximately $26.2 billion of loans and commitments each as of December 31, 2011. HTM securities are accounted for at amortized cost, subject to an other-than-temporary impairment evaluation. Loans and commitments are recorded at amortized cost. The impact of changes in credit is reflected in the calculation of the allowance for loan losses and in net credit losses.

(3) *Equity and other investments* include approximately $3.6 billion of equity and other investments (such as limited partner fund investments) at December 31, 2011 that are accounted for under the equity method, which recognizes gains or losses based on the investor s share of the net income (loss) of the investee.

The following table provides a summary of Citigroup s global CRE funded and unfunded exposures at December 31, 2011 and 2010:

In billions of dollars	**December 31, 2011**	December 31, 2010
Institutional Clients Group		
CRE exposures carried at fair value (including AFS securities)	**$ 4.6**	$ 4.4
Loans and unfunded commitments	**19.9**	17.5
HTM securities	**1.2**	1.5
Equity method investments	**3.4**	3.5
Total *ICG*	**$ 29.1**	$ 26.9
Special Asset Pool		
CRE exposures carried at fair value (including AFS securities)	**$ 0.4**	$ 0.8
Loans and unfunded commitments	**2.4**	5.1
HTM securities		0.1
Equity method investments	**0.2**	0.2
Total *SAP*	**$ 3.0**	$ 6.2
Global Consumer Banking		
Loans and unfunded commitments	**$ 2.9**	$ 2.7
Local Consumer Lending		
Loans and unfunded commitments	**$ 1.0**	$ 4.0
Brokerage and Asset Management		
CRE exposures carried at fair value	**$ 0.5**	$ 0.5
Total Citigroup	**$ 36.5**	$ 40.3

The above table represents the vast majority of Citi s direct exposure to CRE. There may be other transactions that have indirect exposures to CRE that are not reflected in this table.

MARKET RISK

Market risk losses arise from fluctuations in the market value of trading and non-trading positions, including the changes in value resulting from fluctuations in rates. Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business of a global financial intermediary. For a discussion of funding and liquidity risk, see Capital Resources and Liquidity Funding and Liquidity above. Price risk is the earnings risk from changes in interest rates, foreign exchange rates, equity and commodity prices, and in their implied volatilities. Price risk arises in non-trading portfolios, as well as in trading portfolios.

Market risks are measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk. Each business is required to establish, with approval from Citi s market risk management, a market risk limit framework for identified risk factors that clearly defines approved risk profiles and is within the parameters of Citi s overall risk tolerance. These limits are monitored by independent market risk, country and business Asset and Liability Committees and the Global Finance and Asset and Liability Committee. In all cases, the businesses are ultimately responsible for the market risks taken and for remaining within their defined limits.

Price Risk Non-Trading Portfolios

Net interest revenue and interest rate risk

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

- At any given time, there may be an unequal amount of assets and liabilities that are subject to market rates due to maturation 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 speeds 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 in the current 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 any particular 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 changes in rates on floating-rate assets and liabilities in the current period.

Due to the long-term nature of portfolios, NIR will vary from quarter to quarter even assuming no change in the shape or level of the yield curve as assets and liabilities reprice. These repricings are a function of implied forward interest rates, which represent the overall market s estimate of future interest rates and incorporate possible changes in the Federal Funds rate as well as the shape of the yield curve.

Interest Rate Risk Measurement

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

For example, if the current 90-day LIBOR rate is 3% and the one-year-forward rate (i.e., the estimated 90-day LIBOR rate in one year) is 5%, the +100 bps IRE scenario measures the impact on the company s NIR of a 100 bps instantaneous change in the 90-day LIBOR to 6% in one year.

The impact of changing prepayment rates on loan portfolios is incorporated into the results. For example, in the declining interest rate scenarios, it is assumed that mortgage portfolios prepay faster and income is reduced. In addition, in a rising interest rate scenario, portions of the deposit portfolio are assumed to experience rate increases that may be less than the change in market interest rates.

Mitigation and Hedging of Risk

In order to manage changes in interest rates effectively, Citi may modify pricing on new customer loans and deposits, enter into transactions with other institutions or enter into off-balance-sheet derivative transactions that have the opposite risk exposures. Citi regularly assesses the viability of these and other strategies to reduce its interest rate risks and implements such strategies when it believes those actions are prudent.

Citigroup employs additional measurements, including: stress testing the impact of non-linear interest rate movements on the value of the balance sheet; the analysis of portfolio duration and volatility, particularly as they relate to mortgage loans and mortgage-backed securities; and the potential impact of the change in the spread between different market indices.

Non-Trading Portfolios IRE

The exposures in the following table represent the approximate annualized risk to NIR assuming an unanticipated parallel instantaneous 100 bps change, as well as a more gradual 100 bps (25 bps per quarter) parallel change in interest rates compared with the market forward interest rates in selected currencies.

	December 31, 2011		December 31, 2010	
In millions of dollars	**Increase**	**Decrease**	Increase	Decrease
U.S. dollar [(1)]				
Instantaneous change	**$ 97**	**NM**	$ (105)	NM
Gradual change	**110**	**NM**	25	NM
Mexican peso				
Instantaneous change	**$ 87**	**$ (87)**	$ 181	$ (181)
Gradual change	**54**	**(54)**	107	(107)
Euro				
Instantaneous change	**$ 69**	**NM**	$ (10)	NM
Gradual change	**35**	**NM**	(8)	NM
Japanese yen				
Instantaneous change	**$ 105**	**NM**	$ 93	NM
Gradual change	**61**	**NM**	52	NM
Pound sterling				
Instantaneous change	**$ 35**	**NM**	$ 33	NM
Gradual change	**24**	**NM**	21	NM

(1) Certain trading-oriented businesses within Citi have accrual-accounted positions that are excluded from the table. The U.S. dollar IRE associated with these businesses was $61 million for a 100 basis point instantaneous increase in interest rates as of December 31, 2011.

NM Not meaningful. A 100 basis point decrease in interest rates would imply negative rates for the yield curve.

The changes in the U.S. dollar IRE year over year reflected revised modeling of mortgages and the impact of lower rates, asset sales, swapping activities and repositioning of the liquidity portfolio.

The following table shows the risk to NIR from six different changes in the implied-forward rates. Each scenario assumes that the rate change will occur on a gradual basis every three months over the course of one year.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Overnight rate change (bps)		100	200	(200)	(100)	
10-year rate change (bps)	(100)		100	(100)		100
Impact to net interest revenue *(in millions of dollars)*	$ (380)	$ 163	$ 247	NM	NM	$ (37)

Price Risk Trading Portfolios

Price risk in Citi s trading portfolios is monitored using a series of measures, including but not limited to:

- Value at risk (VAR)
- Stress testing
- Factor sensitivities

Each trading portfolio across Citi s business segments (Citicorp, Citi Holdings and Corporate/Other) has its own market risk limit framework encompassing these measures and other controls, including permitted product lists and a new product approval process for complex products.

All trading positions are marked to market, with the result reflected in earnings. In 2011, negative trading-related revenue (net losses) was recorded for 54 of 260 trading days. Of the 54 days on which negative revenue (net losses) was recorded, 1 day was greater than $180 million.

The following histogram of total daily trading revenue (loss) captures trading volatility and shows the number of days in which Citi s VAR trading-related revenues fell within particular ranges. A substantial portion of the volatility relating to Citi s total daily trading revenue VAR is driven by changes in CVA on Citi s derivative assets, net of CVA hedges.

(1) Total trading revenue consists of: (i) customer revenue, which includes spreads from customer flow and positions taken to facilitate customer orders; (ii) hedging activity, including hedging of the Corporate loan portfolio, MSRs, etc.; (iii) proprietary trading activities in cash and derivative transactions; (iv) net interest revenue; and (v) CVA adjustments incurred due to changes in the credit quality of counterparties as well as any associated hedges to that CVA.

(2) Principally related to trading revenue in *ICG* on the day of the U.S. government rating downgrade by S&P (August 2011).

(3) Principally related to trading revenue in ICG and CVA hedges on the day of the tsunami in Japan (March 2011).

Value at Risk

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

Citi uses Monte Carlo simulation, which it believes is conservatively calibrated to incorporate the greater of short-term (most recent month) and long-term (three years) market volatility. The Monte Carlo simulation involves approximately 300,000 market factors, making use of 180,000 time series, with market factors updated daily and model parameters updated weekly.

The conservative features of the VAR calibration contribute approximately 20% add-on to what would be a VAR estimated under the assumption of stable and perfectly normally distributed markets. Under normal and stable market conditions, Citi would thus expect the number of days where trading losses exceed its VAR to be less than two or three exceptions per year. Periods of unstable market conditions could increase the number of these exceptions. During the last four quarters, there was one back-testing exception where trading losses exceeded the VAR estimate at the Citigroup level (back-testing is the process in which the daily VAR of a portfolio is compared to the actual daily change in the market value of transactions). This occurred on August 8, 2011, after the U.S. government rating was downgraded by S&P.

The table below summarizes VAR for Citi-wide trading portfolios at and during 2011 and 2010, including quarterly averages. Historically, Citi included only the hedges associated with the CVA of its derivative transactions in its VAR calculations and disclosures (these hedges were, and continue to be, included within the relevant risk type (e.g., interest rate, foreign exchange, equity, etc.)). However, Citi now includes both the hedges associated with the CVA of its derivatives and the CVA on the derivative counterparty exposure (included in the line Incremental Impact of Derivative CVA). The inclusion of the CVA on derivative counterparty exposure reduces Citi s total trading VAR; Citi believes this calculation and presentation reflect a more complete and accurate view of its mark-to-market risk profile as it incorporates both the CVA underlying derivative transactions and related hedges.

For comparison purposes, Citi has included in the table below (i) total VAR, the specific risk-only component of VAR and the isolated general market factor VAR, each as reported previously (i.e., including only hedges associated with the CVA of its derivatives counterparty exposures), (ii) the incremental impact of adding in the derivative counterparty CVA, and (iii) the total trading and CVA VAR.

As set forth in the table below, Citi s total trading and CVA VAR was $183 million at December 31, 2011 and $186 million at December 31, 2010. Daily total trading and CVA VAR averaged $189 million in 2011 and ranged from $135 million to $255 million (prior period information is not available for comparability purposes). The change in total trading and CVA VAR year over year was driven by a reduction in Citi s trading exposures across *S&B*, particularly in the latter part of the year, offset by an increase in market volatility and an increase in CVA exposures and associated hedges.

In millions of dollars	**Dec. 31, 2011**	**2011 Average**	Dec. 31, 2010	2010 Average
Interest rate	**$ 250**	**$ 246**	$ 235	$ 234
Foreign exchange	**51**	**61**	52	61
Equity	**36**	**46**	56	59
Commodity	**16**	**22**	19	23
Covariance adjustment (1)	**(118)**	**(162)**	(171)	(172)
Total Trading VAR all market risk factors, including general and specific risk (excluding derivative CVA)	**$ 235**	**$ 213**	$ 191	$ 205
Specific risk-only Component (2)	**$ 14**	**$ 22**	**$ 8**	**$ 18**
Total general market factors only	**$ 221**	**$ 191**	$ 183	$ 187
Incremental Impact of Derivative CVA	**$ (52)**	**$ (24)**	**$ (5)**	N/A
Total Trading and CVA VAR	**$ 183**	**$ 189**	$ 186	N/A

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

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

N/A Not available

The table below provides the range of market factor VARs, inclusive of specific risk, that was experienced during 2011 and 2010.

	2011		2010	
In millions of dollars	**Low**	**High**	Low	High
Interest rate	**$187**	**$322**	$171	$315
Foreign exchange	**34**	**105**	31	98
Equity	**26**	**86**	31	111
Commodity	**14**	**36**	15	39

The following table provides the VAR for *S&B* during 2011 excluding the CVA relating to derivative counterparties CVA and hedges of CVA.

In millions of dollars	**Dec. 31, 2011**
Total all market risk factors, including general and specific risk	**$ 144**
Average during year	**$ 153**
High during year	**205**
Low during year	**104**

Stress Testing

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 and on aggregations of portfolios and businesses. Independent market risk management, in conjunction with the businesses, develops both systemic and specific stress scenarios, reviews the output of periodic stress-testing exercises, and uses the information to make judgments as to the ongoing appropriateness of exposure levels and limits.

Factor Sensitivities

Factor sensitivities are expressed as 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. Citi 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.

INTEREST REVENUE/EXPENSE AND YIELDS
Average Rates Interest Revenue, Interest Expense and Net Interest Margin

In millions of dollars	2011	2010	2009	Change 2011 vs. 2010	Change 2010 vs. 2009
Interest revenue	$ 73,201	$ 79,801	$ 77,069	(8)%	4%
Interest expense	24,229	25,096	27,881	(3)	(10)
Net interest revenue (1)(2)(3)	$ 48,972	$ 54,705	$ 49,188	(10)%	11%
Interest revenue average rate	4.27%	4.55%	4.78%	(28) bps	(23) bps
Interest expense average rate	1.63	1.61	1.93	2 bps	(32) bps
Net interest margin	2.86	3.12	3.05	(26) bps	7 bps
Interest-rate benchmarks					
Federal Funds rate end of period	0.00 0.25%	0.00 0.25%	0.00 0.25%		
Federal Funds rate average rate	0.00 0.25	0.00 0.25	0.00 0.25		
Two-year U.S. Treasury note average rate	0.45%	0.70%	0.96%	(25) bps	(26) bps
10-year U.S. Treasury note average rate	2.78	3.21	3.26	(43) bps	(5) bps
10-year vs. two-year spread	233 bps	251 bps	230 bps		

(1) *Net interest revenue* includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $525 million, $519 million, and $692 million for 2011, 2010, and 2009, respectively.

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

(3) The increase in the net interest revenue from the fourth quarter of 2009 to the first quarter of 2010 was primarily driven by the adoption of SFAS 166/167 on January 1, 2010. See Note 1 to the Consolidated Financial Statements for further information.

As described under Market Risk above, a significant portion of Citi s business activities are based upon gathering deposits and borrowing money and then lending or investing those funds, or participating in market-making activities in tradable securities. Citi s net interest margin (NIM) is calculated by dividing gross interest revenue less gross interest expense by average interest earning assets.

During 2011, Citi s NIM declined as compared to the prior year, decreasing by approximately 26 basis points, primarily driven by the continued run-off and sales of higher-yielding assets in Citi Holdings and lower investment yields driven by the continued low interest rate environment, partially offset by the growth of lower-yielding loans in Citicorp and lower borrowing costs (e.g., substituting maturing long-term debt with deposits as a funding source). Absent any significant changes or events (e.g., a significant portfolio sale in Citi Holdings), Citi expects NIM will likely continue to reflect the pressure of a low interest rate environment, but should generally stabilize around end-of-year-2011 levels.

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AVERAGE BALANCES AND INTEREST RATES ASSETS[1][2][3][4]

Taxable Equivalent Basis

In millions of dollars	Average volume 2011	2010	2009	Interest revenue 2011	2010	2009	% Average 2011	2010
Assets								
Deposits with banks (5)	**$ 169,688**	$ 166,120	$ 186,841	**$ 1,750**	$ 1,252	$ 1,478	**1.03%**	0.75%
Federal funds sold and securities borrowed or purchased under agreements to resell (6)								
In U.S. offices	**$ 158,154**	$ 162,799	$ 138,579	**$ 1,487**	$ 1,774	$ 1,975	**0.94%**	1.09%
In offices outside the U.S. (5)	**116,681**	86,926	63,909	**2,144**	1,382	1,109	**1.84**	1.59
Total	**$ 274,835**	$ 249,725	$ 202,488	**$ 3,631**	$ 3,156	$ 3,084	**1.32%**	1.26%
Trading account assets (7) (8)								
In U.S. offices	**$ 122,234**	$ 128,443	$ 140,233	**$ 4,270**	$ 4,352	$ 6,975	**3.49%**	3.39%
In offices outside the U.S. (5)	**147,417**	151,717	126,309	**4,033**	3,819	3,879	**2.74**	2.52
Total	**$ 269,651**	$ 280,160	$ 266,542	**$ 8,303**	$ 8,171	$10,854	**3.08%**	2.92%
Investments								
In U.S. offices								
Taxable	**$ 170,196**	$ 169,218	$ 124,404	**$ 3,313**	$ 4,806	$ 6,208	**1.95%**	2.84%
Exempt from U.S. income tax	**13,592**	14,876	16,489	**922**	918	1,110	**6.78**	6.17
In offices outside the U.S. (5)	**122,298**	136,713	118,988	**4,478**	5,678	6,047	**3.66**	4.15
Total	**$ 306,086**	$ 320,807	$ 259,881	**$ 8,713**	$11,402	$13,365	**2.85%**	3.55%
Loans (net of unearned income) (9)								
In U.S. offices	**$ 369,656**	$ 430,685	$ 378,937	**$29,111**	$34,773	$24,748	**7.88%**	8.07%
In offices outside the U.S. (5)	**274,035**	255,168	267,683	**21,180**	20,312	22,766	**7.73**	7.96
Total	**$ 643,691**	$ 685,853	$ 646,620	**$50,291**	$55,085	$47,514	**7.81%**	8.03%
Other interest-earning assets	**$ 49,467**	$ 50,936	$ 49,707	**$ 513**	$ 735	$ 774	**1.04%**	1.44%
Total interest-earning assets	**$1,713,418**	$ 1,753,601	$ 1,612,079	**$ 73,201**	$ 79,801	$ 77,069	**4.27 %**	4.55 %
Non-interest-earning assets (7)	**238,550**	225,271	264,165					
Total assets from discontinued operations	**668**	18,989	15,137					
Total assets	**$1,952,636**	$1,997,861	$1,891,381					

(1) *Net interest revenue* includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $525 million, $519 million, and $692 million for 2011, 2010, and 2009, respectively.
(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories.
(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
(4) Detailed average volume, *Interest revenue* and *Interest expense* exclude *Discontinued operations*. See Note 3 to the Consolidated Financial Statements.
(5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
(6) Average volumes of securities borrowed or purchased under agreements to resell are reported net pursuant to FIN 41 (ASC 210-20-45). However, *Interest revenue* excludes the impact of FIN 41 (ASC 210-20-45).
(7) The fair value carrying amounts of derivative contracts are reported in *Non-interest-earning assets* and *Other non-interest-bearing liabilities*.
(8) Interest expense on *Trading account liabilities* of ICG is reported as a reduction of *Interest revenue*. Interest revenue and interest expense on cash collateral positions are reported in interest on *Trading account assets* and *Trading account liabilities*, respectively.
(9) Includes cash-basis loans.

AVERAGE BALANCES AND INTEREST RATES LIABILITIES AND EQUITY, AND NET INTEREST REVENUE [1][2][3][4]

Taxable Equivalent Basis

In millions of dollars		Average volume			Interest expense		% Averag	
	2011	2010	2009	**2011**	2010	2009	**2011**	2010
Liabilities								
Deposits								
In U.S. offices								
Savings deposits [5]	**$ 193,762**	$ 189,311	$ 174,260	**$ 1,922**	$ 1,872	$ 2,765	**0.99%**	0.99%
Other time deposits	**29,034**	46,238	59,673	**249**	412	1,104	**0.86**	0.89
In offices outside the U.S. [6]	**485,101**	483,796	443,601	**6,385**	6,087	6,277	**1.32**	1.26
Total	**$ 707,897**	$ 719,345	$ 677,534	**$ 8,556**	$ 8,371	$10,146	**1.21%**	1.16%
Federal funds purchased and securities loaned or sold under agreements to repurchase [7]								
In U.S. offices	**$ 120,039**	$ 123,425	$ 133,375	**$ 776**	$ 797	$ 988	**0.65%**	0.65%
In offices outside the U.S. [6]	**99,848**	88,892	72,258	**2,421**	2,011	2,445	**2.42**	2.26
Total	**$ 219,887**	$ 212,317	$ 205,633	**$ 3,197**	$ 2,808	$ 3,433	**1.45%**	1.32%
Trading account liabilities [8][9]								
In U.S. offices	**$ 37,279**	$ 36,115	$ 22,854	**$ 266**	$ 283	$ 222	**0.71%**	0.78%
In offices outside the U.S. [6]	**49,162**	43,501	37,244	**142**	96	67	**0.29**	0.22
Total	**$ 86,441**	$ 79,616	$ 60,098	**$ 408**	$ 379	$ 289	**0.47%**	0.48%
Short-term borrowings								
In U.S. offices	**$ 87,472**	$ 119,262	$ 123,168	**$ 139**	$ 674	$ 1,050	**0.16%**	0.57%
In offices outside the U.S. [6]	**39,052**	35,533	33,379	**511**	243	375	**1.31**	0.68
Total	**$ 126,524**	$ 154,795	$ 156,547	**$ 650**	$ 917	$ 1,425	**0.51%**	0.59%
Long-term debt [10]								
In U.S. offices	**$ 325,709**	$ 370,819	$ 316,223	**$10,697**	$11,757	$11,507	**3.28%**	3.17%
In offices outside the U.S. [6]	**17,970**	22,176	29,132	**721**	864	1,081	**4.01**	3.90
Total	**$ 343,679**	$ 392,995	$ 345,355	**$11,418**	$12,621	$12,588	**3.32%**	3.21%
Total interest-bearing liabilities	**$1,484,428**	$1,559,068	$1,445,167	**$24,229**	$25,096	$27,881	**1.63%**	1.61%
Demand deposits in U.S. offices	**$ 16,410**	$ 16,117	$ 27,032					
Other non-interest-bearing liabilities [8]	**275,408**	245,481	263,296					
Total liabilities from discontinued operations	**10**	18,410	9,502					
Total liabilities	**$1,776,256**	$1,839,076	$1,744,997					
Citigroup stockholders equity [11]	**$ 174,351**	$ 156,478	$ 144,510					
Noncontrolling interest	**2,029**	2,307	1,874					
Total equity [11]	**$ 176,380**	$ 158,785	$ 146,384					
Total liabilities and stockholders equity	**$1,952,636**	$1,997,861	$1,891,381					
Net interest revenue as a percentage of average interest-earning assets [12]								
In U.S. offices	**$ 971,792**	$1,044,486	$ 962,084	**$25,723**	$30,928	$24,230	**2.65%**	2.96%
In offices outside the U.S. [6]	**741,626**	709,115	649,995	**23,249**	23,777	24,958	**3.13**	3.35
Total	**$1,713,418**	$1,753,601	$1,612,079	**$48,972**	$54,705	$49,188	**2.86%**	3.12%

(1) *Net interest revenue* includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $525 million, $519 million, and $692 million for 2011, 2010, and 2009, respectively.

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

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

(4) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements.

(5) Savings deposits consist of Insured Money Market accounts, NOW accounts, and other savings deposits. The interest expense includes FDIC deposit insurance fees and charges.

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

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

(8) The fair value carrying amounts of derivative contracts are reported in *Non-interest-earning assets* and *Other non-interest-bearing liabilities.*

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

(10)

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

(11) Includes stockholders equity from discontinued operations.

