

CITIGROUP INC
Form 10-Q
August 01, 2017

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

FORM 10-Q

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

For the quarterly period ended June 30, 2017

Commission file number 1-9924

Citigroup Inc.

(Exact name of registrant as specified in its charter)

Delaware

52-1568099

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

388 Greenwich Street, New York, NY

10013

(Address of principal executive offices)

(Zip code)

(212) 559-1000

(Registrant's telephone number, including area code)

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. Yes ☒ 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). Yes ☒ No ☐

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/> Emerging growth company <input type="checkbox"/>
--	---	--	--

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☒

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

Number of shares of Citigroup Inc. common stock outstanding on June 30, 2017: 2,724,556,095

Available on the web at www.citigroup.com

CITIGROUP'S SECOND QUARTER 2017—FORM 10-Q	
OVERVIEW	<u>2</u>
MANAGEMENT'S DISCUSSION AND	
ANALYSIS OF FINANCIAL CONDITION AND	<u>4</u>
RESULTS OF OPERATIONS	
Executive Summary	<u>4</u>
Summary of Selected Financial Data	<u>7</u>
SEGMENT AND BUSINESS—INCOME (LOSS)	<u>9</u>
AND REVENUES	
SEGMENT BALANCE SHEET	<u>11</u>
Global Consumer Banking (GCB)	<u>13</u>
North America GCB	<u>15</u>
Latin America GCB	<u>17</u>
Asia GCB	<u>19</u>
Institutional Clients Group	<u>21</u>
Corporate/Other	<u>26</u>
OFF-BALANCE SHEET	<u>27</u>
ARRANGEMENTS	
CAPITAL RESOURCES	<u>28</u>
MANAGING GLOBAL RISK TABLE OF	<u>47</u>
CONTENTS	
MANAGING GLOBAL RISK	<u>48</u>
INCOME TAXES	<u>89</u>
DISCLOSURE CONTROLS AND	<u>90</u>
PROCEDURES	
DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN	<u>90</u>
RIGHTS ACT	
FORWARD-LOOKING STATEMENTS	<u>91</u>
FINANCIAL STATEMENTS AND NOTES	<u>94</u>
TABLE OF CONTENTS	
CONSOLIDATED FINANCIAL STATEMENTS	<u>95</u>
NOTES TO CONSOLIDATED FINANCIAL	<u>103</u>
STATEMENTS (UNAUDITED)	
UNREGISTERED SALES OF EQUITY SECURITIES, PURCHASES OF EQUITY SECURITIES AND	<u>213</u>
DIVIDENDS	

OVERVIEW

This Quarterly Report on Form 10-Q should be read in conjunction with Citigroup's Annual Report on Form 10-K for the year ended December 31, 2016, including the historical audited consolidated financial statements of Citigroup reflecting certain reclassifications set forth in Citigroup's Current Report on Form 8-K filed with the SEC on June 16, 2017 (2016 Annual Report on Form 10-K), and Citigroup's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (First Quarter of 2017 Form 10-Q).

Additional information about Citigroup is available on Citi's website at www.citigroup.com. Citigroup's recent annual reports on Form 10-K, quarterly reports on Form 10-Q and proxy statements, as well as other filings with the U.S. Securities and Exchange Commission (SEC), are available free of charge through Citi's website by clicking on the "Investors" page and selecting "All SEC Filings." The SEC's website also contains current reports on Form 8-K, and other information regarding Citi at www.sec.gov.

Certain reclassifications, including a realignment of certain businesses, have been made to the prior periods' financial statements and disclosures to conform to the current period's presentation. For additional information on certain recent reclassifications, see Note 3 to the Consolidated Financial Statements in Citi's 2016 Annual Report on Form 10-K. Throughout this report, "Citigroup," "Citi" and "the Company" refer to Citigroup Inc. and its consolidated subsidiaries.

Citigroup is managed pursuant to the following segments:

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

(1) Asia GCB includes the results of operations of GCB activities in certain EMEA countries for all periods presented.

(2) 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

Second Quarter of 2017—Solid Performance Across Citi's Businesses

As described further throughout this Executive Summary, Citi reported solid operating results in the second quarter of 2017, reflecting continued momentum across its businesses, notably those where Citi has been making investments. During the quarter, Citi had loan and revenue growth in both Global Consumer Banking (GCB) and the Institutional Clients Group (ICG) compared to the prior-year quarter, while continuing to wind-down the legacy assets in Corporate/Other.

In North America GCB, retail banking showed significant growth outside of mortgage operations, while Citi-branded cards continued to benefit from the acquisition of the Costco portfolio. International GCB generated positive operating leverage driven by year-over-year revenue growth in both, Latin America and Asia, excluding the impact of foreign currency translation into U.S. dollars for reporting purposes (FX translation). ICG had a strong quarter with revenue growth across all Banking businesses, particularly in investment banking, partially offset by declines in fixed income and equity markets revenues. These increases in revenues were partially offset by lower revenues in Corporate/Other, reflecting the continued wind-down of legacy non-core assets.

Citi also continued to generate significant regulatory capital during the quarter driven mostly by earnings. Citi generated approximately \$4.7 billion in regulatory capital during the quarter, before returning approximately \$2.2 billion to its common shareholders in the form of common stock repurchases and dividends. Citi repurchased approximately 29 million common shares, as outstanding common shares declined 1% from the prior quarter and 6% from the prior-year period. Despite this capital return, each of Citigroup's key regulatory capital metrics remained strong as of the end of the second quarter of 2017 (see "Capital" below). Citi utilized approximately \$100 million of deferred tax assets (DTAs) during the quarter and \$900 million of its DTAs during the first half of 2017.

The Federal Reserve Board did not object to the capital plan Citi submitted as part of the 2017 Comprehensive Capital Analysis and Review (CCAR). Accordingly, as previously disclosed, Citi intends to return \$18.9 billion of capital to its common shareholders over the next four quarters beginning with the third quarter of 2017 (for additional information, see "Equity Security Repurchases" and "Dividends" below).

While economic sentiment has improved, there continues to be various economic and political uncertainties and changes that could impact Citi's businesses. For a more detailed discussion of these risks and uncertainties, see each respective business's results of operations and "Forward-Looking Statements" below, as well as each respective business's results of operations and the "Managing Global Risk" and "Risk Factors" sections in Citi's 2016 Annual Report on Form 10-K.

Second Quarter of 2017 Summary Results

Citigroup

Citigroup reported net income of \$3.9 billion, or \$1.28 per share, compared to \$4.0 billion, or \$1.24 per share, in the prior-year period. The 3% decrease in net income from the prior-year period was primarily driven by higher credit costs and operating expenses, as well as a higher effective tax rate, partially offset by higher revenues. Earnings per share increased 3% largely due to a 6% reduction in average shares outstanding.

Citigroup revenues of \$17.9 billion in the second quarter of 2017 increased 2%, driven by a 6% increase in ICG, as well as a 5% increase in GCB, partially offset by a 45% decrease in Corporate/Other due primarily to the continued wind-down of legacy non-core assets.

Citigroup's end-of-period loans increased 2% to \$645 billion versus the prior-year period. Excluding the impact of FX translation, Citigroup's end-of-period loans also grew 2%, as 4% growth in both GCB and ICG was partially offset by the continued wind-down of legacy assets in Corporate/Other. (Citi's results of operations excluding the impact of FX

translation are non-GAAP financial measures.) Citigroup's end-of-period deposits increased 2% to \$959 billion versus the prior-year period. Excluding the impact of FX translation, Citigroup's deposits were also up 2%, driven by a 3% increase in both GCB and ICG deposits, slightly offset by a decline in Corporate/Other deposits.

Expenses

Citigroup's operating expenses were up slightly at \$10.5 billion versus the prior-year period, as the impact of higher volume-related expenses, performance-based compensation and ongoing investments were partially offset by efficiency savings and the wind-down of legacy assets. Year-over-year, GCB and ICG operating expenses were up each 5% while Corporate/Other operating expenses declined 24%.

Cost of Credit

Citi's total provisions for credit losses and for benefits and claims of \$1.7 billion increased 22% from the prior-year period. The increase was driven by an increase in net credit losses of \$94 million and a net loan loss reserve release of \$16 million, compared to a net release of \$256 million mostly related to legacy assets in the prior-year period.

Net credit losses of \$1.7 billion increased 6% versus the prior-year period. Consumer net credit losses of \$1.6 billion increased 11%, primarily driven by the Costco portfolio acquisition, organic volume growth and seasoning, and the impact of changes in collections processes in the North America cards businesses, partially offset by the continued wind-down of legacy assets in Corporate/Other. Corporate net credit losses decreased 45% from the prior-year period to \$77 million, driven by improvement in the energy sector. Citi

expects consumer cost of credit to increase in the near term due to continued volume growth.

For additional information on Citi's consumer and corporate credit costs and allowance for loan losses, see "Credit Risk" below.

Capital

Citigroup's Common Equity Tier 1 Capital and Tier 1 Capital ratios, on a fully implemented basis, were 13.1% and 14.7% as of June 30, 2017 (based on Basel III Standardized Approach for determining risk-weighted assets), respectively, compared to 12.5% and 14.1% as of June 30, 2016 (based on the Basel III Advanced Approaches for determining risk-weighted assets). Citigroup's Supplementary Leverage ratio as of June 30, 2017, on a fully implemented basis, was 7.2%, compared to 7.5% as of June 30, 2016. For additional information on Citi's capital ratios and related components, including the impact of Citi's DTAs on its capital ratios, see "Capital Resources" below.

Global Consumer Banking

GCB net income decreased 12% to \$1.1 billion, as higher revenues were more than offset by higher cost of credit and higher operating expenses. Operating expenses were \$4.5 billion, an increase of 5% on both a reported basis and excluding the impact of FX, driven by the addition of the Costco portfolio, volume growth and continued investments, partially offset by ongoing efficiency savings.

GCB revenues of \$8.0 billion increased 5% versus the prior-year period. Excluding the impact of FX translation, GCB revenues also increased 5%, driven by a 5% increase in both North America GCB and international GCB. North America GCB revenues increased 5% to \$4.9 billion, as higher revenues in Citi-branded cards and Citi retail services were partially offset by lower revenues in retail banking, driven by lower mortgage revenues. Citi-branded cards revenues of \$2.1 billion were up 10% versus the prior-year period, reflecting the impact of the Costco portfolio acquisition as well as modest organic growth in core portfolios, partially offset by the run-off of non-core portfolios. Citi retail services revenues of \$1.6 billion increased 4% versus the prior-year period, reflecting continued loan growth and a favorable prior period comparison. Retail banking revenues decreased 2% from the prior-year period, mainly driven by the lower mortgage revenues. Excluding mortgage revenues, retail banking revenues were up 7% from the prior-year period, driven by continued growth in average loans, deposits and assets under management, as well as a benefit from higher interest rates.

North America GCB average deposits of \$185 billion were up 2% versus the prior-year period, average retail loans of \$56 billion grew 2%, and assets under management of \$57 billion grew 10%. Average branded card loans of \$83 billion increased 25%, while branded card purchase sales of \$81 billion increased 52% versus the prior-year period, both driven by the Costco portfolio acquisition as well as organic growth. Average retail services loans of \$45 billion were up 4%, while retail services purchase sales of \$21 billion were up 2%. For additional information on the results of operations of North

America GCB for the second quarter of 2017, see "Global Consumer Banking—North America GCB" below.

International GCB revenues (consisting of Latin America GCB and Asia GCB (which includes the results of operations in certain EMEA countries)) increased 4% to \$3.1 billion versus the prior-year period. Excluding the impact of FX translation, international GCB revenues increased 5% versus the prior-year period. Latin America GCB revenues increased 8% versus the prior-year period, driven by growth in retail loans and deposits, as well as improved deposit spreads, partially offset by a modest decline in cards revenues. Asia GCB revenues increased 3% versus the prior-year period, driven by improvement in cards and wealth management revenues, partially offset by lower retail lending revenues. For additional information on the results of operations of Latin America GCB and Asia GCB for the second quarter of 2017, including the impact of FX translation, see "Global Consumer Banking—Latin America GCB" and "—Asia GCB" below.

Year-over-year, international GCB average deposits of \$122 billion increased 7%, average retail loans of \$87 billion were roughly flat, assets under management of \$96 billion increased 7%, average card loans of \$24 billion increased 6% and card purchase sales of \$24 billion increased 7%, all excluding the impact of FX translation.

Institutional Clients Group

ICG net income of \$2.8 billion increased 6%, driven by higher revenues, partially offset by higher operating expenses. ICG operating expenses increased 5% to \$5.0 billion, as higher incentive compensation, investments and volume-related expenses were partially offset by efficiency savings.

ICG revenues were \$9.2 billion in the second quarter of 2017, up 6% from the prior-year period, driven by a 19% increase in Banking revenues partially offset by a 5% decrease in Markets and securities services revenues. The increase in Banking revenues included the impact of \$9 million of mark-to-market gains on loan hedges related to accrual loans within corporate lending compared to losses of \$203 million in the prior-year period.

Banking revenues of \$4.8 billion (excluding the impact of mark-to-market losses on hedges related to accrual loans within corporate lending) increased 13% compared to the prior-year period, driven by significant growth in investment banking as well as solid performance in treasury and trade solutions and the private bank. Investment banking revenues of \$1.5 billion increased 22% versus the prior-year period. Advisory revenues increased 32% to \$314 million, equity underwriting revenues increased 70% to \$295 million and debt underwriting revenues increased 9% to \$877 million, all versus the prior-year period.

Private bank revenues increased 17% versus the prior-year period to \$788 million, driven by loan and deposit growth, improved spreads and increased investment activity. Corporate lending revenues increased \$306 million to \$486 million. Excluding the mark-to-market impact of loan hedges, corporate lending revenues increased 25% to \$477 million versus the prior-year period reflecting lower hedging costs as well as the absence of a prior period adjustment to the residual value of a lease financing. Treasury and trade solutions

revenues increased 3% to \$2.1 billion versus the prior-year period, reflecting continued volume growth and improved deposit spreads.

Markets and securities services revenues decreased 5% to \$4.4 billion versus the prior-year period. Fixed income markets revenues decreased 6% to \$3.2 billion versus the prior-year period, primarily reflecting lower G10 currencies revenue, given low volatility in the current quarter and the comparison to higher Brexit-related activity a year ago. Equity markets revenues decreased 11% to \$691 million versus the prior-year period, reflecting episodic activity in the prior-year period, as well as low volatility in the current quarter. Securities services revenues increased 10% to \$584 million versus the prior-year period, driven by growth in client volumes across the global custody business. For additional information on the results of operations of ICG for the second quarter of 2017, see “Institutional Clients Group” below.

Corporate/Other

Corporate/Other net loss was \$15 million in the second quarter of 2017, compared to net income of \$116 million in the prior-year period, reflecting lower revenues, partially offset by lower operating expenses and lower cost of credit. Expenses of \$990 million declined 24% from the prior-year period, reflecting the wind-down of legacy assets. Corporate/Other revenues were \$653 million, down 45% from the prior-year period, reflecting the wind-down of legacy assets, divestiture activity and the absence of gains related to debt buybacks in the prior-year period. Corporate/Other end-of-period assets decreased 21% to \$92 billion from the prior-year period as Citi continued to wind-down legacy assets. For additional information on the results of operations of Corporate/Other for the second quarter of 2017, see “Corporate/Other” below.

RESULTS OF OPERATIONS

SUMMARY OF SELECTED FINANCIAL DATA—PAGE 1

Citigroup Inc. and Consolidated Subsidiaries

In millions of dollars, except per-share amounts and ratios	Second Quarter			Six Months		
	2017	2016	% Change	2017	2016	% Change
Net interest revenue	\$11,165	\$11,236	(1)%	\$22,022	\$22,463	(2)%
Non-interest revenue	6,736	6,312	7	13,999	12,640	11
Revenues, net of interest expense	\$17,901	\$17,548	2 %	\$36,021	\$35,103	3 %
Operating expenses	10,506	10,369	1	20,983	20,892	—
Provisions for credit losses and for benefits and claims	1,717	1,409	22	3,379	3,454	(2)
Income from continuing operations before income taxes	\$5,678	\$5,770	(2)%	\$11,659	\$10,757	8 %
Income taxes	1,795	1,723	4	3,658	3,202	14
Income from continuing operations	\$3,883	\$4,047	(4)%	\$8,001	\$7,555	6 %
Income (loss) from discontinued operations, net of taxes ⁽¹⁾	21	(23)	NM	3	(25)	NM
Net income before attribution of noncontrolling interests	\$3,904	\$4,024	(3)%	\$8,004	\$7,530	6 %
Net income attributable to noncontrolling interests	32	26	23	42	31	35
Citigroup's net income	\$3,872	\$3,998	(3)%	\$7,962	\$7,499	6 %
Less:						
Preferred dividends—Basic	\$320	\$322	(1)%	\$621	\$532	17 %
Dividends and undistributed earnings allocated to employee restricted and deferred shares that contain nonforfeitable rights to	48	53	(9)	103	93	11
dividends, applicable to basic EPS						
Income allocated to unrestricted common shareholders for basic and diluted EPS	\$3,504	\$3,623	(3)%	\$7,238	\$6,874	5 %
Earnings per share						
Basic						
Income from continuing operations	\$1.27	1.25	2	\$2.63	2.36	11
Net income	1.28	1.24	3	2.63	2.35	12
Diluted						
Income from continuing operations	\$1.27	\$1.25	2 %	\$2.63	\$2.36	11 %
Net income	1.28	1.24	3	2.63	2.35	12
Dividends declared per common share	0.16	0.05	NM	0.32	0.10	NM

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

SUMMARY OF SELECTED FINANCIAL DATA—PAGE 2

Citigroup Inc. and Consolidated Subsidiaries

In millions of dollars, except per-share amounts, ratios and	Second Quarter		% Change	Six Months		
	2017	2016		2017	2016	% Change
direct staff						
At June 30:						
Total assets	\$1,864,063	\$1,818,771	2 %			
Total deposits	958,743	937,852	2			
Long-term debt	225,179	207,448	9			
Citigroup common stockholders' equity	210,766	212,635	(1)			
Total Citigroup stockholders' equity	230,019	231,888	(1)			
Direct staff (in thousands)	214	220	(3)			
Performance metrics						
Return on average assets	0.83	%0.89	%	0.87	%0.84	%
Return on average common stockholders' equity ⁽²⁾	6.8	7.0		7.1	6.7	
Return on average total stockholders' equity ⁽²⁾	6.8	7.0		7.1	6.7	
Efficiency ratio (Total operating expenses/Total revenues)	59	59		58	60	
Basel III ratios—full implementation						
Common Equity Tier 1 Capital ⁽³⁾	13.06	%12.53	%			
Tier 1 Capital ⁽³⁾	14.74	14.12				
Total Capital ⁽³⁾	16.93	16.13				
Supplementary Leverage ratio ⁽⁴⁾	7.24	7.48				
Citigroup common stockholders' equity to assets	11.31	%11.69	%			
Total Citigroup stockholders' equity to assets	12.34	12.75				
Dividend payout ratio ⁽⁵⁾	12.5	4.0		12.2	%4.3	%
Total payout ratio ⁽⁶⁾	63	40		61	42	
Book value per common share	\$77.36	\$73.19	6 %			
Tangible book value (TBV) per share ⁽⁷⁾	67.32	63.53	6			
Ratio of earnings to fixed charges and preferred stock dividends	2.28x	2.63x		2.39x	2.59x	

(1) See Note 2 to the Consolidated Financial Statements for additional information on Citi's discontinued operations.

The return on average common stockholders' equity is calculated using net income less preferred stock dividends

(2) 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.

Citi's reportable Common Equity Tier 1 (CET1) Capital and Tier 1 Capital ratios were the lower derived under the U.S. Basel III Standardized Approach at June 30, 2017, and U.S. Basel III Advanced Approaches at June 30, 2016.

(3) Citi's reportable Total Capital ratios were derived under the U.S. Basel III Advanced Approaches for both periods presented. This reflects the U.S. Basel III requirement to report the lower of risk-based capital ratios under both the Standardized Approach and Advanced Approaches in accordance with the Collins Amendment of the Dodd-Frank Act.

(4) Citi's Supplementary Leverage ratio reflects full implementation of the U.S. Basel III rules.

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

Total common dividends declared plus common stock repurchases as a percentage of net income available to

(6) common shareholders. See "Consolidated Statement of Changes in Stockholders' Equity," Note 9 to the Consolidated Financial Statements and "Equity Security Repurchases" below for the component details.

(7) For information on TBV, see "Capital Resources—Tangible Common Equity, Book Value Per Share, Tangible Book Value Per Share and Returns on Equity" below.

NM Not Meaningful

SEGMENT AND BUSINESS—INCOME (LOSS) AND REVENUES
CITIGROUP INCOME

In millions of dollars	Second Quarter			Six Months		
	2017	2016	% Change	2017	2016	% Change
Income from continuing operations						
Global Consumer Banking						
North America	\$670	\$815	(18)%	\$1,297	\$1,648	(21)%
Latin America	136	173	(21)	266	319	(17)
Asia ⁽¹⁾	323	297	9	569	512	11
Total	\$1,129	\$1,285	(12)%	\$2,132	\$2,479	(14)%
Institutional Clients Group						
North America	\$1,112	\$1,005	11 %	\$2,212	\$1,551	43 %
EMEA	779	695	12	1,634	1,069	53
Latin America	333	392	(15)	808	722	12
Asia	556	523	6	1,137	1,142	—
Total	\$2,780	\$2,615	6 %	\$5,791	\$4,484	29 %
Corporate/Other	(26)	147	NM	78	592	(87)
Income from continuing operations	\$3,883	\$4,047	(4)%	\$8,001	\$7,555	6 %
Discontinued operations	\$21	\$(23)	NM	\$3	\$(25)	NM
Net income attributable to noncontrolling interests	32	26	23	42	31	35
Citigroup's net income	\$3,872	\$3,998	(3)%	\$7,962	\$7,499	6 %

(1) Asia GCB includes the results of operations of GCB activities in certain EMEA countries for all periods presented.

CITIGROUP REVENUES

	Second Quarter			Six Months		
In millions of dollars	2017	2016	% Change	2017	2016	% Change
Global Consumer Banking						
North America	\$4,944	\$4,709	5 %	\$9,888	\$9,539	4 %
Latin America	1,290	1,236	4	2,441	2,465	(1)
Asia ⁽¹⁾	1,801	1,729	4	3,523	3,384	4
Total	\$8,035	\$7,674	5 %	\$15,852	\$15,388	3 %
Institutional Clients Group						
North America	\$3,568	\$3,393	5 %	\$7,023	\$6,373	10 %
EMEA	2,837	2,577	10	5,644	4,744	19
Latin America	1,042	1,022	2	2,169	1,984	9
Asia	1,766	1,697	4	3,503	3,483	1
Total	\$9,213	\$8,689	6 %	\$18,339	\$16,584	11 %
Corporate/Other	653	1,185	(45)	1,830	3,131	(42)
Total Citigroup net revenues	\$17,901	\$17,548	2 %	\$36,021	\$35,103	3 %

(1) Asia GCB includes the results of operations of GCB activities in certain EMEA countries for all periods presented.

SEGMENT BALANCE SHEET⁽¹⁾

In millions of dollars	Global Consumer Banking	Institutional Clients Group	Corporate/Other and consolidating eliminations ⁽²⁾	Citigroup Parent company- issued long-term debt and stockholders' equity ⁽³⁾	Total Citigroup consolidated
Assets					
Cash and deposits with banks	\$ 9,260	\$ 65,850	\$ 110,972	\$ —	\$ 186,082
Federal funds sold and securities borrowed or purchased under agreements to resell	358	233,076	631	—	234,065
Trading account assets	6,414	251,170	2,022	—	259,606
Investments	10,255	113,078	228,377	—	351,710
Loans, net of unearned income and allowance for loan losses	290,001	316,842	25,827	—	632,670
Other assets	38,143	103,046	58,741	—	199,930
Liquidity assets ⁽⁴⁾	64,378	269,709	(334,087) —	—
Total assets	\$ 418,809	\$ 1,352,771	\$ 92,483	\$ —	\$ 1,864,063
Liabilities and equity					
Total deposits	\$ 309,320	\$ 623,533	\$ 25,890	\$ —	\$ 958,743
Federal funds purchased and securities loaned or sold under agreements to repurchase	4,061	150,711	8	—	154,780
Trading account liabilities	13	136,273	459	—	136,745
Short-term borrowings	602	20,455	15,462	—	36,519
Long-term debt ⁽³⁾	1,178	34,179	42,565	147,257	225,179
Other liabilities	17,999	83,118	19,873	—	120,990
Net inter-segment funding (lending) ⁽³⁾	85,636	304,502	(12,862	) (377,276) —
Total liabilities	\$ 418,809	\$ 1,352,771	\$ 91,395	\$ (230,019	) \$ 1,632,956
Total equity ⁽⁵⁾	—	—	1,088	230,019	231,107
Total liabilities and equity	\$ 418,809	\$ 1,352,771	\$ 92,483	\$ —	\$ 1,864,063

The supplemental information presented in the table above reflects Citigroup's consolidated GAAP balance sheet (1) by reporting segment as of June 30, 2017. The respective segment information depicts the assets and liabilities managed by each segment as of such date.

(2) Consolidating eliminations for total Citigroup and Citigroup parent company assets and liabilities are recorded within Corporate/Other.

The total stockholders' equity and the majority of long-term debt of Citigroup reside in the Citigroup parent (3) company Consolidated Balance Sheet. Citigroup allocates stockholders' equity and long-term debt to its businesses through inter-segment allocations as shown above.

(4) Represents the attribution of Citigroup's liquidity assets (primarily consisting of cash and available-for-sale securities) to the various businesses based on Liquidity Coverage Ratio (LCR) assumptions.

(5) Corporate/Other equity represents noncontrolling interests.

This page intentionally left blank.

GLOBAL CONSUMER BANKING

Global Consumer Banking (GCB) consists of consumer banking businesses in North America, Latin America (consisting of Citi's consumer banking business in Mexico) and Asia. GCB provides traditional banking services to retail customers through retail banking, including commercial banking, and Citi-branded cards and Citi retail services (for additional information on these businesses, see "Citigroup Segments" above). GCB is focused on its priority markets in the U.S., Mexico and Asia with 2,570 branches in 19 countries and jurisdictions as of June 30, 2017. At June 30, 2017, GCB had approximately \$419 billion in assets and \$309 billion in deposits.

GCB's overall strategy is to leverage Citi's global footprint and be the preeminent bank for the emerging affluent and affluent consumers in large urban centers. In credit cards and in certain retail markets, Citi serves customers in a somewhat broader set of segments and geographies.

In millions of dollars except as otherwise noted	Second Quarter			Six Months		
	2017	2016	% Change	2017	2016	% Change
Net interest revenue	\$6,699	\$6,308	6 %	\$13,221	\$12,660	4 %
Non-interest revenue	1,336	1,366	(2)%	2,631	2,728	(4)%
Total revenues, net of interest expense	\$8,035	\$7,674	5 %	\$15,852	\$15,388	3 %
Total operating expenses	\$4,497	\$4,297	5 %	\$8,912	\$8,698	2 %
Net credit losses	\$1,615	\$1,374	18 %	\$3,218	\$2,745	17 %
Credit reserve build (release)	125	23	NM	302	108	NM
Provision (release) for unfunded lending commitments	(1)	8	NM	5	9	(44)%
Provision for benefits and claims	23	20	15 %	52	48	8 %
Provisions for credit losses and for benefits and claims	\$1,762	\$1,425	24 %	\$3,577	\$2,910	23 %
Income from continuing operations before taxes	\$1,776	\$1,952	(9)%	\$3,363	\$3,780	(11)%
Income taxes	647	667	(3)	1,231	1,301	(5)
Income from continuing operations	\$1,129	\$1,285	(12)%	\$2,132	\$2,479	(14)%
Noncontrolling interests	4	1	NM	5	3	67
Net income	\$1,125	\$1,284	(12)%	\$2,127	\$2,476	(14)%
Balance Sheet data (in billions of dollars)						
Total EOP assets	\$419	\$399	5 %			
Average assets	414	387	7	\$413	\$382	8 %
Return on average assets	1.09	% 1.33	%	1.04	% 1.30	%
Efficiency ratio	56	% 56	%	56	% 57	%
Average deposits	\$307	\$297	3 %	\$305	\$296	3 %
Net credit losses as a percentage of average loans	2.20	% 2.02	%	2.22	% 2.03	%
Revenue by business						
Retail banking	\$3,299	\$3,242	2 %	\$6,454	\$6,429	— %
Cards ⁽¹⁾	4,736	4,432	7	9,398	8,959	5
Total	\$8,035	\$7,674	5 %	\$15,852	\$15,388	3 %
Income from continuing operations by business						
Retail banking	\$420	\$472	(11)%	\$759	\$770	(1)%
Cards ⁽¹⁾	709	813	(13)	1,373	1,709	(20)
Total	\$1,129	\$1,285	(12)%	\$2,132	\$2,479	(14)%

Table continues on the next page.

Foreign currency (FX) translation impact

Total revenue—as reported	\$8,035	\$7,674	5	%	\$15,852	\$15,388	3	%
Impact of FX translation ⁽²⁾	—	(23)	)		—	(126))	
Total revenues—ex-FX	\$8,035	\$7,651	5	%	\$15,852	\$15,262	4	%
Total operating expenses—as reported	\$4,497	\$4,297	5	%	\$8,912	\$8,698	2	%
Impact of FX translation ⁽²⁾	—	(9)	)		—	(50))	
Total operating expenses—ex-FX	\$4,497	\$4,288	5	%	\$8,912	\$8,648	3	%
Total provisions for LLR & PBC—as reported	\$1,762	\$1,425	24	%	\$3,577	\$2,910	23	%
Impact of FX translation ⁽²⁾	—	(7)	)		—	(37))	
Total provisions for LLR & PBC—ex-FX	\$1,762	\$1,418	24	%	\$3,577	\$2,873	25	%
Net income—as reported	\$1,125	\$1,284	(12)	%	\$2,127	\$2,476	(14)	%
Impact of FX translation ⁽²⁾	—	(6)	)		—	(30))	
Net income—ex-FX	\$1,125	\$1,278	(12)	%	\$2,127	\$2,446	(13)	%

(1) Includes both Citi-branded cards and Citi retail services.

(2) Reflects the impact of FX translation into U.S. dollars at the second quarter of 2017 and year-to-date 2017 average exchange rates for all periods presented.

(3) Presentation of this metric excluding FX translation is a non-GAAP financial measure.

NORTH AMERICA GCB

North America GCB provides traditional retail banking, including commercial banking, and its Citi-branded cards and Citi retail services card products to retail customers and small to mid-size businesses, as applicable, in the U.S. North America GCB's U.S. cards product portfolio includes its proprietary portfolio (including the Citi Double Cash, Thank You and Value cards) and co-branded cards (including, among others, American Airlines and Costco) within Citi-branded cards as well as its co-brand and private label relationships (including, among others, Sears, The Home Depot, Macy's and Best Buy) within Citi retail services. As previously announced, the Hilton Honors co-brand credit card partnership with Citi will terminate as of year-end 2017. The termination is not expected to have a material impact to North America GCB's results of operations or financial condition.

As of June 30, 2017, North America GCB's 695 retail bank branches are concentrated in the six key metropolitan areas of New York, Chicago, Miami, Washington, D.C., Los Angeles and San Francisco. Also as of June 30, 2017, North America GCB had approximately 9.5 million retail banking customer accounts, \$55.6 billion in retail banking loans and \$185.2 billion in deposits. In addition, North America GCB had approximately 120 million Citi-branded and Citi retail services credit card accounts with \$130.8 billion in outstanding card loan balances.

In millions of dollars, except as otherwise noted	Second Quarter			Six Months		
	2017	2016	% Change	2017	2016	% Change
Net interest revenue	\$4,633	\$4,331	7 %	\$9,250	\$8,729	6 %
Non-interest revenue	311	378	(18)	638	810	(21)
Total revenues, net of interest expense	\$4,944	\$4,709	5 %	\$9,888	\$9,539	4 %
Total operating expenses	\$2,577	\$2,426	6 %	\$5,153	\$4,926	5 %
Net credit losses	\$1,181	\$954	24 %	\$2,371	\$1,887	26 %
Credit reserve build (release)	101	49	NM	253	128	98
Provision for unfunded lending commitments	2	7	(71)	9	7	29
Provisions for benefits and claims	8	8	—	14	17	(18)
Provisions for credit losses and for benefits and claims	\$1,292	\$1,018	27 %	\$2,647	\$2,039	30 %
Income from continuing operations before taxes	\$1,075	\$1,265	(15)	\$2,088	\$2,574	(19)
Income taxes	405	450	(10)	791	926	(15)
Income from continuing operations	\$670	\$815	(18)	\$1,297	\$1,648	(21)
Noncontrolling interests	—	(1)	NM	—	(1)	NM
Net income	\$670	\$816	(18)	\$1,297	\$1,649	(21)
Balance Sheet data (in billions of dollars)						
Average assets	\$243	\$218	11 %	\$244	\$215	13 %
Return on average assets	1.11	% 1.51	%	1.07	% 1.54	%
Efficiency ratio	52	% 52	%	52	% 52	%
Average deposits	\$185.1	\$182.1	2 %	\$185.3	\$181.4	2 %
Net credit losses as a percentage of average loans	2.58	% 2.34	%	2.61	% 2.33	%
Revenue by business						
Retail banking	\$1,291	\$1,313	(2)	\$2,547	\$2,603	(2)
Citi-branded cards	2,079	1,886	10	4,175	3,746	11
Citi retail services	1,574	1,510	4	3,166	3,190	(1)
Total	\$4,944	\$4,709	5 %	\$9,888	\$9,539	4 %
Income from continuing operations by business						
Retail banking	\$140	\$172	(19)	\$223	\$261	(15)
Citi-branded cards	305	320	(5)	553	673	(18)
Citi retail services	225	323	(30)	521	714	(27)
Total	\$670	\$815	(18)	\$1,297	\$1,648	(21)

NM Not meaningful

15

2Q17 vs. 2Q16

Net income decreased 18% due to significantly higher cost of credit, driven by the impact of the Costco portfolio acquisition (completed June 17, 2016), and higher expenses, partially offset by higher revenues.

Revenues increased 5%, reflecting higher revenues in Citi-branded cards and Citi retail services, partially offset by lower revenues in retail banking.

Retail banking revenues declined 2%, reflecting lower mortgage revenues. The decline in mortgage revenues was driven by lower origination activity and higher cost of funds, as well as the impact of the previously announced sale of a portion of Citi's mortgage servicing rights (MSR). Excluding mortgage revenues, retail banking revenues were up 7%, driven by continued growth in average loans (6%), deposits (2%), and asset under management (10%), as well as a benefit from higher interest rates. Citi expects higher interest rates and the impact of the MSR sale to continue to negatively impact mortgage revenues during the remainder of 2017.

Cards revenues increased 8%. In Citi-branded cards, revenues increased 10%, largely reflecting the impact of the Costco portfolio acquisition and modest organic growth in Citi's core portfolios. This increase in revenues was partially offset by the runoff of non-core portfolios, which is expected to be an ongoing headwind during the remainder of 2017. Average loans grew 25% (3% excluding Costco) and purchase sales grew 52% (3% excluding Costco).

Citi retail services revenues increased 4%, primarily driven by continued loan growth and a favorable prior-period comparison, partially offset by the continued impact of the previously disclosed renewal and extension of certain partnerships within the portfolio. Average loans were up 4% and purchase sales were up 2%.

Expenses increased 6%, primarily driven by the addition of the Costco portfolio, volume growth and continued investments, partially offset by efficiency savings.

Provisions increased 27% from the prior-year period, driven by higher net credit losses and a higher net loan loss reserve build.

Net credit losses increased 24%, primarily driven by higher losses in Citi-branded cards and Citi retail services. In Citi-branded cards, net credit losses increased 31% to \$611 million, primarily due to the Costco portfolio acquisition, organic volume growth and seasoning. In Citi retail services, net credit losses increased 20% to \$531 million, primarily due to volume growth and seasoning and the impact of changes in collection processes. The net loan loss reserve build in the second quarter of 2017 was \$103 million, compared to a build of \$56 million in the prior-year period, largely supporting volume growth and the impact of changes in collections processes in Citi retail services. For additional information on North America GCB's retail banking, including commercial banking, and its Citi-branded cards and Citi retail services portfolios, see "Credit Risk—Consumer Credit" below.

2017 YTD vs. 2016 YTD

Year-to-date, North America GCB has experienced similar trends to those described above. Net income decreased 21% due to higher cost of credit and higher expenses, partially offset by higher revenues.

