CITIGROUP INC
Form 10-K
February 24, 2012

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

FORM 10-K

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

For the fiscal year ended December 31, 2011

Commission file number 1-9924

Citigroup Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10-K CROSS-REFERENCE INDEX

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

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

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

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

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

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

CITIGROUP S 2011 ANNUAL REPORT ON FORM 10-K

OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXECUTIVE SUMMARY

Market and Economic Environment

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

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

2011 Summary Results

Citigroup

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

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

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

Expenses

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

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

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

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

Credit Costs

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

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

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

Capital and Loan Loss Reserve Positions

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

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

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

Citicorp

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

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

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

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

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

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

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

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

Citi Holdings

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

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

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

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

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

RESULTS OF OPERATIONS

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA PAGE 1

Citigroup Inc. and Consolidated Subsidiaries

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

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

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA PAGE 2 *Citigroup Inc. and Consolidated Subsi*

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

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

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

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

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

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

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

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

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

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

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

NM Not meaningful

SEGMENT AND BUSINESS INCOME (LOSS) AND REVENUES

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

CITIGROUP INCOME (LOSS)

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

NM Not meaningful

CITIGROUP REVENUES

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

NM Not meaningful

CITICORP

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

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

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

NM Not meaningful

GLOBAL CONSUMER BANKING

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

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

NM Not meaningful

NORTH AMERICA REGIONAL CONSUMER BANKING

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

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

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

NM Not meaningful

2011 vs. 2010

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

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

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

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

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

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

2010 vs. 2009

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

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

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

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

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

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

EMEA REGIONAL CONSUMER BANKING

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

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

NM Not meaningful

2011 vs. 2010

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

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

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

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

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

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

2010 vs. 2009

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

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

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

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

LATIN AMERICA REGIONAL CONSUMER BANKING

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

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

NM Not meaningful

2011 vs. 2010

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

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

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

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

2010 vs. 2009

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

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

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

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

ASIA REGIONAL CONSUMER BANKING

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

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

NM Not meaningful

2011 vs. 2010

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

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

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

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

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

2010 vs. 2009

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

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

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

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

INSTITUTIONAL CLIENTS GROUP

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

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

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SECURITIES AND BANKING

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

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

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

NM Not meaningful

2011 vs. 2010

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

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

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

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

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

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

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

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

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

2010 vs. 2009

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

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

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

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

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

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

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

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

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

TRANSACTION SERVICES

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

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

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

2011 vs. 2010

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

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

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

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

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

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

2010 vs. 2009

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

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

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

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

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

CITI HOLDINGS

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

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

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

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

NM Not meaningful

BROKERAGE AND ASSET MANAGEMENT

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

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

NM Not meaningful

2011 vs. 2010

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

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

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

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

2010 vs. 2009

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

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

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

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

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

LOCAL CONSUMER LENDING

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

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

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

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

NM Not meaningful

2011 vs. 2010

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

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

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

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

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

2010 vs. 2009

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

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

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

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

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

Japan Consumer Finance

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

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

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

Payment Protection Insurance

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

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

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

SPECIAL ASSET POOL

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

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

NM Not meaningful

2011 vs. 2010

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

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

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

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

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

2010 vs. 2009

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

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

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

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

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

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CORPORATE/OTHER

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

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

2011 vs. 2010

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

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

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

2010 vs. 2009

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

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

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

BALANCE SHEET REVIEW

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

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

ASSETS

Cash and Deposits with Banks

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

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

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

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

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

Trading Account Assets

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

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

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

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

Investments

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

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

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

Loans

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

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

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

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

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

Other Assets

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

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

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

LIABILITIES

Deposits

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

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

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

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

Trading Account Liabilities

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

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

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

Debt

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

Other Liabilities

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

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

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

SEGMENT BALANCE SHEET AT DECEMBER 31, 2011[1]

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

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

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL RESOURCES

Overview

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

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

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

Capital Ratios

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

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

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

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

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

Citigroup Regulatory Capital Ratios

At year end	**2011**	2010

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

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

Components of Capital Under Regulatory Guidelines

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

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

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

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

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

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

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

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

Common Stockholders Equity

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

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

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

Tangible Common Equity and Tangible Book Value Per Share

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

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

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

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

Capital Resources of Citigroup s U.S. Depository Institutions

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

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

Citibank, N.A. Capital Tiers and Capital Ratios Under Regulatory Guidelines[1]

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

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

Impact of Changes on Capital Ratios

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

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

Broker-Dealer Subsidiaries

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

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

Regulatory Capital Standards

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

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

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

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

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

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

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

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

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

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

Further, under Basel III, certain capital instruments will no longer qualify as non-common components of Tier 1 Capital (e.g., trust preferred securities and cumulative perpetual preferred stock) or Tier 2 Capital. These instruments will be subject to a 10% per year phase-out over 10 years beginning on January 1, 2013, except for certain limited grandfathering. This phase-out period will be substantially shorter in the U.S. as a result of the Collins Amendment of the Dodd-Frank Act, which will generally require a phase-out of these securities over a three-year period also beginning on January 1, 2013. In addition, the Basel Committee has subsequently issued supplementary minimum requirements to those contained in Basel III, which must be met or exceeded in order to ensure that qualifying non-common Tier 1 or Tier 2 Capital instruments fully absorb losses at the point of a banking organization s non-viability before taxpayers are exposed to loss. These requirements must be reflected within the terms of the capital instruments unless, subject to certain conditions, they are implemented through the governing jurisdiction s legal framework.