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

ANALYSIS OF CHANGES IN INTEREST REVENUE [1][2][3]

	2011 vs. 2010 Increase (decrease) due to change in:			2010 vs. 2009 Increase (decrease) due to change in:		
In millions of dollars	**Average volume**	**Average rate**	**Net change**	Average volume	Average rate	Net change
Deposits with banks [4]	**$ 27**	**$ 471**	**$ 498**	$ (158)	$ (68)	$ (226)
Federal funds sold and securities borrowed or purchased under agreements to resell						
In U.S. offices	**$ (49)**	**$ (238)**	**$ (287)**	$ 311	$ (512)	$ (201)
In offices outside the U.S. [4]	**524**	**238**	**762**	372	(99)	273
Total	**$ 475**	**$**	**$ 475**	$ 683	$ (611)	$ 72
Trading account assets [5]						
In U.S. offices	**$ (214)**	**$ 132**	**$ (82)**	$ (547)	$ (2,076)	$ (2,623)
In offices outside the U.S. [4]	**(111)**	**325**	**214**	706	(766)	(60)
Total	**$ (325)**	**$ 457**	**$ 132**	$ 159	$ (2,842)	$ (2,683)
Investments [1]						
In U.S. offices	**$ (9)**	**$ (1,480)**	**$ (1,489)**	$ 1,854	$ (3,448)	$ (1,594)
In offices outside the U.S. [4]	**(565)**	**(635)**	**(1,200)**	827	(1,196)	(369)
Total	**$ (574)**	**$ (2,115)**	**$ (2,689)**	$ 2,681	$ (4,644)	$ (1,963)
Loans (net of unearned income) [6]						
In U.S. offices	**$ (4,824)**	**$ (838)**	**$ (5,662)**	$ 3,672	$ 6,353	$ 10,025
In offices outside the U.S. [4]	**1,471**	**(603)**	**868**	(1,036)	(1,418)	(2,454)
Total	**$ (3,353)**	**$ (1,441)**	**$ (4,794)**	$ 2,636	$ 4,935	$ 7,571
Other interest-earning assets	**$ (21)**	**$ (201)**	**$ (222)**	$ 19	$ (58)	$ (39)
Total interest revenue	**$ (3,771)**	**$ (2,829)**	**$ (6,600)**	$ 6,020	$ (3,288)	$ 2,732

(1) The taxable equivalent adjustment is based on the U.S. federal statutory tax rate of 35% and is included in this presentation.
(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.
(3) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements.
(4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
(5) Interest expense on *Trading account liabilities* of *ICG* is reported as a reduction of interest revenue. Interest revenue and interest expense on cash collateral positions are reported in interest on *Trading account assets* and *Trading account liabilities*, respectively.
(6) Includes cash-basis loans.

ANALYSIS OF CHANGES IN INTEREST EXPENSE AND NET INTEREST REVENUE (1)(2)(3)

	2011 vs. 2010 Increase (decrease) due to change in:			2010 vs. 2009 Increase (decrease) due to change in:		
In millions of dollars	**Average volume**	**Average rate**	**Net change**	Average volume	Average rate	Net change
Deposits						
In U.S. offices	**$ (124)**	**$ 11**	**$ (113)**	$ 27	$ (1,612)	$ (1,585)
In offices outside the U.S. (4)	**16**	**282**	**298**	540	(730)	(190)
Total	**$ (108)**	**$ 293**	**$ 185**	$ 567	$ (2,342)	$ (1,775)
Federal funds purchased and securities loaned or sold under agreements to repurchase						
In U.S. offices	**$ (22)**	**$ 1**	**$ (21)**	$ (70)	$ (121)	$ (191)
In offices outside the U.S. (4)	**259**	**151**	**410**	486	(920)	(434)
Total	**$ 237**	**$ 152**	**$ 389**	$ 416	$ (1,041)	$ (625)
Trading account liabilities (5)						
In U.S. offices	**$ 9**	**$ (26)**	**$ (17)**	$ 110	$ (49)	$ 61
In offices outside the U.S. (4)	**14**	**32**	**46**	12	17	29
Total	**$ 23**	**$ 6**	**$ 29**	$ 122	$ (32)	$ 90
Short-term borrowings						
In U.S. offices	**$ (145)**	**$ (390)**	**$ (535)**	$ (32)	$ (344)	$ (376)
In offices outside the U.S. (4)	**26**	**242**	**268**	23	(155)	(132)
Total	**$ (119)**	**$ (148)**	**$ (267)**	$ (9)	$ (499)	$ (508)
Long-term debt						
In U.S. offices	**$ (1,470)**	**$ 410**	**$ (1,060)**	$ 1,840	$ (1,590)	$ 250
In offices outside the U.S. (4)	**(168)**	**25**	**(143)**	(269)	52	(217)
Total	**$ (1,638)**	**$ 435**	**$ (1,203)**	$ 1,571	$ (1,538)	$ 33
Total interest expense	**$ (1,605)**	**$ 738**	**$ (867)**	$ 2,667	$ (5,452)	$ (2,785)
Net interest revenue	**$ (2,166)**	**$ (3,567)**	**$ (5,733)**	$ 3,353	$ 2,164	$ 5,517

(1) The taxable equivalent adjustment is based on the U.S. federal statutory tax rate of 35% and is included in this presentation.
(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.
(3) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements.
(4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
(5) Interest expense on *Trading account liabilities* of *ICG* is reported as a reduction of *Interest revenue*. Interest revenue and interest expense on cash collateral positions are reported in interest on *Trading account assets* and *Trading account liabilities*, respectively.

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 is inherent in Citigroup s global business activities and, as with other risk types, is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes:

- recognized ownership of the risk by the businesses;
- oversight by Citi s independent risk management; and
- independent review by Citi s Audit and Risk Review (ARR).

The goal is to keep operational risk at appropriate levels relative to the characteristics of Citigroup s businesses, the markets in which it operates, its capital and liquidity, and the competitive, economic and regulatory environment. Notwithstanding these controls, Citigroup incurs operational losses.

Framework

To monitor, mitigate and control operational risk, Citigroup maintains a system of comprehensive policies and has established a consistent framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment across Citigroup. An Operational Risk Council provides oversight for operational risk across Citigroup. The Council s membership includes senior members of the Chief Risk Officer s organization covering multiple dimensions of risk management, with representatives of the Business and Regional Chief Risk Officers organizations and the business management group (see Managing Global Risk Risk Management Overview above). The Council s focus is on identification and mitigation of operational risk and related incidents. The Council works with the business segments and the control functions with the objective of ensuring a transparent, consistent and comprehensive framework for managing operational risk globally.

Each major business segment must implement an operational risk process consistent with the requirements of this framework. The process for operational risk management includes the following steps:

- identify and assess key operational risks;
- establish key risk indicators;
- produce a comprehensive operational risk report; and
- prioritize and assure adequate resources to actively improve the operational risk environment and mitigate emerging risks.

The operational risk standards facilitate the effective communication and mitigation of operational risk both within and across businesses. As new products and business activities are developed, processes are designed, modified or sourced through alternative means and operational risks are considered. Enterprise risk management, a newly formed organization within Citi s independent risk management, proactively assists the businesses, operations and technology and the other independent control groups in enhancing the effectiveness of controls and managing operational risks across products, business lines and regions.

Information about the businesses operational risk, historical losses and the control environment is reported by each major business segment and functional area, and is summarized and reported to senior management as well as the Risk Management and Finance Committee of Citi s Board of Directors and the full Board of Directors.

Measurement and Basel II

To support advanced capital modeling and management, the businesses are required to capture relevant operational risk capital information. A risk capital model for operational risk has been developed and implemented across the major business segments as a step toward readiness for Basel II capital calculations. The risk capital calculation is designed to qualify as an Advanced Measurement Approach under Basel II. It uses a combination of internal and external loss data to support statistical modeling of capital requirement estimates, which are then adjusted to reflect qualitative data regarding the operational risk and control environment.

Information Security and Continuity of Business

Information security and the protection of confidential and sensitive customer data are a priority for Citigroup. Citi has implemented an Information Security Program in accordance with the Gramm-Leach-Bliley Act and regulatory guidance. The Information Security Program is reviewed and enhanced periodically to address emerging threats to customers information.

The Corporate Office of Business Continuity, with the support of senior management, continues to coordinate global preparedness and mitigate business continuity risks by reviewing and testing recovery procedures.

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COUNTRY AND CROSS-BORDER RISK

Country Risk

Country risk is the risk that an event in a country (precipitated by developments within or external to a country) will impair the value of Citi s franchise or will adversely affect the ability of obligors within that country to honor their obligations to Citi. Country risk events may include sovereign defaults, banking defaults or crises, currency crises and/or political events. See also Risk Factors Market and Economic Risks above.

The information below is based on Citi s internal risk management measures. The country designation in Citi s risk management systems is based on the country to which the client relationship, taken as a whole, is most directly exposed to economic, financial, sociopolitical or legal risks. This includes exposure to subsidiaries within the client relationship that are domiciled outside of the country.

Citi assesses the risk of loss associated with certain of the country exposures on a regular basis. These analyses take into consideration alternative scenarios that may unfold, as well as specific characteristics of Citi s portfolio, such as transaction structure and collateral. Citi currently believes that the risk of loss associated with the exposures set forth below is likely materially lower than the exposure amounts disclosed below and is sized appropriately relative to its franchise in these countries. For additional information relating to Citi s risk management practices, see Managing Global Risk above.

The sovereign entities of all the countries disclosed below, as well as the financial institutions and corporations domiciled in these countries, are important clients in the global Citi franchise. Citi fully expects to maintain its presence in these markets to service all of its global customers. As such, Citi s exposure in these countries may vary over time, based upon its franchise, client needs and transaction structures.

GIIPS and France

Several European countries, including Greece, Ireland, Italy, Portugal, Spain and France, have been the subject of credit deterioration due to weaknesses in their economic and fiscal situations. Given investor interest in this area, the table below sets forth Citi s exposures to these countries as of December 31, 2011.

In billions of U.S. dollars	GIIPS (1)	Greece	Ireland	Italy	Portugal	Spain	France
Funded loans, before reserves	$ 9.4	$ 1.1	$ 0.3	$ 1.9	$ 0.4	$ 5.7	$ 4.7
Derivative counterparty mark-to-market, inclusive of CVA (2)	10.8	0.6	0.6	7.3	0.3	2.0	7.0
Gross funded credit exposure	$ 20.2	$ 1.7	$ 0.9	$ 9.2	$ 0.7	$ 7.7	$ 11.7
Less: margin and collateral (3)	(4.2)	(0.2)	(0.4)	(1.2)	(0.1)	(2.3)	(5.3)
Less: purchased credit protection (4)	(9.6)	(0.1)	(0.1)	(6.7)	(0.2)	(2.5)	(5.1)
Net current funded credit exposure	$ 6.4	$ 1.4	$ 0.4	$ 1.3	$ 0.4	$ 2.9	$ 1.3
Net trading exposure	$ 1.1	$ 0.1	$ 0.2	$ 0.2	$	$ 0.6	$ 0.3
AFS exposure	0.2			0.2			0.3
Net trading and AFS exposure	$ 1.3	$ 0.1	$ 0.2	$ 0.4	$	$ 0.6	$ 0.6
Net current funded exposure	$ 7.7	$ 1.5	$ 0.6	$ 1.7	$ 0.4	$ 3.5	$ 1.9
Additional collateral received, not reducing amounts above	$ (4.3)	$ (1.2)	$ (0.2)	$ (0.4)	$	$ (2.5)	$ (4.6)
Net current funded credit exposure detail:							
Sovereigns	$ 0.7	$ 0.1	$	$ 0.4	$ 0.2	$	$
Financial institutions	1.6			0.1		1.5	1.9
Corporations	4.1	1.3	0.4	0.8	0.2	1.4	(0.6)
Net current funded credit exposure	$ 6.4	$ 1.4	$ 0.4	$ 1.3	$ 0.4	$ 2.9	$ 1.3
Unfunded commitments:							
Sovereigns	$ 0.3	$	$	$	$	$ 0.3	$ 0.8
Financial institutions	0.3			0.1		0.2	3.4
Corporations	6.7	0.4	$ 0.5	3.1	0.3	2.4	11.9
Total unfunded commitments	$ 7.3	$ 0.4	$ 0.5	$ 3.2	$ 0.3	$ 2.9	$ 16.1

Note: Information based on Citi s internal risk management measures.

(1) Greece, Ireland, Italy, Portugal and Spain.

(2) Includes the net credit exposure arising from secured financing transactions, such as repurchase agreements and reverse repurchase agreements. See Secured Financing Transactions below.

(3) Margin posted under legally enforceable margin agreements and collateral pledged under bankruptcy-remote structures. Does not include collateral received on secured financing

transactions.

(4) Credit protection purchased from financial institutions predominately outside of GIIPS and France. See Credit Default Swaps below.

GIIPS

Gross funded credit exposure to the sovereign entities of Greece, Ireland, Italy, Portugal and Spain (GIIPS), as well as financial institutions and multinational and local corporations designated in these countries under Citi s risk management systems, was $20.2 billion at December 31, 2011. The $20.2 billion of gross credit exposure was made up of $9.4 billion in funded loans, before reserves, and $10.8 billion in derivative counterparty mark-to-market exposure, inclusive of credit valuation adjustments. The derivative counterparty mark-to-market exposure includes the net credit exposure arising from secured financing transactions, such as repurchase and reverse repurchase agreements. See Secured Financing Transactions below.

As of December 31, 2011, Citi s net current funded exposure to the GIIPS sovereigns, financial institutions and corporations was $7.7 billion. Included in the $7.7 billion net current funded exposure was $1.3 billion of net trading and available-for-sale securities exposure, and $6.4 billion of net current funded credit exposure. Each component is described below in more detail.

Net Trading and AFS Exposure - $1.3 billion

Included in the net current funded exposure at December 31, 2011 was a net position of $1.3 billion in securities and derivatives with the GIIPS sovereigns, financial institutions and corporations as the issuer or reference entity, which are held in Citi s trading and AFS portfolios. These portfolios are marked to market daily and, as previously disclosed, Citi s trading exposure levels vary as it maintains inventory consistent with customer needs.

Net Current Funded Credit Exposure - $6.4 billion

As of December 31, 2011, the net current funded credit exposure to the GIIPS sovereigns, financial institutions and corporations was $6.4 billion. Exposures were $0.7 billion to sovereigns, $1.6 billion to financial institutions and $4.1 billion to corporations.

Consistent with Citi s internal risk management measures and as set forth in the table above, net current funded credit exposure has been reduced by $4.3 billion of margin posted under legally enforceable margin agreements and collateral pledged under bankruptcy-remote structures. At December 31, 2011, the majority of this margin and collateral was in the form of cash, with the remainder in predominantly non-GIIPS, non-French securities, which are included at fair value.

Net current funded credit exposure also reflects a reduction for $9.6 billion in purchased credit protection, predominantly from financial institutions outside the GIIPS and France. Such protection generally pays out only upon the occurrence of certain credit events with respect to the country or borrower covered by the protection, as determined by a committee composed of dealers and other market participants. In addition to counterparty credit risks (see “Credit Default Swaps” below), the credit protection may not fully cover all situations that may adversely affect the value of Citi s exposure and, accordingly, Citi could still experience losses despite the existence of the credit protection.

Unfunded Commitments $7.3 billion

As of December 31, 2011, Citi also had $7.3 billion of unfunded commitments to the GIIPS sovereigns, financial institutions and corporations, with $6.7 billion of this amount to corporations. These unfunded lines generally have standard conditions that must be met before they can be drawn.

Other Activities

Like other banks, Citi also provides settlement and clearing facilities for a variety of clients in these countries and actively monitors and manages these intra-day exposures. In addition, at December 31, 2011, Citi had approximately $7.4 billion of locally funded exposure in the GIIPS, generally to retail customers and small businesses as part of its local lending activities. The vast majority of this exposure is in Citi Holdings (Spain and Greece).

France

Gross funded credit exposure to the French sovereign, financial institutions and corporations was $11.7 billion at December 31, 2011. The $11.7 billion of gross credit exposure was made up of $4.7 billion in funded loans, before reserves, and $7.0 billion in derivative counterparty mark-to-market exposure, inclusive of credit valuation adjustments. The derivative counterparty mark-to-market exposure includes the net credit exposure arising from secured financing transactions, such as repurchase and reverse repurchase agreements. See Secured Financing Transactions below.

As of December 31, 2011, Citi s net current funded exposure to the French sovereign, financial institutions and corporations was $1.9 billion. Included in the $1.9 billion net current funded exposure was $0.6 billion of net trading and available-for-sale securities exposure, and $1.3 billion of net current funded credit exposure. Each component is described below in more detail.

Net Trading and AFS Exposure - $0.6 billion

Included in the net current funded exposure at December 31, 2011 was a net position of $0.6 billion in securities and derivatives with the French sovereign, financial institutions and corporations as the issuer or reference entity, which are held in Citi s trading and AFS portfolios. These portfolios are marked to market daily and, as previously disclosed, Citi s trading exposure levels vary as it maintains inventory consistent with customer needs.

Net Current Funded Credit Exposure - $1.3 billion

As of December 31, 2011, the net current funded credit exposure to the French sovereign, financial institutions and corporations was $1.3 billion. Exposures were $1.9 billion to financial institutions and $(0.6) billion to corporations.

Consistent with Citi s internal risk management measures and as set forth in the table above, net current funded credit exposure has been reduced by $5.3 billion of margin posted under legally enforceable margin agreements and collateral pledged under bankruptcy-remote structures. As of December 31, 2011, the majority of this margin and collateral was in the form of cash, with the remainder in non-GIIPS, non-French securities, which are included at fair value.

Net current funded credit exposure also reflects a reduction for $5.1 billion in purchased credit protection, predominantly from financial institutions outside GIIPS and France. Such protection generally pays out only upon the occurrence of certain credit events with respect to the country or borrower covered by the protection, as determined by a committee composed of dealers and other market participants. In addition to counterparty credit risks (see "Credit Default Swaps" below), the credit protection may not fully cover all situations that may adversely affect the value of Citi s exposure and, accordingly, Citi could still experience losses despite the existence of the credit protection.

Unfunded Commitments $16.1 billion

As of December 31, 2011, Citi also had $16.1 billion of unfunded commitments to the French sovereign, financial institutions and corporations, with $11.9 billion of this amount to corporations. These unfunded lines generally have standard conditions that must be met before they can be drawn.

Other Activities

Similar to other banks, Citi also provides settlement and clearing facilities for a variety of clients in France and actively monitors and manages these intra-day exposures. Citi also has locally funded exposure in France; however, as of December 31, 2011, the amount of this exposure was not material.

Credit Default Swaps

Citi buys and sells credit protection, through credit default swaps, on underlying GIIPS or French entities as part of its market-making activities for clients in its trading portfolios. Citi also purchases credit protection, through credit default swaps, to hedge its own credit exposure to these underlying entities that arises from loans to these entities or derivative transactions with these entities.

Citi buys and sells credit default swaps as part of its market-making activity, and purchases credit default swaps for credit protection, with financial institutions that Citi believes are of high quality. The counterparty credit exposure that can arise from the purchase or sale of credit default swaps is usually covered by legally enforceable netting and margining agreements with a given counterparty, so that the credit exposure to that counterparty is measured and managed in aggregate across all products covered by a given netting or margining agreement.

The notional amount of credit protection purchased or sold on GIIPS or French underlying single reference entities as of December 31, 2011 is set forth in the table below. The net notional contract amounts, less mark-to-market adjustments, are included in net current funded exposure in the table under GIIPS and France above, and appear in either net trading exposure when part of a trading strategy or in purchased credit protection when purchased as a hedge against a credit exposure (see note 1 to the table below).

	Credit default swaps purchased or sold on underlying single reference entities in these countries (1)						
In billions of U.S. dollars	**GIIPS**	**Greece**	**Ireland**	**Italy**	**Portugal**	**Spain**	**France**
Notional CDS contracts on underlying reference entities (1)							
Net purchased (2)	**$ (16.9)**	**$ (1.0)**	**$ (1.0)**	**$ (9.2)**	**$ (1.9)**	**$ (7.6)**	**$ (10.4)**
Net sold (2)	**7.8**	**1.0**	**0.7**	**2.7**	**2.0**	**5.3**	**6.4**
Sovereign underlying reference entity							
Net purchased (2)	(11.7)	(0.8)	(0.6)	(7.4)	(1.2)	(4.5)	(4.6)
Net sold (2)	5.7	0.8	0.6	1.9	1.2	4.0	4.5
Financial institution underlying reference entity							
Net purchased (2)	(2.9)		(0.4)	(1.3)	(0.4)	(1.3)	(1.8)
Net sold (2)	2.4		0.1	1.4	0.4	1.0	1.6
Corporate underlying reference entity							
Net purchased (2)	(5.2)	(0.4)	(0.2)	(2.4)	(0.7)	(2.8)	(6.7)
Net sold (2)	2.6	0.3	0.2	1.4	0.8	1.2	3.0

(1) The net notional contract amounts, less mark-to-market adjustments, are included in Citi s net current funded exposure in the table under GIIPS and France on page 107. These amounts are reflected in two places in such table: $9.6 billion and $5.1 billion for GIIPS and France, respectively, are included in purchased credit protection hedging gross funded credit exposure. The remaining activity is reflected in net trading exposure since these positions are part of a trading strategy.

(2) The summation of notional amounts for each GIIPS country does not equal the notional amount presented in the GIIPS total column in the table above as additional netting is achieved at the agreement level with a specific counterparty across various GIIPS countries.

When Citi purchases credit default swaps as a hedge against a credit exposure, Citi generally seeks to purchase products with a maturity date similar to the exposure against which the protection is purchased. While certain exposures may have longer maturities that extend beyond the credit default swap tenors readily available in the market, Citi generally will purchase credit protection with a maximum tenor that is readily available in the market.

The above table contains all net credit default swaps (CDSs) purchased or sold on GIIPS or French underlying entities, whether part of a trading strategy or as purchased credit protection. With respect to the $16.9 billion net purchased CDS contracts on underlying GIIPS reference entities, approximately 89% has been purchased from non-GIIPS counterparties. With respect to the $10.4 billion net purchased CDS contracts on underlying French reference entities, approximately 72% has been purchased from non-French counterparties. The net credit exposure to any counterparties arising from these transactions, including any GIIPS or French counterparties, is managed and mitigated through legally enforceable netting and margining agreements. When Citi purchases credit default swaps as a hedge against a credit exposure, it generally seeks to purchase products from counterparties that would not be correlated with the underlying credit exposure it is hedging.

Secured Financing Transactions

As part of its banking activities with its clients, Citi enters into secured financing transactions, such as repurchase agreements and reverse repurchase agreements. These transactions typically involve the lending of cash, against which securities are taken as collateral. The amount of cash loaned against the securities collateral is a function of the liquidity and quality of the collateral as well as the credit quality of the counterparty. The collateral is typically marked to market daily, and Citi has the ability to call for additional collateral (usually in the form of cash), if the value of the securities falls below a pre-defined threshold.