Revenues increased 4%, reflecting higher revenues in cards, partially offset by lower revenues in retail banking. Retail banking revenues decreased 2%, driven by the same factors described above. Cards revenues increased 6%. In Citi-branded cards, revenues increased 11%, driven by the same factors described above. Citi retail services revenues were down 1%, driven by the continued impact of the renewal and extension of certain partnerships, as well as the absence of gains on sales of two cards portfolios in the first quarter of 2016, partially offset by loan growth.

Expenses increased 5%, driven by the same factors described above.

Provisions increased 30%, driven by the same factors described above. Net credit losses increased 26% and the net loan loss reserve build of \$262 million increased \$127 million.

LATIN AMERICA GCB

Latin America GCB provides traditional retail banking, including commercial banking, and its Citi-branded card products to retail customers and small to mid-size businesses in Mexico through Citibanamex, one of Mexico's largest banks.

At June 30, 2017, Latin America GCB had 1,496 retail branches in Mexico, with approximately 28.0 million retail banking customer accounts, \$21.0 billion in retail banking loans and \$28.7 billion in deposits. In addition, the business had approximately 5.7 million Citi-branded card accounts with \$5.5 billion in outstanding loan balances.

In millions of dollars, except as otherwise noted	Second Quarter			Six Months		
	2017	2016	% Change	2017	2016	% Change
Net interest revenue	\$917	\$861	7 %	\$1,717	\$1,714	— %
Non-interest revenue	373	375	(1)%	724	751	(4)%
Total revenues, net of interest expense	\$1,290	\$1,236	4 %	\$2,441	\$2,465	(1)%
Total operating expenses	\$735	\$725	1 %	\$1,394	\$1,443	(3)%
Net credit losses	\$277	\$260	7 %	\$530	\$538	(1)%
Credit reserve build (release)	50	(2)	NM	62	15	NM
Provision (release) for unfunded lending commitments	(1)	1	NM	(1)	2	NM
Provision for benefits and claims	15	12	25 %	38	31	23 %
Provisions for credit losses and for benefits and claims (LLR & PBC)	\$341	\$271	26 %	\$629	\$586	7 %
Income from continuing operations before taxes	\$214	\$240	(11)%	\$418	\$436	(4)%
Income taxes	78	67	16 %	152	117	30 %
Income from continuing operations	\$136	\$173	(21)%	\$266	\$319	(17)%
Noncontrolling interests	2	1	100 %	3	2	50 %
Net income	\$134	\$172	(22)%	\$263	\$317	(17)%
Balance Sheet data (in billions of dollars)						
Average assets	\$46	\$50	(8)%	\$45	\$50	(10)%
Return on average assets	1.17	% 1.38	%	1.18	% 1.27	%
Efficiency ratio	57	% 59	%	57	% 59	%
Average deposits	\$27.8	\$25.9	7 %	\$26.6	\$26.0	2 %
Net credit losses as a percentage of average loans	4.36	% 4.30	%	4.38	% 4.43	%
Revenue by business						
Retail banking	\$923	\$853	8 %	\$1,759	\$1,709	3 %
Citi-branded cards	367	383	(4)	682	756	(10)
Total	\$1,290	\$1,236	4 %	\$2,441	\$2,465	(1)%
Income from continuing operations by business						
Retail banking	\$87	\$96	(9)%	\$173	\$186	(7)%
Citi-branded cards	49	77	(36)	93	133	(30)
Total	\$136	\$173	(21)%	\$266	\$319	(17)%

FX translation impact

Total revenues—as reported	\$1,290	\$1,236	4	%	\$2,441	\$2,465	(1)	%
Impact of FX translation ⁽¹⁾	—	(37)	)		—	(160))	
Total revenues—ex-FX	\$1,290	\$1,199	8	%	\$2,441	\$2,305	6	%
Total operating expenses—as reported	\$735	\$725	1	%	\$1,394	\$1,443	(3)	%
Impact of FX translation ⁽¹⁾	—	(18)	)		—	(73))	
Total operating expenses—ex-FX	\$735	\$707	4	%	\$1,394	\$1,370	2	%
Provisions for LLR & PBC—as reported	\$341	\$271	26	%	\$629	\$586	7	%
Impact of FX translation ⁽¹⁾	—	(8)	)		—	(39))	
Provisions for LLR & PBC—ex-FX	\$341	\$263	30	%	\$629	\$547	15	%
Net income—as reported	\$134	\$172	(22)	%	\$263	\$317	(17)	%
Impact of FX translation ⁽¹⁾	—	(9)	)		—	(37))	
Net income—ex-FX	\$134	\$163	(18)	%	\$263	\$280	(6)	%

(1) Reflects the impact of FX translation into U.S. dollars at the second quarter of 2017 and year-to-date 2017 average exchange rates for all periods presented.

(2) Presentation of this metric excluding FX translation is a non-GAAP financial measure.

The discussion of the results of operations for Latin America GCB below excludes the impact of FX translation for all periods presented. Presentations of the results of operations, excluding the impact of FX translation, are non-GAAP financial measures. For a reconciliation of certain of these metrics to the reported results, see the table above.

2Q17 vs. 2Q16

Net income decreased 18%, primarily driven by higher credit costs and expenses, partially offset by higher revenues. Revenues increased 8%, driven by higher revenues in retail banking, partially offset by modestly lower revenues in cards.

Retail banking revenues grew by 12%, reflecting continued growth in volumes, including an increase in average loans (8%), largely driven by the commercial and small business portfolios, and an increase in average deposits (10%), as well as improved deposit spreads. Cards revenues decreased 1%, reflecting continued higher cost to fund non-revolving loans, largely offset by increased purchase sales (10%). Average card loans grew 6%. While revolving card loan balance trends continued to improve during the quarter, Latin America GCB expects cards revenues to remain under pressure in the near term.

Expenses increased 4%, as ongoing investment spending and business growth were partially offset by efficiency savings.

Provisions increased 30%, primarily driven by a higher net loan loss reserve build (increase of \$51 million) and higher net credit losses (10%), largely reflecting volume growth and seasonality.

For additional information on Latin America GCB's retail banking, including commercial banking, and its Citi-branded

cards portfolios, see “Credit Risk—Consumer Credit” below.

2017 YTD vs. 2016 YTD

Year-to-date, Latin America GCB has experienced similar trends to those described above. Net income decreased 6%, driven by the same factors described above.

Revenues increased 6%, primarily due to higher revenues in retail banking, partially offset by lower revenues in cards. Retail banking revenues increased 10%, driven by the same factors described above as well as the impact of business

divestitures. Cards revenues decreased 3%, driven by the same factors described above.
Expenses increased 2%, as ongoing investment spending was partially offset by efficiency savings.
Provisions increased 15% largely driven by the same factors described above.

ASIA GCB

Asia GCB provides traditional retail banking, including commercial banking, and its Citi-branded card products to retail customers and small to mid-size businesses, as applicable. During the second quarter of 2017, Citi's most significant revenues in the region were from Hong Kong, Singapore, Korea, Australia, India, Taiwan, Indonesia, Philippines, Thailand and Malaysia. Included within Asia GCB, traditional retail banking and Citi-branded card products are also provided to retail customers in certain EMEA countries, primarily in Poland, Russia and the United Arab Emirates.

At June 30, 2017, on a combined basis, the businesses had 379 retail branches, approximately 16.3 million retail banking customer accounts, \$66.8 billion in retail banking loans and \$95.4 billion in deposits. In addition, the businesses had approximately 16.7 million Citi-branded card accounts with \$18.8 billion in outstanding loan balances.

In millions of dollars, except as otherwise noted ⁽¹⁾	Second Quarter			Six Months			% Change	
	2017	2016	% Change	2017	2016			
Net interest revenue	\$1,149	\$1,116	3	% \$2,254	\$2,217	2	%	
Non-interest revenue	652	613	6	1,269	1,167	9		
Total revenues, net of interest expense	\$1,801	\$1,729	4	% \$3,523	\$3,384	4	%	
Total operating expenses	\$1,185	\$1,146	3	% \$2,365	\$2,329	2	%	
Net credit losses	\$157	\$160	(2)	)% \$317	\$320	(1))%	
Credit reserve build (release)	(26)	(24)	(8)	(13)	(35)	63		
Provision (release) for unfunded lending commitments	(2)	—	NM	(3)	—	NM		
Provisions for credit losses	\$129	\$136	(5)	)% \$301	\$285	6	%	
Income from continuing operations before taxes	\$487	\$447	9	% \$857	\$770	11	%	
Income taxes	164	150	9	288	258	12		
Income from continuing operations	\$323	\$297	9	% \$569	\$512	11	%	
Noncontrolling interests	2	1	100	2	2	—		
Net income	\$321	\$296	8	% \$567	\$510	11	%	
Balance Sheet data (in billions of dollars)								
Average assets	\$125	\$119	5	% \$124	\$118	5	%	
Return on average assets	1.03	% 1.00	%	0.92	% 0.87	%		
Efficiency ratio	66	% 66	%	67	% 69	%		
Average deposits	\$94.3	\$89.4	5	% \$93.5	\$88.3	6	%	
Net credit losses as a percentage of average loans	0.74	% 0.76	%	0.76	% 0.76	%		
Revenue by business								
Retail banking	\$1,085	\$1,076	1	% \$2,148	\$2,117	1	%	
Citi-branded cards	716	653	10	1,375	1,267	9		
Total	\$1,801	\$1,729	4	% \$3,523	\$3,384	4	%	
Income from continuing operations by business								
Retail banking	\$193	\$204	(5)	)% \$363	\$323	12	%	
Citi-branded cards	130	93	40	206	189	9		
Total	\$323	\$297	9	% \$569	\$512	11	%	

FX translation impact

Total revenues—as reported	\$1,801	\$1,729	4 %	\$3,523	\$3,384	4 %
Impact of FX translation ⁽²⁾	—	14	—	34		
Total revenues—ex-FX	\$1,801	\$1,743	3 %	\$3,523	\$3,418	3 %
Total operating expenses—as reported	\$1,185	\$1,146	3 %	\$2,365	\$2,329	2 %
Impact of FX translation ⁽²⁾	—	9	—	23		
Total operating expenses—ex-FX	\$1,185	\$1,155	3 %	\$2,365	\$2,352	1 %
Provisions for loan losses—as reported	\$129	\$136	(5) %	\$301	\$285	6 %
Impact of FX translation ⁽²⁾	—	1	—	2		
Provisions for loan losses—ex-FX	\$129	\$137	(6) %	\$301	\$287	5 %
Net income—as reported	\$321	\$296	8 %	\$567	\$510	11 %
Impact of FX translation ⁽²⁾	—	3	—	7		
Net income—ex-FX	\$321	\$299	7 %	\$567	\$517	10 %

(1) Asia GCB includes the results of operations of GCB activities in certain EMEA countries for all periods presented.

(2) Reflects the impact of FX translation into U.S. dollars at the second quarter of 2017 and year-to-date 2017 average exchange rates for all periods presented.

(3) Presentation of this metric excluding FX translation is a non-GAAP financial measure.

The discussion of the results of operations for Asia GCB below excludes the impact of FX translation for all periods presented. Presentations of the results of operations, excluding the impact of FX translation, are non-GAAP financial measures. For a reconciliation of certain of these metrics to the reported results, see the table above.

2Q17 vs. 2Q16

Net income increased 7%, reflecting higher revenues and lower cost of credit, partially offset by higher expenses.

Revenues increased 3%, driven by improvement in cards and wealth management revenues, partially offset by lower retail lending revenues.

Retail banking revenues were largely unchanged, primarily due to an increase in wealth management revenues, offset by the repositioning of the retail loan portfolio. Wealth management revenues increased due to improvement in investor sentiment, stronger equity markets and an increase in assets under management (9%) and investment sales (27%). These increases were offset by continued lower lending revenues (down 3%), reflecting continued lower average loans (decrease of 2%) due to the optimization of this portfolio away from lower-yielding mortgage loans to focus on growing higher-return personal loans.

Cards revenues increased 9%, reflecting 6% growth in average loans and 7% growth in purchase sales, both of which benefited from the previously disclosed portfolio acquisition in Australia in the first quarter of 2017. Cards revenues also benefitted from a modest gain from the sale of merchant acquiring businesses in certain countries.

Expenses increased 3%, resulting from volume growth and ongoing investment spending, partially offset by efficiency savings.

Provisions decreased 6%, driven by an increase in net loan loss reserve releases and lower net credit losses. Overall credit quality continued to remain stable in the region.

For additional information on Asia GCB's retail banking, including commercial banking, and its Citi-branded cards portfolios, see "Credit Risk—Consumer Credit" below.

2017 YTD vs. 2016 YTD

Year-to-date, Asia GCB has experienced similar trends to

those described above. Net income increased 10% due to higher revenues, partially offset by higher expenses and cost of credit.

Revenues increased 3%, primarily due to an increase in cards revenues. Retail banking revenues were largely unchanged, driven by the same factors described above. Cards revenues increased 8%, driven by the same factors described above.

Expenses increased 1%, driven by business volumes.

Provisions increased 5%, primarily due to a higher net loan loss reserve build in the first quarter of 2017 related to the card portfolio acquisition in Australia, partially offset by lower net credit losses.

INSTITUTIONAL CLIENTS GROUP

Institutional Clients Group (ICG) includes Banking and Markets and securities services (for additional information on these businesses, see “Citigroup Segments” above). ICG provides corporate, institutional, public sector and high-net-worth clients around the world with a full range of wholesale banking products and services, including fixed income and equity sales and trading, foreign exchange, prime brokerage, derivative services, equity and fixed income research, corporate lending, investment banking and advisory services, private banking, cash management, trade finance and securities services. ICG transacts with clients in both cash instruments and derivatives, including fixed income, foreign currency, equity and commodity products.

ICG revenue is generated primarily from fees and spreads associated with these activities. ICG 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 and Investment banking. Revenue is also generated from transaction processing and assets under custody and administration. Revenue generated from these activities is primarily recorded in Administration and other fiduciary fees. In addition, as a market maker, ICG 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 (for additional information on Principal transactions revenue, see Note 6 to the Consolidated Financial Statements). Other primarily includes mark-to-market gains and losses on certain credit derivatives, gains and losses on available-for-sale (AFS) securities and other non-recurring gains and losses. Interest income earned on assets held less interest paid to customers on deposits and long- and short-term debt is recorded as Net interest revenue.

The amount and types of Markets revenues are impacted by a variety of interrelated factors, including market liquidity; changes in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads, as well as their implied volatilities; investor confidence; and other macroeconomic conditions. Assuming all other market conditions do not change, increases in client activity levels or bid/offer spreads generally result in increases in revenues. However, changes in market conditions can significantly impact client activity levels, bid/offer spreads and the fair value of product inventory. For example, a decrease in market liquidity may increase bid/offer spreads, decrease client activity levels and widen credit spreads on product inventory positions.

ICG’s management of the Markets businesses involves daily monitoring and evaluating of the above factors at the trading desk as well as the country level. ICG does not separately track the impact on total Markets revenues of the volume of transactions, bid/offer spreads, fair value changes of product inventory positions and economic hedges because, as noted above, these components are interrelated and are not deemed useful or necessary individually to manage the Markets businesses at an aggregate level.

In the Markets businesses, client revenues are those revenues directly attributable to client transactions at the time of inception, including commissions, interest or fees earned. Client revenues do not include the results of client facilitation activities (for example, holding product inventory in anticipation of client demand) or the results of certain economic hedging activities.

ICG’s international presence is supported by trading floors in approximately 80 countries and a proprietary network in 98 countries and jurisdictions. At June 30, 2017, ICG had approximately \$1.4 trillion of assets and \$624 billion of deposits, while two of its businesses—securities services and issuer services—managed approximately \$16.5 trillion of assets under custody compared to \$15.3 trillion at the end of the prior-year period.

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars, except as otherwise noted	Second Quarter			Six Months			% Change
	2017	2016	% Change	2017	2016		
Commissions and fees	\$1,020	\$956	7 %	\$2,005	\$1,960	2	%
Administration and other fiduciary fees	719	638	13	1,363	1,235	10	
Investment banking	1,180	1,029	15	2,224	1,769	26	
Principal transactions	2,079	1,912	9	4,747	3,488	36	
Other ⁽¹⁾	240	46	NM	235	39	NM	
Total non-interest revenue	\$5,238	\$4,581	14 %	\$10,574	\$8,491	25	%
Net interest revenue (including dividends)	3,975	4,108	(3)	7,765	8,093	(4)	
Total revenues, net of interest expense	\$9,213	\$8,689	6 %	\$18,339	\$16,584	11	%
Total operating expenses	\$5,019	\$4,763	5 %	\$9,964	\$9,635	3	%
Net credit losses	\$71	\$141	(50)%	\$96	\$352	(73)	%
Credit reserve build (release)	(15)	(26)	42	(191)	82	NM	
Provision (release) for unfunded lending commitments	31	(33)	NM	(23)	38	NM	
Provisions for credit losses	\$87	\$82	6 %	\$(118)	\$472	NM	
Income from continuing operations before taxes	\$4,107	\$3,844	7 %	\$8,493	\$6,477	31	%
Income taxes	1,327	1,229	8	2,702	1,993	36	
Income from continuing operations	\$2,780	\$2,615	6 %	\$5,791	\$4,484	29	%
Noncontrolling interests	18	17	6	33	27	22	
Net income	\$2,762	\$2,598	6 %	\$5,758	\$4,457	29	%
EOP assets (in billions of dollars)	\$1,353	\$1,303	4 %				
Average assets (in billions of dollars)	1,360	1,300	5	\$1,339	\$1,286	4	%
Return on average assets	0.81	%0.80	%	0.87	%0.70	%	
Efficiency ratio	54	55		54	58		
Revenues by region							
North America	\$3,568	\$3,393	5 %	\$7,023	\$6,373	10	%
EMEA	2,837	2,577	10	5,644	4,744	19	
Latin America	1,042	1,022	2	2,169	1,984	9	
Asia	1,766	1,697	4	3,503	3,483	1	
Total	\$9,213	\$8,689	6 %	\$18,339	\$16,584	11	%
Income from continuing operations by region							
North America	\$1,112	\$1,005	11 %	\$2,212	\$1,551	43	%
EMEA	779	695	12	1,634	1,069	53	
Latin America	333	392	(15)	808	722	12	
Asia	556	523	6	1,137	1,142	—	
Total	\$2,780	\$2,615	6 %	\$5,791	\$4,484	29	%
Average loans by region (in billions of dollars)							
North America	\$146	\$138	6 %	\$143	\$135	6	%
EMEA	67	67	—	66	65	2	
Latin America	37	38	(3)	37	39	(5)	
Asia	62	61	2	61	61	—	
Total	\$312	\$304	3 %	\$307	\$300	2	%
EOP deposits by business (in billions of dollars)							
Treasury and trade solutions	\$421	\$407	3 %				
All other ICG businesses	203	202	—				
Total	\$624	\$609	2 %				

(1) First quarter of 2016 includes a previously disclosed charge of approximately \$180 million, primarily reflecting the write-down of Citi's net investment in Venezuela as a result of changes in the exchange rate during the quarter.

NM Not meaningful

ICG Revenue Details—Excluding Gain (Loss) on Loan Hedges

In millions of dollars	Second Quarter			Six Months		
	2017	2016	% Change	2017	2016	% Change
Investment banking revenue details						
Advisory	\$314	\$238	32 %	\$560	\$465	20 %
Equity underwriting	295	174	70	530	292	82
Debt underwriting	877	803	9	1,610	1,331	21
Total investment banking	\$1,486	\$1,215	22 %	\$2,700	\$2,088	29 %
Treasury and trade solutions	2,065	1,999	3	4,140	3,902	6
Corporate lending—excluding (loss) on loan hedges ⁽¹⁾	477	383	25	911	831	10
Private bank	788	674	17	1,532	1,358	13
Total banking revenues (ex-gain/(loss) on loan hedges)	\$4,816	\$4,271	13 %	\$9,283	\$8,179	13 %
Corporate lending—gain/(loss) on loan hedges ⁽¹⁾	\$9	\$(203)	NM	\$(106)	\$(269)	61 %
Total banking revenues (including gain/(loss) on loan hedges)	\$4,825	\$4,068	19 %	\$9,177	\$7,910	16 %
Fixed income markets	\$3,215	\$3,432	(6) %	\$6,837	\$6,483	5 %
Equity markets	691	776	(11) %	1,460	1,473	(1) %
Securities services	584	529	10	1,127	1,090	3
Other ⁽²⁾	(102)	(116)	12	(262)	(372)	30
Total markets and securities services revenues	\$4,388	\$4,621	(5) %	\$9,162	\$8,674	6 %
Total revenues, net of interest expense	\$9,213	\$8,689	6 %	\$18,339	\$16,584	11 %
Commissions and fees	\$154	\$113	36 %	\$294	\$237	24 %
Principal transactions ⁽³⁾	1,890	1,765	7	4,208	3,109	35
Other	181	213	(15) %	330	429	(23) %
Total non-interest revenue	\$2,225	\$2,091	6 %	\$4,832	\$3,775	28 %
Net interest revenue	990	1,341	(26) %	2,005	2,708	(26) %
Total fixed income markets	\$3,215	\$3,432	(6) %	\$6,837	\$6,483	5 %
Rates and currencies	\$2,227	\$2,461	(10) %	\$4,730	\$4,697	1 %
Spread products / other fixed income	988	971	2	2,107	1,786	18
Total fixed income markets	\$3,215	\$3,432	(6) %	\$6,837	\$6,483	5 %
Commissions and fees	\$313	\$319	(2) %	\$629	\$676	(7) %
Principal transactions ⁽³⁾	(25)	(48)	48	141	3	NM
Other	(7)	127	NM	1	129	(99) %
Total non-interest revenue	\$281	\$398	(29) %	\$771	\$808	(5) %
Net interest revenue	410	378	8	689	665	4
Total equity markets	\$691	\$776	(11) %	\$1,460	\$1,473	(1) %

Hedges on accrual loans reflect the mark-to-market on credit derivatives used to economically hedge the corporate loan accrual portfolio. The fixed premium costs of these hedges are netted against the corporate lending revenues to reflect the cost of credit protection. Citigroup's results of operations excluding the impact of gain/(loss) on loan hedges are non-GAAP financial measures.

(1) First quarter of 2016 includes the previously disclosed charge of approximately \$180 million, primarily reflecting the write-down of Citi's net investment in Venezuela as a result of changes in the exchange rate during the quarter.

(3) Excludes principal transactions revenues of ICG businesses other than Markets, primarily treasury and trade solutions and the private bank.

NM Not meaningful

2Q17 vs. 2Q16

Net income increased 6%, primarily driven by higher revenues, partially offset by higher operating expenses.

Revenues increased 6%, reflecting higher revenues in Banking (increase of 19%; increase of 13% excluding gains and losses on hedges on accrual loans), offset by lower revenues in Markets and securities services (decrease of 5%), primarily due to fixed income and equity markets. Banking revenues were driven by strong performance in equity capital markets and M&A advisory as well as improved performance in corporate lending and the private bank. Citi expects revenues in ICG, particularly in its Markets and securities services businesses, will likely continue to reflect the overall market environment, including normal seasonal trends during the remainder of 2017, although ICG revenues may also be impacted by uncertainty around interest rates and tax reform legislation along with continued low market volatility.

Within Banking:

Investment banking revenues increased 22%, reflecting strength across all products and regions, particularly in North America and EMEA, despite a slight decline in overall market wallet from the prior-year period. Debt underwriting revenues increased 9%, reflecting continued momentum driven by wallet share gains. Equity underwriting revenues increased 70%, reflecting an increase in wallet share and higher overall market activity. Advisory revenues increased 32%, largely reflecting an increase in wallet share.

Treasury and trade solutions revenues increased 3%. Excluding the impact of FX translation, revenues increased 4%, reflecting strength in North America, Asia and EMEA. The increase in revenues was driven by fee growth reflecting continued volume growth as well as improved deposit spreads, partially offset by lower trade revenues. End-of-period deposit balances increased 3% (4% excluding the impact of FX translation), driven by North America, while average trade loans increased 4% (3% excluding the impact of FX translation).

Corporate lending revenues increased \$306 million to \$486 million. Excluding the mark-to-market impact of loan hedges, revenues increased 25%, driven by North America. The increase in revenues was driven by lower hedging costs and the absence of a prior-period adjustment to the residual value of a lease financing transaction, while average loans declined modestly (1%).

Private bank revenues increased 17%, reflecting strength across all products and regions. The increase in revenues was driven by higher loan and deposit growth, improved deposit spreads, higher managed investments revenues and increased capital markets activity.

Within Markets and securities services:

Fixed income markets revenues decreased 6%, primarily due to lower revenues in North America, Asia and Latin America, as client activity was impacted by low volatility in the current quarter. Net interest revenues were lower (down 26%), largely due to a change in the mix of trading positions in support of client activity, which was partially offset by higher principal transactions revenues (up 7%). Rates and currencies revenues decreased 10%, reflecting weaker performance across all regions. The decrease was driven mainly by lower G10 currencies revenues due to the low volatility in the current quarter and higher revenues in the prior-year period following the vote in the U.K. in favor of its withdrawal from the European Union. G10 rates and local markets revenues were broadly stable. Spread products and other fixed income revenues increased 2%, primarily driven by higher client activity in securitized products in North America and EMEA, as higher commodities and other fixed income revenues were offset by lower credit products and municipals revenues.

Equity markets revenues decreased by 11%, driven by the absence of episodic activity in the prior-year period, partially offset by strength in investor client activity, particularly in EMEA and Asia. Equity derivatives revenues

declined from the prior-year period due to the absence of episodic activity and the impact of low volatility in the current quarter. This was partially offset by higher prime finance and delta one revenues due to continued growth in client balances, as well as higher cash equities revenues. Commissions revenues declined slightly, reflecting the ongoing shift to electronic trading by clients across the industry.

Securities services revenues increased by 10%. Excluding the impact of FX translation, revenues increased 12%, reflecting strength in North America, Asia and Latin America. The increase was driven by growth in deposit balances and higher net interest revenues that benefited from the rising interest rate environment. Fee revenues continued to increase, driven by growth in assets under custody and the increased client volumes.

Expenses increased 5% as higher incentive compensation, investments and volume-related expenses were partially offset by a benefit from FX translation and efficiency savings.

Provisions increased 6% to \$87 million, reflecting a net loan loss reserve build of \$16 million (compared to a \$59 million release in the prior-year period, largely related to energy and energy-related exposures) and lower net credit losses of \$71 million (\$141 million in the prior-year period). The decline in net credit losses reflected improvement in the energy sector.

2017 YTD vs. 2016 YTD

Net income increased 29%, primarily driven by higher revenues and lower credit costs, partially offset by higher expenses.

Revenues increased 11%, reflecting higher revenues in Markets and securities services (increase of 6%) and higher revenues in Banking (increase of 16%; increase of 13% excluding the losses on hedges on accrual loans).

Within Banking:

Investment banking revenues increased 29%, largely reflecting year-over-year gains in wallet share and an improvement from the industry-wide slowdown in activity levels during the first half of 2016. Advisory revenues increased 20%, reflecting a strong performance in the first half of 2017. Equity underwriting revenues increased 82%, while debt underwriting revenues increased 21%, both primarily due to increased wallet share, as well as higher market activity.

Treasury and trade solutions revenues increased 6% primarily driven by continued growth in deposit and loan volumes, improved spreads and strong fee growth across most cash products.

Corporate lending revenues increased 43%. Excluding the impact of losses on hedges on accrual loans, revenues increased 10%, driven by lower hedging costs in the current period and the absence of a prior-period adjustment to the residual value of a lease financing transaction.

Private bank revenues increased 13%, reflecting increasing deposit spreads and volume growth, growth in loans and higher managed investments revenues.

Within Markets and securities services:

Fixed income markets revenues increased by 5%, due to higher revenues in North America and EMEA. Rates and currencies revenues increased 1% due to higher rates revenues in EMEA, partially offset by a decrease in G10 currencies revenues reflecting the low volatility and lower client activity in all regions. Spread products and other fixed income revenues increased 18%, primarily due to a recovery from the challenging trading environment in the prior-year period, particularly in securitized products.

Equity markets revenues declined 1%, as continued growth in client balances and higher client activity, particularly in EMEA and Asia, were more than offset by the absence of episodic activity in the prior-year period in North America.

Equity derivatives revenues declined, driven by the same factors described above. Cash equities revenues decreased primarily due to lower commissions in the first quarter of 2017. These declines were partially offset by higher revenues due to the continued growth in client balances in prime finance and delta one.

Securities services revenues increased 3%. Excluding the impact of prior-period divestitures, revenues grew 10%, primarily driven by higher deposit balances and higher net interest revenue, primarily in North America, Asia and

Latin America, and higher fee revenue from growth in assets under custody and client volumes.

Expenses increased 3% from the prior-year period, driven by the same factors described above, partially offset by lower repositioning costs.

Provisions decreased \$590 million, primarily reflecting a decline in net credit losses from \$352 million in the prior-year period to \$96 million and a net loan loss reserve release of \$214 million (\$120 million build in the period-year period). This lower cost of credit was driven largely by improvement in the energy sector.

CORPORATE/OTHER

Corporate/Other includes certain unallocated costs of global staff functions (including finance, risk, human resources, legal and compliance), other corporate expenses and unallocated global operations and technology expenses, Corporate Treasury, certain North America and international legacy consumer loan portfolios, other legacy assets and discontinued operations (for additional information on Corporate/Other, see “Citigroup Segments” above). At June 30, 2017, Corporate/Other had \$92 billion in assets, a decrease of 21% year-over-year and 11% from December 31, 2016.

In millions of dollars	Second Quarter			Six Months		
	2017	2016	% Change	2017	2016	% Change
Net interest revenue	\$491	\$820	(40)%	\$1,036	\$1,710	(39)%
Non-interest revenue	162	365	(56)	794	1,421	(44)
Total revenues, net of interest expense	\$653	\$1,185	(45)%	\$1,830	\$3,131	(42)%
Total operating expenses	\$990	\$1,309	(24)%	\$2,107	\$2,559	(18)%
Net credit losses	\$24	\$101	(76)%	\$105	\$243	(57)%
Credit reserve build (release)	(154)	(223)	31	(189)	(254)	26
Provision (release) for unfunded lending commitments	(2)	(5)	60	3	(6)	NM
Provision for benefits and claims	—	29	(100)	1	89	(99)
Provisions for credit losses and for benefits and claims	\$(132)	(98)	(35)%	\$(80)	72	NM
Income (loss) from continuing operations before taxes	\$(205)	\$(26)	NM	\$(197)	\$500	NM
Income taxes (benefits)	(179)	(173)	(3)%	(275)	(92)	NM
Income (loss) from continuing operations	\$(26)	\$147	NM	\$78	\$592	(87)%
Income (loss) from discontinued operations, net of taxes	21	(23)	NM	3	(25)	NM
Net income (loss) before attribution of noncontrolling interests	\$(5)	\$124	NM	\$81	\$567	(86)%
Noncontrolling interests	10	8	25 %	4	1	NM
Net income (loss)	\$(15)	\$116	NM	\$77	\$566	(86)%

2Q17 vs. 2Q16

The net loss was \$15 million, compared to net income of \$116 million in the prior-year period, due to lower revenues, partially offset by lower expenses and lower cost of credit.

Revenues decreased 45%, driven by legacy asset run-off and divestiture activity, as well as the absence of gains related to debt buybacks in the prior-year period.

Expenses decreased 24%, primarily driven by the wind-down of legacy assets.

Provisions decreased 35% to a net benefit of \$132 million, primarily due to lower net credit losses, partially offset by a lower net loan loss reserve release. Net credit losses declined 76% to \$24 million, reflecting the impact of ongoing divestiture activity. The provision for benefits and claims declined by \$29 million to \$0, reflecting continued legacy divestitures. The net reserve release declined 32%, reflecting the continued wind-down of legacy activities, primarily in the North America mortgage portfolio. Citi expects that cost of credit in Corporate/Other should be moderately higher in the near term due to normalization of credit costs.

2017 YTD vs. 2016 YTD

Year-to-date, Corporate/Other has experienced similar trends to those described above. Net income declined 86% to \$77 million, reflecting lower revenues, partially offset by lower expenses and lower cost of credit.

Revenues decreased 42%, primarily driven by the same factors described above and lower revenue from treasury hedging activity. Revenues in the current period included approximately \$750 million in gains on asset sales, which more than offset a roughly \$300 million charge related to the exit of Citi's U.S. mortgage servicing operations.

Expenses decreased 18%, driven by the same factors described above, partially offset by approximately \$100 million in episodic expenses primarily related to the exit of the U.S. mortgage servicing operations.

Provisions decreased by \$152 million, driven by the same factors described above. Net credit losses declined 57% to \$105 million, reflecting the impact of ongoing divestiture activity as well as continued wind-down in the legacy North America mortgage portfolio. The provision for benefits and claims declined by \$88 million, reflecting continued legacy divestitures. The net reserve release declined 28%, driven by the same factors described above.

OFF-BALANCE SHEET ARRANGEMENTS

The table below shows the location of a discussion of Citi's various off-balance sheet arrangements in this Form 10-Q. For additional information on Citi's off-balance sheet arrangements, see "Off-Balance Sheet Arrangements" and Notes 1, 21 and 26 to the Consolidated Financial Statements in Citigroup's 2016 Annual Report on Form 10-K.

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

Variable interests and other obligations, including contingent obligations, arising from variable interests in nonconsolidated VIEs	See Note 18 to the Consolidated Financial Statements.
---	---

Letters of credit, and lending and other commitments	See Note 22 to the Consolidated Financial Statements.
--	---

Guarantees	See Note 22 to the Consolidated Financial Statements.
------------	---

CAPITAL RESOURCES

Overview

Capital is used principally to support assets in Citi's businesses and to absorb credit, market and operational losses. Citi primarily generates capital through earnings from its operating businesses. Citi may augment its capital through issuances of common stock, noncumulative perpetual preferred stock and equity issued through awards under employee benefit plans, among other issuances.

Further, Citi's capital levels may also be affected by changes in accounting and regulatory standards, as well as U.S. corporate tax laws and the impact of future events on Citi's business results, such as changes in interest and foreign exchange rates, as well as business and asset dispositions.

During the second quarter of 2017, Citi returned a total of approximately \$2.2 billion of capital to common shareholders in the form of share repurchases (approximately 29 million common shares) and dividends.

Capital Management

Citi's capital management framework is designed to ensure that Citigroup and its principal subsidiaries maintain sufficient capital consistent with each entity's respective risk profile, management targets and all applicable regulatory standards and guidelines. For additional information regarding Citi's capital management, see "Capital Resources—Capital Management" in Citigroup's 2016 Annual Report on Form 10-K.

Capital Planning and Stress Testing

Citi is subject to an annual assessment by the Federal Reserve Board as to whether Citigroup has effective capital planning processes as well as sufficient regulatory capital to absorb losses during stressful economic and financial conditions, while also meeting obligations to creditors and counterparties and continuing to serve as a credit intermediary. This annual assessment includes two related programs: the Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Testing (DFAST). For additional information regarding Citi's capital planning and stress testing, including potential changes in Citi's regulatory capital requirements and future CCAR processes, see "Forward-Looking Statements" below and "Capital Resources—Current Regulatory Capital Standards—Capital Planning and Stress Testing" and "Risk Factors—Strategic Risks" in Citigroup's 2016 Annual Report on Form 10-K.

In June 2017, the Federal Reserve Board expressed no objection to Citi's capital plan, including requested capital actions, in conjunction with the 2017 CCAR. For additional information, see "Equity Security Repurchases" and "Dividends" below.

Current Regulatory Capital Standards

Citi is subject to regulatory capital standards issued by the Federal Reserve Board which constitute the U.S. Basel III rules. These rules establish an integrated capital adequacy framework, encompassing both risk-based capital ratios and leverage ratios. For additional information regarding the risk-based capital ratios, Tier 1 Leverage ratio and Supplementary Leverage ratio, see "Capital Resources—Current Regulatory Capital Standards" in Citigroup's 2016 Annual Report on Form 10-K.

GSIB Surcharge

The Federal Reserve Board also adopted a rule that imposes a risk-based capital surcharge upon U.S. bank holding companies that are identified as global systemically important bank holding companies (GSIBs), including Citi. GSIB surcharges under the rule initially range from 1% to 4.5% of total risk-weighted assets. Citi's initial GSIB surcharge effective January 1, 2016 was 3.5%. However, ongoing efforts in addressing quantitative measures of systemic importance have resulted in a reduction of Citi's GSIB surcharge to 3%, effective January 1, 2017. For additional information regarding the identification of a GSIB and the methodology for annually determining the GSIB surcharge,

see “Capital Resources—Current Regulatory Capital Standards—GSIB Surcharge” in Citigroup’s 2016 Annual Report on Form 10-K.