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

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

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

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

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

Dodd-Frank Act

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

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

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

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

FUNDING AND LIQUIDITY

Overview

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

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

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

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

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

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

Aggregate Liquidity Resources

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

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

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

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

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

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

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

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

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

Deposits

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

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

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

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

Long-Term Debt

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

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

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

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

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

As set forth in the table above, Citi s overall long-term debt has decreased by approximately $58 billion year-over-year. In the non-bank, the year-over-year decrease was primarily due to TLGP run-off. In the bank entities, the decrease also included TLGP run-off, FHLB reductions, and the maturing of credit card securitization debt, particularly as Citi has grown its overall deposit base. Citi currently expects a continued decline in its overall long-term debt over 2012, particularly within its bank entities. Given its liquidity resources as of December 31, 2011, Citi may consider opportunities to repurchase its long-term debt, pursuant to open market purchases, tender offers or other means.

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

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

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

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

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

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

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

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

Secured Financing Transactions and Short-Term Borrowings

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

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

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

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

Secured Financing Transactions

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

Commercial Paper

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

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

Other Short-Term Borrowings

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

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

Liquidity Risk Management

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

Citigroup operates under a centralized treasury model where the overall balance sheet is managed by Citigroup Treasury through Global Franchise Treasurers and Regional Treasurers. Day-to-day liquidity and funding are managed by treasurers at the country and business level and are monitored by Citigroup Treasury and independent risk management.

Liquidity Measures and Stress Testing

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

Liquidity Measures

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

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

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

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

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

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

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

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

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

Credit Ratings

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

Citigroup s Debt Ratings as of December 31, 2011

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

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

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

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

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

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

Citibank, N.A. will be impacted.

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

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

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

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

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

OFF-BALANCE-SHEET ARRANGEMENTS

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

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

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

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

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

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

CONTRACTUAL OBLIGATIONS

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

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

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

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

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

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

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

RISK FACTORS

REGULATORY RISKS

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

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

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

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

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

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

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

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

Finally, uncertainty persists as to the extent to which Citi will be subject to more stringent regulations than its foreign competitors with respect to several of the regulatory initiatives, particularly in its non-U.S. operations, including certain aspects of the proposed restrictions under the Volcker Rule and derivatives clearing and margin requirements. Differences in substance or severity of regulations across jurisdictions could significantly reduce Citi s ability to compete with foreign competitors, in a variety of businesses and geographic areas, and thus further negatively impact Citi s earnings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regulatory requirements in the U.S. and other jurisdictions aimed at facilitating the future orderly resolution of large financial institutions could result in Citi having to change its business structures, activities and practices in ways that negatively impact its operations.

The Dodd-Frank Act requires Citi to prepare a plan for the rapid and orderly resolution of Citigroup, the bank holding company, under the Bankruptcy Code in the event of future material financial distress or failure. Citi is also required to prepare a resolution plan for its insured depository institution subsidiary, Citibank, N.A., and to demonstrate how it is adequately protected from the risks presented by non-bank affiliates. These plans must include information on resolution strategy, major counterparties and interdependencies, among other things, and will require substantial effort, time and cost. These resolution plans will be subject to review by the Federal Reserve Board and the FDIC.

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

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

Citi could be harmed competitively if it is unable to hire or retain highly qualified employees as a result of regulatory requirements regarding compensation practices or otherwise.

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

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

Provisions of the Dodd-Frank Act and other regulations relating to securitizations will impose additional costs on securitization transactions, increase Citi s potential liability in respect of securitizations and may prohibit Citi from performing certain roles in securitizations, each of which could make it impractical to execute certain types of transactions and may have an overall negative effect on the recovery of the securitization markets.

Citi plays a variety of roles in asset securitization transactions, including acting as underwriter of asset-backed securities, depositor of the underlying assets into securitization vehicles, trustee to securitization vehicles and counterparty to securitization vehicles under derivative contracts. The Dodd-Frank Act contains a number of provisions that affect securitizations. Among other provisions, these include a requirement that securitizers retain un-hedged exposure to at least 5% of the economic risk of certain assets they securitize, a prohibition on securitization participants engaging in transactions that would involve a conflict with investors in the securitization, and extensive additional requirements for review and disclosure of the characteristics of the assets underlying the securitizations. The SEC has also proposed additional extensive regulation of both publicly and privately offered securitization transactions (so-called Reg AB II).

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

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

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

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

MARKET AND ECONOMIC RISKS

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

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

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

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

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

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

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

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

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

In August 2011, Standard & Poor s lowered its long-term sovereign credit rating on the U.S. government from AAA to AA+ and in the second half of 2011, Moody s Investors Services and Fitch both placed the U.S. rating on negative outlook. According to the credit rating agencies, these actions resulted from the high level of U.S. government debt and the continued inability of Congress to reach an agreement to ensure payment of U.S. government debt and reduce the U.S. debt level. If the credit rating of the U.S. government is further downgraded, the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected. A future downgrade of U.S. debt obligations or U.S. government-related obligations by one or more credit rating agencies, or heightened concern that such a downgrade might occur, could negatively affect Citi s ability to obtain funding collateralized by such obligations as well as the pricing of such funding. Such a downgrade could also negatively impact the pricing or availability of Citi s funding as a U.S. financial institution. In addition, such a downgrade could affect financial markets and economic conditions generally and the market value of the U.S. debt obligations held by Citi. As a result, such a downgrade could lead to a downgrade of Citi debt obligations and could have a material adverse effect on Citi s business, results of operations, capital, funding and liquidity.

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

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

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

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

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

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

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

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

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

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

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

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

BUSINESS RISKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

changes in Citi s operations, or cause Citi reputational harm. Moreover, the many large claims asserted against Citi are highly complex and slow to develop, and they may involve novel or untested legal t