As of December 31, 2011, Citi had loaned $19.2 billion in cash through secured financing transactions with GIIPS or French counterparties, usually through reverse repurchase agreements, as shown in the table below. Against those loans, it held approximately $21.2 billion fair value of securities collateral as well as $1.1 billion in variation margin, most of which was in cash.

Consistent with Citi s risk management systems, secured financing transactions are included in the counterparty derivative mark-to-market exposure at their net credit exposure value, which is typically small or zero given the over-collateralized structure of these transactions.

In billions of dollars	**Cash financing out**	**Securities collateral in (1)**
Lending to GIIPS and French counterparties through secured financing transactions	**$19.2**	**$21.2**

(1) Citi has also received approximately $1.1 billion in variation margin, predominately cash, associated with secured financing transactions with these counterparties.

Collateral taken in against secured financing transactions is generally high quality, marketable securities, consisting of government debt, corporate debt, or asset-backed securities.

The table below sets forth the fair value of the securities collateral taken in by Citi against secured financing transactions as of December 31, 2011.

In billions of dollars	**Total**	**Government bonds**	**Municipal or corporate bonds**	**Asset-backed bonds**
Securities pledged by GIIPS or French counterparties in secured financing transaction lending (1)	**$21.2**	**$ 10.3**	**$0.7**	**$ 10.2**
Investment grade	**$20.3**	**$ 10.2**	**$0.4**	**$ 9.8**
Non-investment grade	**0.2**	**0.2**	**0.1**	
Not rated	**0.7**		**0.2**	**0.4**

(1) Total includes approximately $2.8 billion in correlated risk collateral, predominately French sovereign debt pledged by French counterparties.

Secured financing transactions can be short term or can extend beyond one year. In most cases, Citi has the right to call for additional margin daily, and can terminate the transaction and liquidate the collateral if the counterparty fails to post the additional margin.

The table below sets forth the remaining transaction tenor for these transactions as of December 31, 2011.

		Remaining transaction tenor		
In billions of dollars	Total	<1 year	1-3 years	3-4 years (1)
Cash extended to GIIPS or French counterparties in secured financing transactions lending (1)	**$ 19.2**	**$ 11.6**	**$ 6.1**	**$ 1.5**

(1) The longest remaining tenor trades mature January 2015.

Cross-Border Risk

Cross-border risk is the risk that actions taken by a non-U.S. government may prevent the conversion of local currency into non-local currency and/or the transfer of funds outside the country, among other risks, thereby impacting the ability of Citigroup and its customers to transact business across borders. Examples of cross-border risk include actions taken by foreign governments such as exchange controls and restrictions on the remittance of funds. These actions might restrict the transfer of funds or the ability of Citigroup to obtain payment from customers on their contractual obligations. Management of cross-border risk at Citi is performed through a formal review process that includes annual setting of cross-border limits and ongoing monitoring of cross-border exposures as well as monitoring of economic conditions globally through Citi s Global Country Risk Management. See also Risk Factors Market and Economic Risks above.

Under Federal Financial Institutions Examination Council (FFIEC) regulatory guidelines, total reported cross-border outstandings include cross-border claims on third parties, as well as investments in and funding of local franchises. Cross-border claims on third parties (trade and short-, medium- and long-term claims) include cross-border loans, securities, deposits with

banks, investments in affiliates, and other monetary assets, as well as net revaluation gains on foreign exchange and derivative products.

FFIEC cross-border risk measures exposure to the immediate obligors or counterparties domiciled in the given country or, if applicable, by the location of collateral or guarantors of the legally binding guarantees. Cross-border outstandings are reported based on the country of the obligor or guarantor. Outstandings backed by cash collateral are assigned to the country in which the collateral is held. For securities received as collateral, cross-border outstandings are reported in the domicile of the issuer of the securities. Cross-border resale agreements are presented based on the domicile of the counterparty.

Investments in and funding of local franchises represent the excess of local country assets over local country liabilities. Local country assets are claims on local residents recorded by branches and majority-owned subsidiaries of Citigroup domiciled in the country, adjusted for externally guaranteed claims and certain collateral. Local country liabilities are obligations of non-U.S. branches and majority-owned subsidiaries of Citigroup for which no cross-border guarantee has been issued by another Citigroup office.

The table below sets forth the countries where Citigroup s total cross-border outstandings, as defined by FFIEC guidelines, exceeded 0.75% of total Citigroup assets as of December 31, 2011 and December 31, 2010:

	December 31, 2011								December 31	
	Cross-border claims on third parties									
In billions of U.S. dollars	Banks	Public	Private	Total	Trading and short-term claims (1)	Investments in and funding of local franchises	Total cross-border outstandings (2)	Commitments (3)	Total cross-border outstandings (2)	Commit
United Kingdom	$20.2	$ 1.0	$21.9	$43.1	$38.8	$	$43.1	$101.8	$34.7	$
Germany	15.8	18.6	4.2	38.6	37.6	0.6	39.2	64.7	33.6	
France	15.6	3.2	19.6	38.4	35.9		38.4	69.3	37.5	
India	4.1	0.9	6.7	11.7	11.0	18.8	30.5	5.3	28.6	
Cayman Islands	0.2		22.7	22.9	22.5		22.9	1.4	20.6	
Brazil	2.3	2.3	7.5	12.1	8.9	8.4	20.5	22.8	16.0	
Netherlands	6.2	1.3	10.2	17.7	14.1	0.5	18.2	24.4	14.2	
Mexico		3.0	4.7	7.7	4.7	10.2	17.9	12.3	16.2	
Korea	1.9	0.9	3.2	6.0	4.7	9.9	15.9	24.5	15.8	
Spain	4.4	1.0	4.4	9.8	7.4	4.2	14.0	27.7	11.5	
Italy	1.5	7.7	1.7	10.9	10.4	0.5	11.4	37.0	13.0	

(1) Included in total cross-border claims on third parties.

(2) Cross-border outstandings, as described above and as required by FFIEC guidelines, generally do not recognize the benefit of margin received or hedge positions and recognize offsetting exposures only for certain products and relationships. As a result, market volatility in interest rates, foreign exchange rates and credit spreads, such as experienced in the third quarter of 2011, will cause the level of reported cross-border outstandings to increase, all else being equal.

(3) Commitments (not included in total cross-border outstandings) include legally binding cross-border letters of credit and other commitments and contingencies as defined by the FFIEC. The FFIEC definition of commitments includes commitments to local residents to be funded with local currency liabilities originated within the country.

Differences Between Country and Cross-Border Risk

As described in more detail in the sections above, there are significant differences between the reporting of country risk and cross-border risk. A general summary of the more significant differences is as follows:

- Country risk is the risk that an event within a country will impair the value of Citi s franchise or adversely affect the ability of obligors within the country to honor their obligations to Citi. Country risk reporting in Citi s internal risk management systems is based on the identification of the country where the client relationship, taken as a whole, is most directly exposed to the economic, financial, sociopolitical or legal risks.
  Generally, country risk includes the benefit of margin received as well as offsetting exposures and hedge positions. As such, country risk, which is reported based on Citi s internal risk management standards, measures net exposure to a credit or market risk event.
- Cross-border risk, as defined by the FFIEC, focuses on the potential exposure if foreign governments take actions, such as enacting exchange controls, that prevent the conversion of local currency to non-local currency or restrict the remittance of funds outside the country. Unlike country risk, FFIEC cross-border risk measures exposure to the immediate obligors or counterparties domiciled in the given country or, if applicable, by the location of collateral or guarantors of the legally binding guarantees, generally without the benefit of margin received or hedge positions, and recognizes offsetting exposures only for certain products.

The differences between the presentation of country risk and cross-border risk can be substantial, including the identification of the country of risk, as described above. In addition, some of the more significant differences by product are described below:

- For country risk, net derivative receivables are generally reported based on fair value, netting receivables and payables under the same legally binding netting agreement, and recognizing the benefit of margin received and any hedge positions in place. For cross-border risk, these items are also reported based on fair value and allow for netting of receivables and payables if a legally binding netting agreement is in place, but only with the same specific counterparty, and do not recognize the benefit of margin received or hedges in place.
- For country risk, secured financing transactions, such as repurchase agreements and reverse repurchase agreements, as well as securities loaned and borrowed, are reported based on the net credit exposure arising from the transaction, which is typically small or zero given the over-collateralized structure of these transactions. For cross-border risk, reverse repurchase agreements and securities borrowed are reported based on notional amounts and do not include the value of any collateral received (repurchase agreements and securities loaned are not included in cross-border risk reporting).
- For country risk, loans are reported net of hedges and collateral pledged under bankruptcy-remote structures. For cross-border risk, loans are reported without taking hedges into account.
- For country risk, securities in AFS and trading portfolios are reported on a net basis, netting long positions against short positions. For cross-border risk, securities in AFS and trading portfolios are not netted.
- For country risk, credit default swaps (CDSs) are reported based on the net notional amount of CDSs purchased and sold, assuming zero recovery from the underlying entity, and adjusted for any mark-to-market receivable or payable position. For cross-border risk, CDSs are included based on the gross notional amount sold, and do not include any offsetting purchased CDSs on the same underlying entity.

Venezuelan Operations

In 2003, the Venezuelan government enacted currency restrictions that have restricted Citigroup s ability to obtain U.S. dollars in Venezuela at the official foreign currency rate. In May 2010, the government enacted new laws that have closed the parallel foreign exchange market and established a new foreign exchange market. Citigroup does not have access to U.S. dollars in this new market. Citigroup uses the official rate to re-measure the foreign currency transactions in the financial statements of its Venezuelan operations, which have U.S. dollar functional currencies, into U.S. dollars. At December 31, 2011 and 2010, Citigroup had net monetary assets in its Venezuelan operations denominated in bolivars of approximately $241 million and $200 million, respectively.

FAIR VALUE ADJUSTMENTS FOR DERIVATIVES AND STRUCTURED DEBT

The following discussions relate to the derivative obligor information and the fair valuation for derivatives and structured debt. See Note 23 to the Consolidated Financial Statements for additional information on Citi s derivative activities.

Fair Valuation Adjustments for Derivatives

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

- Liquidity adjustments are applied to items in Level 2 or Level 3 of the fair-value hierarchy (see Note 25 to the Consolidated Financial Statements for more details) to ensure that the fair value reflects the price at which the entire position could be liquidated. The liquidity reserve is based on the bid/offer spread for an instrument, adjusted to take into account the size of the position.
- Credit valuation adjustments (CVA) is applied to over-the-counter derivative instruments, in which the base valuation generally discounts expected cash flows using LIBOR interest rate curves. Because not all counterparties have the same credit risk as that implied by the relevant LIBOR curve, a CVA is necessary to incorporate the market view of both counterparty credit risk and Citi s own credit risk in the valuation.

Citigroup 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 analysis to generate a series of expected cash flows at future points in time. The calculation of this exposure profile considers the effect of credit risk mitigants, including pledged cash or other collateral and any legal right of offset that exists with a counterparty through arrangements such as netting agreements. Individual derivative contracts that are subject to an enforceable master netting agreement with a counterparty are aggregated for this purpose, since it is those aggregate net cash flows that are subject to nonperformance risk. This process identifies specific, point-in-time future cash flows that are subject to nonperformance risk, rather than using the current recognized net asset or liability as a basis to measure the CVA.

Second, market-based views of default probabilities derived from observed credit spreads in the CDS market are applied to the expected future cash flows determined in step one. Citi s own-credit CVA is determined using Citi-specific CDS spreads for the relevant tenor. Generally, counterparty CVA is determined using CDS spread indices for each credit rating and tenor. For certain identified facilities where individual analysis is practicable (for example, exposures to monoline counterparties), counterparty-specific CDS spreads are used.

The CVA adjustment is designed to incorporate a market view of the credit risk inherent in the derivative portfolio. 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 realized 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, or changes in the credit mitigants (collateral and netting agreements) associated with the derivative instruments.

The table below summarizes the CVA applied to the fair value of derivative instruments as of December 31, 2011 and 2010.

	Credit valuation adjustment contra-liability (contra-asset)	
In millions of dollars	**December 31, 2011**	December 31, 2010
Non-monoline counterparties	**$ (5,392)**	$ (3,015)
Citigroup (own)	**2,176**	1,285
Net non-monoline CVA	**$ (3,216)**	$ (1,730)
Monoline counterparties (1)		(1,548)
Total CVA derivative instruments	**$ (3,216)**	$ (3,278)

(1) The reduction in CVA on derivative instruments with monoline counterparties includes $1.4 billion of utilizations in 2011.

Own DVA for Structured Debt

Own debt valuation adjustments (DVA) are recognized on Citi s debt liabilities for which the fair value option (FVO) has been elected using Citi s credit spreads observed in the bond market. Accordingly, the fair value of debt liabilities for which the fair value option has been elected (other than non-recourse and similar liabilities) is impacted by the narrowing or widening of Citi s credit spreads. Changes in fair value resulting from changes in Citi s instrument-specific credit risk are estimated by incorporating Citi s current credit spreads observable in the bond market into the relevant valuation technique used to value each liability.

The table below summarizes pretax gains (losses) related to changes in CVA on derivative instruments, net of hedges, and DVA on own FVO debt:

	Credit/debt valuation adjustment gain (loss)	
In millions of dollars	**2011**	2010
CVA on derivatives, excluding monolines, net of hedges	**$ 33**	$ 120
CVA related to monoline counterparties, net of hedges	**179**	523
Total CVA derivative instruments	**$ 212**	$ 643
DVA related to own FVO debt	**$1,774**	$(589)
Total CVA and DVA	**$1,986**	$ 54

The CVA and DVA amounts shown above do not include the effect of counterparty credit risk embedded in non-derivative instruments. Losses on non-derivative instruments, such as bonds and loans, related to counterparty credit risk are not included in the table above.

CREDIT DERIVATIVES

Citigroup makes markets in and trades a range of credit derivatives, both on behalf of clients as well as for its own account. Through these contracts, Citi either purchases or writes protection on either a single-name or portfolio basis. Citi primarily uses credit derivatives to help mitigate credit risk in its corporate loan portfolio and other cash positions, and to facilitate client transactions.

Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined events (settlement triggers). These settlement triggers, which are defined by the form of the derivative and the referenced credit, are generally limited to the market standard of failure to pay indebtedness and bankruptcy (or comparable events) of the reference credit and, in a more limited range of transactions, debt restructuring.

Credit derivative transactions referring to emerging market reference credits will also typically include additional settlement triggers to cover the acceleration of indebtedness and the risk of repudiation or a payment moratorium. In certain transactions on a portfolio of referenced credits or asset-backed securities, the seller of protection may not be required to make payment until a specified amount of losses has occurred with respect to the portfolio and/or may only be required to pay for losses up to a specified amount.

The fair values shown below are prior to the application of any netting agreements, cash collateral, and market or credit valuation adjustments.

Citi actively participates in trading a variety of credit derivatives products as both an active two-way market-maker for clients and to manage credit risk. The majority of this activity was transacted with other financial intermediaries, including both banks and broker-dealers. Citi generally has a mismatch between the total notional amounts of protection purchased and sold and it may hold the reference assets directly, rather than entering into offsetting credit derivative contracts as and when desired. The open risk exposures from credit derivative contracts are largely matched after certain cash positions in reference assets are considered and after notional amounts are adjusted, either to a duration-based equivalent basis or to reflect the level of subordination in tranched structures.

Citi actively monitors its counterparty credit risk in credit derivative contracts. Approximately 96% and 89% of the gross receivables are from counterparties with which Citi maintains collateral agreements as of December 31, 2011 and December 31, 2010, respectively. A majority of Citi s top 15 counterparties (by receivable balance owed to Citi) are banks, financial institutions or other dealers. Contracts with these counterparties do not include ratings-based termination events. However, counterparty ratings downgrades may have an incremental effect by lowering the threshold at which Citi may call for additional collateral.

The following tables summarize the key characteristics of Citi s credit derivatives portfolio by counterparty and derivative form as of December 31, 2011 and December 31, 2010:

December 31, 2011		**Fair values**		**Notionals**
In millions of dollars	**Receivable**	**Payable**	**Beneficiary**	**Guarantor**
By industry/counterparty				
Bank	**$ 57,175**	**$ 53,638**	**$ 981,085**	**$ 929,608**
Broker-dealer	**21,963**	**21,952**	**343,909**	**321,293**
Monoline	**10**		**238**	
Non-financial	**95**	**130**	**1,797**	**1,048**
Insurance and other financial institutions	**11,611**	**9,132**	**185,861**	**142,579**
Total by industry/counterparty	**$ 90,854**	**$ 84,852**	**$ 1,512,890**	**$ 1,394,528**
By instrument				
Credit default swaps and options	**$ 89,998**	**$ 83,419**	**$ 1,491,053**	**$ 1,393,082**
Total return swaps and other	**856**	**1,433**	**21,837**	**1,446**
Total by instrument	**$ 90,854**	**$ 84,852**	**$ 1,512,890**	**$ 1,394,528**
By rating				
Investment grade	**$ 26,457**	**$ 23,846**	**$ 681,406**	**$ 611,447**
Non-investment grade (1)	**64,397**	**61,006**	**831,484**	**783,081**
Total by rating	**$ 90,854**	**$ 84,852**	**$ 1,512,890**	**$ 1,394,528**
By maturity				
Within 1 year	**$ 5,707**	**$ 5,244**	**$ 281,373**	**$ 266,723**
From 1 to 5 years	**56,740**	**54,553**	**1,031,575**	**947,211**
After 5 years	**28,407**	**25,055**	**199,942**	**180,594**
Total by maturity	**$ 90,854**	**$ 84,852**	**$ 1,512,890**	**$ 1,394,528**

December 31, 2010		**Fair values**		**Notionals**
In millions of dollars	**Receivable**	**Payable**	**Beneficiary**	**Guarantor**
By industry/counterparty				
Bank	$ 37,586	$ 35,727	$ 820,211	$ 784,080
Broker-dealer	15,428	16,239	319,625	312,131
Monoline	1,914	2	4,409	
Non-financial	93	70	1,277	1,463
Insurance and other financial institutions	10,108	7,760	177,171	125,442
Total by industry/counterparty	$ 65,129	$ 59,798	$ 1,322,693	$ 1,223,116
By instrument				
Credit default swaps and options	$ 64,840	$ 58,225	$ 1,301,514	$ 1,221,211
Total return swaps and other	289	1,573	21,179	1,905
Total by instrument	$ 65,129	$ 59,798	$ 1,322,693	$ 1,223,116
By rating				
Investment grade	$ 18,427	$ 15,368	$ 547,171	$ 487,270
Non-investment grade (1)	46,702	44,430	775,522	735,846
Total by rating	$ 65,129	$ 59,798	$ 1,322,693	$ 1,223,116
By maturity				
Within 1 year	$ 1,716	$ 1,817	$ 164,735	$ 162,075
From 1 to 5 years	33,853	34,298	935,632	853,808
After 5 years	29,560	23,683	222,326	207,233
Total by maturity	$ 65,129	$ 59,798	$ 1,322,693	$ 1,223,116

(1) Also includes not-rated credit derivative instruments.

SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Note 1 to the Consolidated Financial Statements contains a summary of Citigroup s significant accounting policies, including a discussion of recently issued accounting pronouncements. These policies, as well as estimates made by management, are integral to the presentation of Citi s results of operations and financial condition. While all of these policies require a certain level of management judgment and estimates, this section highlights and discusses the significant accounting policies that require management to make highly difficult, complex or subjective judgments and estimates at times regarding matters that are inherently uncertain and susceptible to change. Management has discussed each of these significant accounting policies, the related estimates, and its judgments with the Audit Committee of the Board of Directors. Additional information about these policies can be found in Note 1 to the Consolidated Financial Statements.

Valuations of Financial Instruments

Citigroup holds fixed income and equity securities, derivatives, retained interests in securitizations, investments in private equity, and other financial instruments. In addition, Citi purchases securities under agreements to resell (reverse repos) and sells securities under agreements to repurchase (repos). Citigroup holds its investments, trading assets and liabilities, and resale and repurchase agreements on the Consolidated Balance Sheet to meet customer needs, to manage liquidity needs and interest rate risks, and for proprietary trading and private equity investing.

Substantially all of the assets and liabilities described in the preceding paragraph are reflected at fair value on Citi s Consolidated Balance Sheet. In addition, certain loans, short-term borrowings, long-term debt and deposits as well as certain securities borrowed and loaned positions that are collateralized with cash are carried at fair value. Approximately 38.8% and 37.3% of total assets, and 15.7% and 16.6% of total liabilities, were accounted for at fair value as of December 31, 2011 and 2010, respectively.

When available, Citi generally uses quoted market prices to determine fair value and classifies such items within Level 1 of the fair value hierarchy established under ASC 820-10, *Fair Value Measurements and Disclosures* (see Note 25 to the Consolidated Financial Statements). If quoted market prices are not available, fair value is based upon internally developed valuation models that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Where a model is internally developed and used to price a significant product, it is subject to validation and testing by independent personnel. Such models are often based on a discounted cash flow analysis. In addition, items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

The credit crisis caused some markets to become illiquid, thus reducing the availability of certain observable data used by Citi s valuation techniques. This illiquidity, in at least certain markets, continued through 2011. When or if liquidity returns to these markets, the valuations will revert to using the related observable inputs in verifying internally calculated values. For additional information on Citigroup s fair value analysis, see Managing Global Risk.

Recognition of Changes in Fair Value

Changes in the valuation of the trading assets and liabilities, as well as all other assets (excluding available-for-sale securities and derivatives in qualifying cash flow hedging relationships) and liabilities carried at fair value, are recorded in the Consolidated Statement of Income. Changes in the valuation of available-for-sale securities, other than write-offs and credit impairments, and the effective portion of changes in the valuation of derivatives in qualifying cash flow hedging relationships generally are recorded in *Accumulated other comprehensive income (loss)* (AOCI), which is a component of *Stockholders equity* on the Consolidated Balance Sheet. A full description of Citi s policies and procedures relating to recognition of changes in fair value can be found in Notes 1, 25, 26 and 27 to the Consolidated Financial Statements.

Evaluation of Other-than-Temporary Impairment

Citi conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other-than-temporary. Under the guidance for debt securities, other-than-temporary impairment (OTTI) is recognized in earnings in the Consolidated Statement of Income for debt securities that Citi has an intent to sell or that Citi believes it is more likely than not that it will be required to sell prior to recovery of the amortized cost basis. For those securities that Citi does not intend to sell or expect to be required to sell, credit-related impairment is recognized in earnings, with the non-credit-related impairment recorded in AOCI.

An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses that are determined to be temporary in nature are recorded, net of tax, in AOCI for available-for-sale securities, while such losses related to held-to-maturity securities are not recorded, as these investments are carried at their amortized cost (less any other-than-temporary impairment). For securities transferred to held-to-maturity from *Trading account assets*, amortized cost is defined as the fair value amount of the securities at the date of transfer plus any accretion income and less any impairments recognized in earnings subsequent to transfer. For securities transferred to held-to-maturity from available-for-sale, amortized cost is defined as the original purchase cost, plus or minus any accretion or amortization of a purchase discount or premium, less any impairment recognized in earnings.

Regardless of the classification of the securities as available-for-sale or held-to-maturity, Citi assesses each position with an unrealized loss for OTTI.