Transition Provisions

The U.S. Basel III rules contain several differing, largely multi-year transition provisions (i.e., “phase-ins” and “phase-outs”). Citi considers all of these transition provisions as being fully implemented on January 1, 2019 (full implementation). For additional information regarding the transition provisions under the U.S. Basel III rules, including with respect to the GSIB surcharge, see “Capital Resources—Current Regulatory Capital Standards—Transition Provisions” in Citigroup’s 2016 Annual Report on Form 10-K.

Citigroup's Capital Resources Under Current Regulatory Standards

Citi is required to maintain stated minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratios of 4.5%, 6% and 8%, respectively.

Citi's effective minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratios during 2017, inclusive of the 50% phase-in of both the 2.5% Capital Conservation Buffer and the 3% GSIB surcharge (all of which is to be composed of Common Equity Tier 1 Capital), are 7.25%, 8.75% and 10.75%, respectively. Citi's effective minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratios during 2016, inclusive of the 25% phase-in of both the 2.5% Capital Conservation Buffer and the 3.5% GSIB surcharge (all of which is to be

composed of Common Equity Tier 1 Capital), were 6%, 7.5% and 9.5%, respectively.

Furthermore, 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.

The following tables set forth the capital tiers, total risk-weighted assets, risk-based capital ratios, quarterly adjusted average total assets, Total Leverage Exposure and leverage ratios under current regulatory standards (reflecting Basel III Transition Arrangements) for Citi as of June 30, 2017 and December 31, 2016.

Citigroup Capital Components and Ratios Under Current Regulatory Standards (Basel III Transition Arrangements)

	June 30, 2017		December 31, 2016		
In millions of dollars, except ratios	Advanced	Standardized	Advanced	Standardized	
	Approaches	Approach	Approaches	Approach	
Common Equity Tier 1 Capital	\$163,786	\$163,786	\$167,378	\$167,378	
Tier 1 Capital	179,544	179,544	178,387	178,387	
Total Capital (Tier 1 Capital + Tier 2 Capital)	204,790	216,927	202,146	214,938	
Total Risk-Weighted Assets	1,157,670	1,163,894	1,166,764	1,126,314	
Credit Risk ⁽¹⁾	\$755,530	\$1,086,259	\$773,483	\$1,061,786	
Market Risk	77,140	77,635	64,006	64,528	
Operational Risk	325,000	—	329,275	—	
Common Equity Tier 1 Capital ratio ⁽²⁾	14.15	% 14.07	% 14.35	% 14.86	%
Tier 1 Capital ratio ⁽²⁾	15.51	15.43	15.29	15.84	
Total Capital ratio ⁽²⁾	17.69	18.64	17.33	19.08	
In millions of dollars, except ratios	June 30, 2017	December 31, 2016			
Quarterly Adjusted Average Total Assets ⁽³⁾	\$1,815,196	\$1,768,415			
Total Leverage Exposure ⁽⁴⁾	2,421,852	2,351,883			
Tier 1 Leverage ratio	9.89	% 10.09	%		
Supplementary Leverage ratio	7.41	7.58			

Under the U.S. Basel III rules, credit risk-weighted assets during the transition period reflect the effects of (1) transitional arrangements related to regulatory capital adjustments and deductions and, as a result, will differ from credit risk-weighted assets derived under full implementation of the rules.

As of June 30, 2017, Citi's reportable Common Equity Tier 1 Capital and Tier 1 Capital ratios were the lower derived under the Basel III Standardized Approach, whereas the reportable Total Capital ratio was the lower (2) derived under the Basel III Advanced Approaches framework. As of December 31, 2016, Citi's reportable Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratios were the lower derived under the Basel III Advanced Approaches framework.

(3) Tier 1 Leverage ratio denominator.

(4) Supplementary Leverage ratio denominator.

As indicated in the table above, Citigroup's risk-based capital ratios at June 30, 2017 were in excess of the stated and effective minimum requirements under the U.S. Basel III rules. In addition, Citi was also "well capitalized" under current federal bank regulatory agency definitions as of June 30, 2017.

Components of Citigroup Capital Under Current Regulatory Standards (Basel III Transition Arrangements)

In millions of dollars	June 30, 2017	December 31, 2016
Common Equity Tier 1 Capital		
Citigroup common stockholders' equity ⁽¹⁾	\$210,950	\$206,051
Add: Qualifying noncontrolling interests	212	259
Regulatory Capital Adjustments and Deductions:		
Less: Net unrealized losses on securities available-for-sale (AFS), net of tax ⁽²⁾⁽³⁾	(20)	(320)
Less: Defined benefit plans liability adjustment, net of tax ⁽³⁾	(1,062)	(2,066)
Less: Accumulated net unrealized losses on cash flow hedges, net of tax ⁽⁴⁾	(445)	(560)
Less: Cumulative unrealized net loss related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax ⁽³⁾⁽⁵⁾	(233)	(37)
Less: Intangible assets:		
Goodwill, net of related deferred tax liabilities (DTLs) ⁽⁶⁾	21,589	20,858
Identifiable intangible assets other than mortgage servicing rights (MSRs), net of related DTLs ⁽³⁾	3,670	2,926
Less: Defined benefit pension plan net assets ⁽³⁾	637	514
Less: Deferred tax assets (DTAs) arising from net operating loss, foreign tax credit and general business credit carry-forwards ⁽³⁾⁽⁷⁾	16,666	12,802
Less: Excess over 10%/15% limitations for other DTAs, certain common stock investments, and MSRs ⁽³⁾⁽⁷⁾⁽⁸⁾	6,574	4,815
Total Common Equity Tier 1 Capital (Standardized Approach and Advanced Approaches)	\$163,786	\$167,378
Additional Tier 1 Capital		
Qualifying noncumulative perpetual preferred stock ⁽¹⁾	\$19,069	\$19,069
Qualifying trust preferred securities ⁽⁹⁾	1,374	1,371
Qualifying noncontrolling interests	134	17
Regulatory Capital Adjustment and Deductions:		
Less: Cumulative unrealized net loss related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax ⁽³⁾⁽⁵⁾	(58)	(24)
Less: Defined benefit pension plan net assets ⁽³⁾	159	343
Less: DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards ⁽³⁾⁽⁷⁾	4,166	8,535
Less: Permitted ownership interests in covered funds ⁽¹⁰⁾	495	533
Less: Minimum regulatory capital requirements of insurance underwriting subsidiaries ⁽¹¹⁾	57	61
Total Additional Tier 1 Capital (Standardized Approach and Advanced Approaches)	\$15,758	\$11,009
Total Tier 1 Capital (Common Equity Tier 1 Capital + Additional Tier 1 Capital) (Standardized Approach and Advanced Approaches)	\$179,544	\$178,387
Tier 2 Capital		
Qualifying subordinated debt	\$23,642	\$22,818
Qualifying trust preferred securities ⁽¹²⁾	324	317
Qualifying noncontrolling interests	39	22
Eligible allowance for credit losses ⁽¹³⁾	13,433	13,452
Regulatory Capital Adjustment and Deduction:		
Add: Unrealized gains on AFS equity exposures includable in Tier 2 Capital	2	3
Less: Minimum regulatory capital requirements of insurance underwriting subsidiaries ⁽¹¹⁾	57	61
Total Tier 2 Capital (Standardized Approach)	\$37,383	\$36,551
Total Capital (Tier 1 Capital + Tier 2 Capital) (Standardized Approach)	\$216,927	\$214,938
Adjustment for excess of eligible credit reserves over expected credit losses ⁽¹³⁾	\$(12,137)	\$(12,792)
Total Tier 2 Capital (Advanced Approaches)	\$25,246	\$23,759

Total Capital (Tier 1 Capital + Tier 2 Capital) (Advanced Approaches)	\$204,790	\$202,146
---	-----------	-----------

Footnotes are presented on the following page.

30

(1) Issuance costs of \$184 million related to noncumulative perpetual preferred stock outstanding at June 30, 2017 and December 31, 2016 are excluded from common stockholders' equity and netted against such preferred stock in accordance with Federal Reserve Board regulatory reporting requirements, which differ from those under U.S. generally accepted accounting principles (GAAP).

(2) In addition, includes the net amount of unamortized loss on held-to-maturity (HTM) securities. This amount relates to securities that were previously transferred from AFS to HTM, and non-credit-related factors such as changes in interest rates and liquidity spreads for HTM securities with other-than-temporary impairment.

(3) The transition arrangements for significant regulatory capital adjustments and deductions impacting Common Equity Tier 1 Capital and Additional Tier 1 Capital are set forth in the chart entitled "Basel III Transition Arrangements: Significant Regulatory Capital Adjustments and Deductions," as presented in Citigroup's 2016 Annual Report on Form 10-K.

(4) Common Equity Tier 1 Capital is adjusted for accumulated net unrealized gains (losses) on cash flow hedges included in Accumulated other comprehensive income (loss) (AOCI) that relate to the hedging of items not recognized at fair value on the balance sheet.

(5) The cumulative impact of changes in Citigroup's own creditworthiness in valuing liabilities for which the fair value option has been elected, and own-credit valuation adjustments on derivatives, are excluded from Common Equity Tier 1 Capital and Additional Tier 1 Capital, in accordance with the U.S. Basel III rules.

(6) Includes goodwill "embedded" in the valuation of significant common stock investments in unconsolidated financial institutions.

(7) Of Citi's approximately \$45.8 billion of net DTAs at June 30, 2017, approximately \$19.8 billion were includable in regulatory capital pursuant to the U.S. Basel III rules, while approximately \$26.0 billion were excluded. Excluded from Citi's regulatory capital at June 30, 2017 was approximately \$27.4 billion of net DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards as well as temporary differences, of which approximately \$23.2 billion were deducted from Common Equity Tier 1 Capital and approximately \$4.2 billion were deducted from Additional Tier 1 Capital, reduced by approximately \$1.4 billion of net DTLs primarily associated with goodwill and certain other intangible assets. Separately, under the U.S. Basel III rules, goodwill and these other intangible assets are deducted net of associated DTLs in arriving at Common Equity Tier 1 Capital. DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards are required to be deducted from both Common Equity Tier 1 Capital and Additional Tier 1 Capital under the transition arrangements of the U.S. Basel III rules; whereas DTAs arising from temporary differences are deducted in full from Common Equity Tier 1 Capital under these rules, if in excess of 10%/15% limitations.

(8) Assets subject to 10%/15% limitations include MSRs, DTAs arising from temporary differences and significant common stock investments in unconsolidated financial institutions. At June 30, 2017 and December 31, 2016, this deduction related only to DTAs arising from temporary differences that exceeded the 10% limitation. Accordingly, approximately \$6.6 billion of DTAs arising from temporary differences were excluded from Citi's Common Equity Tier 1 Capital at June 30, 2017. Changes to the U.S. corporate tax regime that impact the value of Citi's DTAs arising from temporary differences, which exceed the then current amount deducted from Citi's Common Equity Tier 1 Capital, would further reduce Citi's regulatory capital to the extent of such excess after tax. For additional information regarding potential U.S. corporate tax reform, see "Risk Factors—Strategic Risks" in Citigroup's 2016 Annual Report on Form 10-K.

(9) Represents Citigroup Capital XIII trust preferred securities, which are permanently grandfathered as Tier 1 Capital under the U.S. Basel III rules.

(10) Banking entities are required to be in compliance with the Volcker Rule of the Dodd-Frank Act that prohibits conducting certain proprietary investment activities and limits their ownership of, and relationships with, covered funds. Accordingly, Citi is required by the Volcker Rule to deduct from Tier 1 Capital all permitted ownership interests in covered funds that were acquired after December 31, 2013.

(11) 50% of the minimum regulatory capital requirements of insurance underwriting subsidiaries must be deducted from each of Tier 1 Capital and Tier 2 Capital.

Effective January 1, 2016, non-grandfathered trust preferred securities are not eligible for inclusion in Tier 1 Capital, but are eligible for inclusion in Tier 2 Capital subject to full phase-out by January 1, 2022.

- (12) Non-grandfathered trust preferred securities are eligible for inclusion in Tier 2 Capital in an amount up to 50% and 60% during 2017 and 2016, respectively, of the aggregate outstanding principal amounts of such issuances as of January 1, 2014, in accordance with the transition arrangements for non-qualifying capital instruments under the U.S. Basel III rules.

- (13) Under the Standardized Approach, the allowance for credit losses is eligible for inclusion in Tier 2 Capital up to 1.25% of credit risk-weighted assets, with any excess allowance for credit losses being deducted in arriving at credit risk-weighted assets, which differs from the Advanced Approaches framework, in which eligible credit reserves that exceed expected credit losses are eligible for inclusion in Tier 2 Capital to the extent the excess reserves do not exceed 0.6% of credit risk-weighted assets. The total amount of eligible credit reserves in excess of expected credit losses that were eligible for inclusion in Tier 2 Capital, subject to limitation, under the Advanced Approaches framework was \$1.3 billion and \$0.7 billion at June 30, 2017 and December 31, 2016, respectively.

Citigroup Capital Rollforward Under Current Regulatory Standards (Basel III Transition Arrangements)

In millions of dollars	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Common Equity Tier 1 Capital, beginning of period ⁽¹⁾	\$161,388	\$167,378
Net income	3,872	7,962
Common and preferred stock dividends declared	(765)	(1,511)
Net increase in treasury stock	(1,762)	(3,699)
Net change in common stock and additional paid-in capital	184	(245)
Net decrease in foreign currency translation adjustment net of hedges, net of tax	643	1,961
Net change in unrealized losses on securities AFS, net of tax	(22)	397
Net increase in defined benefit plans liability adjustment, net of tax	(108)	(1,151)
Net change in adjustment related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax	11	52
Net increase in goodwill, net of related DTLs	(141)	(731)
Net change in identifiable intangible assets other than MSRs, net of related DTLs	120	(744)
Net change in defined benefit pension plan net assets	32	(123)
Net change in DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards	196	(3,864)
Net change in excess over 10%/15% limitations for other DTAs, certain common stock investments and MSRs	123	(1,759)
Other	15	(137)
Net change in Common Equity Tier 1 Capital	\$2,398	\$(3,592)
Common Equity Tier 1 Capital, end of period	\$163,786	\$163,786
(Standardized Approach and Advanced Approaches)		
Additional Tier 1 Capital, beginning of period	\$15,439	\$11,009
Net increase in qualifying trust preferred securities	2	3
Net change in adjustment related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax	23	34
Net decrease in defined benefit pension plan net assets	8	184
Net decrease in DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards	49	4,369
Net decrease in permitted ownership interests in covered funds	123	38
Other	114	121
Net increase in Additional Tier 1 Capital	\$319	\$4,749
Tier 1 Capital, end of period	\$179,544	\$179,544
(Standardized Approach and Advanced Approaches)		
Tier 2 Capital, beginning of period (Standardized Approach)	\$36,976	\$36,551
Net increase in qualifying subordinated debt	364	824
Net increase in qualifying trust preferred securities	5	7
Net change in eligible allowance for credit losses	26	(19)
Other	12	20
Net increase in Tier 2 Capital (Standardized Approach)	\$407	\$832
Tier 2 Capital, end of period (Standardized Approach)	\$37,383	\$37,383
Total Capital, end of period (Standardized Approach)	\$216,927	\$216,927
Tier 2 Capital, beginning of period (Advanced Approaches)	\$24,396	\$23,759

Edgar Filing: CITIGROUP INC - Form 10-Q

Net increase in qualifying subordinated debt	364	824
Net increase in qualifying trust preferred securities	5	7
Net increase in excess of eligible credit reserves over expected credit losses	469	636
Other	12	20
Net increase in Tier 2 Capital (Advanced Approaches)	\$850	\$1,487
Tier 2 Capital, end of period (Advanced Approaches)	\$25,246	\$25,246
Total Capital, end of period (Advanced Approaches)	\$204,790	\$204,790

Footnote is presented on the following page.

32

The beginning balance of Common Equity Tier 1 Capital for the three months ended June 30, 2017 has been restated to reflect the modified retrospective adoption of Accounting Standards Update (ASU) No. 2017-08, (1) Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities, which amends the amortization period for certain purchased callable debt securities held at a premium. For additional information regarding ASU 2017-08, see Note 1 to the Consolidated Financial Statements.

Citigroup Risk-Weighted Assets Rollforward Under Current Regulatory Standards
(Basel III Standardized Approach with Transition Arrangements)

In millions of dollars	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Total Risk-Weighted Assets, beginning of period	\$1,142,559	\$1,126,314
Changes in Credit Risk-Weighted Assets		
Net increase in general credit risk exposures ⁽¹⁾	20,345	13,643
Net increase in repo-style transactions	418	6,988
Net decrease in securitization exposures	(2,096)	(2,054)
Net increase in equity exposures	212	747
Net change in over-the-counter (OTC) derivatives	2,277	(1,080)
Net increase in other exposures ⁽²⁾	7	2,907
Net change in off-balance sheet exposures ⁽³⁾	(4,937)	3,322
Net increase in Credit Risk-Weighted Assets	\$16,226	\$24,473
Changes in Market Risk-Weighted Assets		
Net increase in risk levels ⁽⁴⁾	\$5,138	\$15,890
Net decrease due to model and methodology updates ⁽⁵⁾	(29)	(2,783)
Net increase in Market Risk-Weighted Assets	\$5,109	\$13,107
Total Risk-Weighted Assets, end of period	\$1,163,894	\$1,163,894

General credit risk exposures include cash and balances due from depository institutions, securities, and loans and (1) leases. General credit risk exposures increased during the three and six months ended June 30, 2017 primarily due to corporate loan growth.

(2) Other exposures include cleared transactions, unsettled transactions, and other assets.

Off-balance sheet exposures decreased during the three months ended June 30, 2017 primarily due to the change in risk-weighting treatment applicable to certain corporate card commitments. Off-balance sheet exposures increased (3) during the six months ended June 30, 2017, as the growth in corporate exposures and reduced hedging benefits during the first quarter of 2017 more than offset the decline in off-balance sheet exposures during the second quarter of 2017.

Risk levels increased during the three and six months ended June 30, 2017 primarily due to an increase in exposure (4) levels subject to Stressed Value at Risk and comprehensive risk, as well as an increase in positions subject to securitization charges.

(5) Risk-weighted assets declined during the six months ended June 30, 2017 due to changes in model inputs regarding volatility, as well as methodology changes for standard specific risk charges.

Citigroup Risk-Weighted Assets Rollforward Under Current Regulatory Standards
(Basel III Advanced Approaches with Transition Arrangements)

In millions of dollars	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Total Risk-Weighted Assets, beginning of period	\$1,166,181	\$1,166,764
Changes in Credit Risk-Weighted Assets		
Net decrease in retail exposures ⁽¹⁾	(4,343)	(8,655)
Net change in wholesale exposures ⁽²⁾	(4,029)	416
Net increase in repo-style transactions	199	2
Net decrease in securitization exposures	(1,880)	(2,115)
Net increase in equity exposures	134	599
Net decrease in over-the-counter (OTC) derivatives	(1,898)	(6,097)
Net decrease in derivatives CVA	(39)	(1,100)
Net change in other exposures ⁽³⁾	1,636	(49)
Net decrease in supervisory 6% multiplier ⁽⁴⁾	(611)	(954)
Net decrease in Credit Risk-Weighted Assets	\$(10,831)	\$(17,953)
Changes in Market Risk-Weighted Assets		
Net increase in risk levels ⁽⁵⁾	\$4,922	\$15,917
Net decrease due to model and methodology updates ⁽⁶⁾	(29)	(2,783)
Net increase in Market Risk-Weighted Assets	\$4,893	\$13,134
Net decrease in Operational Risk-Weighted Assets ⁽⁷⁾	\$(2,573)	\$(4,275)
Total Risk-Weighted Assets, end of period	\$1,157,670	\$1,157,670

Retail exposures decreased during the three and six months ended June 30, 2017 primarily due to residential (1) mortgage loan sales and repayments, divestitures of certain legacy assets and reductions in qualifying revolving (cards) exposures, partially offset by the impact of FX translation.

Wholesale exposures decreased during the three months ended June 30, 2017 primarily due to annual updates to (2) model parameters. Wholesale exposures increased during the six months ended June 30, 2017 primarily due to increases in commercial loans and loan commitments, as well as the impact of FX translation.

(3) Other exposures include cleared transactions, unsettled transactions, assets other than those reportable in specific exposure categories, and non-material portfolios.

(4) Supervisory 6% multiplier does not apply to derivatives CVA.

Risk levels increased during the three and six months ended June 30, 2017 primarily due to an increase in exposure (5) levels subject to Stressed Value at Risk and comprehensive risk, as well as an increase in positions subject to securitization charges.

(6) Risk-weighted assets declined during the six months ended June 30, 2017 due to changes in model inputs regarding volatility, as well as methodology changes for standard specific risk charges.

(7) Operational risk-weighted assets decreased during the three and six months ended June 30, 2017 due to quarterly updates to model parameters.

Capital Resources of Citigroup's Subsidiary U.S. Depository Institutions Under Current Regulatory Standards
Citigroup's subsidiary U.S. depository institutions are also subject to regulatory capital standards issued by their respective primary federal bank regulatory agencies, which are similar to the standards of the Federal Reserve Board. During 2017, Citi's primary subsidiary U.S. depository institution, Citibank, N.A. (Citibank), is subject to effective minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratios, inclusive of the 50% phase-in of the 2.5% Capital Conservation Buffer, of 5.75%, 7.25% and 9.25%, respectively. Citibank's effective minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total

Capital ratios during 2016, inclusive of the 25% phase-in of the 2.5% Capital Conservation Buffer, were 5.125%, 6.625% and 8.625%, respectively. Citibank is required to maintain stated minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratios of 4.5%, 6% and 8%, respectively.

The following tables set forth the capital tiers, total risk-weighted assets, risk-based capital ratios, quarterly adjusted average total assets, Total Leverage Exposure and leverage ratios under current regulatory standards (reflecting Basel III Transition Arrangements) for Citibank, Citi's primary subsidiary U.S. depository institution, as of June 30, 2017 and December 31, 2016.

Citibank Capital Components and Ratios Under Current Regulatory Standards (Basel III Transition Arrangements)

In millions of dollars, except ratios	June 30, 2017		December 31, 2016	
	Advanced Approaches	Standardized Approach	Advanced Approaches	Standardized Approach
Common Equity Tier 1 Capital	\$127,728	\$127,728	\$126,220	\$126,220
Tier 1 Capital	129,099	129,099	126,465	126,465
Total Capital (Tier 1 Capital + Tier 2 Capital) ⁽¹⁾	142,010	152,802	138,821	150,291
Total Risk-Weighted Assets	963,668	1,029,517	973,933	1,001,016
Common Equity Tier 1 Capital ratio ⁽²⁾⁽³⁾	13.25	% 12.41	% 12.96	% 12.61
Tier 1 Capital ratio ⁽²⁾⁽³⁾	13.40	12.54	12.99	12.63
Total Capital ratio ⁽²⁾⁽³⁾	14.74	14.84	14.25	15.01
In millions of dollars, except ratios	June 30, 2017	December 31, 2016		
Quarterly Adjusted Average Total Assets ⁽⁴⁾	\$1,376,154	\$1,333,161		
Total Leverage Exposure ⁽⁵⁾	1,917,020	1,859,394		
Tier 1 Leverage ratio ⁽³⁾	9.38	% 9.49		
Supplementary Leverage ratio	6.73	6.80		

Under the Advanced Approaches framework, eligible credit reserves that exceed expected credit losses are eligible for inclusion in Tier 2 Capital to the extent the excess reserves do not exceed 0.6% of credit risk-weighted assets, (1) which differs from the Standardized Approach in which the allowance for credit losses is eligible for inclusion in Tier 2 Capital up to 1.25% of credit risk-weighted assets, with any excess allowance for credit losses being deducted in arriving at credit risk-weighted assets.

As of June 30, 2017 and December 31, 2016, Citibank's reportable Common Equity Tier 1 Capital and Tier 1 Capital ratios were the lower derived under the Basel III Standardized Approach. As of June 30, 2017 and (2) December 31, 2016, Citibank's reportable Total Capital ratio was the lower derived under the Basel III Advanced Approaches framework.

Citibank must maintain minimum Common Equity Tier 1 Capital, Tier 1 Capital, Total Capital and Tier 1 Leverage ratios of 6.5%, 8%, 10% and 5%, respectively, to be considered "well capitalized" under the revised (3) Prompt Corrective Action (PCA) regulations applicable to insured depository institutions as established by the U.S. Basel III rules. For additional information, see "Capital Resources—Current Regulatory Capital Standards—Prompt Corrective Action Framework" in Citigroup's 2016 Annual Report on Form 10-K.

(4) Tier 1 Leverage ratio denominator.

(5) Supplementary Leverage ratio denominator.

As indicated in the table above, Citibank's risk-based capital ratios at June 30, 2017 were in excess of the stated and effective minimum requirements under the U.S. Basel III rules. In addition, Citibank was also "well capitalized" as of June 30, 2017 under the revised PCA regulations, which became effective January 1, 2015.

Impact of Changes on Citigroup and Citibank Capital Ratios Under Current Regulatory Capital Standards

The following tables present the estimated sensitivity of Citigroup's and Citibank's capital ratios to changes of \$100 million in Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital (numerator), and changes of \$1 billion in Advanced Approaches and Standardized Approach risk-weighted assets and quarterly adjusted average total assets, as well as Total Leverage Exposure (denominator), under current regulatory capital standards (reflecting Basel III Transition Arrangements), as of June 30, 2017.

This information is provided for the purpose of analyzing the impact that a change in Citigroup's or Citibank'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, quarterly adjusted average total assets or Total Leverage Exposure. Accordingly, an event that affects more than one factor may have a larger basis point impact than is reflected in these tables.

Impact of Changes on Citigroup and Citibank Risk-Based Capital Ratios (Basel III Transition Arrangements)

	Common Equity Tier 1 Capital ratio		Tier 1 Capital ratio		Total Capital ratio	
	Impact of \$100 million change in Common Equity Tier 1 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
In basis points						
Citigroup						
Advanced Approaches	0.9	1.2	0.9	1.3	0.9	1.5
Standardized Approach	0.9	1.2	0.9	1.3	0.9	1.6
Citibank						
Advanced Approaches	1.0	1.4	1.0	1.4	1.0	1.5
Standardized Approach	1.0	1.2	1.0	1.2	1.0	1.4

Impact of Changes on Citigroup and Citibank Leverage Ratios (Basel III Transition Arrangements)

	Tier 1 Leverage ratio		Supplementary Leverage ratio	
	Impact of \$100 million change in Tier 1 Capital	Impact of \$1 billion change in quarterly adjusted average total assets	Impact of \$100 million change in Tier 1 Capital	Impact of \$1 billion change in Total Leverage Exposure
In basis points				
Citigroup	0.6	0.5	0.4	0.3
Citibank	0.7	0.7	0.5	0.4

Citigroup Broker-Dealer Subsidiaries

At June 30, 2017, Citigroup Global Markets Inc., a U.S. 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 approximately \$10.7 billion, which exceeded the minimum requirement by approximately \$8.8 billion. Moreover, Citigroup Global Markets Limited, a broker-dealer registered with the United Kingdom's Prudential Regulation Authority (PRA) that is also an indirect wholly owned subsidiary of Citigroup, had total capital of approximately \$17.5 billion at June 30, 2017, which exceeded the PRA's minimum regulatory capital requirements.

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 other broker-dealer subsidiaries were in compliance with their regulatory capital requirements at June 30, 2017.

Basel III (Full Implementation)

Citigroup's Capital Resources Under Basel III (Full Implementation)

Citi currently estimates that its effective minimum Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratio requirements under the U.S. Basel III rules, on a fully implemented basis, inclusive of the 2.5% Capital Conservation Buffer and the Countercyclical Capital Buffer at its current level of 0%, as well as an expected 3% GSIB surcharge, may be 10%, 11.5% and 13.5%, respectively.

Further, under the U.S. Basel III rules, Citi must also comply with a 4% minimum Tier 1 Leverage ratio requirement and an effective 5% minimum Supplementary Leverage ratio requirement.

The following tables set forth the capital tiers, total risk-weighted assets, risk-based capital ratios, quarterly adjusted average total assets, Total Leverage Exposure and leverage ratios, assuming full implementation under the U.S. Basel III rules, for Citi as of June 30, 2017 and December 31, 2016.

At June 30, 2017, Citi's constraining Common Equity Tier 1 Capital and Tier 1 Capital ratios were those derived under the Basel III Standardized Approach, whereas Citi's binding Total Capital ratio was that resulting from application of the Basel III Advanced Approaches. Further, each of Citi's risk-based capital ratios was constrained by the Basel III Advanced Approaches for all prior periods.

Citigroup Capital Components and Ratios Under Basel III (Full Implementation)

In millions of dollars, except ratios	June 30, 2017		December 31, 2016	
	Advanced Approaches	Standardized Approach	Advanced Approaches	Standardized Approach
Common Equity Tier 1 Capital	\$155,174	\$155,174	\$149,516	\$149,516
Tier 1 Capital	175,129	175,129	169,390	169,390
Total Capital (Tier 1 Capital + Tier 2 Capital)	200,382	212,519	193,160	205,975
Total Risk-Weighted Assets	1,183,399	1,188,167	1,189,680	1,147,956
Credit Risk	\$781,259	\$1,110,532	\$796,399	\$1,083,428
Market Risk	77,140	77,635	64,006	64,528
Operational Risk	325,000	—	329,275	—
Common Equity Tier 1 Capital ratio ⁽¹⁾⁽²⁾	13.11	% 13.06	% 12.57	% 13.02
Tier 1 Capital ratio ⁽¹⁾⁽²⁾	14.80	14.74	14.24	14.76
Total Capital ratio ⁽¹⁾⁽²⁾	16.93	17.89	16.24	17.94
In millions of dollars, except ratios	June 30, 2017		December 31, 2016	
Quarterly Adjusted Average Total Assets ⁽³⁾	\$1,812,001	\$1,761,923		
Total Leverage Exposure ⁽⁴⁾	2,418,658	2,345,391		
Tier 1 Leverage ratio ⁽²⁾	9.66	% 9.61	%	
Supplementary Leverage ratio ⁽²⁾	7.24	7.22		

As of June 30, 2017, Citi's reportable Common Equity Tier 1 Capital and Tier 1 Capital ratios were the lower derived under the Basel III Standardized Approach, whereas the reportable Total Capital ratio was the lower derived under the Basel III Advanced Approaches framework. As of December 31, 2016, Citi's reportable Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital ratios were the lower derived under the Basel III Advanced Approaches framework.

(2) Citi's Basel III capital ratios and related components, on a fully implemented basis, are non-GAAP financial measures.

(3) Tier 1 Leverage ratio denominator.

(4) Supplementary Leverage ratio denominator.

Common Equity Tier 1 Capital Ratio

Citi's Common Equity Tier 1 Capital ratio was 13.1% at June 30, 2017, compared to 12.8% at March 31, 2017 and 12.6% at December 31, 2016. The quarter-over-quarter increase in the ratio was primarily due to quarterly net income of \$3.9 billion and beneficial net movements in AOCI, offset in part by the return of approximately \$2.2 billion of capital to common shareholders. The growth in Citi's Common Equity Tier 1 Capital ratio from year-end 2016 reflected continued growth in Common Equity Tier 1 Capital resulting from year-to-date net income of \$8 billion and beneficial net movements in AOCI, offset in part by the return of approximately \$4.5 billion of capital to common shareholders.

Components of Citigroup Capital Under Basel III (Full Implementation)

In millions of dollars	June 30, 2017	December 31, 2016
Common Equity Tier 1 Capital		
Citigroup common stockholders' equity ⁽¹⁾	\$210,950	\$206,051
Add: Qualifying noncontrolling interests	143	129
Regulatory Capital Adjustments and Deductions:		
Less: Accumulated net unrealized losses on cash flow hedges, net of tax ⁽²⁾	(445)	(560)
Less: Cumulative unrealized net loss related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax ⁽³⁾	(291)	(61)
Less: Intangible assets:		
Goodwill, net of related DTLs ⁽⁴⁾	21,589	20,858
Identifiable intangible assets other than MSRs, net of related DTLs	4,587	4,876
Less: Defined benefit pension plan net assets	796	857
Less: DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards ⁽⁵⁾	20,832	21,337
Less: Excess over 10%/15% limitations for other DTAs, certain common stock investments, and MSRs ⁽⁵⁾⁽⁶⁾	8,851	9,357
Total Common Equity Tier 1 Capital (Standardized Approach and Advanced Approaches)	\$155,174	\$149,516
Additional Tier 1 Capital		
Qualifying noncumulative perpetual preferred stock ⁽¹⁾	\$19,069	\$19,069
Qualifying trust preferred securities ⁽⁷⁾	1,374	1,371
Qualifying noncontrolling interests	64	28
Regulatory Capital Deductions:		
Less: Permitted ownership interests in covered funds ⁽⁸⁾	495	533
Less: Minimum regulatory capital requirements of insurance underwriting subsidiaries ⁽⁹⁾	57	61
Total Additional Tier 1 Capital (Standardized Approach and Advanced Approaches)	\$19,955	\$19,874
Total Tier 1 Capital (Common Equity Tier 1 Capital + Additional Tier 1 Capital) (Standardized Approach and Advanced Approaches)	\$175,129	\$169,390
Tier 2 Capital		
Qualifying subordinated debt	\$23,642	\$22,818
Qualifying trust preferred securities ⁽¹⁰⁾	324	317
Qualifying noncontrolling interests	48	36
Eligible allowance for credit losses ⁽¹¹⁾	13,433	13,475
Regulatory Capital Deduction:		
Less: Minimum regulatory capital requirements of insurance underwriting subsidiaries ⁽⁹⁾	57	61
Total Tier 2 Capital (Standardized Approach)	\$37,390	\$36,585
Total Capital (Tier 1 Capital + Tier 2 Capital) (Standardized Approach)	\$212,519	\$205,975
Adjustment for excess of eligible credit reserves over expected credit losses ⁽¹¹⁾	\$(12,137)	\$(12,815)
Total Tier 2 Capital (Advanced Approaches)	\$25,253	\$23,770
Total Capital (Tier 1 Capital + Tier 2 Capital) (Advanced Approaches)	\$200,382	\$193,160

Issuance costs of \$184 million related to noncumulative perpetual preferred stock outstanding at June 30, 2017 and December 31, 2016 are excluded from common stockholders' equity and netted against such preferred stock in accordance with Federal Reserve Board regulatory reporting requirements, which differ from those under U.S. GAAP.

(1) Common Equity Tier 1 Capital is adjusted for accumulated net unrealized gains (losses) on cash flow hedges included in AOCI that relate to the hedging of items not recognized at fair value on the balance sheet.

- The cumulative impact of changes in Citigroup's own creditworthiness in valuing liabilities for which the fair value option has been elected and own-credit valuation adjustments on derivatives are excluded from Common Equity Tier 1 Capital, in accordance with the U.S. Basel III rules.
- (4) Includes goodwill "embedded" in the valuation of significant common stock investments in unconsolidated financial institutions.

Footnotes continue on the following page.

- Of Citi's approximately \$45.8 billion of net DTAs at June 30, 2017, approximately \$17.6 billion were includable in Common Equity Tier 1 Capital pursuant to the U.S. Basel III rules, while approximately \$28.2 billion were excluded. Excluded from Citi's Common Equity Tier 1 Capital at June 30, 2017 was a total of approximately \$29.7 billion of net DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards as well as temporary differences, reduced by approximately \$1.5 billion of net DTLs primarily associated with
- (5) goodwill and certain other intangible assets. Separately, under the U.S. Basel III rules, goodwill and these other intangible assets are deducted net of associated DTLs in arriving at Common Equity Tier 1 Capital. DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards are required to be fully deducted from Common Equity Tier 1 Capital under full implementation of the U.S. Basel III rules; whereas DTAs arising from temporary differences are deducted from Common Equity Tier 1 Capital, if in excess of 10%/15% limitations.
- Assets subject to 10%/15% limitations include MSRs, DTAs arising from temporary differences and significant common stock investments in unconsolidated financial institutions. At June 30, 2017 and December 31, 2016, this deduction related only to DTAs arising from temporary differences that exceeded the 10% limitation. Accordingly, approximately \$8.9 billion of DTAs arising from temporary differences were excluded from Citi's Common Equity
- (6) Tier 1 Capital at June 30, 2017. Changes to the U.S. corporate tax regime that impact the value of Citi's DTAs arising from temporary differences, which exceed the then current amount deducted from Citi's Common Equity Tier 1 Capital, would further reduce Citi's regulatory capital to the extent of such excess after tax. For additional information regarding potential U.S. corporate tax reform, see "Risk Factors—Strategic Risks" in Citigroup's 2016 Annual Report on Form 10-K.
- (7) Represents Citigroup Capital XIII trust preferred securities, which are permanently grandfathered as Tier 1 Capital under the U.S. Basel III rules.
- Banking entities are required to be in compliance with the Volcker Rule of the Dodd-Frank Act that prohibits
- (8) conducting certain proprietary investment activities and limits their ownership of, and relationships with, covered funds. Accordingly, Citi is required by the Volcker Rule to deduct from Tier 1 Capital all permitted ownership interests in covered funds that were acquired after December 31, 2013.
- (9) 50% of the minimum regulatory capital requirements of insurance underwriting subsidiaries must be deducted from each of Tier 1 Capital and Tier 2 Capital.
- (10) Represents the amount of non-grandfathered trust preferred securities eligible for inclusion in Tier 2 Capital under the U.S. Basel III rules, which will be fully phased-out of Tier 2 Capital by January 1, 2022.
- Under the Standardized Approach, the allowance for credit losses is eligible for inclusion in Tier 2 Capital up to 1.25% of credit risk-weighted assets, with any excess allowance for credit losses being deducted in arriving at credit risk-weighted assets, which differs from the Advanced Approaches framework, in which eligible credit
- (11) reserves that exceed expected credit losses are eligible for inclusion in Tier 2 Capital to the extent the excess reserves do not exceed 0.6% of credit risk-weighted assets. The total amount of eligible credit reserves in excess of expected credit losses that were eligible for inclusion in Tier 2 Capital, subject to limitation, under the Advanced Approaches framework was \$1.3 billion and \$0.7 billion at June 30, 2017 and December 31, 2016, respectively.

Citigroup Capital Rollforward Under Basel III (Full Implementation)

In millions of dollars	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Common Equity Tier 1 Capital, beginning of period ⁽¹⁾	\$152,664	\$149,516
Net income	3,872	7,962
Common and preferred stock dividends declared	(765)	(1,511)
Net increase in treasury stock	(1,762)	(3,699)
Net change in common stock and additional paid-in capital	184	(245)
Net decrease in foreign currency translation adjustment net of hedges, net of tax	643	1,961
Net change in unrealized losses on securities AFS, net of tax	(27)	697
Net increase in defined benefit plans liability adjustment, net of tax	(135)	(147)
Net change in adjustment related to changes in fair value of financial liabilities attributable to own creditworthiness, net of tax	34	86
Net increase in goodwill, net of related DTLs	(141)	(731)
Net decrease in identifiable intangible assets other than MSRs, net of related DTLs	151	289
Net decrease in defined benefit pension plan net assets	40	61
Net decrease in DTAs arising from net operating loss, foreign tax credit and general business credit carry-forwards	245	505
Net decrease in excess over 10%/15% limitations for other DTAs, certain common stock investments and MSRs	161	506
Other	10	(76)
Net increase in Common Equity Tier 1 Capital	\$2,510	\$5,658
Common Equity Tier 1 Capital, end of period	\$155,174	\$155,174
(Standardized Approach and Advanced Approaches)		
Additional Tier 1 Capital, beginning of period	\$19,791	\$19,874
Net increase in qualifying trust preferred securities	2	3
Net decrease in permitted ownership interests in covered funds	123	38
Other	39	\$40
Net increase in Additional Tier 1 Capital	\$164	\$81
Tier 1 Capital, end of period	\$175,129	\$175,129
(Standardized Approach and Advanced Approaches)		
Tier 2 Capital, beginning of period (Standardized Approach)	\$36,981	\$36,585
Net increase in qualifying subordinated debt	364	824
Net change in eligible allowance for credit losses	26	(42)
Other	19	23
Net increase in Tier 2 Capital (Standardized Approach)	\$409	\$805
Tier 2 Capital, end of period (Standardized Approach)	\$37,390	\$37,390
Total Capital, end of period (Standardized Approach)	\$212,519	\$212,519
Tier 2 Capital, beginning of period (Advanced Approaches)	\$24,401	\$23,770
Net increase in qualifying subordinated debt	364	824
Net increase in excess of eligible credit reserves over expected credit losses	469	636
Other	19	23
Net increase in Tier 2 Capital (Advanced Approaches)	\$852	\$1,483
Tier 2 Capital, end of period (Advanced Approaches)	\$25,253	\$25,253
Total Capital, end of period (Advanced Approaches)	\$200,382	\$200,382

The beginning balance of Common Equity Tier 1 Capital for the three months ended June 30, 2017 has been restated to reflect the modified retrospective adoption of Accounting Standards Update (ASU) No. 2017-08, (1) Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities, which amends the amortization period for certain purchased callable debt securities held at a premium. For additional information regarding ASU 2017-08, see Note 1 to the Consolidated Financial Statements.

Citigroup Risk-Weighted Assets Rollforward (Basel III Standardized Approach with Full Implementation)

In millions of dollars	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Total Risk-Weighted Assets, beginning of period	\$1,166,409	\$1,147,956
Changes in Credit Risk-Weighted Assets		
Net increase in general credit risk exposures ⁽¹⁾	20,345	13,643
Net increase in repo-style transactions	418	6,988
Net decrease in securitization exposures	(2,096)	(2,054)
Net increase in equity exposures	225	836
Net change in over-the-counter (OTC) derivatives	2,277	(1,080)
Net increase in other exposures ⁽²⁾	417	5,449
Net change in off-balance sheet exposures	(4,937)	3,322
Net increase in Credit Risk-Weighted Assets	\$16,649	\$27,104
Changes in Market Risk-Weighted Assets		
Net increase in risk levels	\$5,138	\$15,890
Net decrease due to model and methodology updates	(29)	(2,783)
Net increase in Market Risk-Weighted Assets	\$5,109	\$13,107
Total Risk-Weighted Assets, end of period	\$1,188,167	\$1,188,167

⁽¹⁾ General credit risk exposures include cash and balances due from depository institutions, securities, and loans and leases.

⁽²⁾ Other exposures include cleared transactions, unsettled transactions, and other assets.

Citigroup Risk-Weighted Assets Rollforward (Basel III Advanced Approaches with Full Implementation)

In millions of dollars	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Total Risk-Weighted Assets, beginning of period	\$1,191,463	\$1,189,680
Changes in Credit Risk-Weighted Assets		
Net decrease in retail exposures	(4,343)	(8,655)
Net change in wholesale exposures	(4,029)	416
Net increase in repo-style transactions	199	2
Net decrease in securitization exposures	(1,880)	(2,115)
Net increase in equity exposures	146	688
Net decrease in over-the-counter (OTC) derivatives	(1,898)	(6,097)
Net decrease in derivatives CVA	(39)	(1,100)
Net increase in other exposures ⁽¹⁾	2,047	2,516
Net decrease in supervisory 6% multiplier ⁽²⁾	(587)	(795)
Net decrease in Credit Risk-Weighted Assets	\$(10,384)	\$(15,140)
Changes in Market Risk-Weighted Assets		
Net increase in risk levels	\$4,922	\$15,917
Net decrease due to model and methodology updates	(29)	(2,783)
Net increase in Market Risk-Weighted Assets	\$4,893	\$13,134
Net decrease in Operational Risk-Weighted Assets	\$(2,573)	\$(4,275)

Total Risk-Weighted Assets, end of period	\$1,183,399	\$1,183,399
---	-------------	-------------

- (1) Other exposures include cleared transactions, unsettled transactions, assets other than those reportable in specific exposure categories, and non-material portfolios.
- (2) Supervisory 6% multiplier does not apply to derivatives CVA.

Total risk-weighted assets under the Basel III Standardized Approach increased from year-end 2016 due to substantially higher credit and market risk-weighted assets. The increase in credit risk-weighted assets under the Basel III Standardized Approach was primarily due to corporate loan growth and increased repo-style transaction activity. Total risk-weighted assets under the Basel III Advanced Approaches decreased from year-end 2016, as lower credit and operational risk-weighted assets were partially offset by an increase in market risk-weighted assets. The decrease in credit risk-weighted assets under the Basel III Advanced Approaches was primarily due to residential mortgage loan sales and repayments, divestitures of certain legacy assets, and reductions in qualifying revolving (cards) exposures attributable to seasonal holiday spending repayments, as well as a decrease in OTC derivatives due to model enhancements. Operational risk-weighted assets decreased from year-end 2016 due to quarterly updates to model parameters.

The increase in market risk-weighted assets under both approaches over this period was primarily due to increases in exposure levels subject to Stressed Value at Risk and comprehensive risk, as well as an increase in positions subject to securitization charges.

Supplementary Leverage Ratio

Citigroup's Supplementary Leverage ratio was 7.2% for the second quarter of 2017, compared to 7.3% for the first quarter of 2017 and 7.2% for the fourth quarter of 2016. The decline in the ratio quarter-over-quarter was principally driven by the return of capital to common shareholders and an increase in Total Leverage Exposure primarily due to growth in average on-balance sheet assets, partially offset by quarterly net income of \$3.9 billion and beneficial net movements in AOCI. The ratio remained unchanged from the fourth quarter of 2016, as net income of \$8 billion and beneficial net movements in AOCI were offset by the return

of capital to common shareholders and an increase in Total Leverage Exposure primarily due to growth in average on-balance sheet assets, as well as, although to a lesser extent, an increase in certain off-balance sheet exposures. The following table sets forth Citi's Supplementary Leverage ratio and related components, assuming full implementation under the U.S. Basel III rules, for the three months ended June 30, 2017 and December 31, 2016.

Citigroup Basel III Supplementary Leverage Ratio and Related Components (Full Implementation)

In millions of dollars, except ratios	June 30, 2017	December 31, 2016
Tier 1 Capital	\$ 175,129	\$ 169,390
Total Leverage Exposure (TLE)		
On-balance sheet assets ⁽¹⁾	\$ 1,869,208	\$ 1,819,802
Certain off-balance sheet exposures: ⁽²⁾		
Potential future exposure on derivative contracts	225,090	211,009
Effective notional of sold credit derivatives, net ⁽³⁾	69,727	64,366
Counterparty credit risk for repo-style transactions ⁽⁴⁾	23,174	22,002
Unconditionally cancellable commitments	67,571	66,663
Other off-balance sheet exposures	221,095	219,428
Total of certain off-balance sheet exposures	\$ 606,657	\$ 583,468
Less: Tier 1 Capital deductions	57,207	57,879
Total Leverage Exposure	\$ 2,418,658	\$ 2,345,391
Supplementary Leverage ratio	7.24	% 7.22 %

(1) Represents the daily average of on-balance sheet assets for the quarter.

(2) Represents the average of certain off-balance sheet exposures calculated as of the last day of each month in the quarter.

(3) Under the U.S. Basel III rules, banking organizations are required to include in TLE the effective notional amount of sold credit derivatives, with netting of exposures permitted if certain conditions are met.

(4) Repo-style transactions include repurchase or reverse repurchase transactions and securities borrowing or securities lending transactions.

Citibank's Supplementary Leverage ratio, assuming full implementation under the U.S. Basel III rules, was 6.6% for the second quarter of 2017, compared to 6.7% for the first quarter of 2017 and 6.6% for the fourth quarter of 2016. The decline in the ratio quarter-over-quarter was principally driven by cash dividends paid by Citibank to its parent, Citicorp, and which were subsequently remitted to Citigroup, as well as an increase in Total Leverage Exposure primarily due to growth in average on-balance sheet assets, partially offset by quarterly net income and the favorable effects associated with DTA utilization. The ratio remained unchanged from the fourth quarter of 2016, as the Tier 1 Capital benefits associated with net income and beneficial net movements in AOCI were offset by an increase in Total Leverage Exposure and cash dividends paid by Citibank to its parent, Citicorp, and which were subsequently remitted to Citigroup.

Regulatory Capital Standards Developments

Revisions to the Securitization Framework

In July 2017, the Basel Committee on Banking Supervision (Basel Committee) issued two consultative documents: one which establishes criteria for identifying “simple, transparent, and comparable” (STC) short-term securitizations, and another which provides for an alternative, and potentially preferential, regulatory capital treatment for short-term securitizations identified as STC. The Basel Committee had previously issued criteria solely for identifying STC securitizations in July 2015, and also previously issued an alternative regulatory capital treatment for STC securitizations in July 2016. The July 2017 consultative documents, however, introduce identification criteria and regulatory capital treatments that are uniquely tailored to short-term securitizations, with a focus on exposures related to asset-backed commercial paper conduits.

The U.S. banking agencies may revise the regulatory capital treatment of STC short-term securitizations in the future, based upon any revisions adopted by the Basel Committee.

Tangible Common Equity, Book Value Per Share, Tangible Book Value Per Share and Returns on Equity

Tangible common equity (TCE), as defined by Citi, represents common stockholders' equity less goodwill and identifiable intangible assets (other than MSRs). Other companies may calculate TCE in a different manner. TCE, tangible book value per share and returns on average TCE are non-GAAP financial measures.

In millions of dollars or shares, except per share amounts	June 30, 2017	December 31, 2016			
Total Citigroup stockholders' equity	\$230,019	\$ 225,120			
Less: Preferred stock	19,253	19,253			
Common stockholders' equity	\$210,766	\$ 205,867			
Less:					
Goodwill	22,349	21,659			
Identifiable intangible assets (other than MSRs)	4,887	5,114			
Goodwill and identifiable intangible assets (other than MSRs) related to assets held-for-sale	120	72			
Tangible common equity (TCE)	\$183,410	\$ 179,022			
Common shares outstanding (CSO)	2,724.6	2,772.4			
Book value per share (common equity/CSO)	\$77.36	\$ 74.26			
Tangible book value per share (TCE/CSO)	67.32	64.57			
In millions of dollars	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	
Net income available to common shareholders	\$3,552	\$ 3,676	\$7,341	\$6,967	
Average common stockholders' equity	\$209,693	\$ 210,146	\$208,298	\$208,615	
Average TCE	\$182,404	\$ 184,130	\$181,276	\$182,420	
Less: Average net DTAs excluded from Common Equity Tier 1 Capital ⁽¹⁾	28,448	28,503	28,714	29,333	
Average TCE, excluding average net DTAs excluded from Common Equity Tier 1 Capital	\$153,956	\$ 155,627	\$152,562	\$153,087	
Return on average common stockholders' equity	6.8	% 7.0	% 7.1	% 6.7	%
Return on average TCE (ROTCE) ⁽²⁾	7.8	8.0	8.2	7.7	
Return on average TCE, excluding average net DTAs excluded from Common Equity Tier 1 Capital	9.3	9.5	9.7	9.2	

(1) Represents average net DTAs excluded in arriving at Common Equity Tier 1 Capital under full implementation of the U.S. Basel III rules.

(2) ROTCE represents annualized net income available to common shareholders as a percentage of average TCE.

Managing Global Risk Table of Contents

MANAGING GLOBAL RISK	<u>48</u>
CREDIT RISK ⁽¹⁾	<u>49</u>
Consumer Credit	<u>49</u>
Corporate Credit	<u>56</u>
Additional Consumer and Corporate Credit Details	<u>58</u>
Loans Outstanding	<u>58</u>
Details of Credit Loss Experience	<u>60</u>
Allowance for Loan Losses	61
Non-Accrual Loans and Assets and Renegotiated Loans	<u>62</u>
LIQUIDITY RISK	<u>66</u>
High-Quality Liquid Assets (HQLA)	<u>66</u>
Loans	67
Deposits	67
Long-Term Debt	68
Secured Funding Transactions and Short-Term Borrowings	70
Liquidity Coverage Ratio (LCR)	71
Credit Ratings	72
MARKET RISK ⁽¹⁾	<u>74</u>
Market Risk of Non-Trading Portfolios	<u>74</u>
Market Risk of Trading Portfolios	<u>85</u>
COUNTRY RISK	<u>87</u>

For additional information regarding certain credit risk, market risk and other quantitative and qualitative (1) information, refer to Citi's Pillar 3 Basel III Advanced Approaches Disclosures, as required by the rules of the Federal Reserve Board, on Citi's Investor Relations website.

MANAGING GLOBAL RISK

For Citi, effective risk management is of primary importance to its overall operations. Accordingly, Citi's risk management process has been designed to monitor, evaluate and manage the principal risks it assumes in conducting its activities. Specifically, the activities that Citi engages in, and the risks those activities generate, must be consistent with Citi's mission and value proposition, the key principles that guide it, and Citi's risk appetite.

For more information on Citi's management of global risk, including its three lines of defense, see "Managing Global Risk" in Citi's 2016 Annual Report on Form 10-K.

CREDIT RISK

For additional information on credit risk, including Citi's credit risk management, measurement and stress testing, see "Credit Risk" and "Risk Factors" in Citi's 2016 Annual Report on Form 10-K.

CONSUMER CREDIT

Citi provides traditional retail banking, including commercial banking, and credit card products in 19 countries and jurisdictions through North America GCB, Latin America GCB and Asia GCB. The retail banking products include consumer mortgages, home equity, personal, commercial loans and lines of credit, and similar related products with a focus on lending to prime customers. Citi uses its risk appetite

framework to define its lending parameters. In addition, Citi uses proprietary scoring models for new customer approvals. As stated in "Global Consumer Banking" above, GCB's overall strategy is to leverage Citi's global footprint and be the preeminent bank for the affluent and emerging affluent consumers in large urban centers. In credit cards and in certain retail markets, Citi serves customers in a somewhat broader set of segments and geographies. GCB's commercial banking business focuses on small to mid-sized businesses.

Consumer Credit Portfolio

The following tables show Citi's quarterly end-of-period consumer loans⁽¹⁾

In billions of dollars	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
Retail banking:					
Mortgages	\$81.6	\$81.4	\$79.4	\$81.2	\$81.4
Commercial banking	32.6	33.2	32.0	33.9	34.8
Personal and other	27.2	27.0	24.9	26.3	27.2
Total retail banking	\$141.4	\$141.6	\$136.3	\$141.4	\$143.4
Cards:					
Citi-branded cards	\$100.1	\$103.9	\$108.3	\$105.7	\$109.9
Citi retail services	43.3	43.9	47.3	44.2	45.2
Total cards	\$143.4	\$147.8	\$155.6	\$149.9	\$155.1
Total GCB	\$284.8	\$289.4	\$291.9	\$291.3	\$298.5
GCB regional distribution:					
North America	62	% 62	% 64	% 62	% 62
Latin America	8	8	8	9	9
Asia ⁽²⁾	30	30	28	29	29
Total GCB	100	% 100	% 100	% 100	% 100
Corporate/Other ⁽³⁾	\$41.3	\$39.0	\$33.2	\$29.3	\$26.8
Total consumer loans	\$326.1	\$328.4	\$325.1	\$320.6	\$325.3

(1) End-of-period loans include interest and fees on credit cards.

(2) Asia includes loans and leases in certain EMEA countries for all periods presented.

(3) Primarily consists of legacy assets, principally North America consumer mortgages.

For information on changes to Citi's end-of-period consumer loans, see "Liquidity Risk—Loans" below.

Overall Consumer Credit Trends

The following charts show the quarterly trends in delinquencies and net credit losses across both retail banking, including commercial banking, and cards for total GCB and by region.

Global Consumer Banking

North America

Latin America

Asia⁽¹⁾

(1) Asia includes GCB activities in certain EMEA countries for all periods presented.

North America GCB provides mortgages, home equity loans, personal loans and commercial banking products through Citi's retail banking network, and card products through Citi-branded cards and Citi retail services businesses. The retail bank is concentrated in six major metropolitan cities in the United States (for additional information on the U.S. retail bank, see "North America GCB" above).

As of June 30, 2017, approximately 70% of North America GCB consumer loans consisted of Citi-branded and Citi retail services cards, which drove the overall credit performance of North America GCB (for additional information on North America GCB's cards portfolios, including delinquencies and net credit losses, see "Credit Card Trends" below).

Latin America GCB operates in Mexico through Citibanamex, one of Mexico's largest banks, and provides credit cards, consumer mortgages, personal loans and commercial banking products. Latin America GCB serves a more mass market segment in Mexico and focuses on developing multi-product relationships with customers.

As set forth in the chart above, 90+ days past due

delinquencies modestly improved and net credit loss rates slightly increased in Latin America GCB year-over-year as of the second quarter of 2017, while the delinquency rate increased and the net credit loss rate decreased quarter-over-quarter. The sequential improvement in the net credit loss rate and increase in the delinquency rate were mostly driven by seasonality.

Asia GCB operates in 17 countries in Asia and EMEA and provides credit cards, consumer mortgages, personal loans and commercial banking products.

As shown in the chart above, 90+ days past due delinquency and net credit loss rates were largely stable in Asia GCB year-over-year and quarter-over-quarter as of the second quarter of 2017. This stability reflects the strong credit profiles in Asia GCB's target customer segments. In addition, regulatory changes in many markets in Asia over the past few years have resulted in stable or improved portfolio credit quality, despite weaker macroeconomic conditions in several countries.

For additional information on cost of credit, loan delinquency and other information for Citi's consumer loan portfolios, see each respective business's results of operations above and Note 13 to the Consolidated Financial Statements.

Credit Card Trends

The following charts show the quarterly trends in delinquencies and net credit losses for total GCB cards, Citi's North America Citi-branded cards and Citi retail services portfolios as well as for Citi's Latin America and Asia Citi-branded cards portfolios.

Total Cards

North America Citi-Branded Cards

North America Citi Retail Services

Latin America Citi-Branded Cards

Asia Citi-Branded Cards⁽¹⁾

(1) Asia includes loans and leases in certain EMEA countries for all periods presented.

North America GCB's Citi-branded cards portfolio issues proprietary and co-branded cards. As shown in the chart above, 90+ days past due delinquency rates in Citi-branded cards increased year-over-year as of the second quarter of 2017 primarily due to the impact of the Costco portfolio, organic volume growth and seasoning, and decreased quarter-over-quarter, due to the flow-through of delinquencies to credit losses related to the Costco conversion and seasonality. Net credit loss rates increased year-over-year primarily due to

the Costco portfolio acquisition, organic volume growth and seasoning, and decreased quarter-over-quarter due to the flow-through of delinquencies to credit losses related to the Costco conversion in the first quarter of 2017 and seasonality.

Citi retail services partners directly with more than 20 retailers and dealers to offer private-label and co-branded consumer and commercial cards. Citi retail services' target market is focused on select industry segments such as home improvement, specialty retail, consumer electronics and fuel. Citi retail services continually evaluates opportunities to add partners within target industries that have strong loyalty, lending or payment programs and growth potential. Citi retail services' delinquency and net credit loss rates increased year-over-year, primarily due to seasoning and the impact of changes in collection processes. The net credit loss rate also increased quarter-over-quarter due to the softness in the collections rates experienced once an account reaches mid-stage delinquency. The delinquency rate decreased quarter-over-quarter due to seasonality.

Latin America GCB issues proprietary and co-branded cards. As set forth in the chart above, 90+ days past due delinquency rates and net credit loss rates have continued to improve or remained stable year-over-year as of the second quarter of 2017. The net credit loss rate decreased and delinquency rate increased quarter-over-quarter, both primarily driven by seasonality.

Asia GCB issues proprietary and co-branded cards. As set forth in the chart above, 90+ days past due delinquency and net credit loss rates have remained broadly stable, driven by mature and well-diversified cards portfolios.

For additional information on cost of credit, delinquency and other information for Citi's cards portfolios, see each respective business's results of operations above and Note 13 to the Consolidated Financial Statements.

North America Cards FICO Distribution

The following tables show the current FICO score distributions for Citi's North America Citi-branded cards and Citi retail services portfolios based on end-of-period receivables. FICO scores are updated monthly for substantially all of the portfolio and on a quarterly basis for the remaining portfolio.

Citi-Branded

FICO distribution	June 30, 2017	December 31, 2016	
> 720	63	64	%
660 - 720	26	26	
620 - 660	7	6	
< 620	4	4	
Total	100	100	%

Citi Retail Services

FICO distribution	June 30, 2017	December 31, 2016	
> 720	41	42	%
660 - 720	35	35	
620 - 660	13	13	

< 620	11	10	
Total	100 %	100	%

As indicated by the tables above, the FICO distributions for Citi-branded cards and Citi retail services cards portfolios were largely unchanged versus year-end 2016. For additional information on FICO scores, see Note 13 to the Consolidated Financial Statements.

North America Consumer Mortgage Lending

Citi's North America consumer mortgage portfolio consists of both residential first mortgages and home equity loans. The following table shows the outstanding quarterly end-of-period loans for Citi's North America residential first mortgage and home equity loan portfolios:

In billions of dollars 2Q'16 3Q'16 4Q'16 1Q'17 2Q'17

GCB:

Residential firsts	\$40.1	\$40.1	\$40.2	\$40.3	\$40.2
--------------------	--------	--------	--------	--------	--------

Home equity	3.8	3.9	4.0	4.0	4.1
-------------	-----	-----	-----	-----	-----

Total GCB	\$43.9	\$44.0	\$44.2	\$44.3	\$44.3
-----------	--------	--------	--------	--------	--------

Corporate/Other:

Residential firsts	\$15.8	\$14.8	\$13.4	\$12.3	\$11.0
--------------------	--------	--------	--------	--------	--------

Home equity	17.3	16.1	15.0	13.4	12.4
-------------	------	------	------	------	------

Total Corporate/ Other	\$33.1	\$30.9	\$28.4	\$25.7	\$23.4
---------------------------	--------	--------	--------	--------	--------

Total Citigroup— North America	\$77.0	\$74.9	\$72.6	\$70.0	\$67.7
-----------------------------------	--------	--------	--------	--------	--------

For additional information on delinquency and net credit loss trends in Citi's consumer mortgage portfolio, see "Additional Consumer Credit Details" below.

Home Equity Loans—Revolving HELOCs

As set forth in the table above, Citi had \$16.5 billion of home equity loans as of June 30, 2017, of which \$3.9 billion are fixed-rate home equity loans and \$12.6 billion are extended under home equity lines of credit (Revolving HELOCs). Fixed-rate home equity loans are fully amortizing. Revolving HELOCs allow for amounts to be drawn for a period of time with the payment of interest only until the end of the draw period, when the outstanding amount is converted to an amortizing loan, or "reset" (the interest-only payment feature during the revolving period is standard for this product across the industry). Upon reset, these borrowers will be required to pay both interest, usually at a variable rate, and principal that amortizes typically over 20 years, rather than the standard 30-year amortization. Of the Revolving HELOCs at June 30, 2017, \$6.6 billion had reset (compared to \$6.4 billion at March 31, 2017) and \$6.0 billion were still within their revolving period that had not reset (compared to \$6.8 billion at March 31, 2017). The following chart indicates the FICO and combined loan-to-value (CLTV) characteristics of Citi's Revolving HELOCs portfolio and the year in which they reset:

North America Home Equity Lines of Credit Amortization – Citigroup

Total ENR by Reset Year

In billions of dollars as of June 30, 2017

Note: Totals may not sum due to rounding.

Approximately 53% of Citi's total Revolving HELOCs portfolio had reset as of June 30, 2017 (compared to 49% as of March 31, 2017). Of the remaining Revolving HELOCs portfolio, approximately 22% will commence amortization during the remainder of 2017. Citi's customers with Revolving HELOCs that reset could experience "payment shock" due to the higher required payments on the loans. Citi currently estimates that the monthly loan payment for its Revolving HELOCs that reset during the remainder of 2017 could increase on average by approximately \$356, or 115%. Increases in interest rates could further increase these payments given the variable nature of the interest rates on these loans post-reset. Borrowers' high loan-to-value positions, as well as the cost and availability of refinancing options, could limit borrowers' ability to refinance their Revolving HELOCs as these loans begin to reset. Approximately 5.9% of the Revolving HELOCs that have reset as of June 30, 2017 were 30+ days past due, compared to 3.7% of the total outstanding home equity loan portfolio (amortizing and non-amortizing). This compared to 6.4%

and 3.9%, respectively, as of March 31, 2017. As newly amortizing loans continue to season, the delinquency rate of Citi's total home equity loan portfolio could increase. In addition, resets to date have generally occurred during a period of historically low interest rates, which Citi believes has likely reduced the overall "payment shock" to the borrower.

Citi monitors this reset risk closely and will continue to consider any potential impact in determining its allowance for loan loss reserves. In addition, management continues to review and take additional actions to offset potential reset risk, such as a borrower outreach program to provide reset risk education and proactively working with high-risk borrowers through a specialized single point of contact unit.

Additional Consumer Credit Details

Consumer Loan Delinquency Amounts and Ratios

In millions of dollars, except EOP loan amounts in billions	EOP loans ⁽¹⁾ 90+ days past due ⁽²⁾			30–89 days past due ⁽²⁾			
	June 30, 2017	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	March 31, 2017	June 30, 2016
Global Consumer Banking ⁽³⁾⁽⁴⁾							
Total	\$ 298.5	\$2,183	\$2,241	\$1,965	\$2,498	\$2,516	\$2,318
Ratio		0.73	%0.77	%0.69	%0.84	%0.87	%0.82
Retail banking							
Total	\$ 143.4	\$477	\$488	\$515	\$747	\$777	\$735
Ratio		0.33	%0.35	%0.37	%0.52	%0.55	%0.52
North America	55.6	155	182	180	191	189	192
Ratio		0.28	%0.33	%0.33	%0.35	%0.35	%0.36
Latin America	21.0	150	141	157	216	246	197
Ratio		0.71	%0.72	%0.82	%1.03	%1.25	%1.03
Asia ⁽⁵⁾	66.8	172	165	178	340	342	346
Ratio		0.26	%0.25	%0.26	%0.51	%0.52	%0.51
Cards							
Total	\$ 155.1	\$1,706	\$1,753	\$1,450	\$1,751	\$1,739	\$1,583
Ratio		1.10	%1.17	%1.01	%1.13	%1.16	%1.10
North America—Citi-branded	85.6	659	698	510	619	632	550
Ratio		0.77	%0.85	%0.66	%0.72	%0.77	%0.71
North America—Citi retail services	45.2	693	735	619	730	730	669
Ratio		1.53	%1.66	%1.43	%1.62	%1.65	%1.55
Latin America	5.5	161	137	145	151	145	137
Ratio		2.93	%2.63	%2.90	%2.75	%2.79	%2.74
Asia ⁽⁵⁾	18.8	193	183	176	251	232	227
Ratio		1.03	%1.00	%1.00	%1.34	%1.27	%1.29
Corporate/Other—Consumer ⁽⁶⁾⁽⁷⁾							
Total	\$ 26.8	\$601	\$684	\$878	\$554	\$615	\$858
Ratio		2.37	%2.45	%2.23	%2.18	%2.20	%2.18
International	1.8	63	77	170	44	60	138
Ratio		3.50	%3.67	%3.09	%2.44	%2.86	%2.51
North America	25.0	538	607	708	510	555	720
Ratio		2.28	%2.35	%2.09	%2.16	%2.15	%2.12
Total Citigroup	325.3	\$2,784	\$2,925	\$2,843	\$3,052	\$3,131	\$3,176
Ratio		0.86	%0.92	%0.88	%0.94	%0.98	%0.98

(1) End-of-period (EOP) loans include interest and fees on credit cards.

(2) The ratios of 90+ days past due and 30–89 days past due are calculated based on EOP loans, net of unearned income.

The 90+ days past due balances for North America—Citi-branded and North America—Citi retail services 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.

(4) The 90+ days past due and 30–89 days past due and related ratios for GCB North America exclude U.S. mortgage loans that are guaranteed by U.S. government-sponsored entities since the potential loss predominantly resides within the U.S. government-sponsored entities. The amounts excluded for loans

90+ days past due and (EOP loans) were \$295 million (\$0.8 billion), \$313 million (\$0.8 billion) and \$408 million (\$0.9 billion) at June 30, 2017, March 31, 2017, and June 30, 2016, respectively. The amounts excluded for loans 30–89 days past due (EOP loans have the same adjustment as above) were \$84 million, \$84 million and \$91 million at June 30, 2017, March 31, 2017, and June 30, 2016, respectively.

(5) Asia includes delinquencies and loans in certain EMEA countries for all periods presented.

The 90+ days past due and 30–89 days past due and related ratios for Corporate/Other—North America consumer exclude U.S. mortgage loans that are guaranteed by U.S. government-sponsored entities since the potential loss predominantly resides within the U.S. government-sponsored entities. The amounts excluded for loans 90+ days (6) past due (and EOP loans) were \$0.7 billion (\$1.3 billion), \$0.8 billion (\$1.4 billion) and \$1.2 billion (\$1.8 billion) at June 30, 2017, March 31, 2017, and June 30, 2016, respectively. The amounts excluded for loans 30–89 days past due (EOP loans have the same adjustment as above) for each period were \$0.2 billion, \$0.1 billion and \$0.2 billion at June 30, 2017, March 31, 2017, and June 30, 2016, respectively.

The June 30, 2017, March 31, 2016, and June 30, 2016 loans 90+ days past due and 30–89 days past due and related (7)ratios for North America exclude \$6 million, \$7 million and \$9 million, respectively, of loans that are carried at fair value.

Consumer Loan Net Credit Losses and Ratios

In millions of dollars, except average loan amounts in billions	Average loans ⁽¹⁾	Net credit losses ⁽²⁾⁽³⁾			
	2Q17	2Q17	1Q17	2Q16	
Global Consumer Banking					
Total	\$ 293.8	\$ 1,615	\$ 1,603	\$ 1,374	
Ratio		2.20	% 2.24	% 2.02	%
Retail banking					
Total	\$ 142.3	\$ 244	\$ 236	\$ 243	
Ratio		0.69	% 0.69	% 0.69	%
North America	55.6	39	37	45	
Ratio		0.28	% 0.27	% 0.33	%
Latin America	20.2	151	137	137	
Ratio		3.00	% 3.04	% 2.87	%
Asia ⁽⁴⁾	66.5	54	62	61	
Ratio		0.33	% 0.39	% 0.36	%
Cards					
Total	\$ 151.5	\$ 1,371	\$ 1,367	\$ 1,131	
Ratio		3.63	% 3.68	% 3.45	%
North America—Citi-branded	83.3	611	633	467	
Ratio		2.94	% 3.11	% 2.82	%
North America—Retail services	44.5	531	520	442	
Ratio		4.79	% 4.66	% 4.16	%
Latin America	5.3	126	116	123	
Ratio		9.54	% 9.80	% 9.70	%
Asia ⁽⁴⁾	18.4	103	98	99	
Ratio		2.25	% 2.20	% 2.29	%
Corporate/Other—Consumer					
Total	\$ 27.8	\$ 18	\$ 69	\$ 101	
Ratio		0.26	% 0.88	% 0.94	%
International	1.9	24	26	77	
Ratio		5.07	% 5.02	% 5.08	%
North America	25.9	(6)	43	24	
Ratio		(0.09)	% 0.59	% 0.26	%
Other	0.1	—	—	—	
Total Citigroup	\$ 321.7	\$ 1,633	\$ 1,672	\$ 1,475	
Ratio		2.04	% 2.11	% 1.87	%

(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) In October 2016, Citi entered into agreements to sell Citi’s Brazil and Argentina consumer banking businesses and classified these businesses as held-for-sale (HFS). The sale of the Argentina consumer banking business was completed at the end of the first quarter 2017. As a result of HFS accounting treatment, approximately \$42 million, \$41 million and \$38 million of net credit losses (NCLs) were recorded as a reduction in revenue (Other revenue) during the fourth quarter of 2016, the first quarter of 2017 and the second quarter of 2017, respectively. Accordingly, these NCLs are not included in this table. Loans classified as HFS are excluded from this table as

they are recorded in Other assets.

(4) Asia includes NCLs and average loans in certain EMEA countries for all periods presented.

CORPORATE CREDIT

Consistent with its overall strategy, Citi's corporate clients are typically large, multi-national corporations that value Citi's global network. Citi aims to establish relationships with these clients that encompass multiple products, consistent with client needs, including cash management and trade services, foreign exchange, lending, capital markets and M&A advisory.

Corporate Credit Portfolio

The following table sets forth Citi's corporate credit portfolio within ICG (excluding private bank), before consideration of collateral or hedges, by remaining tenor for the periods indicated:

In billions of dollars	At June 30, 2017				At March 31, 2017				At December 31, 2016			
	Greater than 1 year but within 5 years			Total exposure	Greater than 1 year but within 5 years			Total exposure	Greater than 1 year but within 5 years			Total exposure
	Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years		Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years		Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years	
Direct outstandings (on-balance sheet) ⁽¹⁾	\$ 122	\$ 94	\$ 23	\$ 239	\$ 129	\$ 82	\$ 20	\$ 231	\$ 109	\$ 94	\$ 22	\$ 225
Unfunded lending commitments (off-balance sheet) ⁽²⁾	103	222	22	347	113	221	23	357	103	218	23	344
Total exposure	\$ 225	\$ 316	\$ 45	\$ 586	\$ 242	\$ 303	\$ 43	\$ 588	\$ 212	\$ 312	\$ 45	\$ 569

(1) Includes drawn loans, overdrafts, bankers' acceptances and leases.

(2) Includes unused commitments to lend, letters of credit and financial guarantees.