Management assesses equity method investments with fair value less than carrying value for OTTI, as discussed in Note 15 to the Consolidated Financial Statements. For investments that management does not plan to sell prior to recovery of value, or Citi is not likely to be required to sell, various factors are considered in assessing OTTI. For investments that Citi plans to sell prior to recovery of value, or would likely be required to sell and there is no expectation that the fair value will recover prior to the expected sale date, the full impairment would be recognized in the Consolidated Statement of Income.

At December 31, 2011, Citi had several equity method investments that had temporary impairment, including its investments in Akbank and the Morgan Stanley Smith Barney joint venture. As of December 31, 2011, management does not plan to sell those investments prior to recovery of value and it is not more likely than not that Citi will be required to sell those investments. For additional information on these equity method investments, see Note 15 to the Consolidated Financial Statements (Evaluating Investments for Other-Than-Temporary Impairments) below.

CVA/DVA Methodology

ASC 820-10 requires that Citi s own credit risk be considered in determining the market value of any Citi liability carried at fair value. These liabilities include derivative instruments as well as debt and other liabilities for which the fair value option has been elected. The credit valuation adjustment (CVA) is recognized on the balance sheet as a reduction or increase in the associated derivative asset or liability to arrive at the fair value (carrying value) of the derivative asset or liability. The debt valuation adjustment (DVA) is recognized on the balance sheet as a reduction or increase in the associated fair value option debt liability to arrive at the fair value of the liability. For additional information, see Fair Value Adjustments for Derivatives and Structured Debt above.

Allowance for Credit Losses

Allowance for Funded Lending Commitments

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

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

- *Estimated probable losses for non-performing, non-homogeneous exposures within a business line s classifiably managed portfolio and impaired smaller-balance homogeneous loans whose terms have been modified due to the borrowers financial difficulties, where it was determined that a concession was granted to the borrower.* Consideration may be given to the following, as appropriate, when determining this estimate: (i) the present value of expected future cash flows discounted at the loan s original effective rate; (ii) the borrower s overall financial condition, resources and payment record; and (iii) the prospects for support from financially responsible guarantors or the realizable value of any collateral. When impairment is measured based on the present value of expected future cash flows, the entire change in present value is recorded in the *Provision for loan losses*.
- *Statistically calculated losses inherent in the classifiably managed portfolio for performing and de minimis non-performing exposures.* The calculation is based upon: (i) Citigroup s internal system of credit-risk ratings, which are analogous to the risk ratings of the major credit rating agencies; and (ii) historical default and loss data, including rating agency information regarding default rates from 1983 to 2011, and internal data dating to the early 1970s on severity of losses in the event of default.
- *Additional adjustments.* These include: (i) statistically calculated estimates to cover the historical fluctuation of the default rates over the credit cycle, the historical variability of loss severity among defaulted loans, and the degree to which there are large obligor concentrations in the global portfolio; and (ii) adjustments made for specifically known items, such as current environmental factors and credit trends.

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

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

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

For a further description of the loan loss reserve and related accounts, see Notes 1 and 17 to the Consolidated Financial Statements.

Securitizations
Citigroup securitizes a number of different asset classes as a means of strengthening its balance sheet and accessing competitive financing rates in the market. Under these securitization programs, assets are transferred into a trust and used as collateral by the trust to obtain financing. The cash flows from assets in the trust service the corresponding trust liabilities and equity interests. If the structure of the trust meets certain accounting guidelines, trust assets are treated as sold and are no longer reflected as assets of Citi. If these guidelines are not met, the assets continue to be recorded as Citi s assets, with the financing activity recorded as liabilities on Citi s Consolidated Balance Sheet.

Citigroup also assists its clients in securitizing their financial assets and packages and securitizes financial assets purchased in the financial markets. Citi may also provide administrative, asset management, underwriting, liquidity facilities and/or other services to the resulting securitization entities and may continue to service some of these financial assets.

Elimination of Qualifying Special Purpose Entities (QSPEs) and Changes in the Consolidation Model for VIEs
In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140* (SFAS 166, now incorporated into ASC Topic 860) and SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167, now incorporated into ASC Topic 810). Citigroup adopted both standards on January 1, 2010 and elected to apply SFAS 166 and SFAS 167 prospectively. Accordingly, prior periods have not been restated.

SFAS 166 eliminated the concept of QSPEs from U.S. GAAP and amends the guidance on accounting for transfers of financial assets. SFAS 167 details three key changes to the consolidation model. First, former QSPEs are now included in the scope of SFAS 167. Second, the FASB has changed the method of analyzing which party to a variable interest entity (VIE) should consolidate the VIE (known as the primary beneficiary) to a qualitative determination of which party to the VIE has power, combined with potentially significant benefits or losses, instead of the previous quantitative risks and rewards model. The party that has power has the ability to direct the activities of the VIE that most significantly impact the VIE s economic performance. Third, the new standard requires that the primary beneficiary analysis be re-evaluated whenever circumstances change. The previous rules required reconsideration of the primary beneficiary only when specified reconsideration events occurred.

As a result of implementing these new accounting standards, Citigroup consolidated certain of the VIEs and former QSPEs with which it had involvement on January 1, 2010. Further, certain asset transfers, including transfers of portions of assets, that would have been considered sales under SFAS 140 are considered secured borrowings under the new standards. Citigroup consolidated all required VIEs and former QSPEs, as of January 1, 2010, at carrying values or unpaid principal amounts, except for certain private-label residential mortgage and mutual fund deferred sales commissions VIEs, for which the fair value option was elected.

The incremental impact of these changes on GAAP assets and resulting risk-weighted assets for those VIEs and former QSPEs that were consolidated or deconsolidated for accounting purposes as of January 1, 2010 was an increase in GAAP assets of $137.3 billion and $24.0 billion in risk-weighted assets. In addition, the cumulative effect of adopting these new accounting standards as of January 1, 2010 resulted in an aggregate after-tax charge to *Retained earnings* of $8.4 billion, reflecting the net effect of an overall pretax charge to *Retained earnings* (primarily relating to the establishment of loan loss reserves and the reversal of residual interests held) of $13.4 billion and the recognition of related deferred tax assets amounting to $5.0 billion.

Non-Consolidation of Certain Investment Funds
The FASB issued Accounting Standards Update No. 2010-10, *Consolidation (Topic 810), Amendments for Certain Investment Funds* (ASU 2010-10) in the first quarter of 2010. ASU 2010-10 provides a deferral of the requirements of SFAS 167 for certain investment funds. Citigroup has determined that a majority of the investment vehicles managed by it are provided a deferral from the requirements of SFAS 167 as they meet these criteria. These vehicles continue to be evaluated under the requirements of FIN 46(R) (ASC 810-10), prior to the implementation of SFAS 167.

Where Citi has determined that certain investment vehicles are subject to the consolidation requirements of SFAS 167, the consolidation conclusions reached upon initial application of SFAS 167 are consistent with the consolidation conclusions reached under the requirements of ASC 810-10, prior to the implementation of SFAS 167.

For additional information, see Notes 1 and 22 to the Consolidated Financial Statements.

Goodwill

Citigroup has recorded *Goodwill* of $25.4 billion (1.4% of assets) and $26.2 billion (1.4% of assets) on its Consolidated Balance Sheet at December 31, 2011 and December 31, 2010, respectively. No goodwill impairment was recorded during 2009, 2010 and 2011.

Goodwill is allocated to Citi s reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it generally no longer retains its identification with a particular acquisition, but instead becomes identified with the reporting unit as a whole. As a result, the full fair value of each reporting unit is available to support the value of goodwill allocated to the unit. As of December 31, 2011, Citigroup operated in three core business segments, as discussed above. Goodwill impairment testing is performed at the reporting unit level, one level below the business segment.

The reporting unit structure in 2011 was consistent with the reporting units identified in the second quarter of 2009 as a result of the change in Citi s organizational structure. During 2011, goodwill was allocated to disposals and tested for impairment under these reporting units. The nine reporting units were *North America Regional Consumer Banking, EMEA Regional Consumer Banking, Asia Regional Consumer Banking, Latin America Regional Consumer Banking, Securities and Banking, Transaction Services, Brokerage and Asset Management, Local Consumer Lending Cards* and *Local Consumer Lending Other.*

Under ASC 350, *Intangibles Goodwill and Other,* the goodwill impairment analysis is done in two steps. The first step requires a comparison of the fair value of the individual reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is in excess of the carrying value, the related goodwill is considered not to be impaired and no further analysis is necessary. If the carrying value of the reporting unit exceeds the fair value, there is an indication of potential impairment and a second step of testing is performed to measure the amount of impairment, if any, for that reporting unit.

When required, the second step of testing involves calculating the implied fair value of goodwill for each of the affected reporting units. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit determined in step one over the fair value of the net assets and identifiable intangibles as if the reporting unit were being acquired. If the amount of the goodwill allocated to the reporting unit

exceeds the implied fair value of the goodwill in the pro forma purchase price allocation, an impairment charge is recorded for the excess. A recognized impairment charge cannot exceed the amount of goodwill allocated to a reporting unit and cannot subsequently be reversed even if the fair value of the reporting unit recovers.

Goodwill impairment testing involves management judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by the fair value of the individual reporting unit using widely accepted valuation techniques, such as the market approach (earnings multiples and/or transaction multiples) and/or the income approach (discounted cash flow (DCF) method). In applying these methodologies, Citi utilizes a number of factors, including actual operating results, future business plans, economic projections, and market data. Management may engage an independent valuation specialist to assist in Citi s valuation process.

Citigroup engaged the services of an independent valuation specialist in 2010 and 2011 to assist in Citi s valuation for most of the reporting units employing both the market approach and DCF method. Citi believes that the DCF method, using management projections for the selected reporting units and an appropriate risk-adjusted discount rate, is most reflective of a market participant s view of fair values given current market conditions. For the reporting units where both methods were utilized in 2010 and 2011, the resulting fair values were relatively consistent and appropriate weighting was given to outputs from both methods.

The DCF method used at the time of each impairment test used discount rates that Citi believes adequately reflected the risk and uncertainty in the financial markets generally and specifically in the internally generated cash flow projections. The DCF method employs a capital asset pricing model in estimating the discount rate. Citi continues to value the remaining reporting units where it believes the risk of impairment to be low, using primarily the market approach.

Citi prepares a formal three-year strategic plan for its businesses on an annual basis. These projections incorporate certain external economic projections developed at the point in time the strategic plan is developed. For the purpose of performing any impairment test, the three-year forecast is updated by Citi to reflect current economic conditions as of the testing date. Citi used updated long-range financial forecasts as a basis for its annual goodwill impairment test performed as of July 1, 2011.

The results of the July 1, 2011 test validated that the fair values exceeded the carrying values for the reporting units that had goodwill at the testing date. Citi is also required to test goodwill for impairment whenever events or circumstances make it more likely than not that impairment may have occurred, such as a significant adverse change in the business climate, a decision to sell or dispose of all or a significant portion of a reporting unit, or a significant decline in Citi s stock price. No interim goodwill impairment tests were performed during 2011.

Since none of the Company s reporting units are publicly traded, individual reporting unit fair value determinations cannot be directly correlated to Citigroup s stock price. The sum of the fair values of the reporting units at July 1, 2011 exceeded the overall market capitalization of Citi as of July 1, 2011. However, Citi believes that it was not meaningful to reconcile the sum of the fair values of its reporting units to its market capitalization during the 2011 annual impairment test due to the fact that Citi s market capitalization reflects the execution risk in a transaction involving Citigroup due to its size. The individual reporting units fair values are not subject to the same level of execution risk or a business model that is perceived to be complex.

See also Note 18 to the Consolidated Financial Statements.

Income Taxes

Citi is subject to the income tax laws of the U.S., its states and local municipalities and the foreign jurisdictions in which Citi operates. These tax laws are complex and are subject to differing interpretations by the taxpayer and the relevant governmental taxing authorities. Disputes over interpretations of the tax laws may be subject to review and adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon audit.

In establishing a provision for income tax expense, Citi must make judgments and interpretations about the application of these inherently complex tax laws. Citi must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign. Deferred taxes are recorded for the future consequences of events that have been recognized in the financial statements or tax returns, based upon enacted tax laws and rates. Deferred tax assets (DTAs) are recognized subject to management s judgment that realization is more likely than not.

At December 31, 2011, Citi had recorded net DTAs of approximately $51.5 billion, a decrease of $0.6 billion from $52.1 billion at December 31, 2010.

Although realization is not assured, Citi believes that the realization of the recognized net DTA of $51.5 billion at December 31, 2011 is more likely than not based upon expectations as to future taxable income in the jurisdictions in which the DTAs arise and based on available tax planning strategies (as defined in ASC 740, *Income Taxes)* that would be implemented, if necessary, to prevent a carryforward from expiring.

In general, Citi would need to generate approximately $111 billion of taxable income during the respective carryforward periods (discussed below) to fully realize its U.S. federal, state and local DTAs. Citi s net DTAs will decline primarily as additional domestic GAAP taxable income is generated.

As of December 31, 2011, Citi was no longer in a three-year cumulative loss position for purposes of evaluating its DTAs. While this removes a significant piece of negative evidence in evaluating the need for a valuation allowance, Citi will continue to weigh the evidence supporting its DTAs. Citi has concluded that there are two pieces of positive evidence that support the full realizability of its DTAs. First, Citi forecasts sufficient taxable income in the carryforward period, exclusive of tax planning strategies. Second, Citi has sufficient tax planning strategies, including potential sales of assets, in which it could realize the excess of appreciated value over the tax basis of its assets. The amount of the DTAs considered realizable, however, is necessarily subject to Citi s estimates of future taxable income in the jurisdictions in which it operates during the respective carry-forward periods, which is in turn subject to overall market and global economic conditions.

The following table summarizes Citi s net DTAs balance at December 31, 2011 and 2010:

Jurisdiction/Component

In billions of dollars	**DTA balance December 31, 2011**	DTA balance December 31, 2010
U.S. federal [1]		
Consolidated tax return net operating loss (NOL)	$	$ 3.8
Consolidated tax return foreign tax credit (FTC)	**15.8**	13.9
Consolidated tax return general business credit (GBC)	**2.1**	1.7
Future tax deductions and credits	**23.0**	21.8
Other [2]	**1.4**	0.4
Total U.S. federal	**$ 42.3**	$ 41.6
State and local		
New York NOLs	**$ 1.3**	$ 1.7
Other state NOLs	**0.7**	0.8
Future tax deductions	**2.2**	2.1
Total state and local	**$ 4.2**	$ 4.6
Foreign		
APB 23 subsidiary NOLs	**$ 0.5**	$ 0.5
Non-APB 23 subsidiary NOLs	**1.8**	1.5

Future tax deductions		**2.7**		3.9
Total foreign	**$**	**5.0**	$	5.9
Total	**$**	**51.5**	$	52.1

(1) Included in the net U.S. federal DTAs of $42.3 billion at December 31, 2011 are deferred tax liabilities of $3 billion that will reverse in the relevant carryforward period and may be used to support the DTAs, and $0.2 billion in compensation deductions that reduced additional paid-in capital in January 2012 and for which no adjustment to such DTAs is permitted at December 31, 2011 because the related stock compensation was not yet deductible to Citi.

(2) Includes $1.2 billion and $0.1 billion for 2011 and 2010, respectively, of tax carryforwards related to companies that file U.S. federal tax returns separate from Citigroup s consolidated U.S. federal tax return.

The U.S. federal consolidated tax return NOL carry-forward component of the DTAs of $3.8 billion at December 31, 2010 was utilized in 2011. For the reasons discussed herein, Citi believes the U.S. federal and New York state and city NOL carryforward period of 20 years provides enough time to fully utilize the DTAs pertaining to the existing NOL carryforwards and any NOL that would be created by the reversal of the future net deductions that have not yet been taken on a tax return.

Because the U.S. federal consolidated tax return NOL carryforward has been utilized, Citi can begin to utilize its foreign tax credit (FTC) and general business credit (GBC) carryforwards. The U.S. FTC carryforward period is 10 years. Utilization of foreign tax credits in any year is restricted to 35% of foreign source taxable income in that year. However, overall domestic losses that Citi has incurred of approximately $56 billion as of December 31, 2011 are allowed to be reclassified as foreign source income to the extent of 50% of domestic source income produced in subsequent years, and such resulting foreign source income would in fact be sufficient to cover the foreign tax credits being carried forward. As such, Citi believes the foreign source taxable income limitation will not be an impediment to the foreign tax credit carryforward usage as long as Citi can generate sufficient domestic taxable income within the 10-year carryforward period.

Regarding the estimate of future taxable income, Citi has projected its pretax earnings, predominantly based upon the core businesses that Citi intends to conduct going forward. These core businesses have produced steady and strong earnings in the past. Citi believes that it will generate sufficient pretax earnings within the 10-year carryforward period referenced above to be able to fully utilize the foreign tax credit carryforward, in addition to any foreign tax credits produced in such period.

As mentioned above, Citi has examined tax planning strategies available to it in accordance with ASC 740 that would be employed, if necessary, to prevent a carryforward from expiring and to accelerate the usage of its carryforwards. These strategies include repatriating low-taxed foreign source earnings for which an assertion that the earnings have been indefinitely reinvested has not been made, accelerating U.S. taxable income into or deferring U.S. tax deductions out of the latter years of the carryforward period (e.g., selling appreciated intangible assets and electing straight-line depreciation), accelerating deductible temporary differences outside the U.S., holding onto available-for-sale debt securities with losses until they mature and selling certain assets that produce tax-exempt income, while purchasing assets that produce fully taxable income. In addition, the sale or restructuring of certain businesses can produce significant U.S. taxable income within the relevant carryforward periods.

As previously disclosed, Citi s ability to utilize its DTAs to offset future taxable income may be significantly limited if Citi experiences an ownership change, as defined in Section 382 of the Internal Revenue Code of 1986, as amended (Code). Generally, an ownership change will occur if there is a cumulative change in Citi s ownership by 5-percent shareholders (as defined in the Code) that exceeds 50 percentage points over a rolling three-year period. Any limitation on Citi s ability to utilize its DTAs arising from an ownership change under Section 382 will depend on the value of Citi s stock at the time of the ownership change.

See Note 10 to the Consolidated Financial Statements for a further description of Citi s tax provision and related income tax assets and liabilities.

Approximately $11 billion of the net DTAs was included in Tier 1 Common and Tier 1 Capital as of December 31, 2011.

Litigation Accruals

See the discussion in Note 29 to the Consolidated Financial Statements for information regarding Citi s policies on establishing accruals for legal and regulatory claims.

Accounting Changes and Future Application of Accounting Standards

See Note 1 to the Consolidated Financial Statements for a discussion of Accounting Changes and the Future Application of Accounting Standards.

DISCLOSURE CONTROLS AND PROCEDURES

Citi s disclosure controls and procedures are designed to ensure that information required to be disclosed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, including without limitation that information required to be disclosed by Citi in its SEC filings is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as appropriate to allow for timely decisions regarding required disclosure.

Citi s Disclosure Committee assists the CEO and CFO in their responsibilities to design, establish, maintain and evaluate the effectiveness of Citi s disclosure controls and procedures. The Disclosure Committee is responsible for, among other things, the oversight, maintenance and implementation of the disclosure controls and procedures, subject to the supervision and oversight of the CEO and CFO.

Citi s management, with the participation of its CEO and CFO, has evaluated the effectiveness of Citigroup s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2011 and, based on that evaluation, the CEO and CFO have concluded that at that date Citigroup s disclosure controls and procedures were effective.

MANAGEMENT S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Citi s management is responsible for establishing and maintaining adequate internal control over financial reporting. Citi s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Citi s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of Citi s assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that Citi s receipts and expenditures are made only in accordance with authorizations of Citi s management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Citi s assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. In addition, given Citi s large size, complex operations and global footprint, lapses or deficiencies in internal controls may occur from time to time.

Citi management assessed the effectiveness of Citigroup s internal control over financial reporting as of December 31, 2011 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, management believes that, as of December 31, 2011, Citi s internal control over financial reporting was effective. In addition, there were no changes in Citi s internal control over financial reporting during the fiscal quarter ended December 31, 2011 that materially affected, or are reasonably likely to materially affect, Citi s internal control over financial reporting.

The effectiveness of Citi s internal control over financial reporting as of December 31, 2011 has been audited by KPMG LLP, Citi s independent registered public accounting firm, as stated in their report below, which expressed an unqualified opinion on the effectiveness of Citi s internal control over financial reporting as of December 31, 2011.

FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-K including but not limited to statements included within the Management s Discussion and Analysis of Financial Condition and Results of Operations, are forward-looking statements within the meaning of the rules and regulations of the SEC. In addition, Citigroup also may make forward-looking statements in its other documents filed or furnished with the SEC, and its management may make forward-looking statements orally to analysts, investors, representatives of the media and others.