Portfolio Mix—Geography, Counterparty and Industry

Citi's corporate credit portfolio is diverse across geography and counterparty. The following table shows the percentage by region based on Citi's internal management geography:

	June 30, 2017		March 31, 2017		December 31, 2016	
North America	55	%	53	%	55	%
EMEA	26		26		26	
Asia	12		13		12	
Latin America	7		8		7	
Total	100	%	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. Counterparty risk ratings reflect an estimated probability of default for a counterparty 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, regulatory environment and commodity prices. 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 and reporting criteria for certain obligors, as necessary. Factors evaluated include consideration of climate risk to an obligor's business and physical assets and, when relevant, consideration of cost-effective options to reduce greenhouse gas emissions.

The following table presents the corporate credit portfolio by facility risk rating as a percentage of the total corporate credit portfolio:

	Total exposure			
	June 30,	March 31,	December 31,	
	2017	2017	2016	
AAA/AA/A	49	% 48	% 48	%
BBB	34	34	34	
BB/B	16	16	16	
CCC or below	1	2	2	
Total	100	% 100	% 100	%

Note: Total exposure includes direct outstandings and unfunded lending commitments.

Citi's corporate credit portfolio is also diversified by industry. The following table shows the allocation of Citi's total corporate credit portfolio by industry:

	Total exposure			
	June 30, 2017	March 31, 2017	December 31, 2016	
Transportation and industrial	21	% 21	% 22	%
Consumer retail and health	17	16	16	
Technology, media and telecom	11	12	12	
Power, chemicals, metals and mining	10	11	11	
Energy and commodities ⁽¹⁾	9	8	9	
Real estate	8	7	7	
Banks/broker-dealers/finance companies	7	6	6	
Hedge funds	5	5	5	
Insurance and special purpose entities	5	5	5	
Public sector	5	5	5	
Other industries	2	4	2	
Total	100	% 100	% 100	%

Note: Total exposure includes direct outstandings and unfunded lending commitments.

(1) In addition to this exposure, Citi has energy-related exposure within the "Public sector" (e.g., energy-related state-owned entities) and "Transportation and industrial" sector (e.g., off-shore drilling entities) included in the table above. As of June 30, 2017, Citi's total exposure to these energy-related entities remained largely consistent with the prior quarter, at approximately \$6 billion, of which approximately \$4 billion consisted of direct outstanding funded loans.

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 results of the mark-to-market and any realized gains or losses on credit derivatives are reflected primarily in Other revenue on the Consolidated Statement of Income.

At June 30, 2017, March 31, 2017, December 31, 2016, \$23.7 billion, \$27.6 billion and \$29.5 billion, respectively, of the corporate credit portfolio was 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 lending commitments in the tables above do not reflect the impact of these hedging transactions. The credit protection was economically hedging underlying corporate credit portfolio exposures with the following risk rating distribution:

Rating of Hedged Exposure

	June 30, 2017	March 31, 2017	December 31, 2016	
AAA/AA/A	16	% 16	% 16	%
BBB	47	49	49	
BB/B	34	31	31	
CCC or below	3	4	4	
Total	100	% 100	% 100	%

The credit protection was economically hedging underlying corporate credit portfolio exposures with the following industry distribution:

Industry of Hedged Exposure

	June 30, 2017	March 31, 2017	December 31, 2016	
Transportation and industrial	27	% 28	% 29	%
Energy and commodities	20	19	20	
Consumer retail and health	11	13	10	
Technology, media and telecom	13	13	13	
Power, chemicals, metals and mining	13	12	12	
Public sector	6	6	5	
Banks/broker-dealers	5	4	4	
Insurance and special purpose entities	2	3	3	
Other industries	3	2	4	
Total	100	% 100	% 100	%

ADDITIONAL CONSUMER AND CORPORATE CREDIT DETAILS

Loans Outstanding

	2nd Qtr. 2017	1st Qtr. 2017	4th Qtr. 2016	3rd Qtr. 2016	2nd Qtr. 2016	
In millions of dollars						
Consumer loans						
In U.S. offices						
Mortgage and real estate ⁽¹⁾	\$69,022	\$71,170	\$72,957	\$75,057	\$77,242	
Installment, revolving credit, and other	3,190	3,252	3,395	3,465	3,486	
Cards	130,181	125,799	132,654	124,637	120,113	
Commercial and industrial	7,404	7,434	7,159	6,989	7,041	
Total	\$209,797	\$207,655	\$216,165	\$210,148	\$207,882	
In offices outside the U.S.						
Mortgage and real estate ⁽¹⁾	\$43,821	\$43,822	\$42,803	\$45,751	\$46,049	
Installment, revolving credit, and other	26,480	26,014	24,887	28,217	27,830	
Cards	25,376	24,497	23,783	25,833	25,844	
Commercial and industrial	18,956	17,728	16,568	17,498	17,520	
Lease financing	81	83	81	113	140	
Total	\$114,714	\$112,144	\$108,122	\$117,412	\$117,383	
Total consumer loans	\$324,511	\$319,799	\$324,287	\$327,560	\$325,265	
Unearned income ⁽²⁾	750	757	776	812	817	
Consumer loans, net of unearned income	\$325,261	\$320,556	\$325,063	\$328,372	\$326,082	
Corporate loans						
In U.S. offices						
Commercial and industrial	\$50,341	\$49,845	\$49,586	\$50,156	\$50,286	
Loans to financial institutions	36,953	35,734	35,517	35,801	32,001	
Mortgage and real estate ⁽¹⁾	42,041	40,052	38,691	41,078	40,175	
Installment, revolving credit, and other	31,611	32,212	34,501	32,571	32,491	
Lease financing	1,467	1,511	1,518	1,532	1,546	
Total	\$162,413	\$159,354	\$159,813	\$161,138	\$156,499	
In offices outside the U.S.						
Commercial and industrial	\$91,131	\$87,258	\$81,882	\$84,492	\$87,432	
Loans to financial institutions	34,844	33,763	26,886	27,305	27,856	
Mortgage and real estate ⁽¹⁾	6,783	5,527	5,363	5,595	5,455	
Installment, revolving credit, and other	19,200	16,576	19,965	25,462	24,855	
Lease financing	234	253	251	243	255	
Governments and official institutions	5,518	5,970	5,850	6,506	5,757	
Total	\$157,710	\$149,347	\$140,197	\$149,603	\$151,610	
Total corporate loans	\$320,123	\$308,701	\$300,010	\$310,741	\$308,109	
Unearned income ⁽³⁾	(689)	(662)	(704)	(678)	(676)	
Corporate loans, net of unearned income	\$319,434	\$308,039	\$299,306	\$310,063	\$307,433	
Total loans—net of unearned income	\$644,695	\$628,595	\$624,369	\$638,435	\$633,515	
Allowance for loan losses—on drawn exposures	(12,025)	(12,030)	(12,060)	(12,439)	(12,304)	
Total loans—net of unearned income and allowance for credit losses	\$632,670	\$616,565	\$612,309	\$625,996	\$621,211	
Allowance for loan losses as a percentage of total loans— net of unearned income ⁽⁴⁾	1.88	% 1.93	% 1.94	% 1.97	% 1.96	%
Allowance for consumer loan losses as a percentage of total consumer loans—net of unearned income ⁽⁴⁾	2.93	% 2.96	% 2.88	% 2.95	% 2.89	%

Allowance for corporate loan losses as a percentage of total corporate loans—net of unearned income	(4)	0.80	%0.83	%0.91	%0.90	%0.95	%
---	-----	------	-------	-------	-------	-------	---

58

- (1) Loans secured primarily by real estate.
- (2) Unearned income on consumer loans primarily represents unamortized origination fees, costs, premiums and discounts.
- (3) Unearned income on corporate loans primarily represents interest received in advance but not yet earned on loans originated on a discounted basis.
- (4) All periods exclude loans that are carried at fair value.

Details of Credit Loss Experience

	2nd Qtr. 2017	1st Qtr. 2017	4th Qtr. 2016	3rd Qtr. 2016	2nd Qtr. 2016
In millions of dollars					
Allowance for loan losses at beginning of period	\$12,030	\$12,060	\$12,439	\$12,304	\$12,712
Provision for loan losses					
Consumer	\$1,620	\$1,816	\$1,659	\$1,815	\$1,276
Corporate	46	(141)	68	(69)	114
Total	\$1,666	\$1,675	\$1,727	\$1,746	\$1,390
Gross credit losses					
Consumer					
In U.S. offices	\$1,437	\$1,444	\$1,343	\$1,181	\$1,213
In offices outside the U.S.	597	597	605	702	678
Corporate					
In U.S. offices	72	48	32	29	62
In offices outside the U.S.	24	55	103	36	95
Total	\$2,130	\$2,144	\$2,083	\$1,948	\$2,048
Credit recoveries ⁽¹⁾					
Consumer					
In U.S. offices	\$266	\$242	\$235	\$227	\$262
In offices outside the U.S.	135	127	137	173	154
Corporate					
In U.S. offices	15	2	2	16	3
In offices outside the U.S.	4	64	13	7	13
Total	\$420	\$435	\$387	\$423	\$432
Net credit losses					
In U.S. offices	\$1,228	\$1,248	\$1,138	\$967	\$1,010
In offices outside the U.S.	482	461	558	558	606
Total	\$1,710	\$1,709	\$1,696	\$1,525	\$1,616
Other—net ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	\$39	\$4	\$(410)	\$(86)	\$(182)
Allowance for loan losses at end of period	\$12,025	\$12,030	\$12,060	\$12,439	\$12,304
Allowance for loan losses as a percentage of total loans ⁽⁸⁾	1.88	% 1.93	% 1.94	% 1.97	% 1.96
Allowance for unfunded lending commitments ⁽⁹⁾	\$1,406	\$1,377	\$1,418	\$1,388	\$1,432
Total allowance for loan losses and unfunded lending commitments	\$13,431	\$13,407	\$13,478	\$13,827	\$13,736
Net consumer credit losses	\$1,633	\$1,672	\$1,576	\$1,483	\$1,475
As a percentage of average consumer loans	2.04	% 2.11	% 1.95	% 1.80	% 1.87
Net corporate credit losses	\$77	\$37	\$120	\$42	\$141
As a percentage of average corporate loans	0.10	% 0.05	% 0.16	% 0.05	% 0.19
Allowance by type at end of period ⁽¹⁰⁾					
Consumer	\$9,515	\$9,495	\$9,358	\$9,673	\$9,432
Corporate	2,510	2,535	2,702	2,766	2,872
Total	\$12,025	\$12,030	\$12,060	\$12,439	\$12,304

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

(2) Includes all adjustments to the allowance for credit losses, such as changes in the allowance from acquisitions, dispositions, securitizations, FX translation, purchase accounting adjustments, etc.

The second quarter of 2017 includes a reduction of approximately \$19 million related to the sale or transfer to held-for-sale (HFS) of various loan portfolios, including a reduction of \$19 million related to the transfer of a real estate loan portfolio to HFS. Additionally, the second quarter includes an increase of approximately \$50 million related to FX translation.

The first quarter of 2017 includes a reduction of approximately \$161 million related to the sale or transfer to HFS (4) of various loan portfolios, including a reduction of \$37 million related to the transfer of a real estate loan portfolio to HFS. Additionally, the first quarter includes an increase of approximately \$164 million related to FX translation.

(5) The fourth quarter of 2016 includes a reduction of approximately \$267 million related to the sale or transfer to HFS of various loan portfolios, including a reduction of \$3 million related to the transfer of a real estate loan portfolio to HFS. Additionally, the fourth quarter includes a reduction of approximately \$141 million related to FX translation.

The third quarter of 2016 includes a reduction of approximately \$58 million related to the sale or transfer to HFS of various loan portfolios, including a reduction of \$50 million related to the transfer of a real estate loan portfolio to HFS. Additionally, the third quarter includes a reduction of approximately \$46 million related to FX translation.

The second quarter of 2016 includes a reduction of approximately \$101 million related to the sale or transfer to HFS of various loan portfolios, including a reduction of \$24 million related to the transfer of a real estate loan portfolio to HFS. Additionally, the second quarter includes a reduction of approximately \$75 million related to FX translation.

June 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016 and June 30, 2016 exclude \$4.2 billion, \$4.0 billion, \$3.5 billion, \$4.0 billion and \$4.1 billion, respectively, of loans which are carried at fair value.

Represents additional credit reserves recorded as Other liabilities on the Consolidated Balance Sheet.

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. See "Significant Accounting Policies and Significant Estimates" and Note 1 to the Consolidated Financial Statements in Citi's 2016 Annual Report on Form 10-K. 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

The following tables detail information on Citi's allowance for loan losses, loans and coverage ratios:

In billions of dollars	June 30, 2017			
	Allowance for loan losses	net of unearned income	as a percentage of loans	(1)
North America cards ⁽²⁾	\$5.4	\$ 130.9	4.1	%
North America mortgages ⁽³⁾	0.9	67.7	1.3	
North America other	0.4	12.7	3.1	
International cards	1.3	24.8	5.2	
International other ⁽⁴⁾	1.5	89.2	1.7	
Total consumer	\$9.5	\$ 325.3	2.9	%
Total corporate	2.5	319.4	0.8	
Total Citigroup	\$12.0	\$ 644.7	1.9	%

(1) Allowance as a percentage of loans excludes loans that are carried at fair value.

(2) Includes both Citi-branded cards and Citi retail services. The \$5.4 billion of loan loss reserves represented approximately 14 months of coincident net credit loss coverage.

Of the \$0.9 billion, approximately \$0.8 billion was allocated to North America mortgages in Corporate/Other. Of the \$0.9 billion, approximately \$0.3 billion and \$0.6 billion are determined in accordance with ASC 450-20 and ASC 310-10-35 (troubled debt restructurings), respectively. Of the \$67.7 billion in loans, approximately \$63.6 billion and \$4.1 billion of the loans are evaluated in accordance with ASC 450-20 and ASC 310-10-35 (troubled debt restructurings), respectively. For additional information, see Note 14 to the Consolidated Financial Statements.

(4) Includes mortgages and other retail loans.

In billions of dollars	December 31, 2016			
	Allowance for loan losses	net of unearned income	as a percentage of loans	(1)
North America cards ⁽²⁾	\$5.2	\$ 133.3	3.9	%

North America mortgages ⁽³⁾	1.1	72.6	1.5	
North America other	0.5	13.6	3.7	
International cards	1.2	23.1	5.2	
International other ⁽⁴⁾	1.4	82.8	1.7	
Total consumer	\$9.4	\$ 325.4	2.9	%
Total corporate	2.7	299.0	0.9	
Total Citigroup	\$12.1	\$ 624.4	1.9	%

(1) Allowance as a percentage of loans excludes loans that are carried at fair value.

(2) Includes both Citi-branded cards and Citi retail services. The \$5.2 billion of loan loss reserves represented approximately 15 months of coincident net credit loss coverage.

Of the \$1.1 billion, approximately \$1.0 billion was allocated to North America mortgages in Corporate/Other. Of the \$1.1 billion, approximately \$0.4 billion and \$0.7 billion are determined in accordance with ASC 450-20 and ASC 310-10-35 (troubled debt restructurings), respectively. Of the \$72.6 billion in loans, approximately \$67.7 billion and \$4.8 billion of the loans are evaluated in accordance with ASC 450-20 and ASC 310-10-35 (troubled debt restructurings), respectively. For additional information, see Note 14 to the Consolidated Financial Statements.

(4) Includes mortgages and other retail loans.

Non-Accrual Loans and Assets and Renegotiated Loans

There is a certain amount of overlap among non-accrual loans and assets and renegotiated loans. The following summary provides a general description of each category:

Non-Accrual Loans and Assets:

• Corporate and consumer (commercial banking) non-accrual status is based on the determination that payment of interest or principal is doubtful.

A corporate loan may be classified as non-accrual and still be performing under the terms of the loan structure.

• Payments received on corporate non-accrual loans are generally applied to loan principal and not reflected as interest income. Approximately 67% and 65% of Citi's corporate non-accrual loans were performing at June 30, 2017 and March 31, 2017, respectively.

• Consumer non-accrual status is generally based on aging, i.e., the borrower has fallen behind on payments.

Mortgage loans in regulated bank entities discharged through Chapter 7 bankruptcy, other than FHA insured loans, are classified as non-accrual. Non-bank mortgage loans discharged through Chapter 7 bankruptcy are classified as non-accrual at 90 days or more past due. In addition, home equity loans in regulated bank entities are classified as non-accrual if the related residential first mortgage loan is 90 days or more past due.

• North America Citi-branded cards and Citi retail services are not included because, under industry standards, credit card loans accrue interest until such loans are charged off, which typically occurs at 180 days contractual delinquency.

Renegotiated Loans:

• Includes both corporate and consumer loans whose terms have been modified in a troubled debt restructuring (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 may still be current on interest payments. In situations where Citi reasonably expects that only a portion of the principal owed will ultimately be collected, all payments received are reflected as a reduction of principal and not as interest income. For all other non-accrual loans, cash interest receipts are generally recorded as revenue.

	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016
In millions of dollars					
Corporate non-accrual loans ⁽¹⁾					
North America	\$944	\$993	\$984	\$1,057	\$1,280
EMEA	727	828	904	857	762
Latin America	281	342	379	380	267
Asia	146	176	154	121	151
Total corporate non-accrual loans	\$2,098	\$2,339	\$2,421	\$2,415	\$2,460
Consumer non-accrual loans ⁽¹⁾					
North America	\$1,754	\$1,926	\$2,160	\$2,429	\$2,520
Latin America	793	737	711	841	884
Asia ⁽²⁾	301	292	287	282	301
Total consumer non-accrual loans	\$2,848	\$2,955	\$3,158	\$3,552	\$3,705
Total non-accrual loans	\$4,946	\$5,294	\$5,579	\$5,967	\$6,165

Excludes purchased distressed loans, as they are generally accreting interest. The carrying value of these loans was (1) \$183 million at June 30, 2017, \$194 million at March 31, 2017, \$187 million at December 31, 2016, \$194 million at September 30, 2016 and \$212 million at June 30, 2016.

(2) Asia GCB includes balances in certain EMEA countries for all periods presented.

The changes in Citigroup's non-accrual loans were as follows:

	Three months ended June 30, 2017			Three months ended June 30, 2016		
In millions of dollars	Corporate	Consumer	Total	Corporate	Consumer	Total
Non-accrual loans at beginning of period	\$2,339	\$2,955	\$5,294	\$2,327	\$3,601	\$5,928
Additions	311	697	1,008	830	1,326	2,156
Sales and transfers to held-for-sale	(46)	(82)	(128)	(1)	(209)	(210)
Returned to performing	(3)	(166)	(169)	(68)	(143)	(211)
Paydowns/settlements	(464)	(285)	(749)	(491)	(396)	(887)
Charge-offs	(15)	(318)	(333)	(113)	(462)	(575)
Other	(24)	47	23	(24)	(12)	(36)
Ending balance	\$2,098	\$2,848	\$4,946	\$2,460	\$3,705	\$6,165

In millions of dollars	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Corporate	Consumer	Total	Corporate	Consumer	Total
Non-accrual loans at beginning of period	\$2,421	\$ 3,158	\$5,579	\$1,596	\$ 3,658	\$5,254
Additions	564	1,521	2,085	1,877	2,240	4,117
Sales and transfers to held-for-sale	(82)	(216)	(298)	(9)	(371)	(380)
Returned to performing	(40)	(329)	(369)	(83)	(284)	(367)
Paydowns/settlements	(647)	(565)	(1,212)	(589)	(641)	(1,230)
Charge-offs	(69)	(842)	(911)	(253)	(898)	(1,151)
Other	(49)	121	72	(79)	1	(78)
Ending balance	\$2,098	\$ 2,848	\$4,946	\$2,460	\$ 3,705	\$6,165

The tables below summarize 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	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016
OREO					
North America	\$128	\$136	\$161	\$132	\$151
EMEA	1	1	—	1	—
Latin America	31	31	18	18	19
Asia	8	5	7	10	5
Total OREO	\$168	\$173	\$186	\$161	\$175
Non-accrual assets					
Corporate non-accrual loans	\$2,098	\$2,339	\$2,421	\$2,415	\$2,460
Consumer non-accrual loans	2,848	2,955	3,158	3,552	3,705
Non-accrual loans (NAL)	\$4,946	\$5,294	\$5,579	\$5,967	\$6,165
OREO	\$168	\$173	\$186	\$161	\$175
Non-accrual assets (NAA)	\$5,114	\$5,467	\$5,765	\$6,128	\$6,340
NAL as a percentage of total loans	0.77	%0.84	%0.89	%0.93	%0.97
NAA as a percentage of total assets	0.27	0.30	0.32	0.34	0.35
Allowance for loan losses as a percentage of NAL ⁽¹⁾	243	227	216	208	200

The allowance for loan losses includes the allowance for Citi's credit card portfolios and purchased distressed loans, (1) 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 charge-off.

Renegotiated Loans

The following table presents Citi's loans modified in TDRs:

	Jun. 30, 2017	Dec. 31, 2016
In millions of dollars		
Corporate renegotiated loans ⁽¹⁾		
In U.S. offices		
Commercial and industrial ⁽²⁾	\$211	\$89
Mortgage and real estate	70	84
Loans to financial institutions	9	9
Other	166	228
	\$456	\$410
In offices outside the U.S.		
Commercial and industrial ⁽²⁾	\$380	\$319
Mortgage and real estate	4	3
Loans to financial institutions	15	—
	\$399	\$322
Total corporate renegotiated loans	\$855	\$732
Consumer renegotiated loans ⁽³⁾⁽⁴⁾⁽⁵⁾		
In U.S. offices		
Mortgage and real estate ⁽⁶⁾	\$4,030	\$4,695
Cards	1,270	1,313
Installment and other	192	117
	\$5,492	\$6,125
In offices outside the U.S.		
Mortgage and real estate	\$375	\$447
Cards	512	435
Installment and other	396	443
	\$1,283	\$1,325
Total consumer renegotiated loans	\$6,775	\$7,450

(1) Includes \$678 million and \$445 million of non-accrual loans included in the non-accrual loans table above at June 30, 2017 and December 31, 2016, respectively. The remaining loans are accruing interest.

(2) In addition to modifications reflected as TDRs at June 30, 2017, Citi also modified \$85 million of commercial loans risk rated "Substandard Non-Performing" or worse (asset category defined by banking regulators) all within offices in the U.S. These modifications were not considered TDRs because the modifications did not involve a concession.

(3) Includes \$1,416 million and \$1,502 million of non-accrual loans included in the non-accrual loans table above at June 30, 2017 and December 31, 2016, respectively. The remaining loans are accruing interest.

(4) Includes \$47 million and \$58 million of commercial real estate loans at June 30, 2017 and December 31, 2016, respectively.

(5) Includes \$179 million and \$105 million of other commercial loans at June 30, 2017 and December 31, 2016, respectively.

(6) Reduction in the six months ended June 30, 2017 includes \$517 million related to TDRs sold or transferred to held-for-sale.

LIQUIDITY RISK

For additional information on funding and liquidity at Citigroup, including its objectives, management and measurement, see “Liquidity Risk” and “Risk Factors” in Citi’s 2016 Annual Report on Form 10-K.

High-Quality Liquid Assets (HQLA)

	Citibank			Non-Bank and Other ⁽¹⁾			Total		
	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016
In billions of dollars									
Available cash	\$78.5	\$83.8	\$61.3	\$35.0	\$24.5	\$23.2	\$113.5	\$108.3	\$84.5
U.S. sovereign	110.6	113.8	115.0	23.2	22.7	19.6	133.8	136.5	134.6
U.S. agency/agency MBS	63.2	59.2	69.2	1.1	0.8	0.3	64.3	60.0	69.5
Foreign government debt ⁽²⁾	102.4	84.5	86.7	17.7	17.2	16.8	120.1	101.7	103.6
Other investment grade	0.4	0.3	1.2	1.2	1.5	1.5	1.6	1.8	2.7
Total HQLA (EOP)	\$355.1	\$341.6	\$333.3	\$78.1	\$66.7	\$61.5	\$433.2	\$408.3	\$394.8
Total HQLA (AVG)	\$354.0	\$353.5	\$342.5	\$70.4	\$59.3	\$68.5	\$424.4	\$412.8	\$411.0

Note: Except as indicated, amounts set forth in the table above are as of period end and may increase or decrease intra-period in the ordinary course of business. For securities, the amounts represent the liquidity value that potentially could be realized, and therefore exclude any securities that are encumbered, and incorporate any haircuts that would be required for secured funding transactions. The Federal Reserve Board adopted final rules requiring disclosure of HQLA, the Liquidity Coverage Ratio and related components on an average basis each quarter, as compared to end-of-period, starting on April 1, 2017 (for additional information, see “Liquidity Coverage Ratio (LCR)” below). Citi has presented in this form 10-Q the average information on these metrics currently available, which includes average total HQLA, average LCR and average net outflows under the LCR; other component information is not currently available.

(1) Citibanamex and Citibank (Switzerland) AG account for approximately \$6 billion of the “Non-Bank and Other” HQLA balance as of June 30, 2017.

Foreign government debt includes securities issued or guaranteed by foreign sovereigns, agencies and multilateral development banks. Foreign government debt securities are held largely to support local liquidity requirements and Citi’s local franchises, and principally include government bonds from Hong Kong, Korea, Taiwan, Singapore, India, Brazil and Mexico.

As set forth in the table above, sequentially, Citi’s total HQLA increased both on an end-of-period and an average basis, due primarily to an increase in cash related to resolution planning, as well as an increase in foreign government debt.

Citi’s HQLA as set forth above does not include Citi’s available borrowing capacity from the Federal Home Loan Banks (FHLBs) of which Citi is a member, which was approximately \$23 billion as of June 30, 2017 (compared to \$28 billion as of March 31, 2017 and \$37 billion as of June 30, 2016) and maintained by eligible collateral pledged to such banks. The HQLA also does not include Citi’s borrowing capacity at the U.S. Federal Reserve Bank discount window or other central banks, which would be in addition to the resources noted above.

In general, Citi's liquidity is fungible across legal entities within its bank group. Citi's bank subsidiaries, including Citibank, can lend to the Citi parent and broker-dealer entities in accordance with Section 23A of the Federal Reserve Act. As of June 30, 2017, the capacity available for lending to these entities under Section 23A was approximately \$15 billion, unchanged from both March 31, 2017 and June 30, 2016, subject to certain eligible non-cash collateral requirements.

Loans

The table below sets forth the average loans, by business and/or segment, and the total end-of-period loans for each of the periods indicated:

In billions of dollars	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016
Global Consumer Banking			
North America	\$183.4	\$183.3	\$163.8
Latin America	25.5	23.1	24.3
Asia ⁽¹⁾	84.9	83.2	84.9
Total	\$293.8	\$289.6	\$273.0
Institutional Clients Group			
Corporate lending	121.5	118.1	124.2
Treasury and trade solutions (TTS)	73.7	71.4	70.9
Private bank, Markets and securities services and other	117.2	112.2	108.9
Total	\$312.4	\$301.8	\$304.0
Total Corporate/Other	28.2	31.8	43.6
Total Citigroup loans (AVG)	\$634.3	\$623.2	\$620.6
Total Citigroup loans (EOP)	\$644.7	\$628.6	\$633.5

(1) Includes loans in certain EMEA countries for all periods presented.

As set forth in the table above, end-of-period loans increased 2% year-over-year and 3% quarter-over-quarter. On an average basis, loans increased 2% both year-over-year and quarter-over-quarter.

Excluding the impact of FX translation, average loans increased 3% year-over-year and 1% quarter-over-quarter. On this basis, average GCB loans grew 8% year-over-year, driven by 12% growth in North America. Within North America, Citi-branded cards increased 25% year-over-year, primarily due to the acquisition of the Costco portfolio, as well as modest organic growth. International GCB loans increased 1%, as 7% growth in Mexico was partially offset by a 1% decline in Asia, reflecting Citi's optimization of its portfolio in this region.

Average ICG loans increased 3% year-over-year, primarily driven by the private bank. Corporate lending decreased 1%, primarily driven by a lower level of episodic funding compared to the prior-year period. Sequentially, corporate lending increased 2%, as Citi supported core business activity among its global subsidiary clients. TTS loans increased 4%, driven by growth in EMEA and Asia.

Average Corporate/Other loans decreased 36% year-over-

year, driven by the continued wind down of legacy assets.

Deposits

The table below sets forth the average deposits, by business and/or segment, and the total end-of-period deposits for each of the periods indicated:

In billions of dollars	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016
Global Consumer Banking			
North America	\$185.1	\$185.5	\$182.1
Latin America	27.8	25.3	25.9
Asia ⁽¹⁾	94.3	92.7	89.4
Total	\$307.2	\$303.5	\$297.4
Institutional Clients Group			

Treasury and trade solutions (TTS)	423.9	416.2	415.0
Banking ex-TTS	122.1	120.8	116.3
Markets and securities services	84.3	80.1	82.7
Total	\$630.3	\$617.1	\$614.0
Corporate/Other	22.5	20.3	24.2
Total Citigroup deposits (AVG)	\$960.0	\$940.9	\$935.6
Total Citigroup deposits (EOP)	\$958.7	\$950.0	\$937.9

(1) Includes deposits in certain EMEA countries for all periods presented.

End-of-period deposits increased 2% year-over-year and 1% quarter-over-quarter. On an average basis, deposits increased 3% year-over-year and 2% sequentially.

Excluding the impact of FX translation, average deposits grew 3% from the prior-year period, as Citi experienced strong customer engagement across all major businesses and regions.

Long-Term Debt

The weighted-average maturities of unsecured long-term debt issued by Citigroup and its affiliates (including Citibank) with a remaining life greater than one year (excluding remaining trust preferred securities outstanding) was approximately 6.9 years as of June 30, 2017, a slight decline from the prior-year period and unchanged sequentially. Citi's long-term debt outstanding at the parent includes senior and subordinated debt and a portion of what Citi refers to as customer-related debt, consisting of structured notes, such as equity- and credit-linked notes, as well as non-structured notes. Citi's issuance of customer-related debt is generally driven by customer demand and supplements benchmark debt issuance as a source of funding for Citi's parent and non-bank entities. Citi's long-term debt at the bank also includes FHLB advances and securitizations.

Long-Term Debt Outstanding

The following table sets forth Citi's end-of-period total long-term debt outstanding for each of the periods indicated:

In billions of dollars	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016
Parent and other ⁽¹⁾			
Benchmark debt:			
Senior debt	\$105.9	\$100.2	\$96.1
Subordinated debt	26.8	26.3	28.8
Trust preferred	1.7	1.7	1.7
Customer-related debt:			
Structured debt	25.3	24.3	22.5
Non-structured debt	3.1	2.9	3.3
Local country and other ⁽²⁾	2.1	2.0	2.3
Total parent and other	\$164.9	\$157.4	\$154.8
Bank			
FHLB borrowings	\$20.3	\$20.3	\$19.6
Securitizations ⁽³⁾	28.2	24.0	27.3
CBNA benchmark debt	7.2	2.5	—
Local country and other ⁽²⁾	4.5	4.3	5.8
Total bank	\$60.2	\$51.1	\$52.6
Total long-term debt	\$225.2	\$208.5	\$207.4

Note: Amounts represent the current value of long-term debt on Citi's Consolidated Balance Sheet which, for certain debt instruments, includes consideration of fair value, hedging impacts and unamortized discounts and premiums.

"Parent and other" includes long-term debt issued to third parties by the parent holding company (Citigroup) and (1)Citi's non-bank subsidiaries (including broker-dealer subsidiaries) that are consolidated into Citigroup. As of June 30, 2017, "parent and other" included \$17.7 billion of long-term debt issued by Citi's broker-dealer subsidiaries.

(2)Local country debt includes debt issued by Citi's affiliates in support of their local operations.

(3)Predominantly credit card securitizations, primarily backed by Citi-branded credit card receivables.

Year-over-year, Citi's total long-term debt outstanding increased, primarily driven by the issuance of senior debt at the parent, as well as the issuance of benchmark debt at the bank. Sequentially, Citi's total long-term debt outstanding increased, primarily driven by an increase in credit card securitizations, as well as the issuance of benchmark debt at both the bank and parent.

As part of its liability management, Citi has considered, and may continue to consider, opportunities to repurchase its long-term debt pursuant to open market purchases, tender offers or other means. Such repurchases help reduce Citi's overall funding costs (and assist it in meeting regulatory changes and requirements). During the second quarter of 2017, Citi repurchased an aggregate of approximately \$0.2 billion of its outstanding long-term debt.

Long-Term Debt Issuances and Maturities

The table below details Citi's long-term debt issuances and maturities (including repurchases and redemptions) during the periods presented:

In billions of dollars	2Q17		1Q17		2Q16	
	Maturities	Issuances	Maturities	Issuances	Maturities	Issuances
Parent and other						
Benchmark debt:						
Senior debt	\$2.0	\$ 6.3	\$5.3	\$ 5.2	\$5.1	\$ 6.6
Subordinated debt	—	0.2	1.2	0.7	1.7	1.0
Trust preferred	—	—	—	—	—	—
Customer-related debt:						
Structured debt	2.0	3.6	1.8	3.5	3.4	2.0
Non-structured debt	0.3	—	0.1	—	0.1	0.1
Local country and other	0.1	—	0.5	0.1	1.9	—
Total parent and other	\$4.3	\$ 10.2	\$9.0	\$ 9.6	\$12.2	\$ 9.7
Bank						
FHLB borrowings	\$1.5	\$ 1.5	\$1.8	\$ 0.5	\$1.0	\$ 2.5
Securitizations	0.9	5.1	2.0	2.5	1.3	—
CBNA benchmark debt	—	4.7	—	2.5	—	—
Local country and other	0.7	0.3	1.2	0.9	1.1	1.0
Total bank	\$3.0	\$ 11.6	\$5.0	\$ 6.3	\$3.4	\$ 3.5
Total	\$7.4	\$ 21.8	\$13.9	\$ 15.9	\$15.6	\$ 13.2

The table below shows Citi's aggregate long-term debt maturities (including repurchases and redemptions) year-to-date in 2017, as well as its aggregate expected annual long-term debt maturities as of June 30, 2017:

In billions of dollars	Maturities								
	2017 YTD	2017	2018	2019	2020	2021	2022	Thereafter	Total
Parent and other									
Benchmark debt:									
Senior debt	\$ 7.2	\$6.9	\$18.3	\$14.5	\$8.9	\$14.2	\$6.0	\$ 37.1	\$105.9
Subordinated debt	1.2	—	0.9	1.4	—	—	1.1	23.3	26.8
Trust preferred	—	—	—	—	—	—	—	1.7	1.7
Customer-related debt:									
Structured debt	3.8	0.6	3.9	2.3	2.9	2.2	1.2	12.2	25.3
Non-structured debt	0.4	0.1	0.6	0.2	0.3	0.1	0.2	1.6	3.1
Local country and other	0.6	0.3	0.5	0.1	0.1	0.1	0.1	0.8	2.1
Total parent and other	\$ 13.3	\$7.9	\$24.2	\$18.4	\$12.3	\$16.7	\$8.6	\$ 76.8	\$164.9
Bank									
FHLB borrowings	\$ 3.3	\$4.5	\$14.3	\$1.6	\$—	\$—	\$—	\$ —	\$20.3
Securitizations	2.9	2.4	9.4	6.5	3.3	3.8	0.1	2.8	28.2
CBNA benchmark debt	—	—	2.2	2.5	2.5	—	—	—	7.2
Local country and other	1.9	1.1	1.7	0.6	0.5	0.1	0.1	0.4	4.5
Total bank	\$ 8.0	\$7.9	\$27.7	\$11.1	\$6.3	\$3.9	\$0.2	\$ 3.2	\$60.2
Total long-term debt	\$ 21.3	\$15.9	\$51.9	\$29.5	\$18.5	\$20.6	\$8.8	\$ 80.0	\$225.2

Resolution Plan

Under Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), Citigroup has developed a “single point of entry” resolution strategy and plan under the U.S. Bankruptcy Code (Resolution Plan). In July 2017, Citi submitted its 2017 Resolution Plan to the Federal Reserve and FDIC (the Agencies). Under Citi’s Resolution Plan, only Citigroup, the parent holding company, would enter into bankruptcy, while Citigroup’s material legal entities (as defined in the public section of its 2017 Resolution Plan, which can be found on the Agencies’ websites) would remain operational and outside of any resolution or insolvency proceedings. Citigroup believes its Resolution Plan has been designed to minimize the risk of systemic impact to the U.S. and global financial systems, while maximizing the value of the bankruptcy estate for the benefit of Citigroup’s creditors, including its unsecured long-term debt holders. In addition, in line with the Federal Reserve’s final TLAC rule, Citigroup believes it has developed the Resolution Plan so that Citigroup’s shareholders and unsecured creditors—including its unsecured long-term debt holders—bear any losses resulting from Citigroup’s bankruptcy. In response to feedback received from the Agencies on Citigroup’s 2015 Resolution Plan, Citigroup took the following actions in connection with its 2017 Resolution Plan submission:

- (i) Citicorp LLC (Citicorp), an existing wholly-owned subsidiary of Citigroup, was established as an intermediate holding company (an IHC) for certain of Citigroup’s operating material legal entities;
- (ii) Citigroup executed an inter-affiliate agreement with Citicorp, Citigroup’s operating material legal entities and certain other affiliated entities pursuant to which Citicorp is required to provide liquidity and capital support to Citigroup’s operating material legal entities in the event Citigroup were to enter bankruptcy proceedings (Citi Support Agreement);
- (iii) pursuant to the Citi Support Agreement:

Citigroup made an initial contribution of assets, including certain high-quality liquid assets and inter-affiliate loans (Contributable Assets), to Citicorp, and Citicorp became the business as usual funding vehicle for Citigroup’s operating material legal entities;

Citigroup will be obligated to continue to transfer Contributable Assets to Citicorp over time, subject to certain amounts retained by Citigroup to, among other things, meet Citigroup’s near-term cash needs;

in the event of a Citigroup bankruptcy, Citigroup will be required to contribute most of its remaining assets to Citicorp; and

- (iv) the obligations of both Citigroup and Citicorp under the Citi Support Agreement, as well as the Contributable Assets, are secured pursuant to a security agreement.

The Citi Support Agreement provides two mechanisms, besides Citicorp’s issuing of dividends to Citigroup, pursuant to which Citicorp will be required to transfer cash to Citigroup

during business as usual so that Citigroup can fund its debt service as well as other operating needs: (i) one or more funding notes issued by Citicorp to Citigroup; and (ii) a committed line of credit under which Citicorp may make loans to Citigroup.

Secured Funding Transactions and Short-Term Borrowings

Citi supplements its primary sources of funding with short-term borrowings. Short-term borrowings generally include (i) secured funding transactions (securities loaned or sold under agreements to repurchase, or repos) and (ii) to a lesser extent, short-term borrowings consisting of commercial paper and borrowings from the FHLB and other market participants (see Note 16 to the Consolidated Financial Statements for further information on Citigroup’s and its affiliates’ outstanding short-term borrowings).

Outside of secured funding transactions, Citi’s short-term borrowings increased 98% year-over-year and 40% sequentially. The increase both year-over-year and sequentially was driven by an increase in FHLB borrowings, as Citi continued to optimize liquidity across its legal vehicles.

Secured Funding

Secured funding is primarily accessed through Citi's broker-dealer subsidiaries to fund efficiently both secured lending activity and a portion of securities inventory held in the context of market making and customer activities. Citi also executes a smaller portion of its secured funding transactions through its bank entities, which is typically collateralized by foreign government debt securities. Generally, daily changes in the level of Citi's secured funding are primarily due to fluctuations in secured lending activity in the matched book (as described below) and securities inventory.

Secured funding of \$155 billion as of June 30, 2017 declined 2% from the prior-year period and increased 4% sequentially. Excluding the impact of FX translation, secured funding decreased 2% from the prior-year period and increased 2% sequentially, both driven by normal business activity. Average balances for secured funding were approximately \$161 billion for the quarter ended June 30, 2017.

The portion of secured funding in the broker-dealer subsidiaries that funds secured lending is commonly referred to as "matched book" activity. The majority of this activity is secured by high-quality liquid securities such as U.S. Treasury securities, U.S. agency securities and foreign government debt securities. Other secured funding is secured by less liquid securities, including equity securities, corporate bonds and asset-backed securities. The tenor of Citi's matched book liabilities is generally equal to or longer than the tenor of the corresponding matched book assets.

The remainder of the secured funding activity in the broker-dealer subsidiaries serves to fund securities inventory held in the context of market making and customer activities. To maintain reliable funding under a wide range of market conditions, including under periods of stress, Citi manages these activities by taking into consideration the quality of the underlying collateral and stipulating financing tenor. The weighted average maturity of Citi's secured funding of less

liquid securities inventory was greater than 110 days as of June 30, 2017.

Citi manages the risks in its secured funding by conducting daily stress tests to account for changes in capacity, tenors, haircut, collateral profile and client actions. Additionally, Citi maintains counterparty diversification by establishing concentration triggers and assessing counterparty reliability and stability under stress. Citi generally sources secured funding from more than 150 counterparties.

Liquidity Coverage Ratio (LCR)

In addition to internal measures that Citi has developed for a 30-day stress scenario, Citi also monitors its liquidity by reference to the LCR, as calculated pursuant to the U.S. LCR rules (for additional information, see “Liquidity Risk” in Citi’s 2016 Annual Report on Form 10-K). The table below sets forth the components of Citi’s LCR calculation and HQLA in excess of net outflows as of the periods indicated:

In billions of dollars	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016
HQLA	\$424.4	\$412.8	\$411.0
Net outflows	338.2	334.4	339.8
LCR	125	% 123	% 121
HQLA in excess of net outflows	\$86.2	\$78.4	\$71.2

Note: The amounts set forth in the table above are presented on an average basis.

As set forth in the table above, Citi’s average LCR increased both year-over-year and sequentially driven by an increase in HQLA, reflecting the increase in cash related to resolution planning, partially offset by an increase in net outflows.

Credit Ratings

The table below sets forth the ratings for Citigroup and Citibank as of June 30, 2017. While not included in the table below, the long-term and short-term ratings of Citigroup Global Markets Inc. (CGMI) were “A2/P-1” at Moody’s, “A+/A-1” at Standard & Poor’s and “A+/F1” at Fitch as of June 30, 2017. The long-term and short-term ratings of Citigroup Global Markets Holdings Inc. (CGMHI) were BBB+/A-2 at

Standard & Poor’s and A/F1 at Fitch as of June 30, 2017.

	Citigroup Inc.			Citibank, N.A.		
	Senior debt	Commercial paper	Outlook	Long-term	Short-term	Outlook
Fitch Ratings (Fitch)	A	F1	Stable	A+	F1	Stable
Moody’s Investors Service (Moody’s)	Baa1	P-2	Stable	A1	P-1	Stable
Standard & Poor’s (S&P)	BBB+	A-2	Stable	A+	A-1	Stable

Potential Impacts of Ratings Downgrades

Ratings downgrades by Moody’s, Fitch or S&P could negatively impact Citigroup’s and/or Citibank’s funding and liquidity due to reduced funding capacity, including derivative triggers, which could take the form of cash obligations and collateral requirements.

The following information is provided for the purpose of analyzing the potential funding and liquidity impact to Citigroup and Citibank of a hypothetical, simultaneous ratings downgrade across all three major rating agencies. This analysis is subject to certain estimates, estimation methodologies, judgments and uncertainties. Uncertainties include potential ratings limitations that certain entities may have with respect to permissible counterparties, as well as general subjective counterparty behavior. For example, certain corporate customers and markets counterparties could re-evaluate their business relationships with Citi and limit transactions in certain contracts or market instruments with Citi. Changes in counterparty behavior could impact Citi’s funding and liquidity, as well as the results of operations of certain of its businesses. The actual impact to Citigroup or Citibank is unpredictable and may differ materially from the potential funding and liquidity impacts described below. For additional information on the impact of credit rating changes on Citi and its applicable subsidiaries, see “Risk Factors—

Liquidity Risks” in Citi’s 2016 Annual Report on Form 10-K.

Citigroup Inc. and Citibank—Potential Derivative Triggers

As of June 30, 2017, Citi estimates that a hypothetical one-notch downgrade of the senior debt/long-term rating of Citigroup Inc. across all three major rating agencies could impact Citigroup’s funding and liquidity due to derivative triggers by approximately \$0.7 billion, compared to \$0.6 billion as of March 31, 2017. Other funding sources, such as secured funding and other margin requirements, for which there are no explicit triggers, could also be adversely affected.

As of June 30, 2017, Citi estimates that a hypothetical one-notch downgrade of the senior debt/long-term rating of Citibank across all three major rating agencies could impact Citibank’s funding and liquidity by approximately \$0.3 billion, compared to \$0.8 billion as of March 31, 2017, due to derivative triggers.

In total, Citi estimates that a one-notch downgrade of Citigroup and Citibank, across all three major rating agencies, could result in increased aggregate cash obligations and collateral requirements of approximately \$1.0 billion, compared to \$1.4 billion as of March 31, 2017 (see also Note 19 to the Consolidated Financial Statements). As set

forth under “High-Quality Liquid Assets” above, the liquidity resources of Citibank were approximately \$354 billion and the liquidity resources of Citi’s non-bank and other entities were approximately \$70 billion, for a total of approximately \$424 billion as of June 30, 2017. These liquidity resources are available in part as a contingency for the potential events described above.

In addition, a broad range of mitigating actions are currently included in Citigroup’s and Citibank’s contingency funding plans. For Citigroup, these mitigating factors include, but are not limited to, accessing surplus funding capacity from existing clients, tailoring levels of secured lending, and adjusting the size of select trading books and collateralized borrowings from certain Citibank subsidiaries. Mitigating actions available to Citibank include, but are not limited to, selling or financing highly liquid government securities, tailoring levels of secured lending, adjusting the size of select trading assets, reducing loan originations and renewals, raising additional deposits, or borrowing from the FHLB or central

banks. Citi believes these mitigating actions could substantially reduce the funding and liquidity risk, if any, of the potential downgrades described above.

Citibank—Additional Potential Impacts

In addition to the above derivative triggers, Citi believes that a potential one-notch downgrade of Citibank's senior debt/long-term rating by S&P could also have an adverse impact on the commercial paper/short-term rating of Citibank. As of June 30, 2017, Citibank had liquidity commitments of approximately \$10.0 billion to consolidated asset-backed commercial paper conduits, compared to \$10.1 billion at March 31, 2017 (as referenced in Note 18 to the Consolidated Financial Statements).

In addition to the above-referenced liquidity resources of certain Citibank and Citibanamex entities, Citibank could reduce the funding and liquidity risk, if any, of the potential downgrades described above through mitigating actions, including repricing or reducing certain commitments to commercial paper conduits. In the event of the potential downgrades described above, Citi believes that certain corporate customers could re-evaluate their deposit relationships with Citibank. This re-evaluation could result in clients adjusting their discretionary deposit levels or changing their depository institution, which could potentially reduce certain deposit levels at Citibank. However, Citi could choose to adjust pricing, offer alternative deposit products to its existing customers or seek to attract deposits from new customers, in addition to the mitigating actions referenced above.

MARKET RISK

Market risk emanates from both Citi's trading and non-trading portfolios. Trading portfolios comprise all assets and liabilities marked-to-market, with results reflected in earnings. Non-trading portfolios include all other assets and liabilities.

For additional information on market risk and market risk management at Citi, see "Market Risk" and "Risk Factors" in Citi's 2016 Annual Report on Form 10-K.

Market Risk of Non-Trading Portfolios

For additional information on Citi's net interest revenue (for interest rate exposure purposes), interest rate risk and interest rate risk measurement, see "Market Risk of Non-Trading Portfolios" in Citi's 2016 Annual Report on Form 10-K.

The following table sets forth the estimated impact to Citi's net interest revenue, AOCI and the Common Equity Tier 1 Capital ratio (on a fully implemented basis), each assuming an unanticipated parallel instantaneous 100 basis point increase in interest rates:

In millions of dollars (unless otherwise noted)	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016
Estimated annualized impact to net interest revenue			
U.S. dollar ⁽¹⁾	\$1,435	\$1,644	\$1,394
All other currencies	589	581	590
Total	\$2,024	\$2,225	\$1,984
As a percentage of average interest-earning assets	0.12	%0.14	%0.12
Estimated initial impact to AOCI (after-tax) ⁽²⁾	\$(4,258)	\$(3,830)	\$(4,628)
Estimated initial impact on Common Equity Tier 1 Capital ratio (bps) ⁽³⁾	(49)	(43)	(52)

Certain trading-oriented businesses within Citi have accrual-accounted positions that are excluded from the estimated impact to net interest revenue in the table, since these exposures are managed economically in combination with mark-to-market positions. The U.S. dollar interest rate exposure associated with these businesses was \$(164) million for a 100 basis point instantaneous increase in interest rates as of June 30, 2017.

(1) Includes the effect of changes in interest rates on AOCI related to investment securities, cash flow hedges and pension liability adjustments.

(2) The estimated initial impact to the Common Equity Tier 1 Capital ratio considers the effect of Citi's DTA position and is based on only the estimated initial AOCI impact above.

The sequential decrease in the estimated impact to net interest revenue primarily reflected an increase in the assumed deposit re-pricing sensitivity to further increases in interest rates and changes in balance sheet composition. The sequential increase in the estimated impact to AOCI primarily reflected changes to the positioning of Citi Treasury's investment securities and related interest rate derivatives portfolio.

In the event of an unanticipated parallel instantaneous 100 basis point increase in interest rates, Citi expects the negative impact to AOCI would be offset in stockholders' equity through the combination of expected incremental net interest revenue and the expected recovery of the impact on AOCI through accretion of Citi's investment portfolio over a period of time. As of June 30, 2017, Citi expects that the negative

\$4.2 billion impact to AOCI in such a scenario could potentially be offset over approximately 21 months.

The following table sets forth the estimated impact to Citi's net interest revenue, AOCI and the Common Equity Tier 1 Capital ratio (on a fully implemented basis) under four different changes in interest rate scenarios for the U.S. dollar and Citi's other currencies. While Citi also monitors the impact of a parallel decrease in interest rates, a 100 basis point decrease in short-term rates is not meaningful, as it would imply negative interest rates in many of Citi's markets.

In millions of dollars (unless otherwise noted)	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Overnight rate change (bps)	100	100	—	—
10-year rate change (bps)	100	—	100	(100)
Estimated annualized impact to net interest revenue				
U.S. dollar	\$1,435	\$1,363	\$87	\$(116)
All other currencies	589	549	34	(34)
Total	\$2,024	\$1,912	\$121	\$(150)
Estimated initial impact to AOCI (after-tax) ⁽¹⁾	\$(4,258)	\$(2,609)	\$(1,833)	\$(1,329)
Estimated initial impact to Common Equity Tier 1 Capital ratio (bps) ⁽²⁾	(49)	(30)	(21)	(15)

Note: Each scenario in the table above assumes that the rate change will occur instantaneously. Changes in interest rates for maturities between the overnight rate and the 10-year rate are interpolated.

(1) Includes the effect of changes in interest rates on AOCI related to investment securities, cash flow hedges and pension liability adjustments.

(2) The estimated initial impact to the Common Equity Tier 1 Capital ratio considers the effect of Citi's deferred tax asset position and is based on only the estimated AOCI impact above.

As shown in the table above, the magnitude of the impact to Citi's net interest revenue and AOCI is greater under scenario 2 as compared to scenario 3. This is because the combination of changes to Citi's investment portfolio, partially offset by changes related to Citi's pension liabilities, results in a net position that is more sensitive to rates at shorter- and intermediate-term maturities.

In recent years, a number of central banks, including the European Central Bank, the Bank of Japan and the Swiss National Bank, have implemented negative interest rates, and additional governmental entities could do so in the future. While negative interest rates can adversely impact net interest revenue (as well as net interest margin), Citi has, to date, been able to partially offset the impact of negative rates in these jurisdictions through a combination of business and Citi Treasury interest rate risk mitigation activities, including applying negative rates to client accounts (for additional information on Citi Treasury's ongoing interest rate mitigation activities, see "Market Risk—Market Risk of Non-Trading Portfolios" in Citi's 2016 Annual Reporting on Form 10-K).

Changes in Foreign Exchange Rates—Impacts on AOCI and Capital

As of June 30, 2017, Citi estimates that an unanticipated parallel instantaneous 5% appreciation of the U.S. dollar against all of the other currencies in which Citi has invested capital could reduce Citi's tangible common equity (TCE) by approximately \$1.4 billion, or 0.8%, as a result of changes to Citi's foreign currency translation adjustment in AOCI, net of hedges. This impact would be primarily due to changes in the value of the Mexican peso, the Euro and the Australian dollar.

This impact is also before any mitigating actions Citi may take, including ongoing management of its foreign currency translation exposure. Specifically, as currency movements change the value of Citi's net investments in foreign-currency-denominated capital, these movements also change the value of Citi's risk-weighted assets denominated in those currencies. This, coupled with Citi's foreign currency hedging strategies, such as foreign currency borrowings, foreign currency forwards and other currency hedging instruments, lessens the impact of foreign currency movements on Citi's Common Equity Tier 1 Capital ratio. Changes in these hedging strategies, as well as hedging costs, divestitures and tax impacts, can further impact the actual impact of changes in foreign exchange rates on Citi's capital as compared to an unanticipated parallel shock, as described above.

The effect of Citi's ongoing management strategies with respect to changes in foreign exchange rates and the impact of these changes on Citi's TCE and Common Equity Tier 1 Capital ratio are shown in the table below. For additional information on the changes in AOCI, see Note 17 to the Consolidated Financial Statements.

In millions of dollars (unless otherwise noted)	For the quarter ended		
	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016
Change in FX spot rate ⁽¹⁾	1.9	%4.5	%(0.9)%

Edgar Filing: CITIGROUP INC - Form 10-Q

Change in TCE due to FX translation, net of hedges	\$478	\$654	\$(441)
As a percentage of TCE	0.3	%0.4	%(0.2)%
Estimated impact to Common Equity Tier 1 Capital ratio (on a fully implemented basis) due to changes in FX translation, net of hedges (bps)	(3)	) (2	) 2

(1) FX spot rate change is a weighted average based upon Citi's quarterly average GAAP capital exposure to foreign countries.

Interest Revenue/Expense and Net Interest Margin

	2nd Qtr.	1st Qtr.	2nd Qtr.	Change
In millions of dollars, except as otherwise noted	2017	2017	2016	2Q17 vs. 2Q16
Interest revenue ⁽¹⁾	\$15,323	\$14,546	\$14,473	6 %
Interest expense ⁽²⁾	4,036	3,566	3,120	29
Net interest revenue	\$11,287	\$10,980	\$11,353	(1)%
Interest revenue—average rate	3.70 %	3.63 %	3.65 %	5 bps
Interest expense—average rate	1.26	1.16	1.04	22 bps
Net interest margin	2.72	2.74	2.86	(14) bps
Interest-rate benchmarks				
Two-year U.S. Treasury note—average rate	1.30 %	1.24 %	0.77 %	53 bps
10-year U.S. Treasury note—average rate	2.26	2.45	1.75	51 bps
10-year vs. two-year spread	96	bps 121	bps 98	bps

Note: All interest expense amounts include FDIC deposit insurance assessments.

Net interest revenue includes the taxable equivalent adjustments related to the tax-exempt bond portfolio

(1) (based on the U.S. federal statutory tax rate of 35%) of \$122 million, \$123 million, and \$117 million for the three months ended June 30, 2017, March 31, 2017 and June 30, 2016, respectively.

Interest expense associated with certain hybrid financial instruments, which are classified as Long-term debt and

(2) accounted for at fair value, is reported together with any changes in fair value as part of Principal transactions in the Consolidated Statements of Income and is therefore not reflected in Interest expense in the table above.

Citi's net interest revenue declined 1% to \$11.2 billion (\$11.3 billion on a taxable equivalent basis) versus the prior-year period. Excluding the impact of FX translation, Citi's net interest revenue was largely unchanged at \$11.2 billion (\$11.3 billion on a taxable equivalent basis) versus the prior-year period, due to lower trading-related net interest revenue (\$0.9 billion, down approximately 29% or \$0.4 billion), and lower net interest revenue associated with legacy assets in Corporate/Other (\$0.3 billion, down approximately 49% or \$0.3 billion), offset by higher net interest revenue in the remaining accrual businesses (core accrual net interest revenue). Core accrual net interest revenue increased 7% to \$10.0 billion versus the prior-year period, driven by the addition of the Costco portfolio, other volume growth and the

impact of the December 2016 and March 2017 interest rate increases, partially offset by an increase in the FDIC assessment and higher long-term debt.

Citi's net interest margin (NIM) is calculated by dividing gross interest revenue less gross interest expense by average interest-earning assets. Citi's NIM was 2.72% on a taxable equivalent basis in the second quarter of 2017, a decrease of 14 bps from the prior-year period. Citi's core accrual NIM was 3.44%, a decline of 1 bps, as the higher core accrual net interest revenue was more than offset by balance sheet growth, particularly in cash balances. (Citi's core accrual net interest revenue and core accrual NIM are non-GAAP financial measures. Citi believes these measures provide a more meaningful depiction for investors of the underlying fundamentals of its business results.)

Additional Interest Rate Details

Average Balances and Interest Rates—Assets⁽¹⁾⁽²⁾⁽³⁾

Taxable Equivalent Basis

	Average volume			Interest revenue			% Average rate		
	2nd Qtr.	1st Qtr.	2nd Qtr.	2nd Qtr.	1st Qtr.	2nd Qtr.	2nd Qtr.	1st Qtr.	2nd Qtr.
In millions of dollars, except rates	2017	2017	2016	2017	2017	2016	2017	2017	2016
Assets									
Deposits with banks ⁽⁴⁾	\$166,023	\$154,765	\$135,245	\$375	\$295	\$237	0.91%	0.77%	0.70%
Federal funds sold and securities borrowed or purchased under agreements to resell ⁽⁵⁾									
In U.S. offices	\$144,483	\$144,003	\$148,511	\$472	\$368	\$362	1.31%	1.04%	0.98%
In offices outside the U.S. ⁽⁴⁾	104,780	103,032	84,018	356	293	302	1.36	1.15	1.45
Total	\$249,263	\$247,035	\$232,529	\$828	\$661	\$664	1.33%	1.09%	1.15%
Trading account assets ⁽⁶⁾⁽⁷⁾									
In U.S. offices	\$100,080	\$101,836	\$108,602	\$877	\$884	\$970	3.51%	3.52%	3.59%
In offices outside the U.S. ⁽⁴⁾	103,581	94,015	92,656	646	423	603	2.50	1.82	2.62
Total	\$203,661	\$195,851	\$201,258	\$1,523	\$1,307	\$1,573	3.00%	2.71%	3.14%
Investments									
In U.S. offices									
Taxable	\$224,021	\$221,450	\$225,279	\$1,086	\$1,034	\$991	1.94%	1.89%	1.77%
Exempt from U.S. income tax	18,466	18,680	19,010	197	196	170	4.28	4.26	3.60
In offices outside the U.S. ⁽⁴⁾	106,758	107,225	107,235	830	789	837	3.12	2.98	3.14
Total	\$349,245	\$347,355	\$351,524	\$2,113	\$2,019	\$1,998	2.43%	2.36%	2.29%
Loans (net of unearned income) ⁽⁸⁾									
In U.S. offices	\$369,342	\$367,397	\$353,422	\$6,392	\$6,273	\$5,793	6.94%	6.92%	6.59%
In offices outside the U.S. ⁽⁴⁾	264,986	255,941	267,226	3,832	3,697	3,972	5.80	5.86	5.98
Total	\$634,328	\$623,338	\$620,648	\$10,224	\$9,970	\$9,765	6.46%	6.49%	6.33%
Other interest-earning assets ⁽⁹⁾	\$60,107	\$56,733	\$54,058	\$260	\$294	\$236	1.74%	2.10%	1.76%
Total interest-earning assets	\$1,662,627	\$1,625,077	\$1,595,262	\$15,323	\$14,546	\$14,473	3.70%	3.63%	3.65%
Non-interest-earning assets ⁽⁶⁾	\$206,581	\$205,477	\$212,050						
Total assets	\$1,869,208	\$1,830,554	\$1,807,312						

Net interest revenue includes the taxable equivalent adjustments related to the tax-exempt bond portfolio (based on (1) the U.S. federal statutory tax rate of 35%) of \$122 million, \$123 million, and \$117 million for the three months ended June 30, 2017, March 31, 2017 and June 30, 2016, respectively.

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

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

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

(5) Average volumes of securities borrowed or purchased under agreements to resell are reported net pursuant to ASC 210-20-45. However, Interest revenue excludes the impact of ASC 210-20-45.

(6) The fair value carrying amounts of derivative contracts are reported net, pursuant to ASC 815-10-45, in Non-interest-earning assets and Other non-interest-bearing liabilities.

Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest (7) revenue and Interest expense on cash collateral positions are reported in interest on Trading account assets and Trading account liabilities, respectively.

(8) Includes cash-basis loans.

(9) Includes brokerage receivables.

Average Balances and Interest Rates—Liabilities and Equity, and Net Interest Revenue⁽¹⁾⁽²⁾⁽³⁾

Taxable Equivalent Basis

	Average volume			Interest expense			% Average rate		
	2nd Qtr.	1st Qtr.	2nd Qtr.	2nd Qtr.	1st Qtr.	2nd Qtr.	2nd Qtr.	1st Qtr.	2nd Qtr.
In millions of dollars, except rates	2017	2017	2016	2017	2017	2016	2017	2017	2016
Liabilities									
Deposits									
In U.S. offices ⁽⁴⁾	\$311,758	\$302,294	\$286,653	\$593	\$507	\$371	0.76%	0.68%	0.52%
In offices outside the U.S. ⁽⁵⁾	439,807	428,743	435,242	1,010	908	935	0.92	0.86	0.86
Total	\$751,565	\$731,037	\$721,895	\$1,603	\$1,415	\$1,306	0.86%	0.78%	0.73%
Federal funds purchased and securities loaned or sold under agreements to repurchase ⁽⁶⁾									
In U.S. offices	\$101,623	\$94,461	\$103,517	\$396	\$282	\$260	1.56%	1.21%	1.01%
In offices outside the U.S. ⁽⁵⁾	59,354	54,425	57,685	280	211	267	1.89	1.57	1.86
Total	\$160,977	\$148,886	\$161,202	\$676	\$493	\$527	1.68%	1.34%	1.31%
Trading account liabilities ⁽⁷⁾⁽⁸⁾									
In U.S. offices	\$34,287	\$32,215	\$27,420	\$81	\$84	\$64	0.95%	1.06%	0.94%
In offices outside the U.S. ⁽⁵⁾	56,731	59,667	45,960	65	63	32	0.46	0.43	0.28
Total	\$91,018	\$91,882	\$73,380	\$146	\$147	\$96	0.64%	0.65%	0.53%
Short-term borrowings ⁽⁹⁾									
In U.S. offices	\$68,486	\$71,607	\$54,825	\$103	\$85	\$43	0.60%	0.48%	0.32%
In offices outside the U.S. ⁽⁵⁾	23,070	24,006	10,253	99	114	66	1.72	1.93	2.59
Total	\$91,556	\$95,613	\$65,078	\$202	\$199	\$109	0.88%	0.84%	0.67%
Long-term debt ⁽¹⁰⁾									
In U.S. offices	\$187,610	\$178,656	\$175,506	\$1,361	\$1,255	\$1,009	2.91%	2.85%	2.31%
In offices outside the U.S. ⁽⁵⁾	4,534	5,313	6,714	48	57	73	4.25	4.35	4.37
Total	\$192,144	\$183,969	\$182,220	\$1,409	\$1,312	\$1,082	2.94%	2.89%	2.39%
Total interest-bearing liabilities	\$1,287,260	\$1,251,387	\$1,203,775	\$4,036	\$3,566	\$3,120	1.26%	1.16%	1.04%
Demand deposits in U.S. offices	\$38,772	\$37,748	\$38,979						
Other non-interest-bearing liabilities ⁽⁷⁾	313,229	314,106	335,243						
Total liabilities	\$1,639,261	\$1,603,241	\$1,577,997						
Citigroup stockholders' equity ⁽¹¹⁾	\$228,946	\$226,312	\$228,149						
Noncontrolling interest	1,001	1,001	1,166						
Total equity ⁽¹¹⁾	\$229,947	\$227,313	\$229,315						
Total liabilities and stockholders' equity	\$1,869,208	\$1,830,554	\$1,807,312						
Net interest revenue as a percentage of average interest-earning assets ⁽¹²⁾									
In U.S. offices	\$956,968	\$948,366	\$942,538	\$6,777	\$6,763	\$6,816	2.84%	2.89%	2.91%
In offices outside the U.S. ⁽⁶⁾	705,659	676,711	652,724	4,510	4,217	4,537	2.56	2.53	2.80
Total	\$1,662,627	\$1,625,077	\$1,595,262	\$11,287	\$10,980	\$11,353	2.72%	2.74%	2.86%

Net interest revenue includes the taxable equivalent adjustments related to the tax-exempt bond portfolio (based on (1) the U.S. federal statutory tax rate of 35%) of \$122 million, \$123 million, and \$117 million for the three months ended June 30, 2017, March 31, 2017 and June 30, 2016, respectively.

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

- (3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
Consists of other time deposits and savings deposits. Savings deposits are made up of insured money market
- (4) accounts, NOW accounts and other savings deposits. The interest expense on savings deposits includes FDIC deposit insurance assessments.
- (5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
- (6) Average volumes of securities sold under agreements to repurchase are reported net pursuant to ASC 210-20-45.
However, Interest expense excludes the impact of ASC 210-20-45.
- (7) The fair value carrying amounts of derivative contracts are reported net, pursuant to ASC 815-10-45, in Non-interest-earning assets and Other non-interest-bearing liabilities.

Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest (8) revenue and Interest expense on cash collateral positions are reported in interest on Trading account assets and Trading account liabilities, respectively.

(9) Includes brokerage payables.

(10) Excludes hybrid financial instruments and beneficial interests in consolidated VIEs that are classified as

(11) Long-term debt, as these obligations are accounted for in changes in fair value recorded in Principal transactions.

(12) Includes stockholders' equity from discontinued operations.

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

Average Balances and Interest Rates—Assets⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Taxable Equivalent Basis

	Average volume		Interest revenue		% Average rate	
	Six Months 2017	Six Months 2016	Six Months 2017	Six Months 2016	Six Months 2017	Six Months 2016
In millions of dollars, except rates						
Assets						
Deposits with banks ⁽⁵⁾	\$ 160,394	\$ 126,505	\$ 670	\$ 456	0.84 %	0.72 %
Federal funds sold and securities borrowed or purchased under agreements to resell ⁽⁶⁾						
In U.S. offices	\$ 144,243	\$ 149,278	\$ 840	\$ 736	1.17	0.99
In offices outside the U.S. ⁽⁵⁾	103,906	81,295	649	575	1.26	1.42
Total	\$ 248,149	\$ 230,573	\$ 1,489	\$ 1,311	1.21 %	1.14 %
Trading account assets ⁽⁷⁾⁽⁸⁾						
In U.S. offices	\$ 100,958	\$ 106,792	\$ 1,761	\$ 1,923	3.52 %	3.62 %
In offices outside the U.S. ⁽⁵⁾	98,798	91,640	1,069	1,121	2.18	2.46
Total	\$ 199,756	\$ 198,432	\$ 2,830	\$ 3,044	2.86 %	3.08 %
Investments						
In U.S. offices						
Taxable	\$ 222,736	\$ 227,130	\$ 2,120	\$ 1,991	1.92 %	1.76 %
Exempt from U.S. income tax	18,573	19,205	393	339	4.27	3.55
In offices outside the U.S. ⁽⁵⁾	106,992	105,499	1,619	1,591	3.05	3.03
Total	\$ 348,301	\$ 351,834	\$ 4,132	\$ 3,921	2.39 %	2.24 %
Loans (net of unearned income) ⁽⁹⁾						
In U.S. offices	\$ 368,370	\$ 351,765	\$ 12,665	\$ 11,666	6.93 %	6.67 %
In offices outside the U.S. ⁽⁵⁾	260,464	264,680	7,529	7,873	5.83	5.98
Total	\$ 628,834	\$ 616,445	\$ 20,194	\$ 19,539	6.48 %	6.37 %
Other interest-earning assets ⁽¹⁰⁾	\$ 58,418	\$ 55,159	\$ 554	\$ 488	1.91 %	1.78 %
Total interest-earning assets	\$ 1,643,852	\$ 1,578,948	\$ 29,869	\$ 28,759	3.66 %	3.66 %
Non-interest-earning assets ⁽⁷⁾	\$ 206,029	\$ 213,496				
Total assets	\$ 1,849,881	\$ 1,792,444				

(1) Net interest revenue includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of \$245 million and \$236 million for the six months ended June 30, 2017 and 2016, 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 2 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.

Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest (8) 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.

(10) Includes brokerage receivables.

Average Balances and Interest Rates—Liabilities and Equity, and Net Interest Revenue⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Taxable Equivalent Basis

	Average volume		Interest expense		% Average rate	
	Six Months	Six Months	Six Months	Six Months	Six Months	Six Months
	2017	2016	2017	2016	2017	2016
In millions of dollars, except rates						
Liabilities						
Deposits						
In U.S. offices ⁽⁵⁾	\$307,026	\$282,151	\$1,100	\$687	0.72%	0.49%
In offices outside the U.S. ⁽⁶⁾	434,275	429,649	1,918	1,823	0.89	0.85
Total	\$741,301	\$711,800	\$3,018	\$2,510	0.82%	0.71%
Federal funds purchased and securities loaned or sold under agreements to repurchase ⁽⁷⁾						
In U.S. offices	\$98,042	\$103,520	\$678	\$520	1.39%	1.01%
In offices outside the U.S. ⁽⁶⁾	56,890	58,539	491	509	1.74	1.75
Total	\$154,932	\$162,059	\$1,169	\$1,029	1.52%	1.28%
Trading account liabilities ⁽⁸⁾⁽⁹⁾						
In U.S. offices	\$33,251	\$25,528	\$165	\$116	1.00%	0.91%
In offices outside the U.S. ⁽⁶⁾	58,199	43,818	128	68	0.44	0.31
Total	\$91,450	\$69,346	\$293	\$184	0.65%	0.53%
Short-term borrowings ⁽¹⁰⁾						
In U.S. offices	\$70,047	\$55,830	\$188	\$72	0.54%	0.26%
In offices outside the U.S. ⁽⁶⁾	23,538	16,448	213	138	1.82	1.69
Total	\$93,585	\$72,278	\$401	\$210	0.86%	0.58%
Long-term debt ⁽¹¹⁾						
In U.S. offices	\$183,133	\$173,968	\$2,616	\$2,003	2.88%	2.32%
In offices outside the U.S. ⁽⁶⁾	4,924	6,784	105	124	4.30	3.68
Total	\$188,057	\$180,752	\$2,721	\$2,127	2.92%	2.37%
Total interest-bearing liabilities	\$1,269,325	\$1,196,235	\$7,602	\$6,060	1.21%	1.02%
Demand deposits in U.S. offices	\$38,260	\$35,158				
Other non-interest-bearing liabilities ⁽⁸⁾	311,877	333,652				
Total liabilities	\$1,619,462	\$1,565,045				
Citigroup stockholders' equity ⁽¹²⁾	\$229,418	\$226,235				
Noncontrolling interest	1,001	1,164				
Total equity ⁽¹²⁾	\$230,419	\$227,399				
Total liabilities and stockholders' equity	\$1,849,881	\$1,792,444				
Net interest revenue as a percentage of average interest-earning assets						
In U.S. offices	\$952,667	\$936,046	\$13,540	\$13,802	2.87%	2.97%
In offices outside the U.S. ⁽⁶⁾	691,185	642,902	8,727	8,897	2.55	2.78
Total	\$1,643,852	\$1,578,948	\$22,267	\$22,699	2.73%	2.89%

(1) Net interest revenue includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of \$245 million and \$236 million for the six months ended June 30, 2017 and 2016, 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 2 to the Consolidated Financial Statements.

- Consists of other time deposits and savings deposits. Savings deposits are made up of insured money market (5) accounts, NOW accounts, and other savings deposits. The interest expense on savings deposits 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.
- Interest expense on Trading account liabilities of ICG is reported as a reduction of Interest revenue. Interest (9) 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 in changes in fair value 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⁾

	2nd Qtr. 2017 vs. 1st Qtr. 2017			2nd Qtr. 2017 vs. 2nd Qtr. 2016		
	Increase (decrease) due to change in:			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⁾	\$23	\$ 57	\$ 80	\$61	\$ 77	\$ 138
Federal funds sold and securities borrowed or purchased under agreements to resell						
In U.S. offices	\$1	\$ 103	\$ 104	\$(10)	\$ 120	\$ 110
In offices outside the U.S. ⁽⁴⁾	5	58	63	71	(17)	54
Total	\$6	\$ 161	\$ 167	\$61	\$ 103	\$ 164
Trading account assets ⁽⁵⁾						
In U.S. offices	\$(15)	\$ 8	\$(7)	\$(75)	\$(18)	\$(93)
In offices outside the U.S. ⁽⁴⁾	47	176	223	69	(26)	43
Total	\$32	\$ 184	\$ 216	\$(6)	\$(44)	\$(50)
Investments ⁽¹⁾						
In U.S. offices	\$12	\$ 41	\$ 53	\$(9)	\$ 131	\$ 122
In offices outside the U.S. ⁽⁴⁾	(3)	44	41	(4)	(3)	(7)
Total	\$9	\$ 85	\$ 94	\$(13)	\$ 128	\$ 115
Loans (net of unearned income) ⁽⁶⁾						
In U.S. offices	\$33	\$ 86	\$ 119	\$267	\$ 332	\$ 599
In offices outside the U.S. ⁽⁴⁾	131	4	135	(33)	(107)	(140)
Total	\$164	\$ 90	\$ 254	\$234	\$ 225	\$ 459
Other interest-earning assets ⁽⁷⁾	\$17	\$(51)	\$(34)	\$26	\$(2)	\$ 24
Total interest revenue	\$251	\$ 526	\$ 777	\$363	\$ 487	\$ 850

(1) The taxable equivalent adjustment is related to the tax-exempt bond portfolio 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 2 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.