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

Such statements are based on management s current expectations and are subject to uncertainty and changes in circumstances. Actual results and capital and other financial condition may differ materially from those included in these statements due to a variety of factors, including without limitation the precautionary statements included in this Form 10-K, the factors listed and described under Risk Factors above and the factors described below:

- the ongoing potential impact of significant regulatory changes around the world on Citi s businesses, revenues and earnings, and the possibility of additional regulatory requirements beyond those already proposed, adopted or currently contemplated by U.S. or international regulators;
- the uncertainty around the ongoing implementation of The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), as well as international efforts, on Citi s ability to manage its businesses, the amount and timing of increased costs, and Citi s ability to compete with U.S. and foreign competitors;
- Citi s ability to meet prospective new regulatory capital requirements in the timeframe expected by the market or its regulators, the impact the continued lack of certainty surrounding Citi s capital requirements has on Citi s long-term capital planning, and the extent to which Citi will be disadvantaged by capital requirements compared to U.S. and non-U.S. competitors;
- the impact of the proposed rules relating to the regulation of derivatives under the Dodd-Frank Act, as well as similar proposed international derivatives regulations, on Citi s competitiveness in, and earnings from, these businesses;
- the impact of the proposed restrictions under the Volcker Rule provisions of the Dodd-Frank Act on Citi s market-making activities, the significant compliance costs associated with those proposals, and the potential that Citi could be forced to dispose of certain investments at less than fair value;
- the potential impact of the newly formed Consumer Financial Protection Bureau on Citi s practices and operations with respect to a number of its U.S. Consumer businesses and the potential significant costs associated with implementing and complying with any new regulatory requirements;
- the potential negative impact to Citi of regulatory requirements in the U.S. and other jurisdictions aimed at facilitating the orderly resolution of large financial institutions;
- Citi s ability to hire and retain highly qualified employees as a result of regulatory requirements regarding compensation practices or otherwise;
- the impact of existing and potential future regulations on Citi s ability and costs to participate in securitization transactions, as well as the nature and profitability of securitization transactions generally;
- potential future changes to key accounting standards utilized by Citi and their impact on how Citi records and reports its financial condition and results of operations, including whether Citi would be able to meet any required transition timelines;
- the potential negative impact the ongoing Eurozone debt crisis could have on Citi s businesses, results of operations, financial condition and liquidity, particularly if sovereign debt defaults, significant bank failures or defaults and/or the exit of one or more countries from the European Monetary Union occur;
- the continued uncertainty relating to the sustainability and pace of economic recovery and their continued effect on certain of Citi s businesses, particularly *S&B* and the U.S. mortgage businesses within *Citi Holdings Local Consumer Lending*;
- the potential impact of any further downgrade of the U.S. government credit rating, or concerns regarding a potential downgrade, on Citi s businesses, results of operations, capital and funding and liquidity;
- risks arising from Citi s extensive operations outside the U.S., particularly in emerging markets, including, without limitation, exchange controls, limitations on foreign investments, sociopolitical instability, nationalization, closure of branches or subsidiaries, confiscation of assets, and sovereign volatility, as well as increased compliance and regulatory risks and costs;

- the impact of external factors, such as market disruptions or negative market perceptions of Citi or the financial services industry generally, on Citi s liquidity and/or costs of funding;
- the potential negative impact on Citi s funding and liquidity of a reduction in Citi or its subsidiaries credit ratings;
- the potential outcome of the extensive litigation, investigations and inquiries pertaining to Citi s U.S. mortgage-related activities and the impact of any such outcomes on Citi s businesses, business practices, reputation, financial condition or results of operations;
- the negative impact of the remaining assets in Citi Holdings on Citi s results of operations and Citi s ability to more productively utilize the capital supporting these assets;
- the potential negative impact to Citi s common stock price and market perception if Citi is unable to increase its common stock dividend or initiate a share repurchase program;

- Citi s ability to achieve its targeted expense reduction levels as well as ensuring the highest level of productivity of Citi s previous or future investment spending;
- the potential negative impact on the value of Citi s deferred tax assets (DTAs) if U.S., state or foreign tax rates are reduced, or if other changes are made to the U.S. tax system, such as changes to the tax treatment of foreign business income;
- the expiration of the active financing income exception on Citi s tax expense;
- the potential impact to Citi from evolving cybersecurity and other technological risks and attacks, which could result in additional costs, reputational damage, regulatory penalties and financial losses;
- the accuracy of Citi s assumptions and estimates used to prepare its financial statements and the potential for Citi to experience significant losses if these assumptions or estimates are incorrect;
- the inability to predict the potential outcome of the extensive legal and regulatory proceedings that Citi is subject to at any given time, and the impact of any such outcomes on Citi s businesses, business practices, reputation, financial condition or results of operations;
- Citi s inability to maintain the value of the Citi brand; and
- Citi's concentration of risk and the potential ineffectiveness of Citi s risk management processes, including its risk monitoring and risk mitigation techniques.

Any forward-looking statements made by or on behalf of Citigroup speak only as to the date they are made, and Citi does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders
Citigroup Inc.:

We have audited Citigroup Inc. and subsidiaries (the Company or Citigroup) internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management s annual report on internal control over financial reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and

procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Citigroup maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Citigroup as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated February 24, 2012 expressed an unqualified opinion on those consolidated financial statements.

New York, New York
February 24, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Stockholders
Citigroup Inc.:

We have audited the accompanying consolidated balance sheets of Citigroup Inc. and subsidiaries (the Company or Citigroup) as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citigroup as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the Consolidated Financial Statements, in 2010 the Company changed its method of accounting for qualifying special purpose entities, variable interest entities and embedded credit derivatives.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Citigroup s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2012 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

New York, New York
February 24, 2012

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

Citigroup Inc. and Subsidiaries

In millions of dollars, except per-share amounts	**Year ended December 31, 2011**	2010	2009
Revenues			
Interest revenue	**$ 72,681**	$ 79,282	$ 76,398
Interest expense	**24,234**	25,096	27,902
Net interest revenue	**$ 48,447**	$ 54,186	$ 48,496
Commissions and fees	**$ 12,850**	$ 13,658	$ 15,485
Principal transactions	**7,234**	7,517	6,068
Administration and other fiduciary fees	**3,995**	4,005	5,195
Realized gains (losses) on sales of investments, net	**1,997**	2,411	1,996
Other-than-temporary impairment losses on investments			
Gross impairment losses	**(2,413)**	(1,495)	(7,262)
Less: Impairments recognized in AOCI	**159**	84	4,356
Net impairment losses recognized in earnings	**(2,254)**	(1,411)	$ (2,906)
Insurance premiums	**2,647**	$ 2,684	$ 3,020
Other revenue	**3,437**	3,551	2,931
Total non-interest revenues	**$ 29,906**	$ 32,415	$ 31,789
Total revenues, net of interest expense	**$ 78,353**	$ 86,601	$ 80,285
Provisions for credit losses and for benefits and claims			
Provision for loan losses	**$ 11,773**	$ 25,194	$ 38,760
Policyholder benefits and claims	**972**	965	1,258
Provision (release) for unfunded lending commitments	**51**	(117)	244
Total provisions for credit losses and for benefits and claims	**$ 12,796**	$ 26,042	$ 40,262
Operating expenses			
Compensation and benefits	**$ 25,688**	$ 24,430	$ 24,987
Premises and equipment	**3,326**	3,331	3,697
Technology/communication	**5,133**	4,924	5,215
Advertising and marketing	**2,346**	1,645	1,415
Restructuring			(113)
Other operating	**14,440**	13,045	12,621
Total operating expenses	**$ 50,933**	$ 47,375	$ 47,822
Income (loss) from continuing operations before income taxes	**$ 14,624**	$ 13,184	$ (7,799)
Provision (benefit) for income taxes	**3,521**	2,233	(6,733)
Income (loss) from continuing operations	**$ 11,103**	$ 10,951	$ (1,066)
Discontinued operations			
Income (loss) from discontinued operations	**$ 23**	$ 72	$ (653)
Gain (loss) on sale	**155**	(702)	102
Provision (benefit) for income taxes	**66**	(562)	(106)
Income (loss) from discontinued operations, net of taxes	**$ 112**	$ (68)	$ (445)
Net income (loss) before attribution of noncontrolling interests	**$ 11,215**	$ 10,883	$ (1,511)
Net income attributable to noncontrolling interests	**148**	281	95
Citigroup s net income (loss)	**$ 11,067**	$ 10,602	$ (1,606)
Basic earnings per share (1)(2)			
Income (loss) from continuing operations	**$ 3.69**	$ 3.66	$ (7.61)
Income (loss) from discontinued operations, net of taxes	**0.04**	(0.01)	(0.38)
Net income (loss)	**$ 3.73**	$ 3.65	$ (7.99)
Weighted average common shares outstanding	**2,909.8**	2,877.6	1,156.8
Diluted earnings per share (1)(2)			
Income (loss) from continuing operations	**$ 3.59**	$ 3.55	$ (7.61)
Income (loss) from discontinued operations, net of taxes	**0.04**	(0.01)	(0.38)
Net income (loss)	**$ 3.63**	$ 3.54	$ (7.99)
Adjusted weighted average common shares outstanding	**2,998.8**	2,967.8	1,209.9

(1) Earnings per share amounts and adjusted weighted average common shares outstanding for all periods reflect Citigroup s 1-for-10 reverse stock split, which was effective May 6, 2011.

(2) Due to the net loss available to common shareholders in 2009, loss available to common stockholders for basic EPS was used to calculate diluted EPS. Including the effect of dilutive securities would result in anti-dilution.

See Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

Citigroup Inc. and

In millions of dollars, except shares	De 2011
Assets	
Cash and due from banks (including segregated cash and other deposits)	$ 28,701
Deposits with banks	155,784
Federal funds sold and securities borrowed or purchased under agreements to resell (including $142,862 and $87,512 as of December 31, 2011 and 2010, respectively, at fair value)	275,849
Brokerage receivables	27,777
Trading account assets (including $109,719 and $117,554 pledged to creditors at December 31, 2011 and 2010, respectively)	291,734
Investments (including $14,940 and $12,546 pledged to creditors at December 31, 2011 and 2010, respectively, and $274,040 and $281,174 at December 31, 2011 and 2010, respectively, at fair value)	293,413
Loans, net of unearned income	
Consumer (including $1,326 and $1,745 as of December 31, 2011 and 2010, respectively, at fair value)	423,731
Corporate (including $3,939 and $2,627 at December 31, 2011 and 2010, respectively, at fair value)	223,511
Loans, net of unearned income	$ 647,242
Allowance for loan losses	(30,115)
Total loans, net	$ 617,127
Goodwill	25,413
Intangible assets (other than MSRs)	6,600
Mortgage servicing rights (MSRs)	2,569
Other assets (including $11,241 and $19,530 as of December 31, 2011 and 2010, respectively, at fair value)	148,911
Total assets	**$1,873,878**

The following table presents certain assets of consolidated variable interest entities (VIEs), which are included in the Consolidated Balance Sheet above. The assets in the table below include only those assets that can be used to settle obligations of consolidated VIEs on the following page, and are in excess of those obligations. Additionally, the assets in the table below include third-party assets of consolidated VIEs only, and exclude intercompany balances that eliminate in consolidation.

	December 31,	
In millions of dollars	**2011**	2010
Assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs		
Cash and due from banks	$ 536	$ 799
Trading account assets	567	6,509
Investments	10,582	7,946
Loans, net of unearned income		
Consumer (including $1,292 and $1,718 as of December 31, 2011 and December 31, 2010, respectively, fair value)	103,275	117,768
Corporate (including $198 and $425 as of December 31, 2011 and December 31, 2010, respectively, fair value)	23,780	23,537
Loans, net of unearned income	$127,055	$141,305
Allowance for loan losses	(8,000)	(11,346)
Total loans, net	$119,055	$129,959
Other assets	859	680
Total assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs	**$131,599**	$145,893

Statement continues on the next page.

Citi

CONSOLIDATED BALANCE SHEET (Continued)

In millions of dollars, except shares	2011
Liabilities	
Non-interest-bearing deposits in U.S. offices	**$ 119,437**
Interest-bearing deposits in U.S. offices (including $848 and $662 at December 31, 2011 and 2010, respectively, at fair value)	**223,851**
Non-interest-bearing deposits in offices outside the U.S.	**57,357**
Interest-bearing deposits in offices outside the U.S. (including $478 and $603 at December 31, 2011 and 2010, respectively, at fair value)	**465,291**
Total deposits	**$ 865,936**
Federal funds purchased and securities loaned or sold under agreements to repurchase (including $112,770 and $121,193 as of December 31, 2011 and 2010, respectively, at fair value)	**198,373**
Brokerage payables	**56,696**
Trading account liabilities	**126,082**
Short-term borrowings (including $1,354 and $2,429 at December 31, 2011 and 2010, respectively, at fair value)	**54,441**
Long-term debt (including $24,172 and $25,997 at December 31, 2011 and 2010, respectively, at fair value)	**323,505**
Other liabilities (including $3,742 and $9,710 as of December 31, 2011 and 2010, respectively, at fair value)	**69,272**
Total liabilities	**$1,694,305**
Stockholders equity	
Preferred stock ($1.00 par value; authorized shares: 30 million), issued shares: **12,038 at December 31, 2011** and December 31, 2010, at aggregate liquidation value	**$ 312**
Common stock ($0.01 par value; authorized shares: 6 billion), issued shares: **2,937,755,921 at December 31, 2011** and 2,922,401,623 at December 31, 2010	**29**
Additional paid-in capital	**105,804**
Retained earnings	**90,520**
Treasury stock, at cost: **2011 13,877,688 shares** and 2010 16,565,572 shares	**(1,071)**
Accumulated other comprehensive income (loss)	**(17,788)**
Total Citigroup stockholders equity	**$ 177,806**
Noncontrolling interest	**1,767**
Total equity	**$ 179,573**
Total liabilities and equity	**$1,873,878**

The following table presents certain liabilities of consolidated VIEs, which are included in the Consolidated Balance Sheet above. The liabilities in the table below include third-party liabilities of consolidated VIEs only, and exclude intercompany balances that eliminate in consolidation. The liabilities also exclude amounts where creditors or beneficial interest holders have recourse to the general credit of Citigroup.

	December 31,	
In millions of dollars	**2011**	2010
Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Citigroup		
Short-term borrowings	**$21,009**	$22,046
Long-term debt (including $1,558 and $3,942 as of December 31, 2011 and December 31, 2010, respectively, fair value)	**50,451**	69,710
Other liabilities	**587**	813
Total liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Citigroup	**$72,047**	$92,569

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

Citigroup Inc. and Subsidiaries

In millions of dollars, except shares in thousands	Amounts **2011**	2010	2009	Year ended December 31, Shares **2011**	2010	2009
Preferred stock at aggregate liquidation value						
Balance, beginning of year	**$ 312**	$ 312	$ 70,664	**12**	12	829
Redemption or retirement of preferred stock			(74,005)			(824)
Issuance of new preferred stock			3,530			7
Preferred stock Series H discount accretion			123			
Balance, end of year	**$ 312**	$ 312	$ 312	**12**	12	12
Common stock and additional paid-in capital						
Balance, beginning of year	**$ 101,316**	$ 98,428	$ 19,222	**2,922,402**	2,862,610	567,174
Employee benefit plans	**766**	(736)	(4,395)	**3,540**	46,703	
Conversion of preferred stock to common stock			61,963			1,737,259
Reset of convertible preferred stock conversion price			1,285			
Issuance of shares and T-DECs for TARP repayment			20,298		1,270	558,177
Issuance of TARP-related warrants			88			
ADIA Upper Decs Equity Units Purchase Contract	**3,750**	3,750		**11,781**	11,781	
Other	**1**	(126)	(33)	**33**	38	
Balance, end of year	**$ 105,833**	$ 101,316	$ 98,428	**2,937,756**	2,922,402	2,862,610
Retained earnings						
Balance, beginning of year	**$ 79,559**	$ 77,440	$ 86,521			
Adjustment to opening balance, net of taxes [1] [2]		(8,483)	413			
Adjusted balance, beginning of period	**$ 79,559**	$ 68,957	$ 86,934			
Citigroup s net income (loss)	**11,067**	10,602	(1,606)			
Common dividends [3]	**(81)**	10	(36)			
Preferred dividends	**(26)**	(9)	(3,202)			
Preferred stock Series H discount accretion			(123)			
Reset of convertible preferred stock conversion price			(1,285)			
Conversion of preferred stock to common stock			(3,242)			
Other	**1**	(1)				
Balance, end of year	**$ 90,520**	$ 79,559	$ 77,440			
Treasury stock, at cost						
Balance, beginning of year	**$ (1,442)**	$ (4,543)	$ (9,582)	**(16,566)**	(14,283)	(22,168)
Issuance of shares pursuant to employee benefit plans	**372**	3,106	5,020	**2,714**	(2,128)	7,925
Treasury stock acquired [4]	**(1)**	(6)	(3)	**(26)**	(162)	(97)
Other		1	22		7	57
Balance, end of year	**$ (1,071)**	$ (1,442)	$ (4,543)	**(13,878)**	(16,566)	(14,283)

Statement continues on the next page.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY (Continued)

Citigroup Inc.
Subsidia

				Year ended December		
			Amounts			Sha
In millions of dollars, except shares in thousands	**2011**	2010	2009	**2011**	2010	20
Accumulated other comprehensive income (loss)						
Balance, beginning of year	**$ (16,277)**	$ (18,937)	$ (25,195)			
Adjustment to opening balance, net of taxes [2]			(413)			
Adjusted balance, beginning of year	**$ (16,277)**	$ (18,937)	$ (25,608)			
Net change in unrealized gains and losses on investment securities, net of taxes	**2,360**	1,952	5,713			
Net change in cash flow hedges, net of taxes	**(170)**	532	2,007			
Net change in foreign currency translation adjustment, net of taxes and hedges	**(3,524)**	820	(203)			
Pension liability adjustment, net of taxes [5]	**(177)**	(644)	(846)			
Net change in *Accumulated other comprehensive income (loss)* before attribution of noncontrolling interest	**$ (1,511)**	$ 2,660	$ 6,671			
Balance, end of year	**$ (17,788)**	$ (16,277)	$ (18,937)			
Total Citigroup common stockholders equity and common shares outstanding	**$ 177,494**	$ 163,156	$ 152,388	**2,923,878**	2,905,836	2,848,3
Total Citigroup stockholders equity	**$ 177,806**	$ 163,468	$ 152,700			
Noncontrolling interest						
Balance, beginning of year	**$ 2,321**	$ 2,273	$ 2,392			
Initial origination of a noncontrolling interest	**28**	412	285			
Transactions between noncontrolling-interest shareholders and the related consolidated subsidiary			(134)			
Transactions between Citigroup and the noncontrolling-interest shareholders	**(274)**	(231)	(354)			
Net income attributable to noncontrolling-interest shareholders	**148**	281	95			
Dividends paid to noncontrolling-interest shareholders	**(67)**	(99)	(17)			
Accumulated other comprehensive income net change in unrealized gains and losses on investment securities, net of tax	**(5)**	1	5			
Accumulated other comprehensive income (loss) net change in FX translation adjustment, net of tax	**(87)**	(27)	39			
All other	**(297)**	(289)	(38)			
Net change in noncontrolling interests	**$ (554)**	$ 48	$ (119)			
Balance, end of year	**$ 1,767**	$ 2,321	$ 2,273			
Total equity	**$ 179,573**	$ 165,789	$ 154,973			
Comprehensive income (loss)						
Net income (loss) before attribution of noncontrolling interests	**$ 11,215**	$ 10,883	$ (1,511)			
Net change in *Accumulated other comprehensive income (loss)*	**(1,603)**	2,634	6,715			
Total comprehensive income (loss)	**$ 9,612**	$ 13,517	$ 5,204			
Comprehensive income (loss) attributable to the noncontrolling interests	**$ 56**	$ 255	$ 139			
Comprehensive income (loss) attributable to Citigroup	**$ 9,556**	$ 13,262	$ 5,065			

(1) The adjustment to the opening balance for *Retained earnings* in 2010 represents the cumulative effect of initially adopting ASC 810, *Consolidation* (SFAS 167) and ASU 2010-11 (Scope Exception Related to Embedded Credit Derivatives). See Note 1 to the Consolidated Financial Statements.

(2) The adjustment to the opening balances for *Retained earnings* and *Accumulated other comprehensive income (loss)* in 2009 represents the cumulative effect of initially adopting ASC 320-10-35-34 (FSP FAS 115-2 and FAS 124-2). See Note 1 to the Consolidated Financial Statements.

(3) Common dividends in 2010 represent a reversal of dividends accrued on forfeitures of previously issued but unvested employee stock awards related to employees who have left Citigroup. Common dividends declared were as follows: $0.01 per share in the second, third and fourth quarters of 2011; $0.01 per share in the first quarter of 2009.

(4) All open market repurchases were transacted under an existing authorized share repurchase plan and relate to customer fails/errors.

(5) Reflects adjustments to the funded status of pension and postretirement plans, which is the difference between the fair value of the plan assets and the projected benefit obligation. See Note 9 to the Consolidated Financial Statements.

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Citigroup Inc. and Subsidiaries

In millions of dollars	**2011**	2010	2009
	Year ended December 31,		
Cash flows from operating activities of continuing operations			
Net income (loss) before attribution of noncontrolling interests	**$ 11,215**	$ 10,883	$ (1,511)
Net income attributable to noncontrolling interests	**148**	281	95
Citigroup s net income (loss)	**$ 11,067**	$ 10,602	$ (1,606)
Income (loss) from discontinued operations, net of taxes	**17**	215	(402)
Gain (loss) on sale, net of taxes	**95**	(283)	(43)
Income (loss) from continuing operations excluding noncontrolling interests	**$ 10,955**	$ 10,670	$ (1,161)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities of continuing operations			
Amortization of deferred policy acquisition costs and present value of future profits	**$ 250**	$ 302	$ 434
(Additions)/reductions to deferred policy acquisition costs	**(54)**	(98)	(461)
Depreciation and amortization	**2,872**	2,664	2,853
Deferred tax benefit	**(74)**	(964)	(7,709)
Provision for credit losses	**11,824**	25,077	39,004
Change in trading account assets	**25,538**	15,601	25,864
Change in trading account liabilities	**(2,972)**	(8,458)	(25,382)
Change in federal funds sold and securities borrowed or purchased under agreements to resell	**(29,132)**	(24,695)	(43,726)
Change in federal funds purchased and securities loaned or sold under agreements to repurchase	**8,815**	35,277	(47,669)
Change in brokerage receivables net of brokerage payables	**8,383**	(6,676)	1,847
Realized gains from sales of investments	**(1,997)**	(2,411)	(1,996)
Change in loans held-for-sale	**1,021**	2,483	(1,711)
Other, net	**9,312**	(13,086)	5,203
Total adjustments	**$ 33,786**	$ 25,016	$ (53,449)
Net cash provided by (used in) operating activities of continuing operations	**$ 44,741**	$ 35,686	$ (54,610)
Cash flows from investing activities of continuing operations			
Change in deposits with banks	**$ 6,653**	$ 4,977	$ 2,519
Change in loans	**(11,559)**	60,730	(148,651)
Proceeds from sales and securitizations of loans	**10,022**	9,918	241,367
Purchases of investments	**(314,250)**	(406,046)	(281,115)
Proceeds from sales of investments	**182,566**	183,688	85,395
Proceeds from maturities of investments	**139,959**	189,814	133,614
Capital expenditures on premises and equipment and capitalized software	**(3,448)**	(2,363)	(2,264)
Proceeds from sales of premises and equipment, subsidiaries and affiliates, and repossessed assets	**1,323**	2,619	6,303
Net cash provided by (used in) investing activities of continuing operations	**$ 11,266**	$ 43,337	$ 37,168
Cash flows from financing activities of continuing operations			
Dividends paid	**$ (107)**	$ (9)	$ (3,237)
Issuance of common stock			17,514
Issuances of T-DECs APIC			2,784
Issuance of ADIA Upper Decs equity units purchase contract	**3,750**	3,750	
Treasury stock acquired	**(1)**	(6)	(3)
Stock tendered for payment of withholding taxes	**(230)**	(806)	(120)
Issuance of long-term debt	**30,242**	33,677	110,088
Payments and redemptions of long-term debt	**(89,091)**	(75,910)	(123,743)
Change in deposits	**23,858**	9,065	61,718
Change in short-term borrowings	**(25,067)**	(47,189)	(51,995)
Net cash (used in) provided by financing activities of continuing operations	**$ (56,646)**	$ (77,428)	$ 13,006
Effect of exchange rate changes on cash and cash equivalents	**$ (1,301)**	$ 691	$ 632
Discontinued operations			
Net cash provided by (used in) discontinued operations	**$ 2,669**	$ 214	$ 23
Change in cash and due from banks	**$ 729**	$ 2,500	$ (3,781)
Cash and due from banks at beginning of period	**27,972**	25,472	29,253
Cash and due from banks at end of period	**$ 28,701**	$ 27,972	$ 25,472
Supplemental disclosure of cash flow information for continuing operations			
Cash paid/(received) during the year for income taxes	**$ 2,705**	$ 4,307	$ (289)
Cash paid during the year for interest	**$ 21,230**	$ 23,209	$ 28,389
Non-cash investing activities			
Transfers to OREO and other repossessed assets	**$ 1,284**	$ 2,595	$ 2,880
Transfers to trading account assets from investments (available-for-sale)		12,001	
Transfers to trading account assets from investments (held-to-maturity)	**$ 12,700**	$	$

See Notes to the Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Citigroup and its subsidiaries. The Company consolidates subsidiaries in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. Entities where the Company holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence, other than investments of designated venture capital subsidiaries, or investments accounted for at fair value under the fair value option, are accounted for under the equity method, and the pro rata share of their income (loss) is included in *Other revenue*. Income from investments in less than 20%-owned companies is recognized when dividends are received. As discussed below, Citigroup consolidates entities deemed to be variable interest entities when Citigroup is determined to be the primary beneficiary. Gains and losses on the disposition of branches, subsidiaries, affiliates, buildings, and other investments are included in *Other revenue.*

Throughout these Notes, Citigroup , Citi and the Company refer to Citigroup Inc. and its consolidated subsidiaries.