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.

(7) Includes brokerage receivables.

Analysis of Changes in Interest Expense and Net Interest Revenue⁽¹⁾⁽²⁾⁽³⁾

In millions of dollars	2nd Qtr. 2017 vs. 1st Qtr. 2017			2nd Qtr. 2017 vs. 2nd Qtr. 2016		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Deposits						
In U.S. offices	\$16	\$ 70	\$ 86	\$35	\$ 187	\$ 222
In offices outside the U.S. ⁽⁴⁾	24	78	102	10	65	75
Total	\$40	\$ 148	\$ 188	\$45	\$ 252	\$ 297
Federal funds purchased and securities loaned or sold under agreements to repurchase						
In U.S. offices	\$23	\$ 91	\$ 114	\$(5)	\$ 141	\$ 136
In offices outside the U.S. ⁽⁴⁾	20	49	69	8	5	13
Total	\$43	\$ 140	\$ 183	\$3	\$ 146	\$ 149
Trading account liabilities ⁽⁵⁾						
In U.S. offices	\$5	\$(8)	\$(3)	\$16	\$ 1	\$ 17
In offices outside the U.S. ⁽⁴⁾	(3)	5	2	9	24	33
Total	\$2	\$(3)	\$(1)	\$25	\$ 25	\$ 50
Short-term borrowings ⁽⁶⁾						
In U.S. offices	\$(4)	\$ 22	\$ 18	\$13	\$ 47	\$ 60
In offices outside the U.S. ⁽⁴⁾	(4)	(11)	(15)	61	(28)	33
Total	\$(8)	\$ 11	\$ 3	\$74	\$ 19	\$ 93
Long-term debt						
In U.S. offices	\$64	\$ 42	\$ 106	\$73	\$ 279	\$ 352
In offices outside the U.S. ⁽⁴⁾	(8)	(1)	(9)	(23)	(2)	(25)
Total	\$56	\$ 41	\$ 97	\$50	\$ 277	\$ 327
Total interest expense	\$133	\$ 337	\$ 470	\$197	\$ 719	\$ 916
Net interest revenue	\$118	\$ 189	\$ 307	\$166	\$(232)	\$(66)

(1) The taxable equivalent adjustment is related to the tax-exempt bond portfolio 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 2 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.

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 brokerage payables.

Analysis of Changes in Interest Revenue, Interest Expense, and Net Interest Revenue⁽¹⁾⁽²⁾⁽³⁾

In millions of dollars	Six Months 2017 vs. Six Months 2016		
	Increase (decrease) due to change in:		
	Average volume	Average rate	Net change ⁽²⁾
Deposits with banks ⁽⁴⁾	\$134	\$80	\$214
Federal funds sold and securities borrowed or purchased under agreements to resell			
In U.S. offices	\$(26)	\$130	\$104
In offices outside the U.S. ⁽⁴⁾	147	(73)	74
Total	\$121	\$57	\$178
Trading account assets ⁽⁵⁾			
In U.S. offices	\$(103)	\$(59)	\$(162)
In offices outside the U.S. ⁽⁴⁾	83	(135)	(52)
Total	\$(20)	\$(194)	\$(214)
Investments ⁽¹⁾			
In U.S. offices	\$(48)	\$231	\$183
In offices outside the U.S. ⁽⁴⁾	23	5	28
Total	\$(25)	\$236	\$211
Loans (net of unearned income) ⁽⁶⁾			
In U.S. offices	\$562	\$437	\$999
In offices outside the U.S. ⁽⁴⁾	(124)	(220)	(344)
Total	\$438	\$217	\$655
Other interest-earning assets	\$30	\$36	\$66
Total interest revenue	\$678	\$432	\$1,110
Deposits ⁽⁷⁾			
In U.S. offices	\$65	\$348	\$413
In offices outside the U.S. ⁽⁴⁾	20	75	95
Total	\$85	\$423	\$508
Federal funds purchased and securities loaned or sold under agreements to repurchase			
In U.S. offices	\$(29)	\$187	\$158
In offices outside the U.S. ⁽⁴⁾	(14)	(4)	(18)
Total	\$(43)	\$183	\$140
Trading account liabilities ⁽⁵⁾			
In U.S. offices	\$38	\$11	\$49
In offices outside the U.S. ⁽⁴⁾	26	34	60
Total	\$64	\$45	\$109
Short-term borrowings			
In U.S. offices	\$22	\$94	\$116
In offices outside the U.S. ⁽⁴⁾	63	13	76
Total	\$85	\$107	\$192
Long-term debt			
In U.S. offices	\$110	\$502	\$612
In offices outside the U.S. ⁽⁴⁾	(38)	19	(19)
Total	\$72	\$521	\$593
Total interest expense	\$263	\$1,279	\$1,542
Net interest revenue	\$415	\$(847)	\$(432)

(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.
- (4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.

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

(6) Includes cash-basis loans.

(7) The interest expense on deposits includes the FDIC assessment and deposit insurance fees and charges of \$502
million and \$585 million for the six months ended June 30, 2017 and 2016, respectively.

Market Risk of Trading Portfolios

For additional information on Citi's market risk of trading portfolios, see "Market Risk—Market Risk of Trading Portfolios" in Citi's 2016 Annual Report on Form 10-K.

Value at Risk

As of June 30, 2017, Citi estimates that the conservative features of its VAR calibration contribute an approximate 22% add-on (unchanged from March 31, 2017) to what would be a VAR estimated under the assumption of stable and perfectly normal distributed markets.

As set forth in the table below, Citi's average trading VAR as of June 30, 2017 was substantially unchanged compared to March 31, 2017, with changes in interest rate exposures offset by changes in credit spread exposures. Average trading and credit portfolio VAR as of June 30, 2017 slightly decreased mainly due to a reduction of the hedges to the lending portfolio.

Quarter-end and Average Trading VAR and Trading and Credit Portfolio VAR

	Second Quarter		First Quarter		Second Quarter	
	June 30, 2017	2017 Average	March 31, 2017	2017 Average	June 30, 2016	2016 Average
In millions of dollars						
Interest rate	\$48	\$ 52	\$52	\$ 48	\$32	\$ 32
Credit spread	52	49	54	56	61	\$ 60
Covariance adjustment ⁽¹⁾	(15)	(15)	(17)	(17)	(30)	(26)
Fully diversified interest rate and credit spread ⁽²⁾	\$85	\$ 86	\$89	\$ 87	\$63	\$ 66
Foreign exchange	23	23	16	24	26	20
Equity	15	15	17	15	11	15
Commodity	20	21	23	23	23	20
Covariance adjustment ⁽¹⁾	(53)	(59)	(53)	(63)	(59)	(56)
Total trading VAR—all market risk factors, including general and specific risk (excluding credit portfolios) ⁽³⁾	\$90	\$ 86	\$92	\$ 86	\$64	\$ 65
Specific risk-only component ⁽⁴⁾	\$ 1	\$ 1	\$—	\$ 2	\$ 9	\$ 9
Total trading VAR—general market risk factors only (excluding credit portfolios) ⁽³⁾	\$89	\$ 85	\$92	\$ 84	\$55	\$ 56
Incremental impact of the credit portfolio ⁽⁵⁾⁽⁶⁾	\$ 5	\$ 10	\$15	\$ 14	\$22	\$ 23
Total trading and credit portfolio VAR	\$95	\$ 96	\$107	\$ 100	\$86	\$ 88

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

(1) 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 increase in the second quarter of 2017 end of period and average VaR attributable to fully diversified interest rate and credit spread year-over-year was primarily due to lower trading volumes in the prior-year period.

The total trading VAR includes mark-to-market and certain fair value option trading positions in ICG, with the exception of hedges to the loan portfolio, fair value option loans and all CVA exposures. Available-for-sale and accrual exposures are not included.

(4)

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

(5) The credit portfolio is composed of mark-to-market positions associated with non-trading business units including Citi Treasury, the CVA relating to derivative counterparties and all associated CVA hedges. FVA and DVA are not included. The credit portfolio also includes hedges to the loan portfolio, fair value option loans and hedges to the leveraged finance pipeline within capital markets origination in ICG.

(6) The decrease in the second quarter of 2017 end of period and average VaR attributable to the incremental impact of the credit portfolio year-over-year and sequentially was primarily related to a reduction in the use of credit default swaps used to hedge the corporate loan portfolio.

The table below provides the range of market factor VARs associated with Citi's total trading VAR, inclusive of specific risk:

	Second Quarter 2017		First Quarter 2017		Second Quarter 2016	
In millions of dollars	Low	High	Low	High	Low	High
Interest rate	\$33	\$72	\$29	\$70	\$26	\$40
Credit spread	47	53	51	63	56	64
Fully diversified interest rate and credit spread	\$67	\$107	\$59	\$109	\$60	\$74
Foreign exchange	17	28	16	35	14	29
Equity	10	24	6	25	10	26
Commodity	14	30	18	30	16	25
Total trading	\$67	\$116	\$61	\$107	\$55	\$76
Total trading and credit portfolio	78	123	75	123	79	98

Note: No covariance adjustment can be inferred from the above table as the high and low for each market factor will be from different close-of-business dates.

The following table provides the VAR for ICG, excluding the CVA relating to derivative counterparties, hedges of CVA, fair value option loans and hedges to the loan portfolio:

	Jun. 30, 2017
In millions of dollars	
Total—all market risk factors, including general and specific risk	\$ 89
Average—during quarter	\$ 86
High—during quarter	115
Low—during quarter	65

Regulatory VAR Back-testing

In accordance with Basel III, Citi is required to perform back-testing to evaluate the effectiveness of its Regulatory VAR model. Regulatory VAR back-testing is the process in which the daily one-day VAR, at a 99% confidence interval, is compared to the buy-and-hold profit and loss (i.e., the profit and loss impact if the portfolio is held constant at the end of the day and re-priced the following day). Buy-and-hold profit and loss represents the daily mark-to-market profit and loss attributable to price movements in covered positions from the close of the previous business day. Buy-and-hold profit and loss excludes realized trading revenue, net interest, fees and commissions, intra-day trading profit and loss and changes in reserves.

Based on a 99% confidence level, Citi would expect two to three days in any one year where buy-and-hold losses exceeded the Regulatory VAR. Given the conservative calibration of Citi's VAR model (as a result of taking the greater of short- and long-term volatilities and fat-tail scaling of volatilities), Citi would expect fewer exceptions under normal and stable market conditions. Periods of unstable market conditions could increase the number of back-testing exceptions.

As of June 30, 2017, there was one back-testing exception observed for Citi's Regulatory VAR for the prior 12 months. As previously disclosed, trading losses on November 14, 2016 exceeded the VAR estimate at the Citigroup level, driven by the widening of municipal bond

yields following the election results in the United States.

COUNTRY RISK

For additional information on country risk at Citi, see “Country Risk” in Citi’s 2016 Annual Report on Form 10-K.

Top 25 Country Exposures

The following table presents Citi’s top 25 exposures by country (excluding the U.S.) as of June 30, 2017. For purposes of the table, loan amounts are reflected in the country where the loan is booked, which is generally based on the domicile of the borrower. For example, a loan to a Chinese subsidiary of a Switzerland-based corporation will generally be categorized as a loan in China. In addition, Citi has developed regional booking centers in certain countries, most significantly in the United Kingdom (U.K.) and Ireland, in order to more efficiently serve its corporate customers. As an

example, with respect to the U.K., only 25% of corporate loans presented in the table below are to U.K. domiciled entities (27% for unfunded commitments), with the balance of the loans predominately to European domiciled counterparties. Approximately 81% of the total U.K. funded loans and 91% of the total U.K. unfunded commitments were investment grade as of June 30, 2017. Trading account assets and investment securities are generally categorized based on the domicile of the issuer of the security of the underlying reference entity. For additional information on the assets included in the table, see the footnotes to the table below.

For a discussion of uncertainties arising as a result of the vote in the U.K. to withdraw from the EU, see “Risk Factors—Strategic Risks” in Citigroup’s 2016 Annual Report on Form 10-K.

In billions of dollars	ICG loans ⁽¹⁾	GCB loans ⁽²⁾	Other funded ⁽³⁾	Unfunded ⁽⁴⁾	Net MTM on derivatives/repos ⁽⁵⁾	Total hedges (on loans and CVA)	Investment securities ⁽⁶⁾	Trading account assets ⁽⁷⁾	Total as of 2Q17	Total as of 1Q17	Total as of 4Q16
United Kingdom	\$ 34.3	\$ —	\$ 3.3	\$ 56.5	\$ 11.0	\$(2.1)	\$ 8.0	\$ 0.8	\$ 111.8	\$ 108.6	\$ 107.5
Mexico	8.4	26.6	0.4	6.1	0.7	(0.6)	13.5	6.2	61.3	59.1	52.4
Singapore	12.8	12.2	0.1	6.6	0.9	(0.3)	8.4	0.5	41.2	39.8	36.4
Hong Kong	14.5	10.5	0.9	6.0	0.5	(0.5)	6.0	1.8	39.7	40.3	35.9
Korea	2.5	19.0	0.4	3.6	1.3	(0.8)	7.5	1.6	35.1	36.0	34.0
India	7.9	6.5	0.7	5.2	2.3	(1.1)	9.8	2.1	33.4	36.2	30.9
Ireland	11.3	—	0.9	15.8	0.3	—	—	0.6	28.9	25.3	24.8
Brazil ⁽²⁾	13.3	1.8	0.2	3.5	4.8	(2.8)	3.2	3.3	27.3	28.9	28.5
Australia	4.0	10.9	—	5.8	0.9	(0.9)	4.1	(1.1)	23.7	23.9	22.4
Germany	0.1	—	—	4.2	4.2	(2.3)	9.6	3.7	19.5	18.0	16.0
China	6.9	4.4	0.2	1.6	1.9	(1.0)	3.4	2.0	19.4	17.4	17.2
Japan	2.7	—	0.2	7.3	3.7	(1.0)	4.2	1.5	18.6	18.3	18.3
Taiwan	4.6	8.6	0.1	1.1	0.8	(0.2)	1.7	1.7	18.4	18.5	16.6
Canada	1.8	0.6	0.5	6.6	1.8	(0.5)	4.5	1.0	16.3	15.0	17.0

Edgar Filing: CITIGROUP INC - Form 10-Q

Poland	3.3	1.8	—	3.0	0.2	(0.3)	4.9	0.2	13.1	12.2	11.8
Malaysia	1.3	4.5	0.3	1.5	0.1	(0.2)	0.7	0.8	9.0	9.1	9.3
Thailand	0.9	2.0	0.1	1.9	0.3	—	1.6	0.2	7.0	6.2	5.8
United Arab Emirates	2.9	1.4	0.1	2.1	0.3	(0.4)	—	(0.2)	6.2	5.9	6.0
Luxembourg	—	—	—	—	0.4	(0.3)	5.3	0.4	5.8	5.7	5.4
Indonesia	1.9	1.1	0.1	1.2	—	(0.2)	1.3	0.3	5.7	5.5	5.2
Colombia ⁽²⁾	2.1	1.6	—	1.0	0.2	(0.1)	0.4	0.1	5.3	5.8	5.6
Netherlands	—	—	—	—	1.4	(0.7)	3.7	0.5	4.9	6.8	5.1
Russia	1.9	1.0	—	1.0	0.2	(0.2)	0.8	—	4.7	6.0	5.3
Jersey	2.8	—	—	1.3	—	—	—	—	4.1	3.8	3.7
South Africa	1.5	—	—	1.1	0.1	(0.3)	1.3	0.2	3.9	3.5	3.9

ICG loans reflect funded corporate loans and private bank loans, net of unearned income. As of June 30, 2017, (1) private bank loans in the table above totaled \$21.7 billion, concentrated in Singapore (\$6.9 billion), Hong Kong (\$5.8 billion) and the U.K. (\$4.9 billion).

(2) GCB loans include loans in Brazil and Colombia related to businesses that were transferred to Corporate/Other as of January 1, 2016 (Brazil GCB loans are recorded as HFS in Other assets on the Consolidated Balance Sheet).

(3) Other funded includes other direct exposure such as accounts receivable, loans held-for-sale, other loans in Corporate/Other and investments accounted for under the equity method.

- (4) Unfunded exposure includes unfunded corporate lending commitments, letters of credit and other contingencies.
- (5) Net mark-to-market (MTM) on derivatives and securities lending / borrowing transactions (repos). Exposures are shown net of collateral and inclusive of CVA. Includes margin loans.
- (6) Investment securities include securities available-for-sale, recorded at fair market value, and securities held-to-maturity, recorded at historical cost.
- (7) Trading account assets are shown on a net basis and include derivative exposure where the underlying reference entity is located in that country.

INCOME TAXES

Deferred Tax Assets

For additional information on Citi's deferred tax assets (DTAs), see "Risk Factors—Strategic Risks," "Significant Accounting Policies and Significant Estimates—Income Taxes" and Note 9 to the Consolidated Financial Statements in Citi's 2016 Annual Report on Form 10-K.

At June 30, 2017, Citigroup had recorded net DTAs of approximately \$45.8 billion, a decrease of \$0.1 billion from March 31, 2017 and \$0.9 billion from December 31, 2016. The DTA reductions for the three and six months ended June 30, 2017 were primarily driven by the generation of earnings.

The following table summarizes Citi's net DTAs balance as of the periods presented. Of Citi's net DTAs as of June 30, 2017, those arising from net operating losses, foreign tax credit and general business credit carry-forwards are 100% deducted in calculating Citi's regulatory capital, while DTAs arising from temporary differences are deducted from regulatory capital if in excess of the 10%/15% limitations (see "Capital Resources" above). Approximately \$17.6 billion of the net DTA was not deducted in calculating regulatory capital pursuant to full Basel III implementation standards as of June 30, 2017.

Jurisdiction/Component DTAs balance

In billions of dollars	Jun. 30, 2017	December 31, 2016
Total U.S.	\$43.5	\$ 44.6
Total foreign	2.3	2.1
Total	\$45.8	\$ 46.7

Effective Tax Rate

Citi's effective tax rate for the second quarter of 2017 was 31.6%, as compared with 29.9% in the second quarter of 2016. The prior-year rate was lower because of certain nonrecurring items.

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, as amended, 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 Securities Exchange Act of 1934) as of June 30, 2017 and, based on that evaluation, the CEO and CFO have concluded that at that date, Citigroup's disclosure controls and procedures were effective.

DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended, Citi is required to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities that are subject to sanctions under U.S. law. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law. Citi disclosed reportable activities pursuant to Section 219 in the first quarter of 2017 in the First Quarter of 2017 Form 10-Q. In addition to Citi's prior disclosure, during the second quarter of 2017 a branch of Citibank, N.A. located in London processed a funds transfer involving the Iranian Embassy in South Africa. The value of the funds transfer was EUR 100 (approximately \$112.00). In addition, a branch of Citibank, N.A. located in the United Arab Emirates processed a funds transfer involving Bank Melli, Iran. The value of the funds transfer was AED 2,975 (approximately \$810.00). These payments were for passport-related fees and Iran-related travel respectively, both of which are permissible under the travel exemption in the Iranian Transactions and Sanctions Regulations.

FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-Q, 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 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, target, illustrative, 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 risks, uncertainties and changes in circumstances. Actual results and capital and other financial conditions may differ materially from those included in these statements due to a variety of factors, including without limitation (i) the precautionary statements included within each individual business's discussion and analysis of its results of operations above and in Citi's 2016 Annual Report on Form 10-K; (ii) the factors listed and described under "Risk Factors" in Citi's 2016 Annual Report on Form 10-K; and (iii) the risks and uncertainties summarized below:

Citi's ability to address (i) the shortcomings identified by the Federal Reserve Board and FDIC as a result of their review of Citi's 2015 annual resolution plan submission as well as (ii) the 2017 resolution plan guidance in Citi's recent 2017 resolution plan submission;

the potential impact on Citi's ability to return capital to shareholders due to any changes to the stress testing and CCAR requirements or process, such as the introduction of a firm-specific "stress capital buffer" or incorporation of Citi's then-effective GSIB surcharge into its post-stress test minimum capital requirements or the introduction of additional macroprudential considerations such as funding and liquidity shocks in the stress testing process; the ongoing regulatory uncertainties and changes faced by financial institutions, including Citi, in the U.S. and globally, including, among others, uncertainties and potential changes arising from the U.S. presidential administration and Congress, potential changes to various aspects of the regulatory capital framework and the terms of and other uncertainties resulting from the U.K.'s initiation of the process to withdraw from the European Union, and the potential impact these uncertainties and changes could have on Citi's businesses, results of operations, financial condition, strategy or organizational structure and compliance risks and costs;

the numerous uncertainties arising as a result of the initiation of the process in the U.K. to withdraw from the European Union, including the terms of the withdrawal, and the potential impact to macroeconomic conditions as well as Citi's legal entity structure and overall results of operations or financial condition;

the potential impact to financial institutions, including Citi, as a result of the uncertainties associated with any potential balance sheet normalization program by the Federal Reserve Board or other central banks; the impact on the value of Citi's DTAs and on Citi's net income or regulatory capital if corporate tax rates in the U.S. or certain state, local or foreign jurisdictions are reduced, or if other changes are made to the U.S. corporate tax system, including a potential change to a territorial system or a one-time mandatory deemed repatriation of all untaxed non-U.S. earnings at a significantly lower rate;

Citi's ability to continue to utilize its DTAs (including the foreign tax credit component of its DTAs) and thus reduce the negative impact of the DTAs on Citi's regulatory capital, including as a result of movements in Citi's AOCI, which can be impacted by changes in interest rates and foreign exchange rates;

the potential impact to Citi if its interpretation or application of the extensive tax laws to which it is subject, such as withholding tax obligations and stamp and other transactional taxes, differs from those of the relevant governmental authorities;

Citi's ability to achieve the expected returns on its ongoing investments in its businesses or meet its operational or financial objectives or targets, including as a result of factors that Citi cannot control;

the potential negative impact to Citi's co-branding and private label credit card relationships as well as Citi's results of operations or financial condition, including as a result of loss of revenues, impairment of purchased credit card relationships and contract related intangibles or other losses, due to, among other things, operational difficulties of a particular retailer or merchant or early termination of a particular relationship, or external factors, including bankruptcies, liquidations, consolidations and other similar events;

the potential impact to Citi's businesses, credit costs, deposits and overall results of operations and financial condition as a result of macroeconomic and geopolitical challenges and uncertainties, including those relating to potential outcomes of elections in the EU, potential fiscal or monetary actions or the pursuit of protectionist trade and other policies by the U.S.;

the various risks faced by Citi as a result of its presence in the emerging markets, including, among others, foreign exchange controls, sociopolitical instability (including from hyper-inflation), fraud, nationalization or loss of licenses, business restrictions, sanctions or asset freezes, potential criminal charges, closure of branches or subsidiaries and confiscation of assets as well as the increased compliance and regulatory risks and costs;

the uncertainties regarding the consequences of noncompliance and the potential impact on Citi's estimates of its eligible debt arising from the Federal Reserve Board's final total loss-absorbing capacity (TLAC) rules;

the potential impact of concentrations of risk, such as market risk arising from Citi's volume of transactions with counterparties in the financial services industry, on Citi's hedging strategies and results of operations;

the potential impacts on Citi's liquidity and/or costs of funding as a result of external factors, including, among others, market disruptions and governmental fiscal and monetary policies as well as regulatory changes or negative investor perceptions of Citi's creditworthiness;

the impact of ratings downgrades of Citi or one or more of its more significant subsidiaries or issuing entities on Citi's funding and liquidity as well as the results of operations of certain of its businesses;

the potential impact to Citi from a disruption of its operational systems, including as a result of, among other things, human error, fraud or malice, accidental technological failure, electrical or telecommunication outages or failure of computer servers;

the potential impact to Citi from an increasing risk of continually evolving cybersecurity risks (including theft of funds or theft, loss, misuse or disclosure of confidential client, customer, corporate or network information or assets), damage to Citi's reputation, additional costs (including credit costs) to Citi, regulatory penalties, legal exposure and financial losses;

the potential impact of incorrect assumptions or estimates in Citi's financial statements or the impact of ongoing changes to financial accounting and reporting standards or interpretations, such as the FASB's new accounting standard on credit losses, on how Citi records and reports its financial condition and results of operations;

the potential impact to Citi of ongoing implementation and interpretation of regulatory changes and requirements in the U.S. and globally, such as on Citi's compliance risks and costs, including reputational and legal risks as well as remediation and other financial costs, such as penalties and fines;

the potential outcomes of the extensive legal and regulatory proceedings, investigations and other inquiries to which Citi is or may be subject at any given time, particularly given the increased focus on conduct risk and the severity of the remedies sought and potential collateral consequences to Citi arising from such outcomes;

the potential impact to Citi's results of operations and/or regulatory capital and capital ratios if Citi's risk models, including its Basel III risk-weighted asset models, are ineffective, require refinement, modification or enhancement or approval is withdrawn by Citi's U.S. banking regulators; and

the potential impact on Citi's performance, including its competitive position and ability to effectively manage its businesses and continue to execute its strategy, if Citi is unable to hire and retain highly qualified employees for any reason.

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.

This page intentionally left blank.

FINANCIAL STATEMENTS AND NOTES TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income (Unaudited)— For the Three and Six Months Ended June 30, 2017 and 2016	<u>95</u>
Consolidated Statement of Comprehensive Income(Unaudited)—For the Three and Six Months Ended June 30, 2017 and 2016	<u>96</u>
Consolidated Balance Sheet—June 30, 2017 (Unaudited) and December 31, 2016	<u>97</u>
Consolidated Statement of Changes in Stockholders' Equity(Unaudited)—For the Six Months Ended June 30, 2017 and 2016	<u>99</u>
Consolidated Statement of Cash Flows (Unaudited)— For the Six Months Ended June 30, 2017 and 2016	<u>101</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1—Basis of Presentation and Accounting Changes	<u>103</u>
Note 2—Discontinued Operations and Significant Disposals	<u>106</u>
Note 3—Business Segments	<u>108</u>
Note 4—Interest Revenue and Expense	<u>109</u>
Note 5—Commissions and Fees	<u>110</u>
Note 6—Principal Transactions	<u>110</u>
Note 7—Incentive Plans	<u>111</u>
Note 8—Retirement Benefits	<u>111</u>
Note 9—Earnings per Share	<u>116</u>
Note 10—Federal Funds, Securities Borrowed, Loaned and Subject to Repurchase Agreements	<u>117</u>
Note 11—Brokerage Receivables and Brokerage Payables	<u>120</u>
Note 12—Investments	<u>121</u>

Note 13—Loans	<u>133</u>
Note 14—Allowance for Credit Losses	<u>146</u>
Note 15—Goodwill and Intangible Assets	<u>148</u>
Note 16—Debt	<u>150</u>
Note 17—Changes in Accumulated Other Comprehensive Income (Loss) (AOCI)	<u>151</u>
Note 18—Securitizations and Variable Interest Entities	<u>157</u>
Note 19—Derivatives Activities	<u>165</u>
Note 20—Fair Value Measurement	<u>175</u>
Note 21—Fair Value Elections	<u>194</u>
Note 22—Guarantees and Commitments	<u>198</u>
Note 23—Contingencies	<u>202</u>
Note 24—Condensed Consolidating Financial Statement	<u>204</u>

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED) Citigroup Inc. and Subsidiaries

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions of dollars, except per share amounts	2017	2016	2017	2016
Revenues				
Interest revenue	\$15,201	\$14,356	\$29,624	\$28,523
Interest expense	4,036	3,120	7,602	6,060
Net interest revenue	\$11,165	\$11,236	\$22,022	\$22,463
Commissions and fees	\$2,937	\$2,725	\$5,696	\$5,188
Principal transactions	2,562	1,816	5,584	3,656
Administration and other fiduciary fees	1,003	878	1,896	1,689
Realized gains on sales of investments, net	221	200	413	386
Other-than-temporary impairment losses on investments				
Gross impairment losses	(20)	(118)	(32)	(583)
Less: Impairments recognized in AOCI	—	—	—	—
Net impairment losses recognized in earnings	\$(20)	\$(118)	\$(32)	\$(583)
Insurance premiums	\$156	\$217	\$325	\$481
Other revenue	(123)	594	117	1,823
Total non-interest revenues	\$6,736	\$6,312	\$13,999	\$12,640
Total revenues, net of interest expense	\$17,901	\$17,548	\$36,021	\$35,103
Provisions for credit losses and for benefits and claims				
Provision for loan losses	\$1,666	\$1,390	\$3,341	\$3,276
Policyholder benefits and claims	23	49	53	137
Provision (release) for unfunded lending commitments	28	(30)	(15)	41
Total provisions for credit losses and for benefits and claims	\$1,717	\$1,409	\$3,379	\$3,454
Operating expenses				
Compensation and benefits	\$5,463	\$5,229	\$10,997	\$10,785
Premises and equipment	604	642	1,224	1,293
Technology/communication	1,690	1,657	3,349	3,306
Advertising and marketing	432	433	805	823
Other operating	2,317	2,408	4,608	4,685
Total operating expenses	\$10,506	\$10,369	\$20,983	\$20,892
Income from continuing operations before income taxes	\$5,678	\$5,770	\$11,659	\$10,757
Provision for income taxes	1,795	1,723	3,658	3,202
Income from continuing operations	\$3,883	\$4,047	\$8,001	\$7,555
Discontinued operations				
Income (loss) from discontinued operations	\$33	\$(36)	\$5	\$(39)
Provision (benefit) for income taxes	12	(13)	2	(14)
Income (loss) from discontinued operations, net of taxes	\$21	\$(23)	\$3	\$(25)
Net income before attribution of noncontrolling interests	\$3,904	\$4,024	\$8,004	\$7,530
Noncontrolling interests	32	26	42	31
Citigroup's net income	\$3,872	\$3,998	\$7,962	\$7,499
Basic earnings per share ⁽¹⁾				
Income from continuing operations	\$1.27	\$1.25	\$2.63	\$2.36
Income (loss) from discontinued operations, net of taxes	0.01	(0.01)	—	(0.01)
Net income	\$1.28	\$1.24	\$2.63	\$2.35
Weighted average common shares outstanding	2,739.1	2,915.8	2,752.2	2,929.4

Diluted earnings per share⁽¹⁾

Income from continuing operations	\$ 1.27	\$ 1.25	\$ 2.63	\$ 2.36
Income (loss) from discontinued operations, net of taxes	0.01	(0.01)	—	(0.01)
Net income	\$ 1.28	\$ 1.24	\$ 2.63	\$ 2.35
Adjusted weighted average common shares outstanding	2,739.22	2,915.92	2,752.32	2,929.5

(1) Due to rounding, earnings per share on continuing operations and discontinued operations may not sum to earnings per share on net income.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Citigroup Inc. and Subsidiaries (UNAUDITED)

In millions of dollars	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Citigroup's net income	\$3,872	\$3,998	\$7,962	\$7,499
Add: Citigroup's other comprehensive income				
Net change in unrealized gains and losses on investment securities, net of taxes ⁽¹⁾	\$(27)	\$927	\$193	\$2,961
Net change in debt valuation adjustment (DVA), net of taxes ⁽¹⁾	(84)	12	(144)	205
Net change in cash flow hedges, net of taxes	117	151	115	468
Benefit plans liability adjustment, net of taxes	(135)	(27)	(147)	(492)
Net change in foreign currency translation adjustment, net of taxes and hedges	643	(552)	1,961	102
Citigroup's total other comprehensive income	\$514	\$511	\$1,978	\$3,244
Citigroup's total comprehensive income	\$4,386	\$4,509	\$9,940	\$10,743
Add: Other comprehensive income attributable to noncontrolling interests	\$39	\$(50)	70	(23)
Add: Net income attributable to noncontrolling interests	32	26	\$42	\$31
Total comprehensive income	\$4,457	\$4,485	\$10,052	\$10,751

(1) See Note 1 to the Consolidated Financial Statements.

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

CONSOLIDATED BALANCE SHEET Citigroup Inc. and Subsidiaries

	June 30, 2017 (Unaudited)	December 31, 2016
In millions of dollars		
Assets		
Cash and due from banks (including segregated cash and other deposits)	\$ 20,940	\$ 23,043
Deposits with banks	165,142	137,451
Federal funds sold and securities borrowed or purchased under agreements to resell (including \$142,831 and \$133,204 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	234,065	236,813
Brokerage receivables	40,487	28,887
Trading account assets (including \$98,974 and \$80,986 pledged to creditors at June 30, 2017 and December 31, 2016, respectively)	259,606	243,925
Investments:		
Available for sale (including \$8,512 and \$8,239 pledged to creditors as of June 30, 2017 and December 31, 2016, respectively)	293,629	299,424
Held to maturity (including \$311 and \$843 pledged to creditors as of June 30, 2017 and December 31, 2016, respectively)	50,175	45,667
Non-marketable equity securities (including \$1,384 and \$1,774 at fair value as of June 30, 2017 and December 31, 2016, respectively)	7,906	8,213
Total investments	\$ 351,710	\$ 353,304
Loans:		
Consumer (including \$27 and \$29 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	325,261	325,063
Corporate (including \$4,189 and \$3,457 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	319,434	299,306
Loans, net of unearned income	\$ 644,695	\$ 624,369
Allowance for loan losses	(12,025)	(12,060)
Total loans, net	\$ 632,670	\$ 612,309
Goodwill	22,349	21,659
Intangible assets (other than MSRs)	4,887	5,114
Mortgage servicing rights (MSRs)	560	1,564
Other assets (including \$18,993 and \$15,729 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	131,647	128,008
Total assets	\$ 1,864,063	\$ 1,792,077

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 those assets that can only be used to settle obligations of consolidated VIEs, presented 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.

	June 30, 2017 (Unaudited)	December 31, 2016
In millions of dollars		
Assets of consolidated VIEs to be used to settle obligations of consolidated VIEs		
Cash and due from banks	\$ 86	\$ 142
Trading account assets	1,236	602

Edgar Filing: CITIGROUP INC - Form 10-Q

Investments	2,932	3,636
Loans, net of unearned income		
Consumer	53,816	53,401
Corporate	19,241	20,121
Loans, net of unearned income	\$ 73,057	\$ 73,522
Allowance for loan losses	(1,863	)(1,769)
Total loans, net	\$ 71,194	\$ 71,753
Other assets	154	158
Total assets of consolidated VIEs to be used to settle obligations of consolidated VIEs	\$ 75,602	\$ 76,291
Statement continues on the next page.		

CONSOLIDATED BALANCE SHEET
(Continued)

Citigroup Inc. and Subsidiaries

	June 30, 2017 (Unaudited)	December 31, 2016
In millions of dollars, except shares and per share amounts		
Liabilities		
Non-interest-bearing deposits in U.S. offices	\$ 126,253	\$ 136,698
Interest-bearing deposits in U.S. offices (including \$334 and \$434 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	311,361	300,972
Non-interest-bearing deposits in offices outside the U.S.	83,046	77,616
Interest-bearing deposits in offices outside the U.S. (including \$1,006 and \$778 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	438,083	414,120
Total deposits	\$958,743	\$929,406
Federal funds purchased and securities loaned or sold under agreements to repurchase (including \$44,881 and \$33,663 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	154,780	141,821
Brokerage payables	62,947	57,152
Trading account liabilities	136,745	139,045
Short-term borrowings (including \$4,833 and \$2,700 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	36,519	30,701
Long-term debt (including \$29,001 and \$26,254 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	225,179	206,178
Other liabilities (including \$14,335 and \$10,796 as of June 30, 2017 and December 31, 2016, respectively, at fair value)	58,043	61,631
Total liabilities	\$1,632,956	\$1,565,934
Stockholders' equity		
Preferred stock (\$1.00 par value; authorized shares: 30 million), issued shares: 770,120 as of June 30, 2017 and as of December 31, 2016, at aggregate liquidation value	\$19,253	\$19,253
Common stock (\$0.01 par value; authorized shares: 6 billion), issued shares: 3,099,523,273 and 3,099,482,042 as of June 30, 2017 and December 31, 2016	31	31
Additional paid-in capital	107,798	108,042
Retained earnings	152,178	146,477
Treasury stock, at cost: June 30, 2017—374,967,178 shares and December 31, 2016—327,090,192 shares	(19,342)	(16,302)
Accumulated other comprehensive income (loss) (AOCI)	(29,899)	(32,381)
Total Citigroup stockholders' equity	\$230,019	\$225,120
Noncontrolling interest	1,088	1,023
Total equity	\$231,107	\$226,143
Total liabilities and equity	\$1,864,063	\$1,792,077

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.