Certain reclassifications have been made to the prior-periods financial statements and notes to conform to the current period s presentation.

Citibank, N.A.

Citibank, N.A. is a commercial bank and wholly owned subsidiary of Citigroup Inc. Citibank s principal offerings include: Consumer finance, mortgage lending, and retail banking products and services; investment banking, commercial banking, cash management, trade finance and e-commerce products and services; and private banking products and services.

Variable Interest Entities

An entity is referred to as a variable interest entity (VIE) if it meets the criteria outlined in ASC 810, *Consolidation* (formerly SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*) (SFAS 167), which are: (1) the entity has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or (2) the entity has equity investors that cannot make significant decisions about the entity s operations or that do not absorb their proportionate share of the entity s expected losses or expected returns.

Prior to January 1, 2010, the Company consolidated a VIE if it had a majority of the expected losses or a majority of the expected residual returns or both. As of January 1, 2010, when the Company adopted SFAS 167 s amendments to the VIE consolidation guidance, the Company consolidates a VIE when it has both the power to direct the activities that most significantly impact the VIE s economic success and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE (that is, it is the primary beneficiary).

Along with the VIEs that are consolidated in accordance with these guidelines, the Company has variable interests in other VIEs that are not consolidated because the Company is not the primary beneficiary. These include multi-seller finance companies, certain collateralized debt obligations (CDOs), many structured finance transactions, and various investment funds.

However, these VIEs as well as all other unconsolidated VIEs are continually monitored by the Company to determine if any events have occurred that could cause its primary beneficiary status to change. These events include:

- additional purchases or sales of variable interests by Citigroup or an unrelated third party, which cause Citigroup s overall variable interest ownership to change;
- changes in contractual arrangements in a manner that reallocates expected losses and residual returns among the variable interest holders;
- changes in the party that has power to direct activities of a VIE that most significantly impact the entity s economic performance; and
- providing support to an entity that results in an implicit variable interest.

All other entities not deemed to be VIEs with which the Company has involvement are evaluated for consolidation under other subtopics of ASC 810 (formerly Accounting Research Bulletin (ARB) No. 51, *Consolidated Financial Statements*, SFAS No. 94, *Consolidation of All Majority-Owned Subsidiaries*, and EITF Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights).

Foreign Currency Translation

Assets and liabilities of foreign operations are translated from their respective functional currencies into U.S. dollars using period-end spot foreign-exchange rates. The effects of those translation adjustments are reported in a separate component of stockholders equity, along with related hedge and tax effects, until realized upon sale or liquidation of the foreign operation. Revenues and expenses of foreign operations are translated monthly from their respective functional currencies into U.S. dollars at amounts that approximate weighted average exchange rates.

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

Investment Securities

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

Investment securities are classified and accounted for as follows:

- Fixed income securities classified as held-to-maturity represent securities that the Company has both the ability and the intent to hold until maturity, and are carried at amortized cost. Interest income on such securities is included in *Interest revenue*.
- Fixed income securities and marketable equity securities classified as available-for-sale are carried at fair value with changes in fair value reported in a separate component of *Stockholders equity*, net of applicable income taxes. As described in more detail in Note 15 to the Consolidated Financial Statements, credit-related declines in fair value that are determined to be other than-temporary are recorded in earnings immediately. Realized gains and losses on sales are included in income primarily on a specific identification cost basis. Interest and dividend income on such securities is included in *Interest revenue*.
- Venture capital investments held by Citigroup s private equity subsidiaries that are considered investment companies are carried at fair value with changes in fair value reported in *Other revenue*. These subsidiaries include entities registered as Small Business Investment Companies and engage exclusively in venture capital activities.
- Certain investments in non-marketable equity securities and certain investments that would otherwise have been accounted for using the equity method are carried at fair value, since the Company has elected to apply fair value accounting. Changes in fair value of such investments are recorded in earnings.
- Certain non-marketable equity securities are carried at cost and periodically assessed for other-than-temporary impairment, as set out in Note 15 to the Consolidated Financial Statements.

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

The Company uses a number of valuation techniques for investments carried at fair value, which are described in Note 25 to the Consolidated Financial Statements. Realized gains and losses on sales of investments are included in income.

Trading Account Assets and Liabilities

Trading account assets include debt and marketable equity securities, derivatives in a receivable position, residual interests in securitizations and physical commodities inventory. In addition (as described in Note 26 to the Consolidated Financial Statements), certain assets that Citigroup has elected to carry at fair value under the fair value option, such as loans and purchased guarantees, are also included in *Trading account assets*.

Trading account liabilities include securities sold, not yet purchased (short positions), and derivatives in a net payable position, as well as certain liabilities that Citigroup has elected to carry at fair value (as described in Note 26 to the Consolidated Financial Statements).

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

Physical commodities inventory is carried at the lower of cost or market with related losses reported in *Principal transactions*. Realized gains and losses on sales of commodities inventory are included in *Principal transactions*.

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

The Company uses a number of techniques to determine the fair value of trading assets and liabilities, which are described in Note 25 to the Consolidated Financial Statements.

Securities Borrowed and Securities Loaned

Securities borrowing and lending transactions generally do not constitute a sale of the underlying securities for accounting purposes, and so are treated as collateralized financing transactions when the transaction involves the exchange of cash. Such transactions are recorded at the amount of cash advanced or received plus accrued interest. As described in Note 26 to the Consolidated Financial Statements, the Company has elected to apply fair value accounting to a number of securities borrowing and lending transactions. Irrespective of whether the Company has elected fair value accounting, fees paid or received for all securities lending and borrowing transactions are recorded in *Interest expense* or *Interest revenue* at the contractually specified rate.

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

As described in Note 25 to the Consolidated Financial Statements, the Company uses a discounted cash flow technique to determine the fair value of securities lending and borrowing transactions.

Repurchase and Resale Agreements

Securities sold under agreements to repurchase (repos) and securities purchased under agreements to resell (reverse repos) generally do not constitute a sale for accounting purposes of the underlying securities and so

are treated as collateralized financing transactions. As set out in Note 26 to the Consolidated Financial Statements, the Company has elected to apply fair value accounting to a majority of such transactions, with changes in fair value reported in earnings. Any transactions for which fair value accounting has not been elected are recorded at the amount of cash advanced or received plus accrued interest. Irrespective of whether the Company has elected fair value accounting, interest paid or received on all repo and reverse repo transactions is recorded in *Interest expense* or *Interest revenue* at the contractually specified rate.

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

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

As described in Note 25 to the Consolidated Financial Statements, the Company uses a discounted cash flow technique to determine the fair value of repo and reverse repo transactions. See related discussion of the assessment of the effective control for repurchase agreements in Future Application of Accounting Standards below.

Repurchase and Resale Agreements, and Securities Lending and Borrowing Agreements, Accounted for as Sales

Where certain conditions are met under ASC 860-10, *Transfers and Servicing* (formerly FASB Statement No. 166, *Accounting for Transfers of Financial Assets*), the Company accounts for certain repurchase agreements and securities lending agreements as sales. The key distinction resulting in these agreements being accounted for as sales is a reduction in initial margin or restriction in daily maintenance margin. At December 31, 2011 and December 31, 2010, a nominal amount of these transactions were accounted for as sales that reduced *Trading account assets*.

Loans

Loans are reported at their outstanding principal balances net of any unearned income and unamortized deferred fees and costs except that credit card receivable balances also include accrued interest and fees. Loan origination fees and certain direct origination costs are generally deferred and recognized as adjustments to income over the lives of the related loans.

As described in Note 26 to the Consolidated Financial Statements, Citi has elected fair value accounting for certain loans. Such loans are carried at fair value with changes in fair value reported in earnings. Interest income on such loans is recorded in *Interest revenue* at the contractually specified rate.

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

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

Consumer loans

Consumer loans represent loans and leases managed primarily by the *Global Consumer Banking* and *Local Consumer Lending* businesses.

Non-accrual and re-aging policies

As a general rule, interest accrual ceases for installment and real estate (both open- and closed-end) loans when payments are 90 days contractually past due. For credit cards and unsecured revolving loans, however, Citi generally accrues interest until payments are 180 days past due. Loans that have been modified to grant a short-term or long-term concession to a borrower who is in financial difficulty may not be accruing interest at the time of the modification. The policy for returning such modified loans to accrual status varies by product and/or region. In most cases, a minimum number of payments (ranging from one to six) are required, while in other cases the loan is never returned to accrual status.

For U.S. Consumer loans, one of the conditions to qualify for modification is that a minimum number of payments (typically ranging from one to three) must be made. Upon modification, the loan is re-aged to current status. However, re-aging practices for certain open-ended Consumer loans, such as credit cards, are governed by Federal Financial Institutions Examination Council (FFIEC) guidelines. For open-ended Consumer loans subject to FFIEC guidelines, one of the conditions for the loan to be re-aged to current status is that at least three consecutive minimum monthly payments, or the equivalent amount, must be received. In addition, under FFIEC guidelines, the number of times that such a loan can be re-aged is subject to limitations (generally once in twelve months and twice in five years). Furthermore, Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) loans are modified under those respective agencies guidelines and payments are not always required in order to re-age a modified loan to current.

Charge-off policies

Citi s charge-off policies follow the general guidelines below:

- Unsecured installment loans are charged off at 120 days past due.
- Unsecured revolving loans and credit card loans are charged off at 180 days contractually past due.
- Loans secured with non-real estate collateral are written down to the estimated value of the collateral, less costs to sell, at 120 days past due.
- Real estate-secured loans are written down to the estimated value of the property, less costs to sell, at 180 days contractually past due.

- Non-bank loans secured by real estate are written down to the estimated value of the property, less costs to sell, at the earlier of the receipt of title or 12 months in foreclosure (a process that must commence when payments are 120 days contractually past due).

- Non-bank auto loans are written down to the estimated value of the collateral, less costs to sell, at repossession or, if repossession is not pursued, no later than 180 days contractually past due.
- Non-bank unsecured personal loans are charged off when the loan is 180 days contractually past due if there have been no payments within the last six months, but in no event can these loans exceed 360 days contractually past due.
- Unsecured loans in bankruptcy are charged off within 60 days of notification of filing by the bankruptcy court or in accordance with Citi s charge-off policy, whichever occurs earlier.
- Real estate-secured loans in bankruptcy are written down to the estimated value of the property, less costs to sell, at the later of 60 days after notification or 60 days contractually past due.
- Non-bank unsecured personal loans in bankruptcy are charged off when they are 30 days contractually past due.
- Commercial market loans are written down to the extent that principal is judged to be uncollectable.

Corporate loans

Corporate loans represent loans and leases managed by *ICG* or the *Special Asset Pool*. Corporate loans are identified as impaired and placed on a cash (non-accrual) basis when it is determined, based on actual experience and a forward-looking assessment of the collectability of the loan in full, that the payment of interest or principal is doubtful or when interest or principal is 90 days past due, except when the loan is well collateralized and in the process of collection. Any interest accrued on impaired Corporate loans and leases is reversed at 90 days and charged against current earnings, and interest is thereafter included in earnings only to the extent actually received in cash. When there is doubt regarding the ultimate collectability of principal, all cash receipts are thereafter applied to reduce the recorded investment in the loan.

Impaired Corporate loans and leases are written down to the extent that principal is judged to be uncollectable. Impaired collateral-dependent loans and leases, where repayment is expected to be provided solely by the sale of the underlying collateral and there are no other available and reliable sources of repayment, are written down to the lower of cost or collateral value. Cash-basis loans are returned to an accrual status when all contractual principal and interest amounts are reasonably assured of repayment and there is a sustained period of repayment performance in accordance with the contractual terms.

Loans Held-for-Sale

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

Allowance for Loan Losses

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

Corporate loans

In the corporate portfolios, the *Allowance for loan losses* includes an asset-specific component and a statistically based component. The asset-specific component is calculated under ASC 310-10-35, *Receivables Subsequent Measurement* (formerly SFAS 114) on an individual basis for larger-balance, non-homogeneous loans, which are considered impaired. An asset-specific allowance is established when the discounted cash flows, collateral value (less disposal costs), or observable market price of the impaired loan is lower than its carrying value. This allowance considers the borrower s overall financial condition, resources, and payment record, the prospects for support from any financially responsible guarantors (discussed further below) and, if appropriate, the realizable value of any collateral. The asset-specific component of the allowance for smaller balance impaired loans is calculated on a pool basis considering historical loss experience.

The allowance for the remainder of the loan portfolio is calculated under ASC 450, *Contingencies* (formerly SFAS 5) using a statistical methodology, supplemented by management judgment. The statistical analysis considers the portfolio s size, remaining tenor, and credit quality as measured by internal risk ratings assigned to individual credit facilities, which reflect probability of default and loss given default. The statistical analysis considers historical default rates and historical loss severity in the event of default, including historical average levels and

historical variability. The result is an estimated range for inherent losses. The best estimate within the range is then determined by management s quantitative and qualitative assessment

of current conditions, including general economic conditions, specific industry and geographic trends, and internal factors including portfolio concentrations, trends in internal credit quality indicators, and current and past underwriting standards.

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

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

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

Consumer loans

For Consumer loans, each portfolio of non-modified smaller-balance, homogeneous loans is independently evaluated by product type (e.g., residential mortgage, credit card, etc.) for impairment in accordance with ASC 450-20. The allowance for loan losses attributed to these loans is established via a process that estimates the probable losses inherent in the specific portfolio. This process includes migration analysis, in which

historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with analyses that reflect current and anticipated economic conditions, including changes in housing prices and unemployment trends. Citi s allowance for loan losses under ASC 450-20 only considers contractual principal amounts due, except for credit card loans where estimated loss amounts related to accrued interest receivable are also included.

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

Separate valuation allowances are determined for impaired smaller-balance homogeneous loans whose terms have been modified in a troubled debt restructuring (TDR). Long-term modification programs as well as short-term (less than 12 months) modifications originated from January 1, 2011) that provide concessions (such as interest rate reductions) to borrowers in financial difficulty are reported as TDRs. In addition, loans included in the U.S. Treasury s Home Affordable Modification Program (HAMP) trial period at December 31, 2011 are reported as TDRs. The allowance for loan losses for TDRs is determined in accordance with ASC 310-10-35 considering all available evidence, including, as appropriate, the present value of the expected future cash flows discounted at the loan s original contractual effective rate, the secondary market value of the loan and the fair value of collateral less disposal costs. These expected cash flows incorporate modification program default rate assumptions. The original contractual effective rate for credit card loans is the pre-modification rate, which may include interest rate increases under the original contractual agreement with the borrower.

Where short-term concessions have been granted prior to January 1, 2011, the allowance for loan losses is materially consistent with the requirements of ASC 310-10-35.

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

Reserve Estimates and Policies

Management provides reserves for an estimate of probable losses inherent in the funded loan portfolio on the balance sheet in the form of an allowance for loan losses. These reserves are established in accordance with Citigroup s credit reserve policies, as approved by the Audit Committee of the Board of Directors. Citi s Chief Risk Officer and Chief Financial Officer review the adequacy of the credit loss reserves each quarter with representatives from the risk management and finance staffs for each applicable business area. Applicable business areas include those having classifiably managed

portfolios, where internal credit-risk ratings are assigned (primarily *Institutional Clients Group* and *Global Consumer Banking*) or modified Consumer loans, where concessions were granted due to the borrowers financial difficulties.

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

- *Estimated probable losses for non-performing, non-homogeneous exposures within a business line s classifiably managed portfolio and impaired smaller-balance homogeneous loans whose terms have been modified due to the borrowers financial difficulties, and it was determined that a concession was granted to the borrower*. Consideration may be given to the following, as appropriate, when determining this estimate: (i) the present value of expected future cash flows discounted at the loan s original effective rate; (ii) the borrower s overall financial condition, resources and payment record; and (iii) the prospects for support from financially responsible guarantors or the realizable value of any collateral. In the determination of the allowance for loan losses for TDRs, management considers a combination of historical re-default rates, the current economic environment and the nature of the modification program when forecasting expected cash flows. When impairment is measured based on the present value of expected future cash flows, the entire change in present value is recorded in the *Provision for loan losses*.
- *Statistically calculated losses inherent in the classifiably managed portfolio for performing and de minimis non-performing exposures*. The calculation is based upon: (i) Citigroup s internal system of credit-risk ratings, which are analogous to the risk ratings of the major rating agencies; and (ii) historical default and loss data, including rating agency information regarding default rates from 1983 to 2010 and internal data dating to the early 1970s on severity of losses in the event of default.
- *Additional adjustments include*: (i) statistically calculated estimates to cover the historical fluctuation of the default rates over the credit cycle, the historical variability of loss severity among defaulted loans, and the degree to which there are large obligor concentrations in the global portfolio; and (ii) adjustments made for specific known items, such as current environmental factors and credit trends.

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

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

Allowance for Unfunded Lending Commitments

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

Mortgage Servicing Rights

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

Additional information on the Company s MSRs can be found in Note 22 to the Consolidated Financial Statements.

Consumer Mortgage Representations and Warranties

The majority of Citi s exposure to representation and warranty claims relates to its U.S. Consumer mortgage business within CitiMortgage.

When selling a loan, Citi makes various representations and warranties relating to, among other things, the following:

- Citi s ownership of the loan;
- the validity of the lien securing the loan;
- the absence of delinquent taxes or liens against the property securing the loan;

- the effectiveness of title insurance on the property securing the loan;
- the process used in selecting the loans for inclusion in a transaction;
- the loan s compliance with any applicable loan criteria established by the buyer; and
- the loan s compliance with applicable local, state and federal laws.

The specific representations and warranties made by Citi depend on the nature of the transaction and the requirements of the buyer. Market conditions and credit rating agency requirements may also affect representations and warranties and the other provisions to which Citi may agree in loan sales.

In the event of a breach of these representations and warranties, Citi may be required to either repurchase the mortgage loans with the identified defects (generally at unpaid principal balance plus accrued interest) or indemnify (make-whole) the investors for their losses. Citi s representations and warranties are generally not subject to stated limits in amount or time of coverage.

In the case of a repurchase, Citi will bear any subsequent credit loss on the mortgage loan and the loan is typically considered a credit-impaired loan and accounted for under SOP 03-3, Accounting for Certain Loans and Debt Securities Acquired in a Transfer (now incorporated into ASC 310-30, *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality*) (SOP 03-3). These repurchases have not had a material impact on Citi s non-performing loan statistics because credit-impaired purchased SOP 03-3 loans are not included in non-accrual loans, since they generally continue to accrue interest until write-off. Citi s repurchases have primarily been from the U.S. government sponsored entities (GSEs).

Citi has recorded a reserve for its exposure to losses from the obligation to repurchase previously sold loans (referred to as the repurchase reserve) that is included in *Other liabilities* in the Consolidated Balance Sheet. In estimating the repurchase reserve, Citi considers reimbursements estimated to be received from third-party correspondent lenders and indemnification agreements relating to previous acquisitions of mortgage servicing rights. The estimated reimbursements are based on Citi s analysis of its most recent collection trends and the financial solvency of the correspondents.

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

The repurchase reserve is calculated by individual sales vintage (i.e., the year the loans were sold) and is based on various assumptions. These assumptions contain a level of uncertainty and risk that, if different from actual results, could have a material impact on the reserve amount. The most significant assumptions used to calculate the reserve levels are as follows:

- loan documentation requests;
- repurchase claims as a percentage of loan documentation requests;
- claims appeal success rate; and
- estimated loss per repurchase or make-whole.

Securities and Banking-Sponsored Legacy Private Label Residential Mortgage Securitizations Representations and Warranties

Legacy mortgage securitizations sponsored by Citi s *S&B* business have represented a much smaller portion of Citi s mortgage business.

The mortgages included in *S&B*-sponsored legacy securitizations were purchased from parties outside of *S&B*. Representations and warranties relating to the mortgage loans included in each trust issuing the securities were made either by Citi, by third-party sellers (which were also often the originators of the loans), or both. These representations and warranties were generally made or assigned to the issuing trust and related to, among other things, the following:

- the absence of fraud on the part of the borrower, the seller or any appraiser, broker or other party involved in the origination of the mortgage (which was sometimes wholly or partially limited to the knowledge of the representation and warranty provider);
- whether the mortgage property was occupied by the borrower as his or her principal residence;
- the mortgage's compliance with applicable federal, state andlocal laws;
- whether the mortgage was originated in conformity with the originator s underwriting guidelines; and
- detailed data concerning the mortgages that were included on the mortgage loan schedule.

In the event of a breach of its representations and warranties, Citi may be required either to repurchase the mortgage with the identified defects (generally at unpaid principal balance plus accrued interest) or indemnify the investors for their losses through make-whole payments.

To date, Citi has received actual claims for breaches of representations and warranties relating to only a small percentage of the mortgages included in these securitization transactions, although the pace of claims remains volatile and has recently increased.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired. Goodwill is subject to annual impairment tests, whereby Goodwill is allocated to the Company s reporting units and an impairment is deemed to exist if the carrying value of a reporting unit exceeds its estimated fair value. Furthermore, on any business dispositions, Goodwill is allocated to the business disposed of

based on the ratio of the fair value of the business disposed of to the fair value of the reporting unit.

Intangible Assets

Intangible assets including core deposit intangibles, present value of future profits, purchased credit card relationships, other customer relationships, and other intangible assets, but excluding MSRs are amortized over their estimated useful lives. Intangible assets deemed to have indefinite useful lives, primarily certain asset management contracts

and trade names, are not amortized and are subject to annual impairment tests. An impairment exists if the carrying value of the indefinite-lived intangible asset exceeds its fair value. For other Intangible assets subject to amortization, an impairment is recognized if the carrying amount is not recoverable and exceeds the fair value of the Intangible asset.

Other Assets and Other Liabilities

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

Other Real Estate Owned and Repossessed Assets

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

Securitizations

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

There are two key accounting determinations that must be made relating to securitizations. Citi first makes a determination as to whether the securitization entity would be consolidated. Second, it determines whether the transfer of financial assets to the entity is considered a sale under GAAP. If the securitization entity is a VIE, the Company consolidates the VIE if it is the primary beneficiary.

The Company consolidates VIEs when it has both: (1) power to direct activities of the VIE that most significantly impact the entity s economic performance and (2) an obligation to absorb losses or right to receive benefits from the entity that could potentially be significant to the VIE.

For all other securitization entities determined not to be VIEs in which Citigroup participates, a consolidation decision is based on who has voting control of the entity, giving consideration to removal and liquidation rights in certain partnership structures. Only securitization entities controlled by Citigroup are consolidated.

Interests in the securitized and sold assets may be retained in the form of subordinated or senior interest-only strips, subordinated tranches, spread accounts, and servicing rights. In credit card securitizations, the Company retains a seller s interest in the credit card receivables transferred to the trusts, which is not in securitized form. In the case of consolidated securitization entities, including the credit card trusts, these retained interests are not reported on Citi s Consolidated Balance Sheet; rather, the securitized loans remain on the balance sheet. Substantially all of the Consumer loans sold or securitized through non-consolidated trusts by Citigroup are U.S. prime residential mortgage loans. Retained interests in non-consolidated mortgage securitization trusts are classified as *Trading Account Assets*, except for MSRs which are included in *Mortgage Servicing Rights* on Citigroup s Consolidated Balance Sheet.

Debt

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

Transfers of Financial Assets

For a transfer of financial assets to be considered a sale: the assets must have been isolated from the Company, even in bankruptcy or other receivership; the purchaser must have the right to pledge or sell the assets transferred or, if the purchaser is an entity whose sole purpose is to engage in securitization and asset-backed financing activities and that entity is constrained from pledging the assets it receives, each beneficial interest holder must have the right to sell the beneficial interests; and the Company may not have an option or obligation to reacquire the assets. If these sale requirements are met, the assets are removed from the Company s Consolidated Balance Sheet. If the conditions for sale are not met, the transfer is considered to be a secured borrowing, the assets remain on the Consolidated Balance Sheet, and the sale proceeds are recognized as the Company s liability. A legal opinion on a sale is generally obtained for complex transactions or where the Company has continuing involvement with assets transferred or with the securitization entity. For a transfer to be eligible for sale accounting, those opinions must state that the asset transfer is considered a sale and that the assets transferred would not be consolidated with the Company s other assets in the event of the Company s insolvency.

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

See Note 22 to the Consolidated Financial Statements for further discussion.

Risk Management Activities Derivatives Used for Hedging Purposes

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

To qualify as an accounting hedge under the hedge accounting rules (versus a management hedge where hedge accounting is not sought), a derivative must be highly effective in offsetting the risk designated as being hedged. The hedge relationship must be formally documented at inception, detailing the particular risk management objective and strategy for the hedge, which includes the item and risk that is being hedged and the

derivative that is being used, as well as how effectiveness will be assessed and ineffectiveness measured. The effectiveness of these hedging relationships is evaluated on a retrospective and prospective basis, typically using quantitative measures of correlation with hedge ineffectiveness measured and recorded in current earnings.

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

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

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

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

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

End-user derivatives that are economic hedges, rather than qualifying for hedge accounting, are also carried at fair value, with changes in value included in *Principal transactions* or *Other revenue*. Citigroup often uses economic hedges when qualifying for hedge accounting would be too complex or operationally burdensome; examples are hedges of the credit risk component of commercial loans and loan commitments. Citigroup periodically evaluates its hedging strategies in other areas and may designate

either a qualifying hedge or an economic hedge, after considering the relative cost and benefits. Economic hedges are also employed when the hedged item itself is marked to market through current earnings, such as hedges of commitments to originate one-to-four-family mortgage loans to be held for sale and MSRs.

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

Employee Benefits Expense

Employee benefits expense includes current service costs of pension and other postretirement benefit plans, which are accrued on a current basis, contributions and unrestricted awards under other employee plans, the amortization of restricted stock awards and costs of other employee benefits.

Stock-Based Compensation

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

Income Taxes

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

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

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

See Note 10 to the Consolidated Financial Statements for a further description of the Company s provision and related income tax assets and liabilities.

Commissions, Underwriting and Principal Transactions

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

Earnings per Share

Earnings per share (EPS) is computed after deducting preferred stock dividends. The Company has granted restricted and deferred share awards with dividend rights that are considered to be participating securities, which are akin to a second class of common stock. Accordingly, a portion of Citigroup s earnings is allocated to those participating securities in the EPS calculation.

Basic earnings per share is computed by dividing income available to common stockholders after the allocation of dividends and undistributed earnings to the participating securities by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised. It is computed after giving consideration to the weighted average dilutive effect of the Company s stock options and warrants, convertible securities, T-DECs, and the shares that could have been issued under the Company s Management Committee Long-Term Incentive Plan and after the allocation of earnings to the participating securities.

All per share amounts and Citigroup shares outstanding for all periods reflect Citigroup s 1-for-10 reverse stock split, which was effective May 6, 2011.

Use of Estimates

Management must make estimates and assumptions that affect the Consolidated Financial Statements and the related footnote disclosures. Such estimates are used in connection with certain fair value measurements. See Note 25 to the Consolidated Financial Statements for further discussions on estimates used in the determination of fair value. The Company also uses estimates in determining consolidation decisions for special-purpose entities as discussed in Note 22. Moreover, estimates are significant in determining the amounts of other-than-temporary impairments, impairments of goodwill and other intangible assets, provisions for probable losses that may arise from credit-related exposures and probable and estimable losses related to litigation and regulatory proceedings, and tax reserves. While management makes its best judgment, actual amounts or results could differ from those estimates. Current market conditions increase the risk and complexity of the judgments in these estimates.

Cash Flows

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

Related Party Transactions

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

ACCOUNTING CHANGES

Credit Quality and Allowance for Credit Losses Disclosures

In July 2010, the FASB issued ASU No. 2010-20, Receivables (Topic 310): *Disclosures about Credit Quality of Financing Receivables and Allowance for Credit Losses*. The ASU required a greater level of disaggregated information about the allowance for credit losses and the credit quality of financing receivables. The period-end balance disclosure requirements for loans and the allowance for loan losses were effective for reporting periods ending on or after December 15, 2010 and were included in the Company s 2010 Annual Report on Form 10-K, while disclosures for activity during a reporting period in the loan and allowance for loan losses accounts were effective for reporting periods beginning on or after December 15, 2010 and were included in the Company s Forms 10-Q beginning with the first quarter of 2011 (see Notes 16 and 17 to the Consolidated Financial Statements). The troubled debt restructuring disclosure requirements that were part of this ASU became effective in the third quarter of 2011 (see below).

Troubled Debt Restructurings (TDRs)

In April 2011, the FASB issued ASU No. 2011-02, *Receivables (Topic 310): A Creditor s Determination of whether a Restructuring is a Troubled Debt Restructuring*, to clarify the guidance for accounting for troubled debt restructurings. The ASU clarified the guidance on a creditor s evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties, such as:

- Any shortfall in contractual loan payments is considered a concession.
- Creditors cannot assume that debt extensions at or above a borrower s original contractual rate do not constitute troubled debt restructurings because the new contractual rate could still be below the market rate.
- If a borrower doesn t have access to funds at a market rate for debt with characteristics similar to the restructured debt, that may indicate that the creditor has granted a concession.
- A borrower that is not currently in default may still be considered to be experiencing financial difficulty when payment default is considered probable in the foreseeable future.

Effective in the third quarter of 2011, as a result of adopting ASU 2011-02, certain loans modified under short-term programs since January 1, 2011 that were previously measured for impairment under ASC 450 are now measured for impairment under ASC 310-10-35. At the end of the first interim period of adoption (September 30, 2011), the recorded investment in receivables previously measured under ASC 450 was $1,170 million and the allowance for credit losses associated with those loans was $467 million. The effect of adopting the ASU was approximately $60 million.

Change in Accounting for Embedded Credit Derivatives

In March 2010, the FASB issued ASU 2010-11, *Scope Exception Related to Embedded Credit Derivatives*. The ASU clarifies that certain embedded derivatives, such as those contained in certain securitizations, CDOs and structured notes, should be considered embedded credit derivatives subject to potential bifurcation and separate fair value accounting. The ASU allows any beneficial interest issued by a securitization vehicle to be accounted for under the fair value option at transition on July 1, 2010.

The Company has elected to account for certain beneficial interests issued by securitization vehicles under the fair value option that are included in the table below. Beneficial interests previously classified as held-to-maturity (HTM) were reclassified to available-for-sale (AFS) on June 30, 2010, because as of that reporting date, the Company did not have the intent to hold the beneficial interests until maturity.

The following table also shows the gross gains and gross losses that make up the pretax cumulative-effect adjustment to retained earnings for reclassified beneficial interests, recorded on July 1, 2010:

		July 1, 2010 Pretax cumulative effect adjustment to Retained earnings		
In millions of dollars at June 30, 2010	Amortized cost	Gross unrealized losses recognized in AOCI (1)	Gross unrealized gains recognized in AOCI	Fair value
Mortgage-backed securities				
Prime	$ 390	$	$ 49	$ 439

Alt-A	550		54	604
Subprime	221		6	227
Non-U.S. residential	2,249		38	2,287
Total mortgage-backed securities	$ 3,410	$	$ 147	$ 3,557
Asset-backed securities				
Auction rate securities	$ 4,463	$ 401	$ 48	$ 4,110
Other asset-backed	4,189	19	164	4,334
Total asset-backed securities	$ 8,652	$ 420	$ 212	$ 8,444
Total reclassified debt securities	$ 12,062	$ 420	$ 359	$ 12,001

(1) All reclassified debt securities with gross unrealized losses were assessed for other-than-temporary-impairment as of June 30, 2010, including an assessment of whether the Company intends to sell the security. For securities that the Company intends to sell, impairment charges of $176 million were recorded in earnings in the second quarter of 2010.

Beginning July 1, 2010, the Company elected to account for these beneficial interests under the fair value option for various reasons, including:

(1) To reduce the operational burden of assessing beneficial interests for bifurcation under the guidance in the ASU;
(2) Where bifurcation would otherwise be required under the ASU, to avoid the complicated operational requirements of bifurcating the embedded derivatives from the host contracts and accounting for each separately. The Company reclassified substantially all beneficial interests where bifurcation would otherwise be required under the ASU; and
(3) To permit more economic hedging strategies without generating volatility in reported earnings.

Additional Disclosures Regarding Fair Value Measurements

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. The ASU requires disclosure of the amounts of significant transfers in and out of Levels 1 and 2 of the fair value hierarchy and the reasons for the transfers. The disclosures are effective for reporting periods beginning after December 15, 2009. Additionally, disclosures of the gross purchases, sales, issuances and settlements activity in Level 3 of the fair value measurement hierarchy are required for fiscal years beginning after December 15, 2010. The Company adopted ASU 2010-06 as of January 1, 2010. The required disclosures are included in Note 25 to the Consolidated Financial Statements.

Elimination of Qualifying Special Purpose Entities (QSPEs) and Changes in the Consolidation Model for VIEs

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140* (SFAS 166, now incorporated into ASC Topic 860) and SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167, now incorporated into ASC Topic 810). Citigroup adopted both standards on January 1, 2010. Citigroup has elected to apply SFAS 166 and SFAS 167 prospectively. Accordingly, prior periods have not been restated.

SFAS 166 eliminates the concept of QSPEs from U.S. GAAP and amends the guidance on accounting for transfers of financial assets. SFAS 167 details three key changes to the consolidation model. First, former QSPEs are now included in the scope of SFAS 167. Second, the FASB has changed the method of analyzing which party to a VIE should consolidate the VIE (known as the primary beneficiary) to a qualitative determination of which party to the VIE has power, combined with potentially significant benefits or losses, instead of the previous quantitative risks and rewards model. The party that has power has the ability to direct the activities of the VIE that most significantly impact the VIE s economic performance. Third, the new standard requires that the primary beneficiary analysis be re-evaluated whenever circumstances change. The previous rules required reconsideration of the primary beneficiary only when specified reconsideration events occurred.

As a result of implementing these new accounting standards, Citigroup consolidated certain of the VIEs and former QSPEs with which it had involvement on January 1, 2010. Further, certain asset transfers, including transfers of portions of assets, that would have been considered sales under SFAS 140 are considered secured borrowings under the new standards.

In accordance with SFAS 167, Citigroup employed three approaches for newly consolidating certain VIEs and former QSPEs as of January 1, 2010. The first approach requires initially measuring the assets, liabilities, and noncontrolling interests of the VIEs and former QSPEs at their carrying values (the amounts at which the assets, liabilities, and noncontrolling interests would have been carried in the Consolidated Financial Statements, if Citigroup had always consolidated these VIEs and former QSPEs). The second approach measures assets at their unpaid principal amount, and is applied when determining carrying values is not practicable. The third approach is to elect the fair value option, in which all of the financial assets and liabilities of certain designated VIEs and former QSPEs are recorded at fair value upon adoption of SFAS 167 and continue to be marked to market thereafter, with changes in fair value reported in earnings.

Citigroup consolidated all required VIEs and former QSPEs, as of January 1, 2010, at carrying values or unpaid principal amounts, except for certain private label residential mortgage and mutual fund deferred sales commissions VIEs, for which the fair value option was elected. The following tables present the impact of adopting these new accounting standards applying these approaches.

The incremental impact of these changes on GAAP assets and resulting risk-weighted assets for those VIEs and former QSPEs that were consolidated or deconsolidated for accounting purposes as of January 1, 2010 was as follows:

In billions of dollars	GAAP assets	Incremental Risk-weighted assets(1)
Impact of consolidation		
Credit cards	$ 86.3	$ 0.8
Commercial paper conduits	28.3	13.0
Student loans	13.6	3.7
Private label Consumer mortgages	4.4	1.3
Municipal tender option bonds	0.6	0.1
Collateralized loan obligations	0.5	0.5
Mutual fund deferred sales commissions	0.5	0.5
Subtotal	$134.2	$ 19.9
Impact of deconsolidation		
Collateralized debt obligations (2)	$ 1.9	$ 3.6
Equity-linked notes (3)	1.2	0.5
Total	$137.3	$ 24.0

(1) The net increase in risk-weighted assets (RWA) was $10 billion, principally reflecting the deduction from gross RWA of $13 billion of loan loss reserves (LLR) recognized from the adoption of SFAS 166/167, which exceeded the 1.25% limitation on LLRs includable in Tier 2 Capital.

(2) The implementation of SFAS 167 resulted in the deconsolidation of certain synthetic and cash collateralized debt obligation (CDO) VIEs that were previously consolidated under the requirements of ASC 810 (FIN 46(R)). Due to the deconsolidation of these synthetic CDOs, Citigroup s Consolidated Balance Sheet now reflects the recognition of current receivables and payables related to purchased and written credit default swaps entered into with these VIEs, which had previously been eliminated in consolidation. The deconsolidation of certain cash CDOs has a minimal impact on GAAP assets, but causes a sizable increase in risk-weighted assets. The impact on risk-weighted assets results from replacing, in Citigroup s trading account, largely investment grade securities owned by these VIEs when consolidated, with Citigroup s holdings of non-investment grade or unrated securities issued by these VIEs when deconsolidated.

(3) Certain equity-linked note client intermediation transactions that had previously been consolidated under the requirements of ASC 810 (FIN 46 (R)) because Citigroup had repurchased and held a majority of the notes issued by the VIE were deconsolidated with the implementation of SFAS 167, because Citigroup does not have the power to direct the activities of the VIE that most significantly impact the VIE s economic performance. Upon deconsolidation, Citigroup s Consolidated Balance Sheet reflects both the equity-linked notes issued by the VIEs and held by Citigroup as trading assets, as well as related trading liabilities in the form of prepaid equity derivatives. These trading assets and trading liabilities were formerly eliminated in consolidation.

The following table reflects the incremental impact of adopting SFAS 166/167 on Citigroup s GAAP assets, liabilities, and stockholders equity.

In billions of dollars	January 1, 2010
Assets	
Trading account assets	$ (9.9)
Investments	(0.6)
Loans	159.4
Allowance for loan losses	(13.4)
Other assets	1.8
Total assets	$ 137.3
Liabilities	
Short-term borrowings	$ 58.3
Long-term debt	86.1
Other liabilities	1.3
Total liabilities	$ 145.7
Stockholders equity	
Retained earnings	$ (8.4)
Total stockholders equity	$ (8.4)
Total liabilities and stockholders equity	$ 137.3

The preceding tables reflect: (i) the portion of the assets of former QSPEs to which Citigroup, acting as principal, had transferred assets and received sales treatment prior to January 1, 2010 (totaling approximately $712.0 billion), and (ii) the assets of significant VIEs as of January 1, 2010 with which Citigroup was involved (totaling approximately $219.2 billion) that were previously unconsolidated and are required to be

consolidated under the new accounting standards. Due to the variety of transaction structures and the level of Citigroup s involvement in individual former QSPEs and VIEs, only a portion of the former QSPEs and VIEs with which the Company was involved were required to be consolidated.

In addition, the cumulative effect of adopting these new accounting standards as of January 1, 2010 resulted in an aggregate after-tax charge to *Retained earnings* of $8.4 billion, reflecting the net effect of an overall pretax charge to *Retained earnings* (primarily relating to the establishment of loan loss reserves and the reversal of residual interests held) of $13.4 billion and the recognition of related deferred tax assets amounting to $5.0 billion.

Non-Consolidation of Certain Investment Funds

The FASB issued Accounting Standards Update No. 2010-10, *Consolidation (Topic 810), Amendments for Certain Investment Funds* (ASU 2010-10) in the first quarter of 2010. ASU 2010-10 provides a deferral of the requirements of SFAS 167 where the following criteria are met:

- The entity being evaluated for consolidation is an investment company, as defined in ASC 946-10, Financial Services Investment Companies, or an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with an investment company;
- The reporting enterprise does not have an explicit or implicit obligation to fund losses of the entity that could potentially be significant to the entity; and
- The entity being evaluated for consolidation is not:

a securitization entity;
an asset-backed financing entity; or
an entity that was formerly considered a qualifying special-purpose entity.

The Company has determined that a majority of the investment vehicles managed by Citigroup are provided a deferral from the requirements of SFAS 167 because they meet these criteria. These vehicles continue to be evaluated under the requirements of FIN 46(R) (ASC 810-10), prior to the implementation of SFAS 167.

Where the Company has determined that certain investment vehicles are subject to the consolidation requirements of SFAS 167, the consolidation conclusions reached upon initial application of SFAS 167 are consistent with the consolidation conclusions reached under the requirements of ASC 810-10, prior to the implementation of SFAS 167.

Investments in Certain Entities that Calculate Net Asset Value per Share

As of December 31, 2009, the Company adopted Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, which provides guidance on measuring the fair value of certain alternative investments. The ASU permits entities to use net asset value as a practical expedient to measure the fair value of their investments in certain investment funds. The ASU also requires additional disclosures regarding the nature and risks of such investments and provides guidance on the classification of such investments as Level 2 or Level 3 of the fair value hierarchy. This ASU did not have a material impact on the Company s accounting for its investments in alternative investment funds.

Multiple Foreign Exchange Rates

In May 2010, the FASB issued ASU 2010-19, *Foreign Currency Issues: Multiple Foreign Currency Exchange Rates*. The ASU requires certain disclosure in situations when an entity s reported balances in U.S. dollar monetary assets held by its foreign entities differ from the actual U.S. dollar-denominated balances due to different foreign exchange rates used in remeasurement and translation. The ASU also clarifies the reporting for the difference between the reported balances and the U.S. dollar-denominated balances upon the initial adoption of highly inflationary accounting. The ASU does not have a material impact on the Company s accounting.

Effect of a Loan Modification When the Loan Is Part of a Pool Accounted for as a Single Asset (ASU No. 2010-18)

In April 2010, the FASB issued ASU No. 2010-18, *Effect of a Loan Modification When the Loan is Part of a Pool Accounted for as a Single Asset*. As a result of the amendments in this ASU, modifications of loans that are accounted for within a pool do not result in the removal of those loans from the pool, even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. The ASU was effective for reporting periods ending on or after July 15, 2010. The ASU had no material effect on the Company s financial statements.

Measuring Liabilities at Fair Value

As of September 30, 2009, the Company adopted ASU No. 2009-05, *Measuring Liabilities at Fair Value*. This ASU provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques:

- a valuation technique that uses quoted prices for similar liabilities (or an identical liability) when traded as assets; or
- another valuation technique that is consistent with the principles of ASC 820.

This ASU also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. This ASU did not have a material impact on the Company s fair value measurements.

Other-Than-Temporary Impairments on Investment Securities

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2) (now ASC 320-10-35-34, *Investments Debt and Equity Securities: Recognition of an Other-Than-Temporary Impairment*), which amends the recognition guidance for other-than-temporary impairments (OTTI) of debt securities and expands the financial statement disclosures for OTTI on debt and equity securities. Citigroup adopted the FSP in the first quarter of 2009.

As a result of the FSP, the Company s Consolidated Statement of Income reflects the full impairment (that is, the difference between the security s amortized cost basis and fair value) on debt securities that the Company intends to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale (AFS) and held-to-maturity (HTM) debt securities that management has no intent to sell and believes that it more-likely-than-not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the rest of the fair value loss is recognized in *Accumulated other comprehensive income* (AOCI). The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected using the Company s cash flow projections and its base assumptions. As a result of the adoption of the FSP, Citigroup s income in the first quarter of 2009 was higher by $631 million on a pretax basis ($391 million on an after-tax basis) and AOCI was decreased by a corresponding amount.

The cumulative effect of the change included an increase in the opening balance of *Retained earnings* at January 1, 2009 of $665 million on a pretax basis ($413 million after-tax). See Note 15 to the Consolidated Financial Statements for disclosures related to the Company s investment securities and OTTI.

Noncontrolling Interests in Subsidiaries

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (now ASC 810-10-45-15, *Consolidation Noncontrolling Interests in a Subsidiary*), which establishes standards for the accounting and reporting of noncontrolling interests in subsidiaries (previously called minority interests) in consolidated financial statements and for the loss of control of subsidiaries. The Standard requires that the equity interest of noncontrolling shareholders, partners, or other equity holders in subsidiaries be presented as a separate item in *Total equity*, rather than as a liability. After the initial adoption, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary must be measured at fair value at the date of deconsolidation.

The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of the remaining investment, rather than the previous carrying amount of that retained investment.

Citigroup adopted the Standard on January 1, 2009. As a result, $2.392 billion of noncontrolling interests were reclassified from *Other liabilities to Total equity*.

DVA Accounting Misstatement

In January 2010, the Company determined that an error existed in the process used to value certain liabilities for which the Company elected the fair value option (FVO). The error related to a calculation intended to measure the impact on the liability s fair value attributable to Citigroup s credit spreads. Because of the error in the process, both an initial Citi contractual credit spread and an initial own-credit valuation adjustment were being included at the time of issuance of new Citi FVO debt. The own-credit valuation adjustment was properly included; therefore, the initial Citi contractual credit spread should have been excluded. (See Note 26 to the Consolidated Financial Statements for a description of own-credit valuation adjustments.) The cumulative effect of this error from January 1, 2007 (the date that SFAS 157 (ASC 820), requiring the valuation of own-credit for FVO liabilities, was adopted) through December 31, 2008 was to overstate income and retained earnings by $204 million ($330 million on a pretax basis). The impact of this adjustment was determined not to be material to the Company s results of operations and financial position for any previously reported period. Consequently, in the accompanying financial statements, the cumulative effect through December 31, 2008 was recorded in 2009.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

Repurchase Agreements - Assessment of Effective Control

In April 2011, the FASB issued ASU No. 2011-03, *Transfers and Servicing (Topic 860) Reconsideration of Effective Control for Repurchase Agreements*. The amendments in the ASU remove from the assessment of effective control: (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. Other criteria applicable to the assessment of effective control are not changed by the amendments in the ASU.