	June 30, 2017 (Unaudited)	December 31, 2016
In millions of dollars		

Edgar Filing: CITIGROUP INC - Form 10-Q

Liabilities of consolidated VIEs for which creditors or beneficial interest holders
do not have recourse to the general credit of Citigroup

Short-term borrowings	\$ 10,317	\$ 10,697
Long-term debt	28,265	23,919
Other liabilities	456	1,275
Total liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Citigroup	\$ 39,038	\$ 35,891

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY Citigroup Inc. and Subsidiaries
(UNAUDITED)

	Six Months Ended June 30,	
	2017	2016
In millions of dollars, except shares in thousands		
Preferred stock at aggregate liquidation value		
Balance, beginning of period	\$19,253	\$16,718
Issuance of new preferred stock	—	2,535
Balance, end of period	\$19,253	\$19,253
Common stock and additional paid-in capital		
Balance, beginning of period	\$108,073	\$108,319
Employee benefit plans	(239)	(516)
Preferred stock issuance expense	—	(37)
Other	(5)	(5)
Balance, end of period	\$107,829	\$107,761
Retained earnings		
Balance, beginning of period	\$146,477	\$133,841
Adjustment to opening balance, net of taxes ⁽¹⁾	(660)	15
Adjusted balance, beginning of period	\$145,817	\$133,856
Citigroup's net income	7,962	7,499
Common dividends ⁽²⁾	(890)	(296)
Preferred dividends	(621)	(532)
Other ⁽³⁾	(90)	—
Balance, end of period	\$152,178	\$140,527
Treasury stock, at cost		
Balance, beginning of period	\$(16,302)	\$(7,677)
Employee benefit plans ⁽⁴⁾	523	773
Treasury stock acquired ⁽⁵⁾	(3,563)	(2,634)
Balance, end of period	\$(19,342)	\$(9,538)
Citigroup's accumulated other comprehensive income (loss)		
Balance, beginning of period	\$(32,381)	\$(29,344)
Adjustment to opening balance, net of taxes ⁽¹⁾	504	(15)
Adjusted balance, beginning of period	\$(31,877)	\$(29,359)
Citigroup's total other comprehensive income (loss)	1,978	3,244
Balance, end of period	\$(29,899)	\$(26,115)
Total Citigroup common stockholders' equity	\$210,766	\$212,635
Total Citigroup stockholders' equity	\$230,019	\$231,888
Noncontrolling interests		
Balance, beginning of period	\$1,023	\$1,235
Transactions between noncontrolling-interest shareholders and the related consolidated subsidiary	—	(11)
Transactions between Citigroup and the noncontrolling-interest shareholders	6	(73)
Net income attributable to noncontrolling-interest shareholders	42	31
Dividends paid to noncontrolling-interest shareholders	—	(1)
Other comprehensive income (loss) attributable to noncontrolling-interest shareholders	70	(23)
Other	(53)	(25)
Net change in noncontrolling interests	\$65	\$(102)
Balance, end of period	\$1,088	\$1,133
Total equity	\$231,107	\$233,021

- (1) See Note 1 to the Consolidated Financial Statements for additional details.
- (2) Common dividends declared were \$0.16 per share in the first and second quarter of 2017 and \$0.05 per share in the first and second quarter of 2016.
- (3) Includes the impact of ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. See Note 1 to the Consolidated Financial Statements.
Includes treasury stock related to (i) certain activity on employee stock option program exercises where the
- (4) employee delivers existing shares to cover the option exercise, or (ii) under Citi's employee restricted or deferred stock programs where shares are withheld to satisfy tax requirements.

(5) For the six months ended June 30, 2017 and 2016, primarily consists of open market purchases under Citi's Board of Directors-approved common stock repurchase program.

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

100

CONSOLIDATED STATEMENT OF CASH FLOWS Citigroup Inc. and Subsidiaries
(UNAUDITED)

	Six Months Ended June 30,	
	2017	2016
In millions of dollars		
Cash flows from operating activities of continuing operations		
Net income before attribution of noncontrolling interests	\$8,004	\$7,530
Net income attributable to noncontrolling interests	42	31
Citigroup's net income	\$7,962	\$7,499
Income (loss) from discontinued operations, net of taxes	3	(25)
Income from continuing operations—excluding noncontrolling interests	\$7,959	\$7,524
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations		
Net gains on significant disposals ⁽¹⁾	(19)	(422)
Depreciation and amortization	1,797	1,776
Provision for loan losses	3,341	3,276
Realized gains from sales of investments	(413)	(386)
Net impairment losses on investments, goodwill and intangible assets	60	583
Change in trading account assets	(15,776)	(21,808)
Change in trading account liabilities	(2,300)	18,795
Change in brokerage receivables net of brokerage payables	(5,805)	(836)
Change in loans held-for-sale (HFS)	(515)	1,786
Change in other assets	(3,343)	(4,345)
Change in other liabilities	(3,522)	7,175
Other, net	(2,975)	7,949
Total adjustments	\$(29,470)	\$13,543
Net cash provided by (used in) operating activities of continuing operations	\$(21,511)	\$21,067
Cash flows from investing activities of continuing operations		
Change in deposits with banks	\$(27,691)	\$(15,796)
Change in federal funds sold and securities borrowed or purchased under agreements to resell	2,748	(9,008)
Change in loans	(29,952)	(30,170)
Proceeds from sales and securitizations of loans	6,256	7,021
Purchases of investments	(96,925)	(108,359)
Proceeds from sales of investments	56,728	66,138
Proceeds from maturities of investments	47,785	33,383
Proceeds from significant disposals ⁽¹⁾	2,732	265
Capital expenditures on premises and equipment and capitalized software	(1,647)	(1,377)
Proceeds from sales of premises and equipment, subsidiaries and affiliates, and repossessed assets	215	390
Net cash used in investing activities of continuing operations	\$(39,751)	\$(57,513)
Cash flows from financing activities of continuing operations		
Dividends paid	\$(1,504)	\$(828)
Issuance of preferred stock	—	2,498
Treasury stock acquired	(3,635)	(2,634)
Stock tendered for payment of withholding taxes	(401)	(312)
Change in federal funds purchased and securities loaned or sold under agreements to repurchase	12,959	11,505
Issuance of long-term debt	37,679	27,142
Payments and redemptions of long-term debt	(21,317)	(26,855)

Change in deposits	29,337	29,965
Change in short-term borrowings	5,818	(2,671)

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED) (Continued)

In millions of dollars

	Citigroup Inc. and Subsidiaries Six Months Ended June 30,	
	2017	2016
Net cash provided by financing activities of continuing operations	\$58,936	\$37,810
Effect of exchange rate changes on cash and cash equivalents	\$223	\$(124)
Change in cash and due from banks	\$(2,103)	\$1,240
Cash and due from banks at beginning of period	23,043	20,900
Cash and due from banks at end of period	\$20,940	\$22,140
Supplemental disclosure of cash flow information for continuing operations		
Cash paid during the period for income taxes	\$1,975	\$2,045
Cash paid during the period for interest	7,329	5,726
Non-cash investing activities		
Transfers to loans HFS from loans	3,300	6,000
Transfers to OREO and other repossessed assets	58	97

(1) See Note 2 to the Consolidated Financial Statements for further information on significant disposals.
The Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND ACCOUNTING CHANGES

Basis of Presentation

The accompanying unaudited Consolidated Financial Statements as of June 30, 2017 and for the three- and six- month periods ended June 30, 2017 and 2016 include the accounts of Citigroup Inc. and its consolidated subsidiaries.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been reflected. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes included in Citigroup's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, including the historical audited consolidated financial statements of Citigroup reflecting the certain realignments and reclassifications set forth in Citigroup's Current Report on Form 8-K filed with the SEC on June 16, 2017 (2016 Annual Report on Form 10-K), and Citigroup's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (First Quarter of 2017 Form 10-Q).

Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP), but is not required for interim reporting purposes, has been condensed or omitted.

Management must make estimates and assumptions that affect the Consolidated Financial Statements and the related footnote disclosures. While management uses its best judgment, actual results could differ from those estimates.

As noted above, the Notes to Consolidated Financial Statements are unaudited.

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.

ACCOUNTING CHANGES

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities, which amends the amortization period for certain purchased callable debt securities held at a premium.

The ASU requires entities to amortize premiums on debt securities by the first call date when the securities have fixed and determinable call dates and prices. The scope of the ASU includes all accounting premiums, such as purchase premiums and cumulative fair value hedge adjustments. The ASU does not change the accounting for discounts, which

continue to be recognized over the contractual life of a security.

For calendar-year-end entities, the ASU is effective as of January 1, 2019, but it may be early adopted in any interim or year-end period after issuance. Adoption of the ASU is on a modified retrospective basis through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. Citi has early-adopted the ASU in the second quarter of 2017, with an effective date of January 1, 2017. Adoption of the ASU primarily affects Citi's available-for-sale and held-to-maturity portfolios of callable state and municipal securities. The ASU adoption resulted in a net reduction to total stockholders' equity of \$156 million (after tax), effective as of January 1, 2017. This amount is composed of a reduction of approximately \$660 million to retained earnings for the incremental amortization of purchase premiums and cumulative hedge adjustments generated under fair value hedges of these callable debt securities. This amount was offset by an increase to AOCI of \$504 million related to the cumulative fair value hedge adjustments reclassified to retained earnings.

Financial statements for periods prior to 2017 were not subject to restatement under the provisions of this ASU. The amount of amortization for the first quarter and the first half of 2017 under the provisions of the ASU is not materially different than the amount that was recorded during the first quarter or would have been recorded for the first half of

2017 if the ASU had not been adopted. For additional information, see Note 12 and Note 17 to the Consolidated Financial Statements.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments.

This ASU requires entities to present separately in Accumulated other comprehensive income (loss) (AOCI) the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. It also requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, thus eliminating eligibility for the current available-for-sale category. However, Federal Reserve Bank and Federal Home Loan Bank stock as well as certain exchange seats will continue to be presented at cost.

Citi early adopted only the provisions of this ASU related to presentation of the change in fair value of liabilities for which the fair value option was elected, related

to changes in Citigroup's own credit spreads in AOCI effective January 1, 2016. Accordingly, as of the first quarter of 2016, these amounts are reflected as a component of AOCI, whereas these amounts were previously recognized in Citigroup's revenues and net income. The impact of adopting this amendment resulted in a cumulative catch-up reclassification from retained earnings to AOCI of an accumulated after-tax loss of approximately \$15 million at January 1, 2016. Financial statements for periods prior to 2016 were not subject to restatement under the provisions of this ASU. For additional information, see Note 17, Note 20 and Note 21 to the Consolidated Financial Statements. The Company is evaluating the effects that the other provisions of ASU 2016-01, which are effective January 1, 2018, will have on its Consolidated Financial Statements and related disclosures.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

Accounting for Financial Instruments—Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326). The ASU introduces a new credit loss model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk.

The CECL model utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing GAAP and may result in material changes to the Company's accounting for financial instruments. The Company is evaluating the effect that ASU 2016-13 will have on its Consolidated Financial Statements and related disclosures. The impact of the ASU will depend upon the state of the economy and the nature of Citi's portfolios at the date of adoption. In the current environment, the overall impact is estimated to be an approximately 10-20% increase in credit reserves. Moreover, there are still some implementation questions that will need to be resolved that could affect the estimated impact. The ASU will be effective for Citi as of January 1, 2020. Early application is permitted for annual periods beginning January 1, 2019.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be

entitled for the transfer of promised goods or services to customers. The Company will adopt the guidance as of January 1, 2018 using a modified retrospective method with a cumulative-effect adjustment to opening retained earnings. While the guidance will replace most existing revenue recognition guidance in GAAP, the ASU is not applicable to financial instruments and, therefore, will not impact a majority of the Company's revenues, including net interest income.

While in scope of the new guidance, the Company does not expect a material change in the timing or measurement of revenues related to deposit fees. Citi's credit cardholder fees and mortgage servicing fees have been concluded to be out of scope of the standard and therefore will not be impacted by the issuance of this guidance. The Company expects the presentation of expenses associated with underwriting activity to change from the current reporting where underwriting revenue is recorded net of the related expenses to a gross presentation where the expenses are recorded in Other operating expenses. This change to a gross presentation will result in an equivalent increase in underwriting revenue recorded in Commissions and fees and associated underwriting expenses recorded in Other operating expenses; however, this change in presentation will not have an impact on Income from continuing operations. The Company continues to evaluate the effect that the guidance will have on other revenue streams within its scope, including the presentation of certain contract costs, as well as changes in disclosures required by the new guidance. Based on the Company's current interpretations of the new guidance, the overall impact to net income is expected to be

immaterial.

Lease Accounting

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require lessees to recognize leases on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective beginning January 1, 2019 with an option to early adopt. The Company does not plan to early adopt the ASU. The Company estimates that upon adoption, its Consolidated Balance Sheet will have an approximately \$5 billion increase in assets and liabilities. Additionally, the Company estimates an approximately \$200 million increase in retained earnings due to the cumulative effect of recognizing previously deferred gains on sale/leaseback transactions.

Income Tax Impact of Intra-Entity Transfers of Assets

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes-Intra-Entity Transfers of Assets Other Than Inventory, which will require an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The ASU is effective January 1, 2018. The Company continues

to evaluate the impact of this standard, which is expected to increase DTAs, with an associated decrease in prepaid taxes of approximately \$500 million.

Subsequent Measurement of Goodwill

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The ASU simplifies the subsequent measurement of goodwill impairment by eliminating the requirement to calculate the implied fair value of goodwill (i.e., the current Step 2 of the goodwill impairment test) to measure a goodwill impairment charge. Under the ASU, the impairment test is simply the comparison of the fair value of a reporting unit with its carrying amount (the current Step 1), with the impairment charge being the deficit in fair value but not exceeding the total amount of goodwill allocated to that reporting unit. The simplified one-step impairment test applies to all reporting units (including those with zero or negative carrying amounts).

The ASU is effective for Citi as of January 1, 2020. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017. The impact of the ASU will depend upon the performance of the reporting units and the market conditions impacting the fair value of each reporting unit going forward.

Clarifying the Definition of a Business

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The definition of a business directly and indirectly affects many areas of accounting (e.g., acquisitions, disposals, goodwill and consolidation). The ASU narrows the definition of a business by introducing a quantitative screen as the first step, such that if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of transferred assets and activities is not a business. If the set is not scoped out from the quantitative screen, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The ASU is effective for Citi as of January 1, 2018. The ASU will be applied prospectively, with early adoption permitted. The impact of the ASU will depend upon the acquisition and disposal activities of Citi. If fewer transactions qualify as a business, there could be less initial recognition of goodwill, but also less goodwill allocated to disposals.

Changes in Accounting for Pension and Postretirement (Benefit) Expense

In March 2017, the FASB issued ASU 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which changes the income statement presentation of net benefit expense and requires restating the Company's financial statements for

each of the earlier periods presented in Citi's annual and interim financial statements. The change in presentation is effective for annual and interim periods starting January 1, 2018. The ASU requires that only the service cost component of net benefit expense be included in the Compensation and benefits line on the income statement. The other components of net benefit expense will be required to be presented outside of the Compensation and benefits line and will be presented in Other operating expense. Since both these income statement line items are part of Operating expenses, total Operating expenses will not change, nor will there be any change in Net income. This change in presentation is not expected to have a material effect on the Compensation and benefits and on Other operating lines in the income statement. The components of the net benefit expense are currently disclosed in Note 7 to the Consolidated Financial Statements.

The new standard also changes the components of net benefit expense that are eligible for capitalization when employee costs are capitalized in connection with various activities, such as internally developed software, construction-in-progress, and loan origination costs. Prospectively from January 1, 2018, only the service cost component of net benefit expense may be capitalized. Existing capitalized balances are not affected. The Company is currently evaluating the portion of net benefits cost that continues to be eligible for capitalization and the portion that

is not eligible.

Other Potential Amendments to Current Accounting Standards

The FASB has issued a proposed ASU that will provide targeted improvements to the accounting guidance for hedging activities. The exposure draft contains many proposals for improving how the economic results of risk management are reflected in financial reporting. Specifically, among other improvements, the ASU is expected to expand the list of benchmark interest rates and also increase the ability for entities to construct hedges of interest rate risk that hedge only certain cash flows of a hedged item. If issued in its current form, the ASU is also expected to modify existing guidance related to the timing and income statement line recognition of ineffectiveness and components excluded from hedge relationships and add incremental disclosures regarding hedging activities.

2. DISCONTINUED OPERATIONS AND SIGNIFICANT DISPOSALS

Discontinued Operations

The following sales are reported as Discontinued operations within Corporate/Other.

Sale of Egg Banking plc Credit Card Business

Citi sold the Egg Banking plc credit card business in 2011. Residual items from the disposal resulted in Income (loss) from discontinued operations, net of taxes, of \$21 million and \$(20) million for the three months ended June 30, 2017 and 2016, respectively, and Income (loss) from discontinued operations, net of taxes, of \$3 million and \$(22) million for the six months ended June 30, 2017 and 2016, respectively. The income recognized during the current period was related to the release of certain reserves associated with expirations of certain warranties and indemnifications.

Combined Results for Discontinued Operations

The following summarizes financial information for all Discontinued operations for which Citi continues to have minimal residual impact associated with the sold operations:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
In millions of dollars				
Total revenues, net of interest expense	\$ —	\$ —	\$ —	\$ —
Income (loss) from discontinued operations	\$ 33	\$ (36)	\$ 5	\$ (39)
Provision (benefit) for income taxes	12	(13)	2	(14)
Income (loss) from discontinued operations, net of taxes	\$ 21	\$ (23)	\$ 3	\$ (25)

Cash flows for Discontinued operations were not material for the periods presented.

Significant Disposals

The following transactions during 2017 and 2016 were identified as significant disposals. The major classes of assets and liabilities that are derecognized from the Consolidated Balance Sheet at closing and the income related to each business until the disposal date are presented below.

Novation of the 80% Primerica Coinsurance Agreement

Effective January 1, 2016, Citi completed a novation (an arrangement that extinguishes Citi's rights and obligations under a contract) of the Primerica 80% coinsurance agreement, which was part of Corporate/Other, to a third-party re-insurer. The novation resulted in revenues of \$404 million recorded in Other revenue (\$263 million after-tax) during the first quarter of 2016. Furthermore, the novation resulted in derecognition of \$1.5 billion of available-for-sale securities and cash, \$0.95 billion of deferred acquisition costs and \$2.7 billion of insurance liabilities.

Exit of U.S. Mortgage Service Operations

As previously disclosed, Citigroup signed agreements during the first quarter of 2017 to effectively exit its direct U.S. mortgage servicing operations by the end of 2018 to intensify focus on originations. The exit of the mortgage servicing operations included the sale of mortgage servicing rights and execution of a subservicing agreement for the remaining Citi-owned loans and certain other mortgage servicing rights. As part of this transaction, Citi will also transfer certain employees.

This transaction, which was part of Corporate/Other, resulted in a pretax loss of \$331 million (\$207 million after-tax) recorded in Other revenue during the first quarter of 2017. The loss on sale does not include certain other costs and charges related to the disposed operation recorded primarily in Operating expenses in the first quarter of 2017, resulting in a total pretax loss of \$382 million. As part of the completed sale, during the first quarter of 2017, Citi derecognized a total of \$1,162 million of servicing-related assets, including \$1,046 million of mortgage servicing rights, related to approximately 750,000 Fannie Mae and Freddie Mac held loans with outstanding balances of approximately \$93 billion. Excluding the loss on sale and the additional charges, income before taxes for the disposed operation was immaterial for the three and six months ended June 30, 2017 and 2016.

Sale of CitiFinancial Canada Consumer Finance Business

On March 31, 2017, Citi completed the sale of CitiFinancial Canada (CitiFinancial), which was part of Corporate/Other, and included 220 retail branches and approximately 1,400 employees. As part of the sale, Citi derecognized total assets of approximately \$1.9 billion, including \$1.7 billion consumer loans (net of allowance), and total liabilities of approximately \$1.5 billion related to intercompany borrowings, which were settled at closing of the transaction. Separately, during the first quarter of 2017, CitiFinancial settled \$0.4 billion of debt issued through loan securitizations. The sale of CitiFinancial generated a pretax gain on sale of \$350 million recorded in Other revenue (\$178 million after-tax) during the first quarter of 2017.

Income before taxes, excluding the pretax gain on sale, was as follows:

	Three Months Ended June 30,	Six Months Ended June 30,
In millions of dollars	2017	2016
Income before taxes	\$ \$41	\$41 \$ 78

Sale of Fixed Income Analytics and Index Businesses

On May 30, 2017, Citi entered into an agreement to sell its fixed income analytics (Yield Book) and index businesses that are part of Markets and Securities Services within Institutional Clients Group (ICG). The closing, which is subject to regulatory clearance and other customary closing conditions, is expected to occur in the second half of 2017 and result in a gain, recognized at the closing of the transaction. As of June 30, 2017, the total assets of the businesses were approximately \$100 million, including \$72 million of goodwill, while the liabilities were not material. These assets and liabilities were classified as HFS within Other assets and Other liabilities on the Consolidated Balance Sheet, respectively, at June 30, 2017. Income before taxes for these businesses is as follows:

	Three Months Ended June 30,	Six Months Ended June 30,	
In millions of dollars	2017	2016	2017
Income before taxes	\$ 9	\$ 17	\$ 19
			\$ 31

3. BUSINESS SEGMENTS

Citigroup's activities are conducted through the Global Consumer Banking (GCB) and ICG business segments. In addition, Corporate/Other includes activities not assigned to a specific business segment, as well as certain North America and international loan portfolios, discontinued operations and other legacy assets.

The prior-period balances reflect reclassifications to conform the presentation for all periods to the current period's presentation. Effective January 1, 2017, financial data was reclassified to reflect:

- the reporting of the remaining businesses and portfolios of assets of Citi Holdings as part of Corporate/Other which, prior to the first quarter of 2017, was a separately reported business segment;
- the re-attribution of certain treasury-related costs between Corporate/Other, GCB and ICG;
- the re-attribution of regional revenues within ICG; and
- certain other immaterial reclassifications.

Citi's consolidated results remain unchanged for all periods presented as a result of the changes and reclassifications discussed above.

For additional information regarding Citigroup's business segments, see Note 3 to the Consolidated Financial Statements in Citi's 2016 Annual Report on Form 10-K.

The following table presents certain information regarding the Company's continuing operations by segment:

	Three Months Ended June 30,						Identifiable assets	
	Revenues, net of interest expense ⁽¹⁾		Provision (benefits) for income taxes ⁽¹⁾		Income (loss) from continuing operations ⁽²⁾			
In millions of dollars, except identifiable assets in billions	2017	2016	2017	2016	2017	2016	June 30, 2017	December 31, 2016
Global Consumer Banking	\$8,035	\$7,674	\$ 647	\$ 667	\$ 1,129	\$ 1,285	\$ 419	\$ 412
Institutional Clients Group	9,213	8,689	1,327	1,229	2,780	2,615	1,353	1,277
Corporate/Other	653	1,185	(179)	(173)	(26)	147	92	103
Total	\$17,901	\$17,548	\$ 1,795	\$ 1,723	\$ 3,883	\$ 4,047	\$ 1,864	\$ 1,792

Includes total revenues, net of interest expense (excluding Corporate/Other), in North America of \$8.5 billion and \$8.1 billion; in EMEA of \$2.8 billion and \$2.6 billion; in Latin America of \$2.3 billion and \$2.3 billion; and in

(1) Asia of \$3.6 billion and \$3.4 billion for the three months ended June 30, 2017 and 2016, respectively. These regional numbers exclude Corporate/Other, which largely operates within the U.S.

(2) Includes pretax provisions for credit losses and for benefits and claims in the GCB results of \$1.8 billion and \$1.4 billion; in the ICG results of \$87 million and \$82 million; and in the Corporate/Other results of \$(132) million and

Edgar Filing: CITIGROUP INC - Form 10-Q

\$(98) million for the three months ended June 30, 2017 and 2016, respectively.

Six Months Ended June 30,

	Revenues,		Provision (benefits)		Income (loss) from	
	net of interest expense		income taxes		continuing operations	
In millions of dollars	2017	2016	2017	2016	2017	2016
Global Consumer Banking	\$15,852	\$15,388	\$1,231	\$1,301	\$2,132	\$2,479
Institutional Clients Group	18,339	16,584	2,702	1,993	5,791	4,484
Corporate/Other	1,830	3,131	(275)	(92)	78	592
Total	\$36,021	\$35,103	\$3,658	\$3,202	\$8,001	\$7,555

Includes total revenues, net of interest expense, in North America of \$17.0 billion and \$16.0 billion; in EMEA of \$5.6 billion and \$4.7 billion; in Latin America of \$4.6 billion and \$4.4 billion; and in Asia of \$7.0 billion and \$6.9 billion for the six months ended June 30, 2017 and 2016, respectively. Regional numbers exclude Corporate/Other, which largely operates within the U.S.

Includes pretax provisions for credit losses and for benefits and claims in the GCB results of \$3.6 billion and \$2.9 billion; in the ICG results of \$(118) million and \$472 million; and in Corporate/Other results of \$(80) million and \$72 million for the six months ended June 30, 2017 and 2016, respectively.

4. INTEREST REVENUE AND EXPENSE

Interest revenue and Interest expense consisted of the following:

In millions of dollars	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Interest revenue				
Loan interest, including fees	\$10,199	\$9,750	\$20,146	\$19,510
Deposits with banks	375	237	670	456
Federal funds sold and securities borrowed or purchased under agreements to resell	828	664	1,489	1,311
Investments, including dividends	2,058	1,937	4,018	3,792
Trading account assets ⁽¹⁾	1,481	1,532	2,747	2,966
Other interest ⁽²⁾	260	236	554	488
Total interest revenue	\$15,201	\$14,356	\$29,624	\$28,523
Interest expense				
Deposits ⁽¹⁾	\$1,603	\$1,306	\$3,018	\$2,510
Federal funds purchased and securities loaned or sold under agreements to repurchase	676	527	1,169	1,029
Trading account liabilities ⁽²⁾	146	96	293	184
Short-term borrowings	202	109	401	210
Long-term debt	1,409	1,082	2,721	2,127
Total interest expense	\$4,036	\$3,120	\$7,602	\$6,060
Net interest revenue	\$11,165	\$11,236	\$22,022	\$22,463
Provision for loan losses	1,666	1,390	3,341	3,276
Net interest revenue after provision for loan losses	\$9,499	\$9,846	\$18,681	\$19,187

Includes deposit insurance fees and charges of \$329 million and \$267 million for the three months ended June 30, (1)2017 and 2016, respectively, and \$634 million and \$502 million for the six months ended June 30, 2017 and 2016, respectively.

(2) Interest expense on Trading account liabilities of ICG is reported as a reduction of interest revenue from Trading account assets.

5. COMMISSIONS AND FEES

The primary components of Citi's Commissions and fees revenue are investment banking fees, trading-related fees, fees related to trade and securities services in ICG and credit card and bank card fees. For additional information regarding

certain components of Commissions and fees revenue, see Note 5 to the Consolidated Financial Statements in Citi's 2016 Annual Report on Form 10-K.

The following table presents Commissions and fees revenue:

	Three Months		Six Months	
	Ended June		Ended June	
	30,		30,	
In millions of dollars	2017	2016	2017	2016
Investment banking	\$916	\$753	\$1,778	\$1,327
Trading-related	542	544	1,114	1,145
Trade and securities services	422	386	812	792
Credit cards and bank cards	364	344	675	615
Corporate finance ⁽¹⁾	238	241	407	364
Other consumer ⁽²⁾	169	166	333	324
Checking-related	122	104	242	220
Loan servicing	88	68	174	164
Other	76	119	161	237
Total commissions and fees	\$2,937	\$2,725	\$5,696	\$5,188

(1) Consists primarily of fees earned from structuring and underwriting loan syndications.

(2) Primarily consists of fees for investment fund administration and management, third-party collections, commercial demand deposit accounts and certain credit card services.

6. PRINCIPAL TRANSACTIONS

Citi's Principal transactions revenue consists of realized and unrealized gains and losses from trading activities. For additional information regarding Principal transactions revenue, see Note 6 to the Consolidated Financial Statements in Citi's 2016 Annual Report on Form 10-K.

The following table presents Principal transactions revenue:

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
In millions of dollars				
Global Consumer Banking ⁽¹⁾	\$142	\$165	\$291	\$308
Institutional Clients Group	2,079	1,911	4,747	3,487
Corporate/Other ⁽¹⁾	341	(260)	546	(139)
Total Citigroup	\$2,562	\$1,816	\$5,584	\$3,656
Interest rate risks ⁽²⁾	\$1,411	\$1,140	\$3,177	\$1,947
Foreign exchange risks ⁽³⁾	802	402	1,390	1,015
Equity risks ⁽⁴⁾	58	(55)	246	(5)

Commodity and other risks ⁽⁵⁾	148	121	238	265
Credit products and risks ⁽⁶⁾	143	208	533	434
Total	\$2,562	\$1,816	\$5,584	\$3,656

(1) Primarily relates to foreign exchange risks.

Includes revenues from government securities and corporate debt, municipal securities, mortgage securities and other debt instruments. Also includes spot and forward trading of currencies and exchange-traded and over-the-counter (OTC) currency options, options on fixed income securities, interest rate swaps, currency swaps, swap options, caps and floors, financial futures, OTC options and forward contracts on fixed income securities.

(3) Includes revenues from foreign exchange spot, forward, option and swap contracts, as well as foreign currency translation (FX translation) gains and losses.

(4) Includes revenues from common, preferred and convertible preferred stock, convertible corporate debt, equity-linked notes and exchange-traded and OTC equity options and warrants.

(5) Primarily includes revenues from crude oil, refined oil products, natural gas and other commodities trades.

(6) Includes revenues from structured credit products.

7. INCENTIVE PLANS

For additional information on Citi's incentive plans, see Note 7 to the Consolidated Financial Statements in Citi's 2016 Annual Report on Form 10-K.

8. RETIREMENT BENEFITS

For additional information on Citi's retirement benefits, see Note 8 to the Consolidated Financial Statements in Citi's 2016 Annual Report on Form 10-K.

Net (Benefit) Expense

The following table summarizes the components of net (benefit) expense recognized in the Consolidated Statement of Income for the Company's pension and postretirement plans for Significant Plans and All Other Plans:

In millions of dollars	Three Months Ended June 30,							
	Pension plans				Postretirement benefit plans			
	U.S. plans		Non-U.S. plans		U.S. plans		Non-U.S. plans	
	2017	2016	2017	2016	2017	2016	2017	2016
Qualified plans								
Benefits earned during the period	\$—	\$—	\$ 38	\$ 39	\$ —	\$ —	\$ 2	\$ 3
Interest cost on benefit obligation	128	132	74	73	8	5	25	24
Expected return on plan assets	(217)	(218)	(76)	(74)	(2)	(3)	(22)	(22)
Amortization of unrecognized								
Prior service benefit	—	—	(1)	(1)	—	—	(3)	(3)
Net actuarial loss (gain)	38	39	15	20	1	(1)	9	8
Curtailment loss ⁽¹⁾	3	—	—	—	—	—	—	—
Settlement loss ⁽¹⁾	—	—	4	3	—	—	—	—
Net qualified plans (benefit) expense	\$(48)	\$(47)	\$ 54	\$ 60	\$ 7	\$ 1	\$ 11	\$ 10
Nonqualified plans expense	\$11	\$9	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total net (benefit) expense	\$(37)	\$(38)	\$ 54	\$ 60	\$ 7	\$ 1	\$ 11	\$ 10

(1) Losses due to curtailment and settlement relate to repositioning and divestiture activities.

In millions of dollars	Six Months Ended June 30,							
	Pension plans				Postretirement benefit plans			
	U.S. plans		Non-U.S. plans		U.S. plans		Non-U.S. plans	
	2017	2016	2017	2016	2017	2016	2017	2016
Qualified plans								
Benefits earned during the period	\$1	\$1	\$ 74	\$ 77	\$ —	\$ —	\$ 4	\$ 6
Interest cost on benefit obligation	260	273	145	146	14	13	49	48
Expected return on plan assets	(433)	(436)	(146)	(146)	(3)	(5)	(43)	(43)
Amortization of unrecognized								
Prior service benefit	—	—	(2)	(1)	—	—	(5)	(6)
Net actuarial loss (gain)	79	75	31	39	—	(1)	17	16
Curtailment loss (gain) ⁽¹⁾	3	—	—	(3)	—	—	—	—
Settlement loss ⁽¹⁾	—	—	4	4	—	—	—	—
Net qualified plans (benefit) expense	\$(90)	\$(87)	\$ 106	\$ 116	\$ 11	\$ 7	\$ 22	\$ 21
Nonqualified plans expense	\$21	\$19	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total net (benefit) expense	\$(69)	\$(68)	\$ 106	\$ 116	\$ 11	\$ 7	\$ 22	\$ 21

(1) (Gains) losses due to curtailment and settlement relate to repositioning and divestiture activities.

Funded Status and Accumulated Other Comprehensive Income (AOCI)

The following tables summarize the funded status and amounts recognized in the Consolidated Balance Sheet for the Company's

Significant Plans.

In millions of dollars	Six Months Ended June 30, 2017			
	Pension plans		Postretirement benefit plans	
	U.S. plans	Non-U.S. plans	U.S. plans	Non-U.S. plans
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	\$ 14,000	\$ 6,522	\$ 686	\$ 1,141
Plans measured annually	(28)	(1,784)	) —	(303)
Projected benefit obligation at beginning of year—Significant Plans	\$ 13,972	\$ 4,738	\$ 686	\$ 838
First quarter activity	25	802	(7)	) 134
Projected benefit obligation at March 31, 2017—Significant Plans	\$ 13,997	\$ 5,540	\$ 679	\$ 972
Benefits earned during the period	—	22	—	2
Interest cost on benefit obligation	135	62	7	22
Actuarial gain (loss)	214	(58)	) 71	22
Benefits paid, net of participants' contributions	(191)	(79)	) (15)	(14)
Curtailment loss ⁽¹⁾	3	—	—	—
Foreign exchange impact and other	—	62	—	40
Projected benefit obligation at June 30, 2017—Significant Plans	\$ 14,158	\$ 5,549	\$ 742	\$ 1,044

(1) Loss due to curtailment relates to repositioning activities.

Six Months Ended June 30, 2017

	Pension plans		Postretirement benefit plans	
	U.S. plans	Non-U.S. plans	U.S. plans	Non-U.S. plans

In millions of dollars

Change in plan assets

Plan assets at fair value at beginning of year	\$ 12,363	\$ 6,149	\$ 129	\$ 1,015	
Plans measured annually	—	(1,167) —	(11)
Plan assets at fair value at beginning of year—Significant Plans	\$ 12,363	\$ 4,982	\$ 129	\$ 1,004	
First quarter activity	159	903	\$—	124	
Plan assets at fair value at March 31, 2017—Significant Plans	\$ 12,522	\$ 5,885	\$ 129	\$ 1,128	
Actual return on plan assets	364	(45	) 4	23
Company contributions, net of reimbursements	13	13	8	—	
Plan participants' contributions	—	1	—	—	
Benefits paid, net of government subsidy	(191)(80) (15)(14)
Foreign exchange impact and other	—	72	—	46	
Plan assets at fair value at June 30, 2017—Significant Plans	\$ 12,708	\$ 5,846	\$ 126	\$ 1,183	
Funded status of the Significant Plans					
Qualified plans ⁽¹⁾	\$(720	)\$ 297	\$(616)	\$ 139
Nonqualified plans	(730)—	—	—	
Funded status of the plans at June 30, 2017—Significant Plans	\$(1,450	)\$ 297	\$(616)	\$ 139
Net amount recognized					
Benefit asset	\$—	\$ 758	\$—	\$ 139	
Benefit liability	(1,450	)(461	) (616)—	
Net amount recognized on the balance sheet—Significant Plans	\$(1,450	)\$ 297	\$(616)	\$ 139
Amounts recognized in AOCI					
Prior service benefit	\$—	\$ 32	\$—	\$ 94	
Net actuarial gain (loss)	(6,821)(984) 39	(403)
Net amount recognized in equity (pretax)—Significant Plans	\$(6,821)\$ (952)		