The ASU became effective for Citigroup on January 1, 2012. The guidance is to be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. The ASU did not have a material effect on the Company s financial statements. A nominal amount of the Company s repurchase transactions are currently accounted for as sales, because of a reduction in initial margin or restriction in daily maintenance margin. Such transactions will be accounted for as financing transactions if executed on or after January 1, 2012.

Fair Value Measurement

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The amendment creates a common definition of fair value for U.S. GAAP and IFRS and aligns the measurement and disclosure requirements. It requires significant additional disclosures both of a qualitative and quantitative nature, particularly on those instruments measured at fair value that are classified in Level 3 of the fair value hierarchy. Additionally, the amendment provides guidance on when it is appropriate to measure fair value on a portfolio basis and expands the prohibition on valuation adjustments from Level 1 to all levels of the fair value hierarchy where the size of the Company s position is a characteristic of the adjustment. The amendment became effective for Citigroup on January 1, 2012. As a result of implementing the prohibition on valuation adjustments where the size of the Company s position is a characteristic, the Company will release reserves of approximately $125 million, increasing pretax income in the first quarter of 2012.

Deferred Asset Acquisition Costs

In October 2010, the FASB issued ASU No. 2010-26, *Financial Services Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*. The ASU amends the guidance for insurance entities that requires deferral and subsequent amortization of certain costs incurred during the acquisition of new or renewed insurance contracts, commonly referred to as deferred acquisition costs (DAC). The new guidance limits DAC to those costs directly related to the successful acquisition of insurance contracts; all other acquisition-related costs must be expensed as incurred. Under current guidance, DAC consists of those costs that vary with, and primarily relate to, the acquisition of insurance contracts. The amendment became effective for Citigroup on January 1, 2012. The Company continues to evaluate the impact of adopting this statement.

Offsetting

In December 2011, the FASB issued Accounting Standards Update No. 2011-11 *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The standard requires new disclosures about certain financial instruments and derivative instruments that are either offset in the balance sheet (presented on a net basis) or subject to an enforceable master netting arrangement or similar arrangement. The standard requires disclosures that provide both gross and net information in the notes to the financial statements for relevant assets and liabilities. This ASU does not change the existing offsetting eligibility criteria or the permitted balance sheet presentation for those instruments that meet the eligibility criteria. The new disclosure requirements should enhance comparability between those companies that prepare their financial statements on the basis of U.S. GAAP and those that prepare their financial statements in accordance with IFRS. For many financial institutions, the differences in the offsetting requirements between U.S. GAAP and IFRS result in a significant difference in the amounts presented in the balance sheets prepared in accordance with U.S. GAAP and IFRS. The disclosure standard will become effective for annual and quarterly periods beginning January 1, 2013. The disclosures are required retrospectively for all comparative periods presented.

Potential Amendments to Current Accounting Standards

The FASB and IASB, either jointly or separately, are currently working on several major projects, including amendments to existing accounting standards governing financial instruments, lease accounting, consolidation and investment companies. As part of the joint financial instruments project, the FASB is proposing sweeping changes to the classification and measurement of financial instruments, hedging and impairment guidance. The FASB is also working on a joint project that would require all leases to be capitalized on the balance sheet. Additionally, the FASB has issued a proposal on principal-agent considerations that would change the way the Company needs to evaluate whether to consolidate VIEs and non-VIE partnerships. Furthermore, the FASB has issued a proposed Accounting Standards Update that would change the criteria used to determine whether an entity is subject to the accounting and reporting requirements of an investment company. The principal-agent consolidation proposal would require all VIEs, including those that are investment companies, to be evaluated for consolidation under the same requirements.

In addition to the major projects, the FASB has also proposed changes regarding the Company s release of any cumulative translation adjustment into earnings when it ceases to have a controlling financial interest in certain groups of assets that constitute a business within a

consolidated foreign subsidiary. All these projects may have significant impacts for the Company. Upon completion of the standards, the Company will need to re-evaluate its accounting and disclosures. However, due to ongoing deliberations of the standard-setters, the Company is currently unable to determine the effect of future amendments or proposals.

2. BUSINESS DIVESTITURES

The following divestitures occurred in 2009, 2010 and 2011 and do not qualify as *Discontinued operations*. Divestitures that qualified as *Discontinued operations* are discussed in Note 3 to the Consolidated Financial Statements.

Sale of Primerica

In April 2010, Citi completed the IPO of Primerica, which was part of Citi Holdings, and sold approximately 34% to public investors. Also in April 2010, Citi completed the sale of approximately 22% of Primerica to Warburg Pincus, a private equity firm. Citi contributed 4% of the Primerica shares to Primerica for employee and agent stock-based awards immediately prior to the sales. Citi retained an approximate 40% interest in Primerica after the sales and recorded the investment under the equity method. Citi recorded an after-tax gain on sale of $26 million.

Concurrent with the sale of the shares, Citi entered into co-insurance agreements with Primerica to reinsure up to 90% of the risk associated with the in-force insurance policies. During 2011, Citi sold its remaining shares in Primerica for an after-tax loss of $11 million.

Sale of Phibro LLC

On December 31, 2009, the Company sold 100% of its interest in Phibro LLC, which was part of Citicorp *Securities and Banking*, to Occidental Petroleum Corporation for a purchase price equal to approximately the net asset value of the business. The decision to sell Phibro was the outcome of an evaluation of a variety of alternatives and was consistent with Citi s core strategy of a client-centered business model. The sale of Phibro did not affect Citi s client-facing commodities business lines, which continue to operate and serve the needs of Citi s clients throughout the world.

Sale of Citi s Nikko Asset Management Business and Trust and Banking Corporation

On October 1, 2009, the Company completed the sale of its entire stake in Nikko Asset Management (Nikko AM) to the Sumitomo Trust and Banking Co., Ltd. (Sumitomo Trust) and completed the sale of Nikko Citi Trust and Banking Corporation (Nikko Citi Trust) to Nomura Trust & Banking Co. Ltd. Nikko AM and Nikko Citi Trust were part of Citi Holdings.

The Nikko AM transaction was valued at 120 billion yen (U.S. $1.3 billion at an exchange rate of 89.60 yen to U.S. $1.00 as of September 30, 2009). The Company received all-cash consideration of 75.6 billion yen (U.S. $844 million), after certain deal-related expenses and adjustments, for its 64% beneficial ownership interest in Nikko AM. Sumitomo Trust also acquired the beneficial ownership interests in Nikko AM held by various minority investors in Nikko AM, bringing Sumitomo Trust s total ownership stake in Nikko AM to 98.55% at closing.

For the sale of Nikko Citi Trust, the Company received all-cash consideration of 19 billion yen (U.S. $212 million at an exchange rate of 89.60 yen to U.S. $1.00 as of September 30, 2009) as part of the transaction.

Retail Partner Cards Sales

During 2009, Citigroup sold its Financial Institutions (FI) and Diners Club North America credit card businesses. Total credit card receivables disposed of in these transactions was approximately $2.2 billion. During 2010, Citigroup sold its Canadian MasterCard business and U.S. retail sales finance portfolios. Total credit card receivables disposed of in these transactions was approximately $3.6 billion. Each of these businesses was in Citi Holdings.

Joint Venture with Morgan Stanley

On June 1, 2009, Citi and Morgan Stanley established a joint venture (JV) that combined the Global Wealth Management platform of Morgan Stanley with Citigroup s Smith Barney, Quilter and Australia private client networks. Citi sold 100% of these businesses to Morgan Stanley in exchange for a 49% stake in the JV and an upfront cash payment of $2.75 billion. Citigroup recorded a pretax gain of approximately $11.1 billion ($6.7 billion after-tax) on this sale. Both Morgan Stanley and Citi will access the JV for retail distribution, and each firm s institutional businesses will continue to execute order flow from the JV.

Citigroup s 49% ownership in the JV is recorded as an equity method investment. In determining the value of its 49% interest in the JV, Citigroup utilized the assistance of an independent third-party valuation firm upon acquisition and utilized both the income and the market approaches.

3. DISCONTINUED OPERATIONS

Sale of Egg Banking PLC Credit Card Business

On March 1, 2011, the Company announced that Egg Banking plc (Egg), an indirect subsidiary which was part of the Citi Holdings segment, entered into a definitive agreement to sell its credit card business to Barclays PLC. The sale closed on April 28, 2011.

This sale is reported as discontinued operations for the full year of 2011 only. Prior periods were not reclassified due to the immateriality of the impact in those periods. An after-tax gain on sale of $126 million was recognized upon closing. Egg operations had total assets and total liabilities of approximately $2.7 billion and $39 million, respectively, at the time of sale.

Summarized financial information for *Discontinued operations*, including cash flows, for the credit card operations related to Egg follows:

In millions of dollars		**2011**
Total revenues, net of interest expense [1]	**$**	**340**
Income from discontinued operations	**$**	**24**
Gain on sale		**143**
Provision for income taxes		**58**
Income from discontinued operations, net of taxes	**$**	**109**

In millions of dollars		**2011**
Cash flows from operating activities	**$**	**(146)**
Cash flows from investing activities		**2,827**
Cash flows from financing activities		**(12)**
Net cash provided by discontinued operations	**$**	**2,669**

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

Sale of The Student Loan Corporation

On September 17, 2010, the Company announced that The Student Loan Corporation (SLC), an indirect subsidiary that was 80% owned by Citibank and 20% owned by public shareholders, and which was part of the Citi Holdings segment, entered into definitive agreements that resulted in the divestiture of Citi s private student loan business and approximately $31 billion of its approximate $40 billion in assets to Discover Financial Services (Discover) and SLM Corporation (Sallie Mae). The transaction closed on December 31, 2010. As part of the transaction, Citi provided Sallie Mae with $1.1 billion of seller-financing. Additionally, as part of the transactions, Citibank, N.A. purchased approximately $8.6 billion of assets from SLC prior to the sale of SLC.

This sale was reported as discontinued operations for the third and fourth quarters of 2010 only. Prior periods were not reclassified due to the immateriality of the impact in those periods. The total 2010 impact from the sale of SLC resulted in an after-tax loss of $427 million. SLC operations had total assets and total liabilities of approximately $31 billion and $29 billion, respectively, at the time of sale.

Summarized financial information for discontinued operations, including cash flows, related to the sale of SLC follows:

In millions of dollars	**2011**		2010 [1]
Total revenues, net of interest expense [2]	**$**	$	(577)
Income (loss) from discontinued operations	**$**	$	97
Loss on sale			(825)
Benefit for income taxes			(339)
Loss from discontinued operations, net of taxes	**$**	$	(389)

In millions of dollars	**2011**		2010 [1]
Cash flows from operating activities	**$**	$	5,106
Cash flows from investing activities			1,532
Cash flows from financing activities			(6,483)
Net cash provided by discontinued operations	**$**	$	155

(1) Amounts reflect activity from July 1, 2010 through December 31, 2010 only.
(2) Total revenues include gain or loss on sale, if applicable.

Sale of Nikko Cordial

On October 1, 2009 the Company announced the successful completion of the sale of Nikko Cordial Securities to Sumitomo Mitsui Banking Corporation. The transaction had a total cash value to Citi of 776 billion yen (U.S. $8.7 billion at an exchange rate of 89.60 yen to U.S. $1.00 as of September 30, 2009). The cash value was composed of the purchase price for the transferred business of 545 billion yen, the purchase price for certain Japanese-listed equity securities held by Nikko Cordial Securities of 30 billion yen, and 201 billion yen of excess cash derived through the repayment of outstanding indebtedness to Citi. After considering the impact of foreign exchange hedges of the proceeds of the transaction, the sale resulted in an immaterial gain in 2009. A total of about 7,800 employees were included in the transaction.

The Nikko Cordial operations had total assets and total liabilities of approximately $24 billion and $16 billion, respectively, at the time of sale, which were reflected in Citi Holdings prior to the sale.

Results for all of the Nikko Cordial businesses sold are reported as *Discontinued operations* for all periods presented.

Summarized financial information for *Discontinued operations*, including cash flows, related to the sale of Nikko Cordial is as follows:

In millions of dollars	**2011**	2010	2009
Total revenues, net of interest expense [(1)]	**$**	$ 92	$ 646
Loss from discontinued operations	**$**	$ (7)	$ (623)
Gain on sale		94	97
Benefit for income taxes		(122)	(78)
Income (loss) from discontinued operations, net of taxes	**$**	$ 209	$ (448)

In millions of dollars	**2011**	2010	2009
Cash flows from operating activities	**$**	$ (134)	$ (1,830)
Cash flows from investing activities		185	1,824
Cash flows from financing activities			
Net cash provided by (used in) discontinued operations	**$**	$ 51	$ (6)

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

Combined Results for Discontinued Operations

The following is summarized financial information for the Egg credit card, SLC, Nikko Cordial Securities, German retail banking and CitiCapital businesses. The SLC business, which was sold on December 31, 2010, is reported as discontinued operations for the third and fourth quarters of 2010 only and the sale of the Egg credit card business is reported as discontinued operations for the full year 2011 only due to the immateriality of the impact of that presentation in other periods. The Nikko Cordial Securities business, which was sold on October 1, 2009, the German retail banking business, which was sold on December 5, 2008, and the CitiCapital business, which was sold on July 31, 2008, continue to have minimal residual costs associated with the sales. Additionally, during 2009, contingent consideration payments of $29 million pretax ($19 million after tax) were received related to the sale of Citigroup s asset management business, which was sold in December 2005.

In millions of dollars	**2011**	2010	2009
Total revenues, net of interest expense [(1)]	**$ 352**	$ (410)	$ 779
Income (loss) from discontinued operations	**$ 23**	$ 72	$ (653)
Gain (loss) on sale	**155**	(702)	102
Provision (benefit) for income taxes	**66**	(562)	(106)
Income (loss) from discontinued operations, net of taxes	**$ 112**	$ (68)	$ (445)

In millions of dollars	**2011**	2010	2009
Cash flows from operating activities	**$ (146)**	$ 4,974	$ (1,825)
Cash flows from investing activities	**2,827**	1,726	1,854
Cash flows from financing activities	**(12)**	(6,486)	(6)
Net cash provided by discontinued operations	**$ 2,669**	$ 214	$ 23

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

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4. BUSINESS SEGMENTS

Citigroup is a diversified bank holding company whose businesses provide a broad range of financial services to Consumer and Corporate customers around the world. The Company s activities are conducted through the *Global Consumer Banking (GCB), Institutional Clients Group (ICG),* Citi Holdings and *Corporate/Other* business segments.

The *Global Consumer Banking* segment includes a global, full-service Consumer franchise delivering a wide array of banking, credit card lending, and investment services through a network of local branches, offices and electronic delivery systems and is composed of four *Regional Consumer Banking (RCB)* businesses: *North America, EMEA, Latin America* and *Asia*.

The Company s *ICG* segment is composed of *Securities and Banking* and *Transaction Services* and provides corporations, governments, institutions and investors in approximately 100 countries with a broad range of banking and financial products and services.

The Citi Holdings segment is composed of *Brokerage and Asset Management, Local Consumer Lending* and *Special Asset Pool*.

Corporate/Other includes net treasury results, unallocated corporate expenses, offsets to certain line-item reclassifications (eliminations), the results of discontinued operations and unallocated taxes.

The accounting policies of these reportable segments are the same as those disclosed in Note 1 to the Consolidated Financial Statements.

The prior-period balances reflect reclassifications to conform the presentation in those periods to the current period s presentation. These reclassifications related to Citi s re-allocation of certain expenses between businesses and segments and the transfer of certain commercial market loans from *GCB* to *ICG*.

The following table presents certain information regarding the Company s continuing operations by segment:

	Revenues, net of interest expense [(1)]			Provision (benefit) for income taxes			Income (loss) from continuing operations [(1)(2)]			Identifiab asse at year e	
In millions of dollars, except identifiable assets in billions	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	20
Global Consumer Banking	**$32,585**	$32,374	$ 24,754	**$ 2,601**	$ 1,343	$ (142)	**$ 6,196**	$ 4,661	$ 2,389	**$ 340**	$ 3
Institutional Clients Group	**31,986**	33,186	36,958	**2,845**	3,499	4,622	**8,302**	10,172	12,973	**979**	9
Subtotal Citicorp	**$64,571**	$65,560	$ 61,712	**$ 5,446**	$ 4,842	$ 4,480	**$14,498**	$14,833	$15,362	**$1,319**	$1,2
Citi Holdings	**12,896**	19,287	29,128	**(1,161)**	(2,573)	(6,988)	**(2,524)**	(4,056)	(9,059)	**269**	3
Corporate/Other	**886**	1,754	(10,555)	**(764)**	(36)	(4,225)	**(871)**	174	(7,369)	**286**	2
Total	**$78,353**	$86,601	$ 80,285	**$ 3,521**	$ 2,233	$(6,733)	**$11,103**	$10,951	$ (1,066)	**$1,874**	$1,9

(1) Includes Citicorp total revenues, net of interest expense, in *North America* of $23.6 billion, $26.7 billion and $19.9 billion; in *EMEA* of $12.2 billion, $11.7 billion and $15.0 billion; in *Latin America* of $13.6 billion, $12.8 billion and $12.7 billion; and in *Asia* of $15.2 billion, $14.4 billion and $14.1 billion in 2011, 2010 and 2009, respectively. Regional numbers exclude Citi Holdings and *Corporate/Other*, which largely operate within the U.S.

(2) Includes pretax provisions (credits) for credit losses and for benefits and claims in the *GCB* results of $4.9 billion, $9.8 billion and $7.4 billion; in the *ICG* results of $152 million, $(82) million and $1.8 billion; and in the Citi Holdings results of $7.8 billion, $16.3 billion and $31.1 billion for 2011, 2010 and 2009, respectively.

5. INTEREST REVENUE AND EXPENSE

For the years ended December 31, 2011, 2010 and 2009, respectively, interest revenue and expense consisted of the following:

In millions of dollars	**2011**	2010	2009
Interest revenue			
Loan interest, including fees	**$50,281**	$55,056	$47,457
Deposits with banks	**1,750**	1,252	1,478
Federal funds sold and securities borrowed or purchased under agreements to resell	**3,631**	3,156	3,084
Investments, including dividends	**8,320**	11,004	12,882
Trading account assets (1)	**8,186**	8,079	10,723
Other interest	**513**	735	774
Total interest revenue	**$72,681**	$79,282	$76,398
Interest expense			
Deposits (2)	**$ 8,556**	$ 8,371	$10,146
Federal funds purchased and securities loaned or sold under agreements to repurchase	**3,197**	2,808	3,433
Trading account liabilities (1)	**408**	379	289
Short-term borrowings	**650**	917	1,425
Long-term debt	**11,423**	12,621	12,609
Total interest expense	**$24,234**	$25,096	$27,902
Net interest revenue	**$48,447**	$54,186	$48,496
Provision for loan losses	**11,773**	25,194	38,760
Net interest revenue after provision for loan losses	**$36,674**	$28,992	$ 9,736

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

(2) Includes deposit insurance fees and charges of $1.3 billion, $981 million and $1.5 billion for the 12 months ended December 31, 2011, 2010 and 2009, respectively. The 12-month period ended December 31, 2009 includes the one-time FDIC special assessment.

6. COMMISSIONS AND FEES

The table below sets forth Citigroup s *Commissions and fees* revenue for the twelve months ended December 31, 2011, 2010 and 2009, respectively. The primary components of *Commissions and fees* revenue for the twelve months ended December 31, 2011 were credit card and bank card fees, investment banking fees and trading-related fees.

Credit card and bank card fees are primarily composed of interchange revenue and certain card fees, including annual fees, reduced by reward program costs. Interchange revenue and fees are recognized when earned, except for annual card fees which are deferred and amortized on a straight-line basis over a 12-month period. Reward costs are recognized when points are earned by the customers.

Investment banking fees are substantially composed of underwriting and advisory revenues. Investment banking fees are recognized when Citigroup s performance under the terms of the contractual arrangements is completed, which is typically at the closing of the transaction. Underwriting revenue is recorded in *Commissions and fees* net of both reimbursable and non-reimbursable expenses, consistent with the AICPA Audit and Accounting Guide for Brokers and Dealers in Securities (codified in ASC 940-605-05-1). Expenses associated with advisory transactions are recorded in *Other operating expenses*, net of client reimbursements. Out-of-pocket expenses are deferred and recognized at the time the related revenue is recognized. In general, expenses incurred related to investment banking transactions that fail to close (are not consummated) are recorded gross in *Other operating expenses*.

Trading-related fees primarily include commissions and fees from the following: executing transactions for clients on exchanges and over-the-counter markets; sale of mutual funds, insurance and other annuity products; and assisting clients in clearing transactions, providing brokerage services and other such activities. Trading-related fees are recognized when earned in *Commissions and fees*. Gains or losses, if any, on these transactions are included in *Principal transactions*.

The following table presents commissions and fees revenue for the years ended December 31:

In millions of dollars	**2011**	2010	2009
Credit cards and bank cards	**$ 3,603**	$ 3,774	$ 4,110
Investment banking	**2,451**	2,977	3,462
Smith Barney			837
Trading-related	**2,587**	2,368	2,316
Transaction services	**1,520**	1,454	1,306
Other Consumer (1)	**931**	1,156	1,272

Checking-related	**926**	1,023	1,043
Primerica		91	314
Loan servicing	**251**	353	226
Corporate finance (2)	**519**	439	678
Other	**62**	23	(79)
Total commissions and fees	**$12,850**	$13,658	$15,485

(1) Primarily consists of fees for investment fund administration and management, third-party collections, commercial demand deposit accounts and certain credit card services.

(2) Consists primarily of fees earned from structuring and underwriting loan syndications.

7. PRINCIPAL TRANSACTIONS

Principal transactions revenue consists of realized and unrealized gains and losses from trading activities. Trading activities include revenues from fixed income, equities, credit and commodities products, as well as foreign exchange transactions. Not included in the table below is the impact of net interest revenue related to trading activities, which is an integral part of trading activities profitability. See Note 5 to the Consolidated Financial Statements for information about net interest revenue related to trading activity. The following table presents principal transactions revenue for the years ended December 31:

In millions of dollars	**2011**	2010	2009
Global Consumer Banking	**$ 716**	$ 533	$ 1,569
Institutional Clients Group	**4,873**	5,567	5,626
Subtotal Citicorp	**$ 5,589**	$ 6,100	$ 7,195
Local Consumer Lending	**(102)**	(217)	896
Brokerage and Asset Management	**(11)**	(37)	30
Special Asset Pool	**1,713**	2,078	(2,606)
Subtotal Citi Holdings	**$ 1,600**	$	